RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements

31 October 2010
(expressed in Trinidad & Tobago dollars)

Chief Executive Officer's report

In the period ended 31 October, 2010, RBC Financial (Caribbean) Limited and its Subsidiaries (The Group) continued to demonstrate profitability and growth with net income for the 19 month period of TT$422 million. The Group changed its statutory year-end from 31 March to 31 October in alignment with the statutory year-end of its ultimate parent, Royal Bank of Canada (RBC), giving rise to the one-time 19 month reporting period.

During the period, the Group's asset base increased from TT$62 billion to TT$74 billion, driven in part by the acquisition of RBC's former Barbados branch operations as well as increases in cash and cash equivalents arising from increased deposits. The Group enjoyed healthy growth in deposits of over TT$10 billion, with TT$7 billion of the increase arising from the RBC Barbados branch acquisitions. The remaining TT$3 billion increase was a result of organic growth reflecting customers' continued confidence in the Group's stability and growth potential.

The Group's 2010 performance was affected by the economic conditions, resulting in increased impairment losses on loans and investment securities. Also affecting the performance was a payment to Roytrin Income Funds to make up for any shortfall of the funds up to 31 December, 2009, the date of converting the trading of funds from a fixed price to a floating Net Asset Value.

The Group remains well capitalized with a capital base of approximately TT $18 billion as at 31 October, 2010 and is well positioned to take advantage of growth opportunities in the future.

In closing, I would like to thank clients of RBC Financial (Caribbean) Limited for their continued confidence over the period. I would also like to thank our employees, who are without a doubt the driving force behind all our achievements. Their continued commitment to our values, to our clients and to one another has positioned us for long-term growth and success.

Suresh Sookoo
Chief Executive Officer

Statement of management responsibilities

The Financial Institutions Act, 2008 (FIA 2008) requires management to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the operating results of the Group for the period. It also requires management to ensure that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the FIA 2008. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.

Suresh Sookoo
Chief Executive Officer
17 January 2011

Michael Detje
Chief Financial Officer
17 January 2011

Independent auditor's report

To the shareholders of

RBC Financial (Caribbean) Limited

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of RBC Financial (Caribbean) Limited (the Company) and its subsidiaries (together, the Group) which comprise the consolidated statement of financial position as at 31 October 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and the fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 October 2010 and its financial performance and cash flows for the nineteen month period then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte and Touche
Port of Spain
Trinidad, West Indies
17 January 2011

Consolidated statement of financial position

	Note	At 31 October 2010 ($'000)	At 31 March 2009 ($'000) Restated
Assets			
Cash and cash equivalents	5	13,095,774	7,399,627
Balances with central banks	6	5,044,730	3,631,435
Loans and advances to customers	7	29,198,709	25,873,253
Investment securities	8	11,582,508	10,352,457
Investment in associate companies and joint venture	9	182,945	182,985
Due from associated and affiliated companies		942,393	1,630,462
Derivative financial instruments	10	128,898	247,586
Intangible assets	11	1,346,267	1,382,524
Goodwill	12	9,262,214	9,066,147
Premises and equipment	13	1,302,196	1,168,469
Deferred tax assets	14	490,222	218,332
Other assets	15	1,507,878	789,549
Total assets		74,084,734	61,942,826
Liabilities			
Due to banks		966,741	1,651,380
Customers' deposits	16	45,020,443	34,756,350
Other funding instruments	17	2,083,359	5,615,092
Other borrowed funds	18	901,014	1,180,213
Debt securities in issue	19	749,071	839,943
Due to associated and affiliated companies		2,688,624	1,324,515
Derivative financial instruments	10	202,835	160,840
Post-retirement benefit obligations	20	318,865	237,024
Current income tax liabilities		360,237	495,496
Deferred tax liabilities	14	695,385	434,140
Other liabilities	21	1,912,592	1,383,317
Provisions		168,326	116,285
Total liabilities		56,067,492	48,194,595
Total equity attributable to owners of parent		17,970,416	13,694,881
Non-controlling interests	25	46,826	53,350
Total equity		18,017,242	13,748,231
Total equity and liabilities		74,084,734	61,942,826

The accompanying notes form an integral part of these consolidated financial statements.

On 17 January 2011 the Board of Directors of RBC Financial (Caribbean) Limited authorised these consolidated financial statements for issue.

________ Director ________ Director

Consolidated statement of comprehensive income

	Note	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Interest income	26	5,587,393	4,406,323
Interest expense	27	(1,668,728)	(1,879,278)
Net interest income		3,918,665	2,527,045
Other income	28	1,902,573	1,112,917
Net income		5,821,238	3,639,962
Non-interest expenses	29	(4,031,014)	(2,632,173)
Impairment losses on loans and advances	7.2	(994,408)	(105,712)
Impairment losses on investment securities	8.2	(249,745)	(2,441)
Share of profits of associate companies	9.1	8,726	6,896
Share of profits of joint venture	9.3	16,301	8,904
Profit before taxation		571,098	915,436
Taxation	30	(149,024)	(283,062)
Profit after taxation		422,074	632,374
Other comprehensive income:			
Exchange differences on translating foreign operations	24.2 & 24.3	101,864	(159,302)
Net value gains/(losses) on available-for-sale financial assets	24.3	711,850	(419,026)
Share of other comprehensive income of non-controlling interests		(6,710)	(325)
Other comprehensive income for the year, net of tax		807,004	(578,653)
Total comprehensive income for the period		1,229,078	53,721
Profit attributable to:			
Owners of parent		414,820	622,067
Non-controlling interests	25	7,254	10,307
		422,074	632,374
Total comprehensive income attributable to:			
Owners of parent		1,228,534	43,739
Non-controlling interests	25	544	9,982
		1,229,078	53,721

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital ($'000)	Statutory reserves ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Attributable to owners of parent ($'000)	Non-controlling interests ($'000)	Total ($'000)
Year ended 31 March 2009								
Balance at beginning of year		890,426	554,786	291,942	3,302,120	5,039,274	46,353	5,085,627
Other comprehensive income		--	--	(578,328)	--	(578,328)	(325)	(578,653)
Profit attributable to shareholders		--	--	--	622,067	622,067	10,307	632,374
Total comprehensive income		--	--	(578,328)	622,067	43,739	9,982	53,721
Transfer to/(from) statutory reserves	23	--	118,694	--	(118,694)	--	--	--
Transfer to/(from) general banking risks reserve	24.4	--	--	39,123	(39,123)	--	--	--
Capital reserve movements	24.1	--	--	62,846	(60,870)	1,976	-	1,976
Employee share options								
- Proceeds from shares issued	22	315	--	--	--	315	--	315
- Cancellation of options	22	15,459	--	--	--	15,459	--	15,459
Acquisition adjustments								
- Issue of new shares	22	13,815,959	--	--	--	13,815,959	--	13,815,959
- Cancellation of RBTT shares	22	(906,200)	--	--	--	(906,200)	--	(906,200)
- Elimination of pre-acquisition reserves		--	(568,857)	(414,860)	(3,108,268)	(4,091,985)	--	(4,091,985)
Dividends	31	--	--	--	(223,656)	(223,656)	(2,985)	(226,641)
Balance at end of year		13,815,959	104,623	(599,277)	373,576	13,694,881	53,350	13,748,231
Nineteen months ended 31 October 2010								
Balance at beginning of period		13,815,959	104,623	(599,277)	373,576	13,694,881	53,350	13,748,231
Other comprehensive income		--	--	813,714	--	813,714	(6,710)	807,004
Profit attributable to shareholders		--	--	--	414,820	414,820	7,254	422,074
Total comprehensive income		--	--	813,714	414,820	1,228,534	544	1,229,078
Transfer to/(from) statutory reserves	23	--	158,890	--	(158,890)	--	--	--
Transfer to/(from) general banking risks reserve	24.4	--	--	(22,541)	22,541	--	--	--
Capital reserve movements	24.1	--	--	52,266	(52,266)	--	--	--
Acquisition cost	38.1	--	--	--	(759,792)	(759,792)	--	(759,792)
Proceeds from shares issued	22	3,807,423	--	--	--	3,807,423	--	3,807,423
Dividends	31	--	--	--	(630)	(630)	(7,068)	(7,698)
Balance at end of period		17,623,382	263,513	244,162	(160,641)	17,970,416	46,826	18,017,242

