

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

PRUDENTIAL STATEMENT

No. 04-2004

QUARTERLY BANK FINANCIAL REPORT

1. Preamble

This Prudential Statement is issued by the Financial Supervisory Commission pursuant to the provisions of Section 14(3) of the Banking Act 2003 and shall be applicable to all bank licensees, both domestic and international.

The purpose of this Prudential Statement is to specify the minimum information that each bank must submit to the Financial Supervisory Commission and the required frequency for the submission of such information to allow for the prudential supervision of banks.

Foreign banks shall, for purposes of complying with this Prudential Statement, report only on those accounts held by its Cook Islands branch or subsidiary.

2. Reporting Requirements

Every bank shall, within twenty (20) calendar days following the end of each calendar quarter (31 March, 30 June, 30 September and 31 December) submit to the Commissioner of the Financial Supervisory Commission (the Commissioner), at P. O. Box 594, Avarua, Rarotonga, Cook Islands, a Bank Financial Report in such format and prepared in accordance with such instructions as provided in Appendix I of this Prudential Statement or as may hereafter be amended in writing by the Commissioner.

The Commissioner may require additional information or the more frequent submission of the Bank Financial Report as may be necessary for the enforcing the provisions of the Banking Act 2003, other applicable laws of the Cook Islands or to assess the condition or operating performance of a bank. Any such request by the Commissioner for additional information or more frequent submission of the Bank Financial Report shall be in writing to the bank and the bank shall be provided at least fifteen (15) calendar days after

the receipt of such written request to submit such information in the requested format to the Commissioner.

Any bank, as a result of technical difficulties may make a written request to the Commissioner at the above-referenced address for an extension of the time for the submission of a Bank Financial Report or supporting schedule(s). Requests for additional time for the submission of the Bank Financial Report or any supporting schedule(s) must be made in writing and must be received by the Commissioner not later than five (5) calendar days following the required Reporting Date for the respective Bank Financial Report. Any request for an extension of the time for the submission of the Bank Financial Report or supporting schedule(s) thereto must include specific details of the technical difficulties/limitations preventing the bank from completing and submitting the required information, the efforts/actions being taken by the bank to obtain the necessary information, and a timeframe for the completion and submission of the required information.

3. Persons Responsible for Submission of Report

The accuracy and correctness of the information required to be submitted under this Prudential Statement shall be attested to by the chief executive officer of the bank, or such other person by whatever title with responsibility for the overall daily management of the affairs of the bank and the implementation of policies by the bank's board of directors, and the chief accountant of the bank, or such other person by whatever title with responsibility for maintaining the books, ledgers and accounts of the bank on a day-to-day basis.

The board of directors of each bank is responsible for ensuring compliance with the requirements of this Prudential Statement and the accuracy of the information required hereunder to be submitted to the Commissioner.

4. Enforcement and Corrective Measures

If a bank fails to comply with the requirements contained in this Prudential Statement in a flagrant manner which results, or threatens to result, in an unsafe or unsound condition, or submits information to the Financial Supervisory Commission which is materially inaccurate, the Financial Supervisory Commission may pursue any or all corrective actions as provided under pertinent sections of the Banking Act 2003 or as may be prescribed by subsequent regulations or issuances of the Financial Supervisory Commission. Directives or conditions that may also be imposed by the Financial Supervisory Commission on the operations of the licensee may include but need not be limited to:

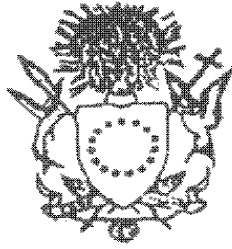
- i. prohibition from engaging in new activities or from expanding existing activities;
- ii. suspension of lending, investment and credit extension activities;
- iii. prohibition from acquiring, through purchase or lease, additional fixed assets;
- iv. prohibition from accepting further deposits or other liabilities for borrowed money;
- v. prohibition from declaring or paying dividends or bonuses, salary incentives, severance packages, management fees or other

discretionary compensation to directors, managers and officers.

FINANCIAL SUPERVISORY COMMISSION

17 December 2004

FINANCIAL SUPERVISORY COMMISSION



Cook Islands

BANK FINANCIAL REPORT (FSC Form BKA & BKB)

(Name of Reporting Bank)

As of:

(Date of Report)

CERTIFICATION OF ACCURACY

I/We, the undersigned officer(s), do hereby declare that this Bank Financial Report has been prepared in conformity with official instructions issued by the Financial Supervisory Commission and is true to the best of my/our knowledge and belief.

Signature of Chief Executive Officer:	Date Signed:
Print Name and Title of Person Signing Report:	Telephone Number:

Signature of Chief Accountant:	Date Signed:
Print Name and Title of Person Signing Report:	Telephone Number:

Name of contact person in case of queries regarding completion of this Report	Telephone Number
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INSTRUCTIONS FOR THE PREPARATION OF THE BANK FINANCIAL REPORT AND SUPPORTING SCHEDULES

GENERAL INSTRUCTIONS

Balances reported in the Bank Financial Report (the Report) are to be prepared as of the close of business for the last business day of each calendar quarter end. Balances on the books of the reporting bank as of the reporting date that are denominated in currencies other than the New Zealand Dollar must be converted into a New Zealand Dollar equivalent using the “market mid-rate” (spot mid-rate) as quoted/published by the Reserve Bank of New Zealand for the particular foreign currency as of the Reporting Date. Where a “market mid-rate” for a particular foreign currency is not quoted/published by the Reserve bank of New Zealand, the reporting bank must maintain appropriate written documentation detailing the “market mid-rate” used to convert the particular foreign currency. The reporting bank must maintain such written documentation for not less than two years following the submission of the Report to the FSC.

PREPARATION OF THE REPORTS

The Report and supporting schedules thereto are required to prepare in accordance with the instructions outlined herein or as may be amended from time to time in writing by the Commissioner of the FSC (the Commissioner). Questions relating to the completion of the Report should be directed to the Commissioner at telephone (682) 20798, facsimile (682)21798, or E-mail at Comm@oyster.net.ck. However, all requests for interpretations of accounting issues not covered in principle by these instructions must be submitted in writing to the Commissioner at P. O. Box 594, Avarua, Rarotonga. All requests for interpretations or clarification will be responded to in writing by the Commissioner.

In accordance with Section 26, Banking Act 2003, every licensee (bank) must keep and maintain accounting records that are necessary to disclose with reasonable accuracy its financial position. Section 14 of the Banking Act 2003, further authorizes the FSC to issues written directives and guidelines for the prudential supervision of licensees and to collect such information as it believes necessary to monitor a bank’s condition, performance and compliance with the laws of the Government of the Cook Islands and directives and guidelines issued by the FSC.

The Commissioner may require a bank to file an amended Report if significant and/or substantial errors or omissions in a Report or supporting schedules submitted by a bank are determined as a result of an on-site inspection.

SUBMISSION OF THE REPORTS

The Report is to be submitted in the format as required by the Commissioner. No caption, line item, column or other identifying numbers shall be changed by the reporting bank in any way. No item is to be left blank and an entry must be made for each item, i.e., the words “zero,” “none,” “N/A,” or the number “0.”

All Reports must be made out clearly and legibly by typewriter or in ink. Reports completed in pencil will not be accepted.

A licensee may submit a computer-generated Report in a format identical to that of the format as required by the Commissioner, including all captions, line items, columns and other identifying numbers.

CONSOLIDATION REQUIREMENTS OF REPORTS

In the Report, banks shall include the following on a consolidated basis:

- (1) the bank's head office;
- (2) all branches of the bank (domestic and foreign); and
- (3) all subsidiaries and affiliates as defined in the Financial Institutions Act of 2001

Each bank shall account for any investments in unconsolidated subsidiaries and affiliates companies, over which it exercises significant influence according to the equity method of accounting as described in the instructions for the preparation of Schedule BKA-4, Other Assets, Line C.