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000) Restated
Operating activities		
Profit before taxation	571,098	915,436
Adjustments for:		
Impairment losses on loans and advances to customers	994,408	105,713
Post-retirement benefit expense (net of premiums paid)	81,841	144,835
Capitalised interest on investment securities	(58,106)	(189,810)
Net investment trading losses/(income)	(69,911)	219,338
Impairment losses on investment securities	249,745	2,441
Impairment of investment in associate companies and joint ventures	19,000	--
Goodwill arising on combination	(196,067)	--
Depreciation and amortisation of intangible assets	430,145	228,148
(Gain)/loss on disposal of premises and equipment and intangible assets	(2,060)	8,053
Loss on sale of subsidiary	--	375
Dividends received from associate companies and joint venture	512	5,093
Share of profits of associate companies and joint venture	(25,027)	(15,800)
Losses transferred from investment revaluation reserve	49,434	34,483
Employee share options	--	15,459
Translation adjustment	57,878	162,938
Operating profit before changes in operating assets and liabilities	2,102,890	1,636,702
(Increase)/decrease in operating assets		
Balances with central banks	(1,413,295)	(673,516)
Loans and advances to customers	(1,665,743)	(1,882,791)
Other assets	(561,591)	(509,970)
Increase/(decrease) in operating liabilities		
Due to banks	(614,686)	65,375
Customers' deposits	3,059,279	2,925,641
Other funding instruments	(3,598,801)	(1,975,920)
Due to/(from) associate companies	78,295	(300,424)
Due to affiliate companies	1,182,970	23,485
Other liabilities	676,302	128,140
Corporation taxes paid	(405,226)	(518,095)
Cash used in operating activities	(1,159,606)	(1,081,373)
Investing activities		
Investment in subsidiary, associate companies and joint venture, net of cash acquired	(215,579)	(13,707,726)
Net movement in investment securities	(25,000)	3,896,374
Additions to premises and equipment and intangible assets	(462,986)	(289,533)
Proceeds from sale of premises and equipment	34,722	7,688
Cash used in investing activities	(668,843)	(10,093,197)
Financing activities		
Proceeds from shares issued	3,807,423	13,793,689
Net movement in other borrowed funds	(287,239)	(1,118,763)
Net movement in debt securities in issue	(90,872)	(138,963)
Dividends paid to company's shareholders	(630)	(223,656)
Dividends paid to non-controlling interests	(7,068)	(2,985)
Cash provided by financing activities	3,421,614	12,309,322
Effect of exchange rate changes on cash resources	(131,002)	(161,715)
Net increase in cash and cash equivalents	1,462,163	973,037
Balance at beginning of period	7,399,627	6,426,590
Cash acquired on acquisition of subsidiary (Note 38.1)	4,233,984	--
Balance at end of period	13,095,774	7,399,627

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and business activities of the Group

RBC Financial (Caribbean) Limited (the Parent Company) is incorporated in Trinidad and Tobago. It is a wholly owned subsidiary of RBC Holdings (Barbados) Limited which is incorporated in Barbados, with the ultimate parent company being the Royal Bank of Canada. It holds the Group's investments, which were previously held by RBTT Financial Holdings Limited. On 16 June 2008 RBTT Financial Holdings Limited was acquired by RBC Holdings (Trinidad and Tobago) Limited. Subsequent to the acquisition, the two companies entered into a statutory amalgamation under the Companies Act of Trinidad and Tobago to form the new entity, RBC Financial (Caribbean) Limited. The address of RBC Financial (Caribbean) Limited registered office is 7-9 St. Clair Avenue, St. Clair, Port of Spain, Trinidad and Tobago.

The subsidiaries and associate companies of RBC Financial (Caribbean) Limited are engaged in banking and financial intermediation services, stock-broking services and property development.

The ordinary shares of the predecessor company, RBTT Financial Holdings Limited were delisted on 17 June 2008 from The Trinidad and Tobago Stock Exchange, The Barbados Stock Exchange and The Jamaica Stock Exchange.

During fiscal 2010, the Group changed its end of reporting period to 31 October to align the Group's year-end with that of its ultimate parent company, Royal Bank of Canada. Consequently, the consolidated results for the year ended 31 October 2010 include the results of operations for nineteen months from 1 April 2009 to 31 October 2010. The consolidated results for the comparative year ended 31 March 2009 include the results of operations for fifteen months for those subsidiaries which had a financial year-end of 31 December and twelve months for all other subsidiaries. The additional three months were 1 January 2009 to 31 March 2009.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

- IAS 1, Presentation of Financial Statements. Comprehensive revision requiring a statement of comprehensive income (effective 1 January 2009)
- IAS 1, Presentation of Financial Statements. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)
  IAS 1 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- Improving Disclosures about Financial Instruments - Amendments to IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2009)

  The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassification of financial assets (effective 1 July 2008)
  The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made.
  In April 2009, the Group reclassified certain debt securities from at fair value through profit and loss and available-for-sale securities to loans and advances to customers. These securities would have met the definition of loans and advances to customers if they had not been designated as FVTPL and AFS at initial recognition. The Group's original intention at initial recognition was to sell the securities at fair value through profit and loss in the short-term and to hold the available for sale securities for an indefinite period. However, as a result of adverse world economic conditions accompanied by the Group's intent and ability to hold the financial assets for the foreseeable future or until maturity, the Group concluded that the criteria for reclassification were met. Consequently, the assets were reclassified at 1 April 2009 (see note 7 for further details). The reclassification has been accounted for in accordance with the relevant transitional provisions and took effect only from the date of reclassification.
  The effect of the reclassification is that all transferred securities have been recorded as loans and advances to customers at their fair value on the date of reclassification which became its new amortised cost. For those reclassifications made from securities at fair value through profit and loss, any gain or loss already recognised in profit or loss shall not be reversed. For those reclassifications made from available for sale securities with a fixed maturity, any previous gain or loss is amortised to profit and loss over the remaining life of the security using the effective interest method. Any difference between the new amortised cost and the maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method. If the security becomes impaired, any gain or loss that was previously recognised in other comprehensive income is reclassified to profit and loss.
- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
  IFRS 3 has been adopted in the current year in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009). Its adoption has affected the accounting for business combinations in the current period.
  In accordance with the relevant transitional provisions, IFRS 3 has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009. The impact of the adoption of IFRS 3 (2008) Business Combinations has been:
  - to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.
  - to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
  - where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
  - to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The acquisition related costs in connection with the purchase of RBC Barbados Limited (Note 38.1) were expensed.

Standards and Interpretations adopted with no effect on financial statements

- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing and amendments resulting from May 2008 improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009)
- IAS 32, Financial Instruments: Disclosure and Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 16, Property, Plant and Equipment. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)
- IAS 19, Employee Benefits. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)
- IAS 36, Impairment of Assets. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)
- IAS 38, Intangible Assets. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)
- IAS40, Investment Property. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009)

Standards and Interpretations in issue not yet adopted

- IFRIC 18, Transfer of assets to Customers (effective for transfers of assets from customers received beginning on or after 1 July 2009)
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 5, Non-current assets held for sale and discontinued operations. Amendment resulting from May 2008 annual improvements to IFRSs (effective 1 July 2009)
- IFRS 5, Non-current assets held for sale and discontinued operations. Amendments resulting from April 2009 annual improvements to IFRS (effective 1 January 2010)
- IFRS 9, Financial Instruments. Classification and Measurement (effective for accounting periods ending on or after 1 Jan 2013)
- IAS 1, Presentation of Financial Statements. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 7, Statement of Cash Flows. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 17, Leases. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 24, Related party disclosures. Revised definition of related parties (effective 1 January 2011)
- IAS 32, Financial instruments. Amendment relating to classification of rights issues (effective 1 February 2010)
- IAS 36, Impairment of Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 38, Intangible Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IFRIC 14, Requirements and their interaction. November 2009 amendment with respect to voluntary prepaid contributions (to be effected 1 January 2011)
  Management is unable to provide a reasonable estimate of the potential impact of the adoption of these amendments until a detailed review is completed.

3 Significant accounting policies

a) Basis of preparation

The consolidated financial statements are prepared in Trinidad and Tobago dollars and in accordance with International Financial Reporting Standards. These consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, securities at fair value through profit or loss, investment properties, derivative financial instruments and other trading liabilities.

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

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power of governing the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. A listing of the principal subsidiaries is set out in note 38.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and their share of changes in equity since the date of the combination. Losses applicable to non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that they have a binding obligation and are able to make an additional investment to cover the losses.

i) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognitions under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets for Sale and Discounted Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition of third party entities is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Goodwill arising on acquisition of affiliated companies is recorded as a reduction to retained earnings and is not recorded as an asset.

Under IFRS 8, an election has been made to have the non-controlling interest in the acquiree initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liability recognised.

ii) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligation or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with associates of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

iii) Interests in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in a jointly controlled entity using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

A listing of the Group's principal associate companies and joint ventures undertaking is shown in note 9.2 and 9.4.

c) Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Trinidad and Tobago dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate prevailing at the date of the transaction.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Trinidad and Tobago dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity including amounts that are attributable to non-controlling interests.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

d) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and advances to customers; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

d) Financial assets (continued)

Effective interest method (continued)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

i) Financial assets at FVTPL

This category has two sub-categories: financial assets held for trading, and those designated at FVTPL from inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets and liabilities are designated at FVTPL when:

- The designation significantly reduces measurement inconsistencies that would arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- Assets and liabilities that are part of a group of financial assets, financial liabilities or both which are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at "fair value through profit or loss"; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit or loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net trading income.'

ii) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as AFS; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

iii) Held-to-maturity financial assets

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

iv) AFS financial assets

AFS investments are those 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.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and AFS are recognised on the settlement date – the date on which there is a cash outflow or inflow.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

AFS financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances to customers and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

e) Impairment of financial assets

i) Financial assets carried at amortised cost

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Delinquency in contractual payments of principal or interest;
(ii) Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
(iii) Breach of loan covenants or conditions;
(iv) Initiation of bankruptcy proceedings;
(v) Deterioration of the borrower's competitive position;
(vi) Deterioration in the value of collateral; and
(vii) Downgrading of the asset.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience, use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related provision for impairment loss. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

ii) Financial assets classified as AFS

At the end of the reporting period the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets carried at fair value is impaired if its carrying amount is greater than its estimated recoverable amount based on the present value of expected future cash flows discounted at the current market rate of interest.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

At the end of the reporting period if any such evidence exists for financial assets available for sale, the cumulative loss in the other comprehensive income measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the other comprehensive income is removed and recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

e) Impairment of financial assets (continued)

ii) Financial assets classified as AFS (continued)

In respect of AFS equity investments, impairment losses previously recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

f) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; and
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

(ii) Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

g) Sale and repurchase agreements

Securities sold under sale and repurchase agreements ('repos') are retained in the financial statements as securities held-for-trading and the counterparty liability is included in other funding instruments. Securities purchased under agreements to resell ('reverse repos') are recorded as loans to other banks or customers as appropriate. The difference between the sale price and the repurchase price is treated as interest and accrued evenly over the life of the repos.

h) Derivative financial instruments and other trading liabilities

Derivative financial instruments

Derivative financial instruments including currency and interest rate swaps, equity and commodity options (both written and purchased) are initially recognised in the statement of financial position at fair value on the date on which a derivative contract is entered into and subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the equity option in an index linked instrument, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

Changes in the fair value of derivatives are recognised immediately in the statement of comprehensive income and are included in net trading income.

i) Guarantees, indemnities and letters of credit

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not reflected in the statement of financial position.

j) Revenue recognition

i) Interest income and expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts.

ii) Fees and commissions

The Group earns fees and commissions from a diverse range of services and products to its customers.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the completion of the underlying applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

iii) Dividend income

Dividend income is recognised when the right to receive dividend is established.

k) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

l) Intangible assets

i) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequently to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation is charged on a straight-line basis over the estimated useful lives of the intangible assets which are estimated to be 7 – 10 years.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

m) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an assets (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant assets is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Management reviews the estimated useful lives, residual values and method of depreciation at each year-end. Any changes are accounted for prospectively as a change in accounting estimate.

Depreciation is computed principally on the straight line method. Rates in effect are designed to write off the depreciable amounts of assets over their estimated useful lives. The following rates are used:

Freehold properties	-	2% to 4%
Leasehold properties and improvements	-	2% to 20%
Equipment	-	15% to 20%
Computer equipment	-	20% to 25%

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amounts and are taken into account in determining profit/(loss). Costs of repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, deposits with other banks and short term investments with maturities of up to three months that are held to meet short-term cash commitments rather than for investment purposes.

p) Leases

i) The Group is the lessee

The leases entered into by the Group which do not transfer substantially all the risk and benefits of ownership are classified as operating leases. The total payments made under operating leases are charged to other operating expenses in the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

ii) The Group is the lessor

When assets are held subject to a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group to the lessor and therefore the present value of the lease payments is recognised as a receivable and reported in loans and advances to customers. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant period rate of return.

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental payments received under operating leases are recognised on a straight-line basis over the lease period.

q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be immaterial.

r) Share capital

Shares issued for cash are accounted for at the issue price less any transaction costs of the issue. Shares issued as consideration for the acquisition of a business are recorded at the market price on the date of the issue.

s) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

t) Employee benefits

i) Pension obligations

The Group operates a number of defined contributions and defined benefit pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans maintained as part of multi-employer plans by certain group companies, the administrators are unable to provide information on the companies' proportionate share of the defined benefit obligation and plan assets. These plans are accounted for as if they are defined contribution plans in accordance with IAS 19.

The Group's contributions to the defined contribution pension plans are charged to the consolidated statement of comprehensive income in the year to which they relate.

ii) Employee Share Ownership Plan (ESOP)

The employees of subsidiaries incorporated in Trinidad and Tobago have the option to receive their bonuses in cash and/or ordinary shares of the ultimate parent company, Royal Bank of Canada, purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The Group recognises an expense within staff costs when bonuses are awarded.

iii) Other post-retirement benefits

Some Group companies provide other post-retirement benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. A full valuation of these obligations is carried out by independent qualified actuaries every three years.

u) Taxation

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

u) Taxation (continued)

(ii) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the tax is also recognised outside of the statement of comprehensive income or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

v) Administered funds

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. Assets under administration/trusteeship as at 31 October 2010 totalled $65.0 billion (as at 31 March 2009 - $64.1 billion).

w) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

x) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. These changes have no effect on the profit after tax of the Group for the previous year.

4 Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment of financial assets

The Group reviews its loan and investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment should be recorded in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets before the decrease can be identified with an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Fair value of financial instruments including derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

c) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

d) Income taxes

The Group is subject to income taxes in several jurisdictions. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

e) Securitisations and special purpose entities

The Group supports the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments for asset securitisation purposes and for buying and selling credit protection. The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it may make judgments about its exposure to the risks and rewards as well as about its ability to make operational decisions about the SPE in question. In many instances, elements are present that, when considered in isolation, indicate control or lack of control over an SPE, but when considered together, make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

f) Goodwill

The Group's financial statements include goodwill arising from acquisitions. In accordance with IAS 38, goodwill was tested for impairment as at 31 October 2010 using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash generating unit and an appropriate discount rate to calculate present value.

5 Cash and cash equivalents	**2010 ($'000)**	**2009 ($'000) restated**
Cash on hand	1,048,678	922,619
Treasury bills	1,302,964	1,066,863
Due from other banks	10,744,132	5,410,145
	13,095,774	7,399,627

Cash on hand represents cash held in tellers' tills, vaults and cash dispensing machines.

Due from banks are deposits held with other banks on demand or for fixed periods up to three months. Treasury bills have original maturities up to three months.

6 Balances with central banks

In accordance with the regulations governing banks in the region, the Group's banking subsidiaries in Trinidad and Tobago, the Eastern Caribbean, Barbados, Aruba, Netherlands Antilles, Jamaica and Suriname are required to maintain monetary reserves with their respective Central Banks, which are based on a ratio to customers' deposits and other specified liabilities.

7 Loans and advances to customers	**2010 ($'000)**	**2009 ($'000)**
Retail	5,629,233	5,624,253
Commercial/corporate	16,200,462	14,181,154
Mortgages	7,092,100	5,653,588
Other	1,297,595	1,216,257
Gross loans and advances	30,219,390	26,675,252
Unearned interest	(286,371)	(449,938)
	29,933,019	26,225,314
Interest receivable	159,107	175,369
Allowance for impairment losses (Note 7.1)	(893,417)	(527,430)
	29,198,709	25,873,253
Neither past due nor impaired loans and advances	24,026,206	22,337,000
Past due but not impaired loans and advances	3,465,999	3,336,940
Impaired loans and advances	2,727,185	1,001,312
Gross loans and advances	30,219,390	26,675,252
Included in loans and advances are amounts pledged for the benefit of investors in other funding instruments	1,400,794	888,591

Effective 30 April 2009, the Group reclassified some securities from securities available-for-sale at fair value and securities at fair value through profit and loss (including trading) amounting to $87.5 million and $1,070.5 million respectively to loans and advances to customers. The fair value loss on these securities included in other comprehensive income and statement of comprehensive income respectively amounts to $6.4 million and $130.6 million. The effective interest rate ranged from 6.05% to 9.5% and all principal and interest cash flows are expected to be recovered in future.

	Nineteen Months ended 31 October 2010 ($'000)	**Year ended 31 March 2009 ($'000)**
7.1 Allowance for impairment losses		
Balance at beginning of period	527,430	314,493
Amounts previously provided for now being written off	(221,508)	(53,157)
Increase in allowance for the period (excluding recoveries)	570,471	114,286
Transferred upon acquisition of subsidiary	13,577	--
Fair value adjustment arising on acquisition	--	154,200
Currency translation differences	3,447	(2,392)
Balance at end of period	893,417	527,430
Specific and collective impairment	684,419	502,529
General impairment	208,998	24,901
	893,417	527,430
Allowance for impairment losses by sector:		
Retail	217,079	185,509
Commercial/corporate	599,805	300,611
Mortgages	60,989	26,627
Other	15,544	14,683
	893,417	527,430
7.2 Impairment losses on loans and advances		
Increase in allowance for the period	570,471	114,286
Amounts not previously provided for being directly written off	452,814	2,160
Recoveries	(28,877)	(10,734)
	994,408	105,712

Notes to the consolidated financial statements

7 Loans and advances to customers (continued)

7.2 Impairment losses on loans and advances (continued)

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Impairment losses by sector:		
Retail	117,760	64,468
Commercial/corporate	804,637	31,513
Mortgages	52,991	4,644
Other	19,020	5,087
	994,408	105,712

8 Investment securities

	2010 ($'000)	2009 ($'000) Restated
Securities at FVTPL (including trading)	870,404	1,525,370
Securities available-for-sale at fair value	9,467,075	7,677,247
Securities held-to-maturity at amortised cost	1,183,724	947,368
	11,521,203	10,149,985
Interest receivable	87,555	215,836
Provision for impairment (Note 8.1)	(26,250)	(13,364)
	11,582,508	10,352,457
Investment securities pledged for the benefit of investors in other funding instruments	1,059,839	4,847,729
Securities at FVTPL (including trading)		
Held for trading		
Government and state-owned enterprises debt securities	377,888	299,209
Corporate debt securities	492,516	1,134,737
	870,404	1,433,946
Designated upon initial recognition		
Corporate debt securities	--	91,424
	870,404	1,525,370
Securities available-for-sale at fair value		
Treasury bills and treasury notes	4,960,816	1,622,751
Government and state-owned enterprises debt securities	1,406,128	3,428,011
Corporate debt securities	1,461,529	905,435
Other debt securities	414,465	205,394
Money market instruments	731,448	873,023
Equity securities	492,689	642,633
	9,467,075	7,677,247
Securities held-to-maturity at amortised cost		
Government and state-owned enterprises debt securities	1,183,441	671,396
Corporate debt securities	283	29,018
Other debt securities	--	246,954
	1,183,724	947,368

	At fair value through profit or loss ($'000)	Available-for-sale ($'000)	Held-to-maturity ($'000)	Total ($'000)
As at April 1, 2009	1,525,370	7,677,247	947,368	10,149,985
Addition upon acquisition of subsidiary	--	433,082	--	433,082
Additions	1,828,773	23,029,894	789,715	25,648,382
Disposal (sale and redemption)	(2,403,219)	(21,801,932)	(553,359)	(24,758,510)
Gains/(losses) from changes in fair value	(80,520)	128,784	--	48,264
As at October 31, 2010	870,404	9,467,075	1,183,724	11,521,203

	At fair value through profit or loss ($'000)	Available-for-sale ($'000)	Held-to-maturity ($'000)	Total ($'000)
As at 1 April 2008	2,080,055	11,750,682	1,377,254	15,207,991
Additions	18,356	8,588,071	631,170	9,237,597
Disposal (sale and redemption)	(371,050)	(12,505,114)	(1,061,056)	(13,937,220)
Gains/(losses) from changes In fair value	(201,991)	(156,392)	--	(358,383)
As at 31 March 2009	1,525,370	7,677,247	947,368	10,149,985

As at 30 April 2009, the Group reclassified some securities from available-for-sale at fair value and at fair value through profit and loss (including trading) amounting to $87.5 million and $1,070.5 million respectively to loans and advances to customers. The fair value loss on these securities included in other comprehensive income and profit and loss respectively amounts to $6.4 million and $130.6 million. The effective interest rate ranged from 6% to 9.5% all principal and interest cash flows are expected to be recovered in future.