RULES OF CONSOLIDATION

For purposes of preparing the Report, all offices (i.e., branches and subsidiaries, etc.) are to be reported on a consolidated basis. Unless the Report form captions or the line item instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the captions shown. As part of the consolidation process, the results of all transactions and all outstanding asset/debt relationships between offices included in the scope of the consolidated bank are to be eliminated in the consolidation and must be excluded from the consolidated Report. (For example, eliminate in the consolidation (1) loans made by the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash or other asset account balance of the subsidiary, and (3) the inter-company interest income and expense related to such loans and deposits of the bank and its consolidated subsidiary.)

Foreign banks are to report only on those accounts held by/at its Cook Islands branch or subsidiary.

APPLICABILITY OF INTERNATIONALLY ACCEPTED ACCOUNTING STANDARDS AND PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

It is the intention of the FSC to follow internationally accepted accounting standards wherever appropriate; however, the Reports are supervisory reports and regulatory documents and are not primarily accounting documents. Because of the special supervisory and regulatory needs served by the Reports, the instructions for the preparation of the Reports may not in all cases follow internationally accepted accounting standards and procedures. In reporting transactions in the Report not covered in principle by the instructions contained herein, a reporting bank may follow advice obtained from its approved auditor pursuant to Section 41 of the Banking Act 2003; however, in all such instances the reporting bank shall, within 20 (twenty) calendar days following the submission of the particular Report, make a written request to the Commissioner for clarification and approval of the reporting treatment.

ACCRUAL BASIS REPORTING

All banks must report the following line items and schedules of the Report on a full accrual accounting basis:

- (1) income from loans (except loans placed on non accrual status due to concerns regarding the collection of the loan or its past due status);
- (2) amortization of premiums and accretion of discounts paid or earned on securities and investments;
- (3) income taxes;
- (4) depreciation on fixed assets (excluding investments in real estate held for use as banking facilities, but including without limitation buildings and other permanent improvements, furniture, equipment, and vehicles);
- (5) provisions for bad loans;
- (6) accrued but unpaid interest on all categories of deposit liabilities.

NEGATIVE ENTRIES

Except for the items listed below, negative entries are not appropriate in FSC Form BKA, Statement of Assets, Liabilities & Capital and should not appear. Accordingly, asset accounts with credit balances must be reported in liability items and liability accounts with debit balances must be reported in asset items, as appropriate, and in accordance with the instructions contained herein. Items/accounts for which negative entries may be made include FSC Form BKA:

- (1) Line 5.(b) – Provisions for Bad Loans;
- (2) Line 18. – Retained Profits (Losses) Prior Years
- (3) Line 19. – Income (Loss) Year-to-date

When negative entries do occur in one or more of these items, they are to be recorded in parentheses (“-”).

In FSC Form BKB, Statement of Income & Expense, negative entries may appear if appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

VERIFICATION OF REPORTS AND EXPLANATION OF UNUSUAL CHANGES

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting schedules should be cross-checked to corresponding items elsewhere in the Reports.

Before Reports are submitted, all amounts should be compared with the corresponding amounts in previously submitted Reports. If there are any unusual changes from previously submitted reports, a brief but full explanation of the changes should be attached to the report in order to reduce inquiries from the Commissioner or staff of the FSC.

Banks must retain work papers and other records used in the preparation of the reports. Verification of the regulatory reporting process will be an integral part of external audit requirement and future on-site inspections conducted by the staff of the FSC.

FORM BKA**STATEMENT OF ASSETS, LIABILITIES & CAPITAL****ASSETS****1.****NOTES AND COIN**

Report the total amount of:

- all notes and coin owned and held in all offices of the reporting bank;
- all notes and coin in transit to another bank for which the reporting bank has not yet received credit; and
- all notes and coin in transit from another bank for which the reporting bank's account has been charged as of the reporting date.

2.**DEPOSITS DUE FROM BANKS & FINANCIAL INSTITUTIONS**

Report the balance from Schedule BKA-2, Deposits Due From Banks & Financial Institutions, Line D., Column (c).

Schedule BKA-2

DEPOSITS DUE FROM BANKS & FINANCIAL INSTITUTIONS

If a deposit account due from a bank or financial institution is overdrawn on the books of the reporting bank as of the reporting date, the balance must be reported in the appropriate Line and Column of Schedule BKA-7, Deposits Due To Banks & Financial Institutions and identified with an asterisk (“*”).

For foreign bank branches, funds placed with the parent/head office are to be reported in the appropriate Line and Column of Schedule BKA-2 as deposits due from “Head Office.”

Column Instructions

Column (a) - Report in the appropriate Line for each bank or financial institution the total amount of non-interest bearing deposit balances placed with and due from each respective institution.

Column (b) - Report in the appropriate Line for each bank or financial institution the total amount of interest bearing deposit balances placed with and due from each respective institution.

Column (c) - Horizontally sum the reported balances for each line in columns (a) and (b).

A. Cook Islands Banks & Financial Institutions:

In the insert Lines provided, list the name of each bank or financial institution in the Cook Islands with which the reporting bank has deposited or otherwise placed funds.

For each bank or financial institution listed, report in the appropriate Lines and Columns the total amount due from the institution as reflected on the books of the reporting bank as of the reporting date.

Sub-Total A. Sub-total vertically the reported balances in Lines A. for Columns (a), (b) and (c).

Sum of sub-totals A., Columns (a) and (b) must equal Sub-total A., Column (c).

B. O.E.C.D. Banks & Financial Institutions:

In the insert Lines provided, list the name and country of each bank or financial institution domiciled in an O.E.C.D. country with which the reporting bank has deposited or otherwise placed funds.

For each institution listed in the insert Lines, report in the appropriate Lines and Columns the total amount due from the institution as reflected on the books of the reporting bank as of the reporting date.

O.E.C.D. comprises countries which are full member of the Organization for Economic Cooperation and Development or which have concluded special lending arrangements with the International Monetary Fund associated with Fund's General Arrangements to Borrower. O.E.C.D. countries include:

Australia	Greece	New Zealand
Austria	Hungary	Norway
Belgium	Iceland	Poland
Canada	Ireland	Portugal
Czech Republic	Italy	Slovak Republic
Denmark	Japan	Spain
European Union	Korea, Republic	Sweden
Finland	Luxembourg	Switzerland
France	Mexico	Turkey
Germany	Netherlands	United Kingdom
	United States of America	

Sub-Total B. Sub-total vertically the reported balances in Lines B. for Columns (a), (b) and (c).
Sum of sub-totals B., Columns (a) and (b) must equal Sub-total B., Column (c)

C. Other Foreign Country Banks & Financial Institutions:

In the insert Lines provided, list the name and country of each bank or financial institution domiciled outside the Cook Islands and O.E.C.D. countries with which the reporting bank has deposited or otherwise placed funds.

For each institution listed in the insert Lines, report in the appropriate Lines and Columns the total amount due from the institution as reflected on the books of the reporting bank as of the reporting date.

Sub-Total C. Sub-total vertically the reported balances in Lines C. for Columns (a), (b) and (c).

Sum of sub-totals C., Columns (a) and (b) must equal Sub-total C., Column (c)

D. Total Deposits Due from Banks & Financial Institutions:

Total vertically the reported balances in Sub-totals A., B., and C Columns (a), (b) and (c).

Sum of Line D., Columns (a), (b) must equal Line D., Column (c).

Line D., Column (c) must equal FSC Form BKA, Line 2.

3. SECURITIES & INVESTMENTS

Report the balance from Schedule BKA-3, Securities & Investments, Line C., Column (a).

Schedule BKA-3 SECURITIES & INVESTMENTS

For purposes of this schedule, **book value means the cost of a security or investment acquired by the reporting bank adjusted for any premium amortization or discount accretion** over the remaining life or term to maturity of the security or investment. Unrecognized gains and losses resulting from changes in the market value of securities held for sale should be accounted for separately through the Unrealized Gains (Losses) account (or similar account) on the asset side of the balance sheet and a Revaluation Reserve

account (or similar account) in the capital accounts of the bank. Market value gains and losses on securities held for sale should only be taken to the income statement when the gain or loss is actually realized through the sale of the security or investment.

Column Instructions

Column (a) - Report in the appropriate Line the aggregate **book value** of securities and investments owned by the reporting bank.