	Carrying value ($'000)	Fair value ($'000)
Balance at 31 October 2010	1,042,054	1,047,237
Balance at 31 March 2009	1,309,504	1,115,621

8.1 Provision for impairment

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Balance at beginning of period	13,364	9,584
Foreign exchange adjustment	76	(93)
Amounts previously provided for now being written off	(6,565)	--
Increase/(decrease) in allowance for the period	19,375	3,873
Balance at end of period	26,250	13,364

8.2 Impairment losses on investment securities

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Amounts not previously provided for being directly written off	230,370	--
Increase/(decrease) in allowance for the period	19,375	3,873
Impairment losses written-back	--	(1,432)
	249,745	2,441

9 Investment in associate companies and joint venture

Associate companies (Note 9.1)	57,842	71,727
Joint venture (Note 9.3)	125,103	111,258
	182,945	182,985

9.1 Movement in investment in associate companies

Balance at beginning of period	71,727	64,134
Investment impairment	(19,000)	--
Disposal/additional investment	--	(294)
Share of current period's profits, before tax	8,726	6,896
Share of current period's tax	(4,071)	(329)
Share of current period's reserves	527	(153)
Prior period adjustment	--	1,976
Dividends	(67)	(503)
Balance at end of period	57,842	71,727

9.2 Associate companies

The Group's interest in its principal associates, which are unlisted, are as follows:

	Principal activity	Assets ($'000)	Liabilities ($'000)	Revenues ($'000)	Profit ($'000)	Percentage of equity capital held (%)
At 31 October 2010						
Development Finance Limited	Venture capital	197,493	(145,647)	21,932	1,767	31.1%
Infolink Services Limited	Clearing facility for electronic funds transfer	56,232	(1,686)	31,372	16,408	25.0%
Park Court Limited	Real estate	72,065	(62,289)	7,362	964	20.0%
KF Real Estate C.V.	Real estate	21,991	(10,934)	479	67	33.3%
At 31 March 2009						
Development Finance Limited	Venture capital	199,694	(151,215)	17,864	1,834	31.1%
Infolink Services Limited	Clearing facility for electronic funds transfer	43,605	(1,327)	17,051	8,575	25.0%
Park Court Limited	Real estate	67,213	(52,325)	2,560	727	20.0%
KF Real Estate C.V.	Real estate	20,827	(10,893)	511	166	33.3%

All associate companies except KF Real Estate C.V. are incorporated in the Republic of Trinidad and Tobago. KF Real Estate is incorporated in Curaçao.

9.3 Movement in investment in joint venture

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	111,258	106,058
Additional investment during the period	--	60
Share of current period's profits, before tax	16,301	8,904
Share of current period's tax	(2,010)	825
Dividends	(446)	(4,589)
Balance at end of period	125,103	111,258

9.4 Interest in joint venture

Joint venture at 31 October 2010 and 31 March 2009

	Country of incorporation	Percentage of equity capital held
RGM Limited	Republic of Trinidad and Tobago	33⅓%

Notes to the consolidated financial statements

9 Investment in associate companies and joint venture (continued)

9.4 Interest in joint venture (continued)

	2010 ($'000)	2009 ($'000)
Assets		
Investment properties	308,090	280,019
Other non-current assets	43,882	33,967
	351,972	313,986
Current assets	14,493	14,880
	366,465	328,866
Liabilities		
Non-current liabilities	227,785	186,635
Current liabilities	13,577	30,973
	241,362	217,608
Net assets	125,103	111,258
Income	71,168	45,814
Expenses	(56,877)	(36,085)
Profit after tax	14,291	9,729
Proportionate interest in joint venture's commitments	--	12,703

10 Derivative financial instruments

Types

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or bond price, or commodity price or index.

The Group utilises the following derivative instruments:

Interest rate swaps

These are financial transactions in which two counterparties exchange fixed and floating interest cash flows over a period of time based on rates applied to defined notional principal amounts.

Currency swaps

These are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies and/or interest rates (for example fixed rate for floating rate, US for Euro etc.). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The risk is monitored on an ongoing basis with reference to interest rates, curvature of the yield curve and foreign exchange rates. To control the level of risk taken, the Group assesses counterparties using the same techniques followed in its lending activities.

Notional amounts and fair values

The notional amount of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates, commodity prices or indices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The notional amounts and fair values of derivative financial instruments held are set out in the following table.

	Contract/ Notional Amount ($'000)	Fair Values Assets ($'000)	Liabilities ($'000)
As at 31 October 2010			
Derivatives held-for-trading			
Interest rate swaps	720,496	88,760	115,772
Currency swaps	1,024,133	40,138	87,063
		128,898	202,835
As at 31 March 2009			
Derivatives held-for-trading			
Interest rate swaps	1,060,777	25,248	21
Currency swaps	1,695,612	222,338	160,819
		247,586	160,840

Credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations. The Group restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements contained in the "ISDA Agreements" with its counterparties and where applicable supplements its position with collateral.

11 Intangible assets

	2010			2009 (Restated)		
	Core deposit intangible ($'000)	Software ($'000)	Total ($'000)	Core deposit intangible ($'000)	Software ($'000)	Total ($'000)
Opening net carrying value	876,303	506,221	1,382,524	--	404,547	404,547
Additions	--	248,285	248,285	963,668	133,050	1,096,718
Disposals	--	(9,297)	(9,297)	--	--	--
Amortisation	(222,714)	(52,531)	(275,245)	(87,365)	(31,376)	(118,741)
Closing net carrying value	653,589	692,678	1,346,267	876,303	506,221	1,382,524
Cost	963,668	956,151	1,919,819	963,668	722,596	1,686,264
Accumulated amortisation	(310,079)	(263,473)	(573,552)	(87,365)	(216,375)	(303,740)
Net carrying value	653,589	692,678	1,346,267	876,303	506,221	1,382,524

12 Goodwill

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	9,066,147	450,415
Elimination of pre-acquisition balance	--	(450,415)
Arising on combination	196,067	9,066,147
Balance at end of period	9,262,214	9,066,147

During 2010, goodwill in the amount of $196 million (2009- $9,066 million) was created arising from adjustments to the fair valuations of assets acquired by Royal Bank of Canada on the combination of RBC Financial (Caribbean) Limited and RBTT Financial Holdings Limited on 16 June 2008. Goodwill on assets acquired was assessed to determine the need for an impairment provision as at the year end, in accordance with IFRS 3 – Business Combinations. In 2010, this assessment used the "value in use" method. Based on the results of the assessment, goodwill was deemed not to be impaired as at 31 October 2010 and as such no impairment charge was required.

13 Premises and equipment

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Capital work in progress ($'000)	Total ($'000)
Year ended 31 March 2009 (Restated)						
Opening net book value	379,607	33,188	72,956	250,176	114,382	850,309
Translation adjustment	(8,362)	(9)	(1,633)	(2,001)	(840)	(12,845)
Adjusted opening net book value	371,245	33,179	71,323	248,175	113,542	837,464
Fair value adjustment on acquisition	286,270	--	--	--	--	286,270
Additions	11,483	--	2,358	22,102	133,629	169,571
Disposals	(7,252)	(391)	(566)	(7,220)	--	(15,429)
Transfers	22,019	(1,068)	(428)	71,277	(91,800)	--
Depreciation charge	(15,001)	(781)	(6,941)	(86,685)	--	(109,407)
Closing net book value	668,764	30,939	65,746	247,649	155,371	1,168,469
At 31 March 2009 (Restated)						
Total cost	802,806	36,112	126,271	821,232	155,371	1,941,792
Accumulated depreciation	(134,042)	(5,173)	(60,525)	(573,583)	--	(773,323)
Net book value	668,764	30,939	65,746	247,649	155,371	1,168,469

Notes to the consolidated financial statements

13 Premises and equipment (continued)

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Capital work in progress ($'000)	Total ($'000)
Nineteen months ended 31 October 2010						
Opening net book value	668,764	30,939	65,746	247,649	155,371	1,168,469
Translation adjustment	5,095	29	489	2,198	548	8,359
Adjusted opening net book value	673,859	30,968	66,235	249,847	155,919	1,176,828
Additions on acquisition of subsidiary	75,007	--	4,913	9,012	--	88,932
Additions	3,589	142	62,820	112,942	35,208	214,701
Disposals	(5,919)	--	--	(17,446)	--	(23,365)
Transfers	31,451	--	3,402	21,230	(56,083)	--
Depreciation charge	(30,923)	(504)	(13,025)	(110,448)	--	(154,900)
Closing net book value	747,064	30,606	124,345	265,137	135,044	1,302,196
At 31 October 2010						
Total cost	910,022	36,299	199,800	1,017,028	135,044	2,298,193
Accumulated depreciation	(162,958)	(5,693)	(75,455)	(751,891)	--	(995,997)
Net book value	747,064	30,606	124,345	265,137	135,044	1,302,196