Column (b) - Report in the appropriate Line the aggregate current market value of securities and investments owned by the reporting bank. Appropriate written documentation detailing the current market value of securities and investments and the source of such valuations as of the reporting date must be maintained by the reporting bank.

Column (c) - For each line, report the sum of Column (a) less Column (b).

A.

Government Securities & Investments:

1.

Cook Islands and & O.E.C.D. Countries:

In the insert lines provided, list separately the type(s) of securities (such as Treasury bills, bonds and notes) issued by the Government of the Cooks Islands and the government of each O.E.C.D. country held by the reporting bank.

Report in the appropriate Line and Column the aggregate book value, current market value and appreciation or depreciation for each type of security held by the reporting bank issued by the Government of the Cook Islands and the government of each O.E.C.D. country.

A listing of O.E.C.D. countries can be found on page 6 of these instructions.

2.

Other Foreign Countries:

In the insert lines provided, list separately the type(s) of securities (such as Treasury bills, bonds or notes) issued by any government other than the Government of the Cook Islands and O.E.C.D. countries held by the reporting bank.

Report in the appropriate Line and Column the aggregate book value, current market value and appreciation or

depreciation for each type of security held by the report issued by any government other than the Government of the Cook Islands and O.E.C.D. countries.

Sub-total A. Total vertically the reported balances for lines 1. and 2., Columns (a), (b) and (c).

Sub-total A., Column (a) minus Column (b) must equal Sub-total A., column (c).

B. Readily Marketable Corporate Debt & Equity Securities:

“Readily marketable corporate debt & equity securities” includes investments by the reporting bank in debt and equity securities issued by corporations which can be converted to cash within 4 (four) business days at a fair market value determined by an established national securities exchange for which there are recognized daily price quotes for the respective corporate debt and equity securities.

In the insert Lines provided, list the name of each person or institution, and their country of domicile, holding in safekeeping for the account of the reporting bank any readily marketable corporate debt and/or equity securities. Report in the appropriate Line and Column the total book value and total current market value of readily marketable corporate debt and/or equity securities held by the person/institution in safekeeping for the account of the reporting bank.

Corporate debt and equity securities which are not readily marketable are to be reported in Schedule BKA-5, Other Assets.

Sub-total B. Total vertically the reported balances for Lines B., Columns (a), (b) and (c).

Sub-total B., Column (b) minus Column (a) must equal Sub-total B., Column (c).

C. Total Securities & Investments:

Total vertically the reported balances in Sub-totals A. and B., Columns (a), (b) and (c).

Line C., Column (b) minus Column (a) must equal Line C., Column (c).

Line C., Column (a) must equal FSC Form BKA, Line 3.

4. INTERBRANCH BALANCES (if net debit balance)

Report the net debit balance, after all debit and credit balances among the reporting bank's various branches and consolidated subsidiaries have been taken into account.

An entry here (net debit balance) precludes an entry on FSC Form BKA, Line 13., Interbranch Balances (If net credit balance).

5. NET LOANS & OVERDRAFTS

Report the sum of line 5.(a) minus line 5.(b).

(a) TOTAL LOANS & OVERDRAFTS

Report the balance from Schedule BKA-4, line (C), Column (a).

Schedule BKA-4

LOANS & OVERDRAFTS

Exclude from Loans and Overdrafts any loan or overdraft on the books of the reporting bank or any other credit facility by the reporting bank for the purpose of purchasing or financing the sale of common stock or any other capital instrument of the reporting bank. The outstanding balance of any such loan, overdraft or other credit facility is to be deducted from the respective capital account/instrument reportable in FSC Form BKA, Lines 16 to 20.

Amounts reported in Columns (b) to (f) of this schedule are mutually exclusive. Past due loans and overdrafts are to be calculated in accordance with the requirements, definitions and provisions of Prudential Statement No. 03-2004.

Column Instructions:

Column (a) - Report in the appropriate Line, the total outstanding balances of loans owing by borrowers and overdrafts owing by depositors on the books of the bank.

Column (b) - Report in the appropriate Line the aggregate total balances of loans owing by borrowers and overdrafts owing by depositors on the books of the bank past due not less than 30 (thirty) days but not more than 89 (eighty-nine) days.

Columns (c) to (e) – Report in the appropriate Line the aggregate total balances of loans owing by borrowers and overdrafts owing by depositors

on the books of the bank which are past due and which have been placed on non accrual in accordance with the requirements of Prudential Statement No. 03-2004.

Column (f) - Report in the appropriate Line the aggregate total balances of loans owing by borrowers and overdrafts owing by depositors on the books of the bank which are past due 90 days or more and on which the bank continues to accrue interest and recognize as income.

A. LOANS

1. Real Estate Secured

a. Residential Housing:

Report on this Line and in the appropriate Column the aggregate total balances of loans owing by borrowers on the books of the reporting bank which (i) is secured by a first lien on the real estate and (ii) is occupied by the borrower solely for residential purposes or is rented/leased solely for residential purposes.

b. Other

Report on this Line and in the appropriate Column the aggregate total balances of loans owing by borrowers on the books of the reporting bank secured by real estate which (i) the reporting bank does not hold a first lien and/or (ii) is not occupied by the borrower solely for residential purposes or is not rented/leased solely for residential purposes.

2. All Other Loans

Report on this Line and in the appropriate Column the aggregate total balances of loans owing by borrowers on the books of the reporting bank which are not otherwise required to be reported in Lines A.1.a. or A.1.b.

3. Overdrafts

Report on this Line and in the appropriate Column the aggregate total balances of overdrafts owing by depositors on the books of the bank.

(b) LESS: PROVISIONS FOR BAD LOANS

Report the balance of provisions for bad loans on the banks of the reporting bank as of the reporting date.

The Provisions for Bad Loans account is a balance sheet valuation reserve established through charges to provision expense in the income statement against which bad loans, or portions thereof, are written-off and recovered. The Provisions for Bad Loans account must never have a debit balance. If loans written-off exceed the amount of the Provisions for Bad Loans account, a provision sufficient to restore the account to an adequate level must be charged to provision expense in the income statement of the bank immediately.

6.

NET FIXED ASSETS

Report the sum of Lines 6.(a) and 6.(b) less Line 6.(c).

Do not deduct mortgages or other loans on fixed assets. Report mortgages and other loans on fixed assets in FSC Form BKA, Line 12., Other Borrowings.

(a)

LAND AND BUILDINGS

Report the original cost of all land and any improvements thereon that is actually owned and **currently being utilized** by the reporting bank, its branches, employees or consolidated subsidiaries. Include:

- land acquired for future expansion/use by the reporting bank;
- land being utilized as parking lots for employees and/or customers of the reporting bank, its branches, and consolidated subsidiaries;
- leasehold improvements, immovable vaults, and fixed machinery and equipment;
- remodeling costs of existing premises;
- the amount of capitalized lease property representing land and/or building with the reporting bank as lessee;

(b)

FURNITURE, FIXTURES & EQUIPMENT

Report the original cost of all furniture, fixtures, moveable equipment, and vehicles owned and utilized by the reporting bank, its branches, employees or consolidated subsidiaries. Include:

- automobiles and other vehicles owned by the reporting bank and used in the conduct of its business;

- the amount of capital lease property representing furniture, fixtures, moveable equipment and vehicles with the reporting bank as lessee.

(c)

LESS: ACCUMULATED DEPRECIATION

Report the total accumulated depreciation on all land and buildings, furniture, fixtures, equipment, and vehicles acquired by the reporting bank.

Any method of depreciation or amortization conforming to accounting principles that are generally accepted for financial reporting purposes may be used.

7.

FORECLOSED REAL ESTATE

Report the total book value of all real estate leases (not to exceed the outstanding balance of the associated advance or credit facility at the time the property/lease is seized) acquired by the reporting bank other than land which is being utilized by the reporting bank, its branches or consolidated subsidiaries. Include as Foreclosed Real Estate:

- leases on land acquired through foreclosure on loans and debts previously contracted in good faith;
- leases on land acquired for use by the reporting bank, its branches or consolidated subsidiaries which is no longer being used by the reporting bank or its branches for banking purposes or consolidated subsidiaries as of the reporting date;
- leases on land acquired for future use by the reporting bank, its branches or consolidated subsidiaries which is no longer intended to be used for that purpose.