Included in premises and equipment is floor space leased by a Group company to third parties under operating leases:

	2010 ($'000)	2009 ($'000)
Aggregate rentals receivable:		
Not later than one year	--	382
Later than one year and no later than five years	--	553
	--	935

14 Deferred taxation

	2010 ($'000)	2009 ($'000)
The following amounts are shown in the consolidated statement of financial position:		
Deferred tax assets	490,222	218,332
Deferred tax liabilities	(695,385)	(434,140)
	(205,163)	(215,808)

The movement on the deferred tax account is as follows:

	2010 ($'000)	2009 ($'000)
At beginning of period	(215,808)	(262,590)
Effect of changes in exchange rate	--	2,921
Statement of comprehensive income credit (Note 30)	166,737	38,899
Investment revaluation reserve		
- Fair value (gains)/losses	(188,975)	169,218
- Gain/(losses) transferred to the statement of comprehensive income	5,854	(8,155)
Amount arising on acquisition	--	(137,020)
Other	27,029	(19,081)
At end of period	(205,163)	(215,808)

Deferred tax assets and liabilities are attributable to the following items:

	2010 ($'000)	2009 ($'000)
Deferred tax assets		
Investment securities available-for-sale	40,296	66,135
Unrealised losses derivative financial instruments	309,748	35,359
Post-retirement benefits	97,013	4,231
Accelerated tax depreciation	15,570	28
Tax losses	27,595	--
Interest payable	--	8,064
Fair value adjustment on acquisition	--	104,435
Other	--	80
	490,222	218,332

Deferred tax liabilities	2010 ($'000)	2009 ($'000)
Accelerated goodwill amortisation	66,562	44,140
Accelerated tax depreciation	121,153	44,268
Post-retirement benefits	766	2,684
Investment securities available-for-sale	47,948	23,332
Investment securities at fair value through profit or loss	6,776	8,844
Unrealised gains on derivative financial instruments	252,703	--
Regulatory loan loss reserve	29,573	44,727
Interest receivable	473	23,085
Fair value adjustment on acquisition	169,431	240,900
Other	--	2,160
	695,385	434,140

15 Other assets

	2010 ($'000)	2009 ($'000)
Corporation tax recoverable	250,165	132,678
Other taxes recoverable	17,765	38,494
Bankers' acceptances and Participatory investment certificates	398,100	77,563
Other	841,848	540,814
	1,507,878	789,549

16 Customers' deposits

	2010 ($'000)	2009 ($'000)
Savings	9,549,811	12,775,226
Term deposits	19,462,863	11,148,984
Current accounts	15,784,751	10,580,388
	44,797,425	34,504,598
Accrued interest	223,018	251,752
	45,020,443	34,756,350
Sectoral analysis		
Consumers	23,784,172	16,032,408
Private sector	17,042,832	14,410,263
State sector	2,828,632	3,172,745
Other	1,141,789	889,182
	44,797,425	34,504,598

17 Other funding instruments

	2010 ($'000)	2009 ($'000)
Other funding instruments	2,045,251	5,518,364
Accrued interest	38,108	96,728
	2,083,359	5,615,092
Sectoral analysis		
Consumers	977,918	978,639
Private sector	427,985	3,288,719
State sector	631,175	1,251,006
Other	8,173	--
	2,045,251	5,518,364

Other funding instruments consist of asset-backed fund raising instruments which include securities sold subject to repurchase agreements (repos). Interest rates on other funding instruments ranged from 0.10% to 11.50% (2009 – 2.50% to 24.80%).

18 Other borrowed funds

	2010 ($'000)	2009 ($'000)
Short-term credit lines	90,500	41,441
Long-term loan agreements	723,677	1,121,893
Private placements	72,046	--
	886,223	1,163,334
Accrued interest	14,791	16,879
	901,014	1,180,213

As part of its fundraising activities, the Group accesses different sources of financing among short-term, long-term and private placements.

Short-term borrowings consist of revolving credit lines and other bank credit line facilities with maturities up to one year. Long term borrowings consist of bank borrowings with maturities in excess of five years. Private placements consist of commercial paper issued by the Group to selected sophisticated investors with maturities of up to three years.

Interest rates on borrowings which are principally in US dollars as at 31 October 2010 ranged from 0.71 % to 13.00% (as at 31 March 2009 – 1.87% to 13.00%).

19 Debt securities in issue

	2010 ($'000)	2009 ($'000)
Debt securities in issue	744,903	833,177
Accrued interest	4,168	6,766
	749,071	839,943

Debt securities in issue as at 31 October 2010 include the following:

	Term	Maturity Date	Interest Rate
TT$200 Million Bond	10 years	April 2014	6.75% Fixed
US$100 Million Bond	10 years	March 2015	6.60% Fixed

20 Post-retirement benefit obligations

Apart from defined contribution pension plans, the Group operates other post-retirement benefit plans including defined pension benefit plans, medical and group life plans.

20.1 The amounts recognised in the statement of financial position are as follows:

	Medical ($'000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2010				
Fair value of plan assets	--	--	(29,505)	(29,505)
Post-retirement benefit obligation	142,129	16,736	173,963	332,828
Unrecognised actuarial gain	18,518	(4,177)	1,201	15,542
Liability in the statement of financial position	160,647	12,559	145,659	318,865
31 March 2009 (Restated)				
Fair value of plan assets	--	--	(22,530)	(22,530)
Post-retirement benefit obligation	110,908	9,051	121,390	241,349
Unrecognised actuarial gain	26,274	1,881	(9,950)	18,205
Liability in the statement of financial position	137,182	10,932	88,910	237,024

Notes to the consolidated financial statements

20 Post-retirement benefit obligations (continued)

20.2 The movements in the net liability is recognised in the statement of financial position are as follows:

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2010				
At beginning of period	137,182	10,932	88,910	237,024
Net benefit cost	26,505	2,265	66,185	94,955
Benefits paid by Group (Net of retirees contributions)	(3,040)	(638)	(9,436)	(13,114)
At end of period	160,647	12,559	145,659	318,865
31 March 2009 (Restated)				
At beginning of period	85,261	8,886	(1,958)	92,189
Net benefit cost	5,762	632	2,666	9,060
Amounts recognised on amalgamation (Note 20.1)	48,019	1,634	88,700	138,353
Benefits paid by Group (Net of retirees contributions)	(1,860)	(220)	(498)	(2,578)
At end of period	137,182	10,932	88,910	237,024

20.3 The movements in the fair value of plan assets over the period is as follows:

	Medical	Life	Pension	Total
31 October 2010				
At beginning of period	--	--	(22,530)	(22,530)
Expected return of plan assets	--	--	(2,549)	(2,549)
Contributions – total	--	--	(4,818)	(4,818)
Benefits paid by Group	--	--	127	127
Actuarial gain/(loss) on plan assets	--	--	265	265
At end of period	--	--	(29,505)	(29,505)
31 March 2009 (Restated)				
At beginning of period	--	--	(20,708)	(20,708)
Expected return of plan assets	--	--	(1,287)	(1,287)
Contributions – total	--	--	(1,967)	(1,967)
Benefits paid by Group	--	--	499	499
Actuarial gain/(loss) on plan assets	--	--	933	933
At end of period	--	--	(22,530)	(22,530)

20.4 The movements in the post-retirement benefit obligation over the period are as follows:

	Medical	Life	Pension	Total
31 October 2010				
At beginning of period	110,908	9,051	121,390	241,349
Current service cost	7,971	739	6,662	15,372
Interest cost	21,409	1,565	17,657	40,631
Actuarial pans/(loses)	4,881	6,019	37,690	48,590
Benefits paid	(3,040)	(638)	(9,436)	(13,114)
At end of period	142,129	16,736	173,963	332,828
31 March 2009 (Restated)				
At beginning of period	59,446	7,011	28,206	94,663
Current service cost	1,862	220	2,377	4,459
Interest cost	5,112	603	2,698	8,413
Amounts recognised on amalgamation (Note 20.1)	48,019	1,634	88,700	138,353
Actuarial gains/(losses)	(1,671)	(197)	(93)	(1,961)
Benefits paid	(1,860)	(220)	(498)	(2,578)
At end of period	110,908	9,051	121,390	241,349

20.5 The amounts recognized in the statement of comprehensive income are as follows:

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2010				
Current service cost	7,971	739	6,662	15,372
Interest cost	21,409	1,565	17,657	40,631
Actuarial gains/(losses)	(2,875)	(39)	44,415	41,501
Expected return on plan assets	--	--	(2,549)	(2,549)
At end of period	26,505	2,265	66,185	94,955
31 March 2009				
Current service cost	1,862	220	2,377	4,459
Interest cost	5,112	603	2,698	8,413
Actuarial gains/(losses)	(1,212)	(191)	(1,122)	(2,525)
Expected return on plan assets	--	--	(1,287)	(1,287)
At end of period	5,762	632	2,666	9,060

20.6 Summary of principal assumptions

	31 October 2010	31 March 2009 Restated
Discount rates – medical and life	6.25% - 11.5%	8.75%
Discount rates – pension	6.00% - 7.75%	7.00%
Future pension increase	0.00%	2.50%
Expected return on plan assets	8.00%	5.00%
Salary increases	4.5% - 7.00%	5.50% - 7.50%
Medical expense increases		
- basic cover for retirees	5.00%	7.00%
- all other cover	2.50%	3.50%

20.7 Effect of one percentage point change in medical expenses increase assumptions

	31 October 2010
Medical expense increase by 1%	
Effect on aggregate service and interest costs	2,000
Effect on year end defined benefit obligation	(1,819)
Medical expense decrease by 1%	
Effect on aggregate service and interest costs	14,637
Effect on year end defined benefit obligation	(11,653)

20.8 Amounts recognised on amalgamation with Royal Bank of Canada were adjusted against the goodwill created on amalgamation.

21 Other liabilities

	2010 ($'000)	2009 ($'000) (Restated)
Accruals and payables	1,085,500	363,199
Deferred income	143,974	113,846
Bankers' acceptances and participatory investment certificates	398,100	77,563
Other	285,018	828,709
	1,912,592	1,383,317

22 Share capital

	Number of ordinary shares ('000)	Share capital ($'000)
Nineteen months ended 31 October 2010		
At 1 April 2009	10,200	13,815,959
Proceeds from shares issued	2,747	3,807,423
At 31 October 2010	12,947	17,623,382
Year ended 31 March 2009		
At 1 April 2008	344,072	890,426
Share option plan:		
- Options vested and cancelled pursuant to Combination Agreement	--	15,459
- Proceeds from shares issued	15	315
Cancellation of RBTT shares	(344,087)	(906,200)
New shares issued pursuant to Combination Agreement	10,200	13,815,959
At 31 March 2009	10,200	13,815,959

The total authorised number of ordinary shares at period end was unlimited with no par value. All issued shares are fully paid.

23 Statutory reserves

The Financial Institutions Act, 2008 requires financial institutions in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution. The Central Banks of Aruba, Curaçao, Barbados, Jamaica and the Eastern Caribbean impose similar obligations on financial institutions operating within their territories.

24 Other reserves

	2010 ($'000)	2009 ($'000)
Capital reserves (Note 24.1)	115,112	62,846
Translation reserve (Note 24.2)	(19,424)	(121,288)
Investment revaluation reserve (Note 24.3)	146,661	(565,189)
General banking risks reserve (Note 24.4)	1,813	24,354
	244,162	(599,277)

24.1 Capital reserves

Capital reserves include several reserve accounts, the most significant of which is the retained earnings reserve of $115,112,000 (2009: $62,846,000) maintained by certain banking subsidiaries. The Banking Acts in certain jurisdictions permit the transfer of any portion of net profits to a retained earnings reserve. Such transfers are made at the discretion of the Board and must be notified to the Central Bank.

	2010	2009
Balance at beginning of period	62,846	156,079
Other reserve movements	52,266	62,846
Acquisition Adjustments – elimination of pre-acquisition reserves	--	(156,079)
Balance at end of period	115,112	62,846

24.2 Translation reserve

	2010	2009
Balance at beginning of period	(121,288)	(307,728)
Currency translation differences arising during the year	101,864	(159,299)
Acquisition adjustment – elimination of pre-acquisition reserves	--	345,739
Balance at end of period	(19,424)	(121,288)

24.3 Investment revaluation reserve – securities available-for-sale

	2010	2009
Balance at beginning of period	(565,189)	170,795
Net value gains/(losses) arising during the year, net of tax	711,850	(419,026)
Currency translation differences arising during the year	--	(3)
Acquisition adjustment – elimination of pre-acquisition reserves	--	(316,955)
Balance at end of period	146,661	(565,189)

24.4 General banking risks reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined in accordance with regulatory requirements over the amount determined under IFRS.

	2010	2009
Balance at beginning of period	24,354	272,796
Transferred (to)/from retained earnings	(22,541)	39,123
Acquisition adjustment – elimination of pre-acquisition reserves	--	(287,565)
Balance at end of period	1,813	24,354

Notes to the consolidated financial statements

25 Non-controlling interests

This represents the 38% shareholding in RBTT Bank Grenada Limited and 5% in RBTT Bank (SKN) Limited, not owned by RBC Financial (Caribbean) Limited or its subsidiaries.

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
26 Interest income		
Loans and advances to customers	4,480,987	3,009,707
Investment securities	1,031,471	1,200,811
Due from affiliates	10,476	--
Due from banks	64,459	195,805
	5,587,393	4,406,323
27 Interest expense		
Customers' deposits	1,019,448	1,059,387
Due to banks	58,038	159,329
Due to affiliates	113,120	--
Other interest bearing liabilities	478,122	660,562
	1,668,728	1,879,278
28 Other income		
Fees and commissions (Note 28.1)	1,277,130	950,446
Net trading income/(losses) (Note 28.2)	69,911	(219,338)
Foreign exchange earnings	513,424	353,122
Dividend income	34,348	22,598
Sundry income	7,760	6,089
	1,902,573	1,112,917
28.1 Fees and commissions		
Transaction service fees/commissions	599,255	460,013
Credit related fees and commissions	313,228	232,663
Corporate finance fees	7,331	43,397
Trust and asset management-related fees	357,316	214,373
	1,277,130	950,446
28.2 Net trading income/(losses)		
Securities at FVTPL		
- realised and unrealised gains/(losses) (including trading loans)	91,630	(161,751)
Derivative financial instruments		
- realised and unrealised losses	(145,763)	(85,449)
AFS securities		
- realised gains	124,044	27,862
	69,911	(219,338)
29 Non-interest expenses		
Staff costs (Note 29.1)	2,004,282	1,278,796
Premises and equipment expenses, excluding depreciation and operating lease rentals	321,803	219,604
Advertising	37,135	47,280
Depreciation and amortisation of intangibles	430,145	259,524
Deposit insurance premium (Note 29.2)	50,155	29,128
Operating lease rentals	198,488	124,821
Directors' fees	7,517	7,180
Auditors' fees	12,163	7,938
Client guarantee payment (Note 29.3)	238,886	--
Other operating expenses	730,440	657,902
	4,031,014	2,632,173

29.1 Staff costs

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Wages and salaries including bonuses	1,820,369	1,187,355
Employees' defined contribution pension expense	88,958	66,922
Employees' defined benefit and other post-retirement benefit costs (Note 20)	94,955	9,060
Share option plan - cancellation of options	--	15,459
	2,004,282	1,278,796

29.2 Deposit insurance premium

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago, Barbados, St. Vincent and Jamaica stipulate that an annual premium be paid to a Deposit Insurance Fund based on insurable deposit liabilities outstanding at the end of each quarter of the preceding year. The basis of calculation varies across the legal jurisdictions.

29.3 Client guarantee payment

On 19 November 2009, RBTT as sponsors of the Roytrin Mutual Fund products announced its intention to move from a fixed net asset value (NAV) to a floating NAV for its TTD and USD Income funds. The change was effective 1 January 2010 and unitholders of those Funds were given a six week period to re-evaluate their portfolios and determine the best investment mix to meet their investment objectives. RBTT stated their intention to commence the floating with a NAV of $25 and make up any shortfall on the NAV as of 31 December 2009. This payment reflects the total amount paid into the funds to satisfy this guarantee.

30 Taxation

Current tax charge	299,358	319,762
Green fund levy	4,508	3,355
Prior years	5,814	(660)
Net deferred tax (credit) (Note 14)	(166,737)	(38,899)
Share of tax charge/ (credit) of associate company (Note 9.1)	4,071	329
Share of tax charge of joint venture (Note 9.3)	2,010	(825)
	149,024	283,062

The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the home country of the parent company as follows:

Profit before tax	571,098	915,436
Prima facie tax calculated at a rate of 25%	142,775	228,859
Effect of different tax rates in other countries	9,522	35,275
Effect of different tax rates on certain sources of income	963	(1,007)
Income exempt from tax	(329,521)	(184,510)
Expenses not deductible for tax	246,757	156,297
Utilisation of tax losses not previously recognised	(636)	(2,575)
Effect of current year unrecognised tax losses	88,969	22,315
Prior years	5,814	(660)
Green fund levy	4,508	3,355
Business levy	1,052	835
Permanent differences	(4,173)	(9,882)
Other	(17,006)	34,760
Tax charge	149,024	283,062

The deferred tax (credit) for the year comprises the following temporary differences:

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000)
Accelerated tax depreciation	14,590	(5,327)
Unrealised (losses) on derivative financial instruments	(24,803)	(29,903)
Allowance for impairment (losses)/ credit on loans and advances	(35,633)	27,238
Investment securities at FVTPL	9,480	(39,498)
Post-retirement benefits	(66,914)	3,233
Tax losses	(23,061)	4,512
Regulatory loan loss reserve	(13,750)	24,387
Other temporary differences	(26,646)	(1,145)
Amortisation of fair value adjustments	--	(22,396)
Deferred tax credit	(166,737)	(38,899)

31 Dividends

Dividends accounted for as an appropriation of retained earnings are as follows:

Final dividend	--	223,656
Interim dividend	630	--
	630	223,656

32 Contingent liabilities

a) Legal proceedings

As at 31 October 2010, there were certain legal proceedings outstanding against the Group for which a provision has been made of $33 million based on professional advice as to the likely obligations arising from these litigation matters (2009: $123 million).

b) Customers' liability under acceptances, guarantees, indemnities and letters of credit

These represent the Group's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not reflected in the statement of financial position.

	2010 ($'000)	2009 ($'000) Restated
Guarantees, indemnities and letters of credit	1,219,163	1,900,241

33 Credit commitments

	Gross maximum exposure 2010 ($'000)	Gross maximum exposure 2009 ($'000)
Consumer	619,287	375,841
Manufacturing	348,597	241,737
Distribution	448,248	299,031
Financial services	91,633	70,894
Transport	27,765	19,678
Construction	143,673	248,820
Petroleum	250,600	3,841
Agriculture	13,418	17,357
Real estate	61,559	176,390
Tourism	32,862	20,742
Professional services	51,687	26,229
Utilities	91,044	163,497
Health services	47,207	11,842
Government	626,160	1,338
Other	285,804	143,332
	3,139,544	1,820,569

Notes to the consolidated financial statements

34 Capital and lease commitments

The Group's capital commitments, principally in respect of building construction and renovation and information technology projects are $335.3 million as at 31 October 2010 (2009 - $237.8 million).