8.

OTHER ASSETS

Report the balance from Schedule BKA-5, Other Assets, Line E.

Schedule BKA-5

OTHER ASSETS

A.

Accrued Interest Receivable (Loans & Overdrafts)

Report the amount of interest, commissions, and other income earned or accrued on loans and overdrafts that are not on non-accrual status and which has been brought to the income statement, but not debited to customers' indebtedness, that is applicable to current or prior periods but not yet collected.

B. Accrued Interest Receivable (Securities & Investments)

Report the amount of interest, commissions, and other income earned or accrued on securities and investments that is applicable to the current or prior periods, but not yet collected.

C. Investment in Unconsolidated Subsidiaries

Report the amount of the reporting bank's investments in subsidiaries that have not been consolidated on the books of the reporting bank. Include joint ventures over which the reporting bank exercises significant influence.

Investments in subsidiaries are to be reported using the equity method of accounting. Under the equity method, the carrying value of the bank's investment in the common stock of a subsidiary is originally recorded at cost but is adjusted periodically to record as income the bank's proportionate share of the subsidiary's earnings or losses and decreased by the amount of any cash dividends received from the subsidiary.

D. Other (Itemize all accounts exceeding 10% of Line E.)

In the insert Lines provided, itemize with clear and concise descriptive captions any other assets held by the reporting bank which can not properly be reported in FSC Form BKA, Lines 1. to 7. All other asset accounts that individually total ten-percent (10%) or more of Total Other Assets as reported in Line E. must be itemized. Report on the appropriate Line the balance of itemized other asset accounts. **Note: Descriptions must be sufficient to allow the report reader to determine the nature of the account and the source of the funds.**

Other assets include, but are not limited to:

- income earned (collectable), but not collected on assets other than loans, overdrafts, securities and investments.
- prepaid expenses chargeable against future operating periods, such as postage, equipment/service maintenance contract fees chargeable against future operations;
- leasehold deposits;
- automobiles, boats, equipment, appliances and similar personal property items repossessed, seized or otherwise acquired for debts previously contracted;
- purchased computer software, net of depreciation;

- original art objects, including paintings, antique objects and similar valuable decorative articles (at cost or depreciated cost).
- cash surrender value of life insurance policies for which the bank is the named beneficiary; and
- any debit balance not included elsewhere.

E. Total

Total vertically the reported balances for Lines A. to D.

Sum of Lines A. to D. must equal FSC Form BKA, Line 8.

9. TOTAL ASSETS

Report the sum of Lines 1. to 8., FSC Form BKA.

LIABILITIES

10. DEPOSITS

Complete Schedule BKA-6, Deposit Liabilities by Type and Maturity, first.

Report the sum of Lines 10.(a), 10.(b) and 10.(c).

(a) DEMAND/CHEQUE ACCOUNTS

Report the balance from Schedule BKA-6, Deposit Liabilities by Type and Maturity, Line C., Column (a).

(b) SAVINGS DEPOSITS

Report the balance from Schedule BKA-6, Deposit Liabilities by Type and Maturity, Line C., Column (b).

(c) TIME/FIXED/CERTIFICATES OF DEPOSIT

Report the sum of Line C., Columns (c) to (f) from Schedule BKA-6, Deposit Liabilities by Type and Maturity.

Schedule BKA-6

DEPOSIT LIABILITIES BY TYPE AND MATURITY

Exclude from Schedule BKA-6 all deposits of banks and financial institutions on the books of the reporting bank as of the reporting date. Deposits of banks and financial institutions on the books of the reporting bank are to be

reported in Schedule BKA-7, Deposits Due to Banks & Financial Institutions.

Column Instructions

Column (a) - Report in the appropriate Line the total deposits on the books of the reporting bank as of the reporting date that are payable immediately on demand by a depositors. Include any matured time/fixed/certificate of deposit accounts that do not have the benefit of automatic renewal provisions. Demand deposits may be interest bearing or non-interest bearing.

Column (b) - Report in the appropriate Line the total deposits on the books of the reporting bank categorized as “savings” deposits. “Savings” deposits which are subject to withdrawal by the issuance of a cheque/draft or other negotiable instrument issued by the depositor/account holder to a third party should be reported in the appropriate Line of Column (a). A “savings” account may or may not be (i) interest bearing, or (ii) subject to restrictions on the withdrawal of funds.

Columns (c) - (f) -Report in the appropriate Column and Line the aggregate total Time/Fixed/Certificate of Deposit accounts based on the remaining maturity of such deposit accounts as measured from the reporting date.

Time/Fixed/Certificate of Deposit Accounts include interest-bearing deposits evidenced by a negotiable or non-negotiable instrument, or deposits in book entry form that are payable: (i) after a specified notice period; (ii) on a specified date; or (iii) after a specified period of time from the date of deposit, to the specified person or to the order of a specified person.

Column (g) - Horizontally sum the reported balances for each Line in Columns (a) to (f).

A.

DEPOSIT ACCOUNTS – COOK ISLANDS RESIDENTS

“Cook Islands Residents” for purposes of completing this schedule means Cook Islanders and foreign nationals residing in the Cook Islands for one year or more and all legal entities

permanently located, physically and/or by way of law or registration, inside the Cook Islands.

1. Cook Islands Government

Report in the appropriate Columns the total for each type/category of deposits of the Cook Islands Government on the books of the reporting bank.

2. Cook Islands Government-owned Corporations

Report in the appropriate Columns the total for each type/category of deposits of the Cook Islands Government-owned Corporations on the books of the reporting bank.

3. Individuals/Consumers

Report in the appropriate Columns the total for each type/category of deposits of individuals/consumers on the books of the reporting bank.

4. Corporations, Businesses and Partnerships

Report in the appropriate Columns the total for each type/category of deposits of Corporations, Businesses (included sole proprietorships) and Partnerships or otherwise used to conduct commercial or business activities on the books of the reporting bank.

5. Certified and Official Bank Cheques Outstanding

Report in Column (a), the total of outstanding cheques drawn on the accounts of individuals, corporations, businesses, and partnerships that have been certified by the reporting bank and the total of official bank cheques issued by the reporting bank that have not been presented for payment. Include the following:

- depositors' cheques that have been certified by the reporting bank, but not paid by the reporting bank as of the reporting date;
- bank cheques, such as money orders, Cashier's Cheques, etc, issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and are outstanding on the reporting date;
- funds held by the reporting bank as agent for the sale of traveler's cheques.

6. Other

Report in the appropriate Columns the total of any other deposit liabilities with credit balances. A brief but concise description of the nature and source of any such deposits should be provided on a separate sheet of paper.

7. Sub-Total Cook Island Residents

Total vertically the balances reported in Lines A.1. to A.6. for Columns (a) to (g).

B. DEPOSIT ACCOUNTS – NON-RESIDENTS

“Non-Residents” for purposes of completing this schedule means all persons other than “Cook Islands Residents” as defined above.

1. Foreign Governments

Report in the appropriate Columns the total for each type/category of deposits of foreign governments (that is, any government other than the Cook Islands Government) on the books of the reporting bank.

2. Foreign Government-owned Corporations

Report in the appropriate Columns the total for each type/category of deposits of foreign government-owned Corporations on the books of the reporting bank.

3. Individuals/Consumers

Report in the appropriate Columns the total for each type/category of deposits of individuals/consumers on the books of the reporting bank.

4. Corporations, Businesses and Partnerships

Report in the appropriate Columns the total for each type/category of deposits of Corporations, Businesses (included sole proprietorships) and Partnerships or otherwise used to conduct commercial or business activities on the books of the reporting bank.

5. Certified and Official Bank Cheques Outstanding

Report in Column (a), the total of outstanding cheques drawn on the accounts of individuals, corporations, businesses, and partnerships that have been certified by the reporting bank

and the total of official bank cheques issued by the reporting bank that have not been presented for payment. Include the following:

- depositors' cheques that have been certified by the reporting bank, but not paid by the reporting bank as of the reporting date;
- bank cheques, such as money orders, Cashier's Cheques, etc, issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and are outstanding on the reporting date;
- funds held by the reporting bank as agent for the sale of traveler's cheques.