	2010 ($'000)	2009 ($'000)
Operating lease commitments are as follows:		
Premises		
Within one year	95,792	70,750
One to five years	169,798	256,365
Over five years	46,395	410,717
	311,985	737,832

35 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Royal Bank of Canada.

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

	2010 ($'000)	2009 ($'000) Restated
Outstanding balances		
Loans and investments		
Associates	12,959	126,961
Directors and key management personnel	--	14,555
Other related parties	--	41,252
	12,959	182,768
Deposits and other liabilities		
Associates	188	9,265
Directors and key management personnel	--	13,273
Other related parties	6,262	26,299
	6,450	48,837
Interest income		
Associates	2,350	9,143
Directors and key management personnel	--	1,121
Other related parties	--	4,424
	2,350	14,688
Fees and commissions		
Other related parties	1,517	--
Interest expense		
Associates	117	345
Directors and key management personnel	--	246
Other related parties	--	331
	117	922

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the actions of the Group.

Key management compensation		
Salaries and other short term benefits	36,335	43,636
Share-based benefits	--	15,459
	36,335	59,095

36 Financial risk management

36.1 Statement of financial position – categorisation

	At 31 October 2010 ($'000)	At 31 March 2009 ($'000) Restated
Assets		
Financial assets at fair value through profit and loss		
Investment securities	870,404	1,525,370
Derivative financial instruments	128,898	247,586
	999,302	1,772,956
Financial assets at fair value through equity		
Investment securities	9,467,075	7,677,247
Financial assets at amortised costs		
Cash on hand and due from banks	13,095,774	7,399,627
Balances with central banks	5,044,730	3,631,435
Loans and advances to customers	29,198,709	25,873,253
Investment securities	1,183,724	947,368
Due from associated and affiliated companies	942,393	1,630,462
Other assets	691,422	601,917
	50,156,752	40,084,062
Total financial assets	60,623,129	49,534,265
Non-financial assets	13,461,605	12,408,561
Total assets	74,084,734	61,942,826
Liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial instruments	202,835	160,840
Financial liabilities at amortised cost		
Due to banks	966,741	1,651,380
Customers' deposits	45,020,443	34,756,350
Other funding instruments	2,083,359	5,615,092
Other borrowed funds	901,014	1,180,213
Debt securities in issue	749,071	839,943
Due to associated and affiliated companies	2,688,624	1,324,515
Other liabilities	603,870	418,673
	53,013,122	45,786,166
Total financial liabilities	53,215,957	45,947,006
Non-financial liabilities	2,851,535	2,247,589
Total liabilities	56,067,492	48,194,595
Total equity attributable to owners of parent	17,970,416	13,694,881
Non-controlling interest	46,826	53,350
Total equity	18,017,242	13,748,231
Total equity and liabilities	74,084,734	61,942,826

36.2 Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual company within the Group is accountable for the risk exposures relating to its responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Operating Committee
The Operating Committee is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management Unit
A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Group in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Group Asset/Liability Committee (ALCO)
The Group ALCO has a mandate which includes the recommendation of policies covering investments, liquidity and market risk to the Operating Committee and the parent Board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

Mark To Market Committee
The Group has established a Mark to Market Committee which is responsible for the review and validation of the policies and procedures applied in the valuation of financial assets and liabilities. The Committee also approves the mark to market valuation of financial assets and liabilities on a quarterly basis.

Internal Audit
Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the parent Board Audit Committee and subsidiary Boards' Audit Committees.

Risk measurement and reporting systems
The Group's risks are measured using methods which reflect the expected loss likely to arise in normal circumstances.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and geographies.

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information which consists of several reports is presented and explained to the Operating Committee, the Asset/Liability Committees, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses. For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

Risk mitigation
As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group. The effectiveness of hedges is assessed by the Group Market Risk and Group Finance units (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Group Market Risk Unit monthly.

The Group actively uses collateral to reduce its credit risks.

Notes to the consolidated financial statements

36 Financial risk management (continued)

36.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group's liquidity management process is carried out by the Treasury department of each business unit and monitored by the unit ALCO and Group ALCO. The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities. The Group manages liquidity risk by preserving a large and diversified base of core client deposits, by maintaining ongoing access to wholesale funding and by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure. Each business unit has conservative internal liquidity requirements, defined by the Group's liquidity management framework, which are at least equal to, but generally greater than, the statutory liquidity requirements.

36.3.1 Non-derivative cash flows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Liabilities				
Due to Banks	949,100	13,256	4,385	966,741
Customers' deposits	43,396,905	1,623,022	516	45,020,443
Other funding instruments	1,743,503	339,856	--	2,083,359
Other borrowed funds	468,704	360,266	72,044	901,014
Debt securities in issue	4,169	744,902	--	749,071
Due to associated and affiliated companies	2,244,516	444,108	--	2,688,624
Other liabilities	603,870	--	--	603,870
Total liabilities (contractual maturity dates)	49,410,767	3,525,410	76,945	53,013,122
As at 31 March 2009				
Liabilities				
Due to Banks	1,342,254	304,773	4,353	1,651,380
Customers' deposits	32,913,697	1,807,275	35,378	34,756,350
Other funding instruments	5,144,068	441,446	29,578	5,615,092
Other borrowed funds	54,915	1,098,199	27,099	1,180,213
Debt securities in issue	100,170	--	739,773	839,943
Due to associated and affiliated companies	620,497	704,018	--	1,324,515
Other liabilities	415,983	--	2,690	418,673
Total liabilities (contractual maturity dates)	40,591,584	4,355,711	838,871	45,786,166

36.3.2 Derivative cash flows

The table below analyses the Group's derivative financial instruments that will be settled on (a) a net basis and (b) a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
a) Derivatives settled on a net basis				
- Foreign exchange derivatives	--	--	--	--
- Interest rate derivatives	--	--	--	--
	--	--	--	--
b) Derivatives settled on a gross basis				
Foreign exchange derivatives				
- Outflow	(301,185)	(504,903)	(357,362)	(1,163,450)
- Inflow	307,555	509,287	266,488	1,083,330
Interest rate derivatives				
- Outflow	(16,172)	(27,633)	(19,922)	(63,727)
- Inflow	11,146	9,827	14,689	35,662
Total outflow	(317,357)	(532,536)	(377,284)	(1,227,177)
Total inflow	318,701	519,114	281,177	1,118,992
As at 31 March 2009				
a) Derivatives settled on a net basis				
- Foreign exchange derivatives	8,190	--	--	8,190
- Interest rate derivatives	--	2,523	--	2,523
	8,190	2,523	--	10,713
b) Derivatives settled on a gross basis				
Foreign exchange derivatives				
- Outflow	(139,992)	(732,475)	(628,096)	(1,500,563)
- Inflow	165,320	782,480	460,527	1,408,327
Interest rate derivatives				
- Outflow	(23,688)	(64,383)	(8,884)	(96,955)
- Inflow	27,933	81,823	12,903	122,659
Total outflow	(163,680)	(796,858)	(636,980)	(1,597,518)
Total inflow	193,253	864,303	473,430	1,530,986

36.3.3 Contingent liabilities and commitments

The table below summarises the Group's contingent liabilities and commitments based on contractual maturity dates.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Guarantees, acceptances, indemnities and letters of credit	962,997	198,324	57,842	1,219,163
Credit commitments	2,599,932	318,713	220,899	3,139,544
Operating lease commitments	95,792	169,799	46,394	311,985
Capital commitments	335,257	--	--	335,257
	3,993,978	686,836	325,135	5,005,949
As at 31 March 2009				
Guarantees, acceptances, indemnities and letters of credit	1,653,750	177,312	69,179	1,900,241
Credit commitments	1,411,389	176,167	233,013	1,820,569
Operating lease commitments	70,750	256,365	410,717	737,832
Capital commitments	141,201	96,564	--	237,765
	3,277,090	706,408	712,909	4,696,407

36.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk department who submits reports to the Group Asset/Liability Committee on a regular basis. Additionally, on a quarterly basis, the Mark to Market Committee reviews and approves the valuation of all investment securities, derivatives and trading liabilities.

Trading portfolios include those portfolios arising from market-making transactions where the Group acts as a principal with clients or with the market.

Non-trading portfolios primarily arise from the interest-rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Group's held-to-maturity and available-for-sale investments.

36.4.1 Market risk measurement techniques

The major measurement technique used by the Group to measure and control market risk is stress testing.

The Group applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Group Market Risk consist of risk sensitivity analyses by applying possible stress events such as changes to interest rates and foreign currency rates on the Group's positions. The impact of the stress test is measured to calculate the effect on net interest income. The test does not measure the impact on fair values.

36.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the level of mismatch of interest rate repricing that may be taken, which is monitored by the Treasurers and Asset/Liability Committees of group companies.

Sensitivity analyses were conducted to determine the effect on net profit and other components of equity arising from a reasonable change in interest rates with all other variables held constant.