6. Other

Report in the appropriate Columns the total of any other deposit liabilities with credit balances. A brief but concise description of the nature and source of any such deposits should be provided on a separate sheet of paper.

7. Sub-total Cook Non-Residents

Total vertically the balances reported in Lines B.1. to B.6. for Columns (a) to (g).

C. TOTAL DEPOSITS

Total vertically the reported balances of Lines A.7 and B.7. for each of Columns (a) to (g).

Line C., Column (a) must equal FSC Form BKA, Line 10.(a).

Line C., Column (b) must equal FSC Form BKA, Line 10.(b).

Sum of Line C., Columns (c) to (f) must equal FSC Form BKA, Line 10.(c).

Line C., Column (g) must equal FSC Form BKA, Line 10.

11. **DEPOSITS DUE TO BANKS & FINANCIAL INSTITUTIONS**

Complete Schedule BKA-7, Deposits Due To Bank & Financial Institutions, first.

Report the balance from Schedule BKA-7, Deposits Due To Banks & Financial Institutions, Line D., Column (c).

Schedule BKA-7

DEPOSITS DUE TO BANKS & FINANCIAL INSTITUTIONS

If a deposit account due to a bank or financial institution is overdrawn on the books of the reporting bank as of the reporting date, the balance must be reported in the appropriate Line and Column of Schedule BKA-2, Deposits Due From Banks & Financial Institutions and identified with an asterisk (“*”).

Column Instructions

Column (a) - Report in the appropriate Line for each bank and financial institution the total amount of non-interest bearing deposit balances on the books of the reporting bank and due to each respective bank or financial institution.

Column (b) - Report in the appropriate Line for each bank and financial institution the total amount of interest bearing deposit balances on the books of the reporting bank the total amount of interest bearing deposit balances on the books of the reporting bank and due to each respective bank or financial institution.

Column (c) - Report in the appropriate Line for each bank and financial institution the total amount of interest bearing deposit balances on the books of the reporting bank and due to each respective bank or financial institution.

A.

Cook Islands Banks & Financial Institutions

In the insert lines provided, list the name of each bank or financial institution in the Cook Islands that have deposited or otherwise placed funds with the reporting bank.

For each bank or financial institution listed, report in the appropriate Lines and Columns the total amount due to each bank or financial institution as reflected on the books of the reporting bank as of the reporting date.

Sub-Total A.

Sub-total vertically the reported balances in Lines A. for Columns (a), (b) and (c).

Sum of sub-totals A., Columns (a) and (b) must equal Sub-total A., Column (c).

B.

O.E.C.D. Banks & Financial Institutions

In the insert lines provided, list the name and country of each bank or financial institution domiciled in an O.E.C.D. country that have deposited or otherwise placed funds with the reporting bank.

For each bank or financial institution listed in the insert lines, report in the appropriate Lines and Columns the total amount due to each bank or financial institution as reflected on the books of the reporting bank as of the reporting date.

A list of O.E.C.D. countries can be found on page 6 of these instructions.

Sub-Total B. Sub-total vertically the reported balances in Lines B. for Columns (a), (b) and (c).

Sum of sub-totals B., Columns (a) and (b) must equal Sub-total B., Column (c).

C. Other Foreign Country Banks & Financial Institutions

In the insert Lines provided, list the name and country of each bank or financial institution domiciled outside the Cook Islands and O.E.C.D. countries that have deposited or otherwise placed funds with the reporting bank.

For each bank or financial institution listed in the insert lines, report in the appropriate Lines and Columns the total amount due to each bank or financial institution as reflected on the books of the reporting bank as of the reporting date.

Sub-Total C. Sub-total vertically the reported balances in Lines C. for Columns (a), (b) and (c).

Sum of sub-totals C., Columns (a) and (b) must equal Sub-total C., Column (c)

D. Total Due to Banks & Financial Institutions:

Total vertically the reported balances in Sub-totals A., B. and C., Columns (a), (b) and (c).

Sum of Line D., Columns (a) and (b) must equal Line D., Column (c).

Line D., Column (c) must equal FSC Form BKA, Line 11.

12. OTHER BORROWINGS

Report all other borrowings by the reporting bank, including the amount of mortgages, loans or other encumbrances on

premises and fixed assets and on foreclosed real estate for which the bank or its consolidated subsidiaries are contractually liable.

If the bank is the lessee on capitalized lease property, include the bank's liability for capitalized lease payments.

Provide a clear and concise description of all Other Borrowings in Schedule BKB-2. **Descriptions must be sufficient to allow the report reader to determine the use of the funds arising from the borrowing and the identity of the creditor.**

Exclude from Other Borrowings any loan on the books of the reporting bank or any borrowing by the reporting bank for the purpose of purchasing or financing the sale of common stock or any other capital instrument. The outstanding balance of any such borrowing is to be deducted from the respective capital account/instrument reportable in FSC Form BKA, Lines 16 to 20.

13. INTERBRANCH BALANCES (if net credit balance)

Report the net credit balance, after all debit and credit balances among the reporting bank's various branches and consolidated subsidiaries have been taken into account.

An entry here (net credit balance) precludes an entry on FSC Form BKA, Line 4., Interbranch Balances (If net debit balance).

14. OTHER LIABILITIES

Report the balance from Schedule BKA-8, Other Liabilities, Line G., Total Other Liabilities.

Schedule BKA-8

OTHER LIABILITIES

A. Accrued Interest Payable (Deposits)

Report the amount of interest which has accrued on deposit liabilities (demand/cheque accounts, savings accounts, time/fixed/certificate of deposit accounts) but which has not yet been credited to the deposit account.

B. Accrued Interest Payable (Due to Financial Institutions)

Report the amount of interest which has accrued on deposits placed by other banks and financial institutions with the reporting bank but which the has not yet been credited to the deposit account.

C. Accrued Interest Payable (Other Borrowings)

Report the amount of interest which has accrued on Other Borrowings but which has not yet been credited to the other borrowing account.

D. Accrued Expenses Payable

Report the amount of income taxes and other operating expenses (including but not limited to employee salary expense, salary expense to cover vacation/holiday/sick leave, etc) accrued through charges to expense but not yet paid by the reporting bank.

E. Dividends Declared Not Yet Paid

Report the amount of dividends declared but not yet paid by the reporting bank.

F. OTHER (Itemize all accounts exceeding 10% of Line G)

In the insert Lines provided, itemize with clear and concise descriptive captions any other liabilities on the books of the reporting bank which can not properly be reported in FSC Form BKA, Lines 10. to 13. All other liability accounts that individually total ten-percent (10%) or more of Total Other Liabilities as reported in Line G. must be itemized. Report on the appropriate Line the balance of itemized other liability accounts. **Note: Descriptions must be sufficient to allow the report reader to determine the nature of the account and the identity of the creditor.**

G. TOTAL

Total vertically the reported balances for Lines A. to F.

Line G. must equal FSC Form BKA, Line 14.

15. **TOTAL LIABILITIES**

Report the sum of Line 10. to 14., FSC Form BKA.

CAPITAL ACCOUNTS

Exclude from the appropriate capital account any loan, overdraft or other credit facility on the books of the reporting bank or any borrowing by the reporting bank for the purpose of purchasing or financing the sale of common stock or any

other capital instrument. The outstanding balance of any such loan, overdraft, credit facility or borrowing is to be deducted from the respective capital account/instrument reportable in Lines 16. to 20.

16. ISSUED AND FULLY PAID UP COMMON STOCK

Report the aggregate par or stated value of issued and fully paid common stock of the reporting bank outstanding as of the reporting date.

17. PAID-IN PREMIUM

Report the aggregate balance of capital funds paid by shareholders over and above the stated par value of the common stock as of the reporting date.

18. RETAINED PROFITS (PRIOR YEARS)

Report the amount of retained income (losses) from prior **calendar** years.

19. INCOME (LOSS) YEAR-TO-DATE

Report the amount of net income (loss) for the current **calendar** year-to-date reflected on the books of the reporting bank as of the reporting date.

20. OTHER (Specify Type and Amount)

In the insert lines provided, itemize with clear and concise descriptive captions any other capital accounts established by the reporting bank that can not be properly included in FSC Form BKA, Lines 16. to 20. Report in the appropriate corresponding Line the balance of each other capital account. Attach Form BKB, Schedule-2, Explanations, and provide a complete description of the capital instrument and the date the FSC approved the issuance of the capital instrument.

21. TOTAL CAPITAL

Report the sum of FSC Form BKA, Lines 16 to 20.

22. TOTAL LIABILITIES AND CAPITAL

Report the sum of Lines 15. and 21.

OTHER SUPPORTING SCHEDULES TO FSC FORM BKA

Schedule BKA-1

COMMITMENTS AND CONTINGENCIES

Report on a fully consolidated basis the following selected commitments, contingencies, and other items that are not reportable as part of FSC Form BKA. Among the items not to be reported in this schedule are contingencies arising in connection with litigation.

1. Commitments to make or purchase loans or to extend credit in the form of overdrafts

Report in Column (a) the total unused portions (funded portion less the total commitment amount) of legally binding commitments outstanding that obligate the reporting bank to extend credit in the form of loans, overdrafts or other types of advances of credit, and to purchase participations or fund syndications in loans or other types of credit. Exclude the unused portions of commitments that can be immediately canceled at the sole discretion of the bank without prior notice to the borrower. (The ability of the reporting bank to immediately cancel a commitment must be evidenced in writing and must be unconditional on the part of the reporting bank.)

In the case of commitments for syndicated or participated loans, report only the proportional share of the reporting bank's commitment.

2. Standby contracts and other option arrangements

Report in Column (b) the total balance of contracts under which the reporting bank has, for compensation (such as a fee or premium), obligated itself to buy (Line 2.a.) or sell (Line 2.b.) a financial instrument at the option of the other party to the contract. Such contracts may relate to purchases or sales of securities, money market instruments, futures contracts or other assets. In reporting the amounts in Lines 2.a. and 2.b., **do not net** the obligations of the reporting bank to buy against obligations of the reporting bank to sell.

- a. Obligations to purchase under option contracts

Report in Column (a) the total par or notional value of the financial instruments that the reporting bank has, for compensation, obligated itself to purchase under option contracts that are outstanding as of the reporting date. Do not net contracts to sell against this Line.

- b. Obligations to sell under option contracts

Report in Column (a) the total par or notional value of the financial instruments that the reporting bank has, for a fee, obligated itself to sell under option contracts that are outstanding as of the reporting date. Do not net contracts to purchase against this Line.

3. Standby Letters of Credit issued and outstanding

Report in Column (b) the total amount outstanding and unused as of the reporting date of all standby letters of credit (and all legally binding commitments to issue standby letters of credit) issued by the reporting bank or an authorized agent or representative of the reporting bank.

Exclude from standby letters of credit:

1. standby letters of credit where either the beneficiary or the account party is a consolidated subsidiary of the bank;
2. letters of credit, or portions thereof, for which the bank has set up a segregated deposit account, on the books of the reporting bank, into which the account party has made cash deposits to cover the reporting bank's maximum liability.

4. Commercial and other letters of credit issued and outstanding

Report in Column (b) the total amount outstanding and unused as of the reporting date of issued or confirmed commercial letters of credit and all other similar letters, but excluding standby letters of credit (which are to be reported in Line 3 above).

5. Liability on guarantees issued and outstanding

Report in Column (b) the amount of all outstanding guarantee liabilities as of the reporting date.

6. Other

In the insert lines provided, itemize with clear and concise descriptive captions any other commitments or obligations by the reporting bank which can not properly be included in Schedule BKA, Lines 1. to 5. Report in Column (b) for each Line the amount of the outstanding commitment or obligation. State the amount and provide a description of each transaction included in this Line in Schedule BKB-2.

7.

Total

Total vertically the reported balances for Lines 1. to 6.

Schedule BKA-9

TEN LARGEST BORROWING RELATIONSHIPS

List the 10 (ten) largest borrowing relationships. List each loan to a borrower separately. A “borrowing relation” includes (i) all loans granted to a particular person (borrower) and (ii) any loans to other persons under the control of that particular person.

As provided in Section 36 of the Banking Act 2003, a person is under control of a particular person if that particular person

-

- (a) holds, or has the power to vote for, at least 51 percent of the voting shares or stock of the other person; or
- (b) exercises practical control over the policies of the other person.

Additionally, for purposes of completing this schedule, loans by the reporting bank to a spouse, companion, significant other or other such person of a particular person should also be included when determining a particular persons borrowing relationship.

The term “loans” for purposes of completing this schedule has the same meaning as defined in Prudential Statement No. 03-2004, which states:

“Loans” means advances and any credit facility including commitments to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds or that are repayable from specific property pledged by or on behalf of the person. The term includes a contractual liability of a bank to advance funds to or on behalf of a person, indebtedness evidenced by a lease financing transaction in which the bank is the lessor, and an overdraft funded by the bank on behalf of a person

Column Instructions:

Column (a) - Report the outstanding balance owing by the borrower as of the reporting date.

Column (b) - Report the unfunded amount (total amount commitment less any portion previously funded by the reporting bank) of any commitment made by the reporting bank as of the reporting date.

Column (c) - Report the date the loan/commitment was approved by the Credit Committee/Board of Directors of the reporting bank.

Column (d) - Report the amount approved/sanctioned by the Credit Committee/Board of Directors for the loan/commitment.

Column (e) - Report the final maturity date of the loan/commitment. If the maturity of the loan/commitment has been rescheduled, restructured or modified, report only the rescheduled, restructured or modified maturity date for the loan/commitment.

Column (f) - Describe the type of loan/commitment outstanding, such as a Loan, OD line, SLOC (Standby Letter of Credit), Gtee (guarantee), etc.

Column (g) - Report the classification grade assigned to the loan/commitment by the reporting bank to the loan/commitment. Refer to Prudential Statement No. 03-2004 for guidance on the classification, provisioning and non accrual requirements for loans.

- A. In the insert lines provided, list the name of the borrower. For loans to other persons under control of the borrower, list the name of the other person in parenthesis “()” below the name of the particular borrower. List each loan separately.
- B. Total vertically the reported balances for Columns (a) and (b).

Schedule BKA-10

CONNECTED LOANS

“Connected loans” includes loans by the reporting bank to:

1. Persons owning, holding or controlling a significant interest in the reporting bank (Significant Shareholder), i.e. ten percent (10%) or more of the voting stock of the reporting bank;
2. Directors of the reporting bank;
3. Managers of the reporting bank; and
4. Any person controlled by a Significant Shareholder, Director or Manager of the reporting bank. A person is controlled by a Significant Shareholder, Director or Manager if the Significant Shareholder, Director or Manager –

- holds, or has the power to vote for, at least 51 percent of the voting shares or stock of each of the bodies in the group; or
- exercises practical control over the policies of the other person.

Additionally, for purposes of completing this schedule, loans by the reporting bank to a spouse, companion, significant other or other such person of a Significant Shareholder, Director or Manager should also be included when determining a particular person's borrowing relationship.

For Line and Column instructions, refer to the instructions for the completion of Schedule BKA-9, Ten Largest Borrowing Relationships.

Schedule BKA-11

TEN LARGEST DEPOSIT RELATIONSHIPS

List the 10 (ten) largest deposit relationships. List each deposit account of a person held by the reporting bank separately. A "deposit relationship" includes (i) all deposit accounts under the name of a particular person (depositor) held by the reporting bank and (ii) any deposit accounts of other persons held by the reporting bank under the control of that particular person.

For purposes of completing this schedule, a deposit account is under the control of a particular person if that person –

- (a) holds, or has the power to vote for, at least 51 percent of the voting shares or stock of the other person; or
- (b) exercises practical control over the policies of the other person.

Additionally, for purposes of completing this schedule, deposits by a spouse, companion, significant other, minor child or other such persons by wherever title or description should also be included when determining the deposit relationship of a particular person.

Refer to instructions for the completion of Schedule BKA-5, Deposit Liabilities by Type and Maturity, page 15, for definitions of Demand/Cheque, Savings, Time/Fixed, Certificate of Deposit accounts.

Column Instructions:

Column (a) - Report the total amount of Demand/Cheque account balances held by the reporting bank for the particular depositor.

Column (b) - Report the total amount of Savings account balances held by the reporting bank for the particular depositor.

Column (c) - Report the amount of each Time/Fixed/Certificate of Deposit held by the reporting bank for the particular depositor.

Column (d) - Report the maturity date of each Time/Fixed/Certificate of Deposit held by the reporting bank for the particular depositor.

Column (e) - After completing the appropriate Lines for Columns (a) to (d) for the particular depositor and any deposit accounts of other persons under the control of the particular depositor, report in Column (e) the total Deposit Relationship for the particular depositor.

Column (f) - Report the percentage of total deposits (aggregate off all balances reported for Demand/Cheque, Savings, Time, Fixed, Certificate of Deposit accounts of the particular depositor and under the control of the particular depositor) to the total deposit liabilities of the reporting bank as reported on FSC Form BKA, Line 10.

Columns (g) and (h) - If any deposit amount reported in Columns (a) to (c) are denominated in a currency different than the currency in which the bank maintains its capital accounts (foreign currency), indicate in Column (g) the abbreviation for the foreign currency in which the deposits are denominated and report in Column (h) the foreign currency amount of the deposit.

A. In the insert lines provided, list the name of the particular depositor. For deposit accounts of other persons held by the reporting bank under the control of the particular deposit, list the name of the other person in parenthesis “()” below the name of the particular depositor. List each depositor/person separately.

B. Total vertically the reported balances for Columns (a), (b), (c) and (e).

Schedule BKA-12

FOREIGN DENOMINATED ASSETS, LIABILITIES AND COMMITMENTS

Foreign currency means any currency other than the currency in which the reporting bank's voting stock is denominated.

Complete one Column for each foreign currency in which any asset, liability and/or off-balance sheet commitment/item is denominated (foreign currency position) on the books of the reporting bank.

List the international currency code for the foreign currency position held by the reporting bank.

- | | |
|------------------------|--|
| 1. to 9. and 16. to 21 | Report in the appropriate Line and Column, the actual foreign currency amount for each asset and/or liability denominated in the foreign currency in accordance with the instructions for the preparation of FSC Form BKA. |
| 6. | Report the sum of Line 6.a. minus line 6.b. for each Column. |
| 10. | Vertically sum the amounts reported in each Column for lines 1. to 9. |
| 11. and 23. | Spot/Sight contracts means a contract where the reporting bank has agreed to purchase or sell a specific amount of a single foreign currency at an agreed rate and delivery of the foreign currency shall be made within two (2) working days. |
| 12. and 24. | Forward/Advance contract means a contract whereby the reporting bank has agreed to purchase or sell a specific amount of a single foreign currency at a prior agreed rate (forward rate) and delivery of the foreign currency shall be made greater than two (2) working days. |
| 13. and 25. | All "Other" off-balance sheet purchase and/or sales commitments are to be described, including all settlement terms and conditions, in Schedule BKB-2, Explanations. |
| 14. | Vertically sum the amounts reported in each Column for lines 11. to 13. |
| 15. | Report the sum of Line 10. plus Line 14. for each Column. |
| 16. | Report the sum of Lines 16.(a) to 16.(c) for each Column. |
| 22. | Vertically sum the amounts reported in each Column for lines 16 to 21. |
| 26. | Vertically sum the amounts reported in each Column for Lines 23. to 25. |

27. Report the sum of Line 22. and Line 26. for each Column.
28. Report the sum of Line 15. minus Line 27. for each Column.

FORM BKB

STATEMENT OF INCOME & EXPENSE

Report all income and expense of the bank on a calendar year-to-date basis for the quarters ending March 31, June 30, September 30 and December 31 in accordance with these instructions. Statements of Income and Expense based on a bank's fiscal year will NOT be accepted.

Any bank which commenced operations during the reporting period, should report in FSC Form BKB only the income earned and expenses incurred since operations commenced.

1. INTEREST INCOME

(a) Interest and Fee Income on Loans and Overdrafts

Do not include interest or other charges and fees assessed against loans and overdrafts that are on non accrual status. Any loan past due 90 days or more for the payment of principal or interest beyond its contractual repayment date is to be placed on non accrual status.

Include as interest and fee income on loans and overdrafts:

- interest on all assets reportable as loans made by the reporting bank, purchased from others, sold with recourse or subject to repurchase, or pledged as collateral for any purpose;
- charges assessed against overdrawn accounts where such charges are based on the length of time the account has been overdrawn, the amount of the overdrawn balance, or which is otherwise equivalent to interest;
- amortization of interest collected not earned (unearned discount), which is normally associated with instalment loans.

Exclude as interest and fee income on loans and overdrafts:

- any fees levied against overdrawn accounts where such fees are **not** associated with:
 - (i) the length of time the account has been overdrawn;
 - (ii) the amount of the overdrawn balance;
 - (iii) or otherwise equivalent to interest, recurring service charges assessed against deposit accounts are to reported in Line 5.(b), Non-interest Income, Charges and Fees on Deposit Accounts.

- transaction or per item charges levied against demand/cheque or other deposit accounts for the processing of cheques drawn against insufficient funds that the reporting bank assesses regardless of whether it decides to pay, return or hold the cheque. Charges assessed for insufficient funds are to be reported in Line 5.(b), Non-interest Income, Charges and Fees on Deposit Accounts.

(b) **Interest and Fee Income on Deposits Due From Banks & Financial Institutions**

Report the total interest income on funds deposited or otherwise placed with other banks and financial institutions.

(c) **Interest and Dividend Income on Securities & Investments**

Report the total interest and dividend income on securities and investments. In reporting interest and dividend income on securities and investments, include accretion of discounts on securities and investments for the current period. Deduct current amortization of premiums on securities and investments.

(d) **TOTAL INTEREST INCOME**

Report the sum of Lines 1.(a), 1.(b) and 1.(c).

2. **INTEREST EXPENSE**

(a) **Interest Paid on Deposits**

Report the total interest expense on deposits reportable in FSC Form BKA, Line 10.

(b) **Interest Paid on Deposits Due to Financial Institutions**

Report the total of all interest expense accrued year-to-date on funds deposited or otherwise placed with the reporting bank that are reportable in FSC Form BKA, Line 11.

(c) **Other Interest Expense**

Report the total of all interest expense accrued year-to-date to those liabilities reported in FSC Form BKA, Line 12., Other Borrowings, and Line 14., Other Liabilities.

(d) **TOTAL INTEREST EXPENSE**

Report the sum of Lines 2.(a), 2.(b) and 2.(c).

3. NET INTEREST INCOME

Report the sum of Line 1.(d), Total Interest Income, less Line 2.(d), Total Interest Expense.

If Total Interest Expense is greater than Total Interest Income, place in parenthesis.

4. PROVISIONS FOR BAD LOANS

Report the net amount expensed to the Provisions for Bad Loans Account to absorb expected losses based upon management's evaluation of the potential loss exposure in loans and overdrafts.

5. NON-INTEREST INCOME

(a) Lending Related Fees and Commissions

Report as lending related fees and commissions:

- Only the reporting bank's proportional share of fees collected in connection with a loan syndication or participation that are not passed through to another lender;
- loan commitment fees;
- investigation and service charge fees representing a reimbursement of loan processing costs, renewal and past due charges, and fees charged for the execution of mortgages, bonds or agreements securing the reporting bank's loans.

EXCLUDE from lending related fees and commissions:

- fees such as management fees and servicing fees on real estate mortgages or other loans that are not assets of the bank (report such fees in Line 5.(d), Other Non-interest Income);
- charges to merchants/businesses for the reporting bank's handling of credit card or charge sales when the reporting bank does not carry the related loan account on its books (report such fees in Line 5.(d), Other Non-interest Income);
- annual or other periodic fees paid by holders of credit cards issued by the reporting bank (report such fees in Line 5.(d), Other Non-interest Income);

(b) Charges and Fees on Deposit Accounts

Report in this Line amounts charged depositors:

- for the maintenance of their accounts with the reporting bank, such as monthly service charges on cheque accounts;
- for their failure to maintain minimum deposit balances;
- based on the number of cheques drawn on and/or deposits made to their deposit accounts;
- for cheques drawn on so called “no minimum balance” deposit accounts;
- for withdrawals from time accounts;
- for the closing of savings accounts before a specified minimum period of time has elapsed;
- for accounts that have remained inactive for extended periods of time or that have become dormant;
- for deposits to or withdrawals from accounts through the use of automated teller machines or other remote service units;
- for the processing of cheques drawn against insufficient funds, i.e., insufficient funds charges/fees the bank assesses regardless of whether it decides to pay, return, or hold the cheque, but EXCLUDE subsequent charges assessed against overdrawn accounts based on the length of time the account has been overdrawn, the amount of the overdrawn balance, or which are otherwise equivalent to interest (report in Line 1.(a), Interest and Fee Income on Loans & Overdrafts);
- for issuing stop payment orders;
- for certifying cheques.

EXCLUDE penalties paid by depositors for the early withdrawal of time deposits (report in Line 5.(d), Other Non-interest Income, or deduct from the interest of the related category of time deposit as appropriate).

(c) **Foreign Currency Gains (Losses)**

Report the total net gains (losses) resulting from changes in foreign currency rates (including foreign exchange trading) for the current year-to-date.

(d) **Other Non-interest Income**

Report all other operating income of the reporting bank for the calendar year-to-date not required to be reported in Lines 1.(a) to 1.(c) and Lines 5.(a) to 5.(c).

(e) **TOTAL NON-INTEREST INCOME**

Report the sum of Lines 5.(a) to 5.(d).

6.

NON-INTEREST EXPENSE

(a)

Salaries and Employee Benefits

Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including security guards and contracted guards, temporary office help.

Include as salaries and employee benefits:

- gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation;
- contributions to the reporting bank's retirement plan, pension fund, profit sharing plan, employee stock ownership plan, employee stock purchase plan and employee savings plan;
- premiums paid by the reporting bank for health and accident, hospitalization, dental, disability insurance policies and life insurance policies for which the bank is not a beneficiary;
- cost of temporary employees whether hired directly by the reporting bank or through an outside agency;
- accrued vacation pay earned by employees during the calendar year-to-date of report;

EXCLUDE from salaries and employee benefits (report in Line 6.(c), Other Non-interest Expense):

- amounts paid to attorneys, accountants, management consultants, investment counselors, advisers and other professionals who are not salaried officers or employees of the reporting bank;
- expenses related to the testing and training of managers and employees of the reporting bank;
- the cost of bank newspapers and magazines prepared for distribution to managers and employees of the reporting bank;
- premiums on life insurance policies for which the reporting bank is the beneficiary;
- the cost of athletic activities in which managers and employees of the reporting bank participate when the purpose may be construed to be for public relations and employee benefits are only incidental to the activities;
- dues, fees and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations when the purpose may be construed to be for public relations and employee benefits are only incidental to the activities.

(b)

Fixed Asset Expense

Report all non-interest expenses related to the use of land and buildings, premises, equipment, furniture, fixtures and vehicles. Report net credit balances in parentheses.

Deduct rental income from gross fixed assets expenses. Rental income includes all rentals charged for use of buildings not required for use by the reporting bank and its consolidated subsidiaries, including rental by regular tenants for the reporting bank's buildings, income received from short-term rentals of other bank facilities, and income from subleases.

Include as fixed asset expense:

- normal and recurring depreciation and amortization charges against assets reportable in FSC Form BKA, Lines 6.(a) and 6.(b). Any method of depreciation conforming to accounting principles that are generally acceptable for financial reporting purposes may be used;
- all operating leases made by the bank on premises (including parking lots), furniture, equipment (including data processing equipment) and vehicles;
- cost of ordinary repairs to premises (including leasehold improvements), furniture, equipment and vehicles;
- cost of service or maintenance contracts for furniture, equipment and vehicles;
- cost of leasehold improvement, equipment, and furniture charged directly to expense and not placed on the bank's books as assets;
- insurance expense related to the use of premises, furniture, equipment and vehicles, including such coverage as fire, multi-peril, boiler, plate glass, flood, public liability and automobile insurance;
- all property tax and other tax expense related to premises (including leasehold improvement), furniture, equipment and vehicles;
- any portion of capital lease payments representing insurance, maintenance, and taxes;
- cost of heat, electricity, water, and other utilities connected with the premises and fixed assets;
- cost of janitorial supplies and outside janitorial services;
- fuel, maintenance, and other expenses related to the use of bank-owned vehicles for bank business.

EXCLUDE from fixed asset expense:

- salaries and employee benefits (report such expenses for all officers and employees of the bank and its

consolidated subsidiaries in Line 6.(a), Salaries and Employee Benefits);

- interest on mortgages, liens, or other encumbrances on premises or equipment owned (report such expense in Line 2.(c), Other Interest Expense);
- all expenses associated with foreclosed real estate (report interest expense in Line 2.(c), Other Interest Expense);
- gross rental from foreclosed real estate and fees charged for safe deposit box rentals (report in Line 5.(d), Other Non-interest Income).

(c) **Other Non-interest Expense**

Report all other operating expenses of the reporting bank for the calendar year-to-date not required to be reported in Lines 2.(a) to 2.(c) and Lines 6.(a) to 6.(b).

(d) **TOTAL NON-INTEREST EXPENSE**

Report the sum of Lines 6.(a) to 6.(c).

7. **NET INCOME (LOSS) BEFORE TAX AND OTHER ADJUSTMENTS**

Report the bank's pretax operating income. This amount will generally be determined by reporting the sum of Line 3., Net Interest Income; less Line 4., Provisions for Bad Loans; plus Line 5.(e), Total Non-interest Income; less Line 6.(d), Total Non-interest Expense. Report negative results in parentheses.

8. **LESS APPLICABLE INCOME TAXES**

Report the total estimated income taxes applicable to Line 8.

9. **NET INCOME (LOSS) AFTER TAX**

Report the sum of Line 7. and Line 8. If this amount is a net loss, report in parentheses.

10. **OTHER INCREASES (DECREASES)**

Report the total amount of any adjustments arising from prior accounting periods recognized during the current year-to-date. State the amount and provide a description of each transaction included in this Line in Schedule BKB-2.

11. **LESS: CASH DIVIDENDS DECLARED AND/OR PAID**

Report the total amount of dividends declared and/or paid

during the current year-to-date.

12. **NET CHANGE IN CAPITAL ACCOUNTS**

Report the sum of Line 9. and Line 10., less Line 11.

SCHEDULE BKB-1

CHANGES IN PROVISIONS FOR BAD LOANS

The Provisions for Bad Loans account, after deducting all loans and overdrafts required to be classified “Loss” in accordance with the requirements of Prudential Statement No. 03-2004, must have a debit balance.

A. **PROVISIONS FOR BAD LOANS:**

1. **BALANCE AT PRIOR CALENDAR YEAR END**

Report the balance of the Provisions for Bad Loans account as reported in FSC Form BKA, Line 5.(b) as of the previous calendar year end.

2. **ADD: Provisions Year-to-date**

Report the gross provisions for bad loans year-to-date.

3. **LESS: Write-offs Year-to-date**

Report the total amount of all loans and overdrafts charged against the Provisions for Bad Loans account as losses during the calendar year-to-date.

4. **ADD: Recoveries Year-to-date**

Report the amount of recoveries, either cash payments or the estimated liquidation value of collateral securing a loan which has been repossessed/foreclosed by a bank, during the calendar year-to-date, on loans and overdrafts charged against the Provisions for Bad Loans account and which has been recorded in FSC Form BKA, Line 7., Foreclosed Real Estate, or Line 8., Other Assets.

5. **Other Year-to-date Adjustments**

Report all other increases and decreases between 1 January and the reporting date. Increases or decreases must be detailed and described in full in Schedule BKB-2-Explanations.

6.

BALANCE PROVISIONS FOR BAD LOANS

Report the sum of Lines 1. to 5. as appropriate.