	Effect on net profit 2010 ($'000)	Effect on other components of equity 2010 ($'000)	Effect on net profit 2009 ($'000)	Effect on other components of equity 2009 ($'000)
Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, Suriname and Other				
Change in interest rate				
+ 1%	28,217	(119,366)	27,011	(106,404)
- 1%	(28,217)	119,366	(27,011)	106,404
Jamaica				
Change in interest rate				
-8%	52,376	44,400	88,510	258,545
+5%	(32,735)	(27,750)	(55,319)	(161,590)

Notes to the consolidated financial statements

36 Financial risk management (continued)

36.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk

The table below summarises the Group's exposure to interest rate repricing risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at 31 October 2010					
Assets					
Cash and cash equivalents	7,409,354	184,325	--	5,502,095	13,095,774
Balances with central banks	2,418,651	--	--	2,626,079	5,044,730
Loans and advances to customers	15,316,957	6,527,797	7,194,848	159,107	29,198,709
Investment securities	8,380,444	1,570,759	1,127,719	503,586	11,582,508
Due from affiliated and associated companies	634,754	59,207	248,000	432	942,393
Derivative financial instruments	128,898	--	--	--	128,898
Other assets	596,363	--	--	33,754	630,117
Total financial assets	34,885,421	8,342,088	8,570,567	8,825,053	60,623,129
Liabilities					
Due to banks	312,537	13,256	--	640,948	966,741
Customers' deposits	31,349,174	6,854,388	47	6,816,834	45,020,443
Other funding instruments	1,705,395	339,856	--	38,108	2,083,359
Other borrowed funds	519,818	289,928	76,477	14,791	901,014
Debt securities in issue	--	744,903	--	4,168	749,071
Due to affiliated and associated companies	2,223,953	444,108	--	20,563	2,688,624
Derivative financial instruments	202,835	--	--	--	202,835
Other liabilities	489,837	--	--	114,033	603,870
Total financial liabilities	36,803,549	8,686,439	76,524	7,649,445	53,215,957
Interest sensitivity gap	(1,918,128)	(344,351)	8,494,043		
As at 31 March 2009 (Restated)					
Assets					
Cash and cash equivalents	3,954,741	--	--	3,444,886	7,399,627
Balances with central banks	2,180,440	--	--	1,450,995	3,631,435
Loans and advances to customers	16,138,485	4,098,400	5,460,999	175,369	25,873,253
Investment securities	4,977,815	2,578,419	2,205,206	591,017	10,352,457
Due from associated and affiliated companies	1,624,176	--	--	6,286	1,630,462
Derivative financial instruments	241,563	--	--	6,023	247,586
Other assets	88,872	--	--	310,573	399,445
Total financial assets	29,206,092	6,676,819	7,666,205	5,985,149	49,534,265
Liabilities					
Due to banks	890,734	304,773	4,825	451,048	1,651,380
Customers' deposits	27,670,965	1,900,623	35,378	5,149,384	34,756,350
Other funding instruments	5,075,687	441,446	1,231	96,728	5,615,092
Other borrowed funds	177,855	958,380	27,099	16,879	1,180,213
Debt securities in issue	93,404	--	739,773	6,766	839,943
Due to associated and affiliated companies	1,324,515	--	--	--	1,324,515
Derivative financial instruments	160,840	--	--	--	160,840
Other liabilities	79,043	--	--	339,630	418,673
Total financial liabilities	35,473,043	3,605,222	808,306	6,060,435	45,947,006
Interest sensitivity gap	(6,266,951)	3,071,597	6,857,899		

36.4.3 Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as available-for-sale securities with fair value movements recognised in other comprehensive income attributable to owners of parent.

The Group's exposure to equity price risk is principally related to changes in the fair value of the Guardian Holdings Limited shares held as available for sale securities. The effect on equity as a result of reasonable possible changes in the price of this share, with all other variables held constant are as follows:

	Change in Price		Effect on Equity	
	2010 (%)	2009 (%)	2010 ($ Millions)	2009 ($ Millions)
Guardian Holdings Limited shares	+15	+15	64	79
	-15	-15	(64)	(79)

36.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

36.5.1 Concentrations of currency risk – on and off-balance sheet financial instruments

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk and in most regional markets, US dollar denominated transactions must be officially sanctioned by the relevant authorities thus reducing exposure. Currency exposure resides mainly in trading activity. The table below summarises the Group's exposure to foreign currency exchange rate risk.

	TT ($'000)	US ($'000)	Eastern Caribbean ($'000)	Netherlands Antilles Florins ($'000)	JMD ($'000)	Other ($'000)	Total ($'000)
As at 31 October 2010							
Assets							
Cash and cash equivalents	559,003	7,232,149	373,885	2,398,377	301,178	2,231,182	13,095,774
Balances with central banks	3,373,069	92,804	184,200	713,407	208,209	473,041	5,044,730
Loans and advances to customers	7,691,767	7,225,998	2,619,135	5,164,662	1,174,812	5,322,335	29,198,709
Investment securities	5,352,236	3,722,247	122,567	233,452	989,624	1,162,382	11,582,508
Due from associated and affiliated companies	309,045	64,212	4,305	338	--	564,493	942,393
Derivative financial instruments	--	128,898	--	--	--	--	128,898
Other assets	291,261	47,164	--	--	18,069	273,623	630,117
Total financial assets	17,576,381	18,513,472	3,304,092	8,510,236	2,691,892	10,027,056	60,623,129
Liabilities							
Due to banks	5,036	391,113	27,084	112,758	26,789	403,961	966,741
Customers' deposits	12,548,548	11,571,896	2,952,198	7,610,667	1,778,193	8,558,941	45,020,443
Other funding instruments	382,257	1,370,185	2,833	--	271,491	56,593	2,083,359
Other borrowed funds	--	739,048	--	--	67,712	94,254	901,014
Debt securities in issue	200,962	548,109	--	--	--	--	749,071
Due to associated and affiliated companies	35,443	2,436,978	--	--	--	216,203	2,688,624
Derivative financial instruments	--	170,513	--	--	--	32,322	202,835
Other liabilities	409,728	93,196	283	1,570	42,621	56,472	603,870
Total financial liabilities	13,581,974	17,321,038	2,982,398	7,724,995	2,186,806	9,418,746	53,215,957
Net statement of financial position	3,994,407	1,192,434	321,694	785,241	505,086	608,310	7,407,172
Credit commitments	577,778	1,257,375	186,918	196,385	62,308	858,780	3,139,544
As at 31 March 2009 (Restated)							
Total financial assets	15,053,818	14,985,817	2,965,624	8,185,259	3,138,918	5,204,829	49,534,265
Total financial liabilities	11,670,836	17,839,604	1,290,794	7,872,413	2,675,778	4,597,581	45,947,006
Net statement of financial position	3,382,982	(2,853,787)	1,674,830	312,846	463,140	607,248	3,587,259
Credit commitments	246,800	666,593	155,729	216,871	383,577	150,999	1,820,569

36.5.2 Foreign currency exchange risk

Analysis was conducted to determine the sensitivity to reasonable possible movements of select currencies against the Trinidad and Tobago dollar (TT dollar) to which the Group had significant exposure at 31 October in respect of its assets and liabilities holding all other variables constant. The results revealed that as at 31 October 2010, if the TT dollar had weakened 2% against the US dollar currency, Eastern Caribbean dollar and Antillean Guilders and 7% against the Jamaican dollar with all other variables held constant, profit before tax for the year would have been $25 million (2009 – $12 million) higher and other components of equity would have been $45 million (2009 – $20 million) higher. The higher foreign currency exchange rate sensitivity in profit compared to 2009 is attributable to the change in net US dollar holdings.

36.6 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Notes to the consolidated financial statements

36 Financial risk management (continued)

36.6 Credit risk (continued)

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio the Group has stringent lending criteria which include conservative debt service coverage, loan to value ratios and stability of earnings. These exposures are continuously monitored to identify any change in the credit worthiness of the borrower. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

36.6.1 Credit risk management

a) Loans and advances to customers

The Group measures the credit risk of loan and advances to corporate and commercial customers and to banks at the counterparty level using an internal risk rating matrix. The ratings are generated by combining weighted financial and statistical criteria with credit officer judgment which is mapped against established internal benchmarks at the time credit is granted. The Group risk rating is seven tiered as shown below and reflects the perceived counterparty risk. This means that, in principle, exposures migrate between levels as the assessment of their riskiness changes. The risk weightings and internal benchmarks are consistently reviewed and upgraded as necessary.

Group's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very good	High grade
3	Good	Standard grade
4	Special mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and doubtful	Past due or impaired
7	Virtual certain loss	Past due or impaired

b) Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's rating or their equivalents are used by the Group Risk Management Unit for managing credit risk exposures.

36.6.2 Risk limit control and mitigation policies

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its periodic review of loan accounts in arrears.

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

36.6.3 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment (see Note 3.e). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for banking regulation purposes.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets that are individually below the materiality threshold.

General impairment allowances are provided for on all classes of loans based on historical loss ratios in respect of loans not yet impaired.

36.6.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	Gross maximum exposure 2010 ($'000)	Gross maximum exposure 2009 ($'000) restated
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks	10,744,132	5,410,145
Treasury bills	1,302,964	1,066,863
Loans and advances to customers	30,219,390	26,675,252
Securities at FVTPL (including trading loans)	870,404	1,525,370
AFS Securities	9,467,075	7,677,247
Securities held to maturity at amortised cost	1,183,724	947,368
Derivative financial instruments	128,898	247,586
	53,916,587	43,549,831
Credit risk exposures relating to off-balance sheet financial assets are as follows:		
Contingent liabilities (letter of credit and financial guarantees)	1,219,163	1,900,241
Credit commitments	3,139,544	1,820,569
	4,358,707	3,720,810
Total credit risk exposure	58,275,294	47,270,641

The above table represents a worse case scenario of credit risk exposure to the Group without taking account of any collateral held or other credit enhancement attached.

36.6.5 Concentration of risk of financial assets with credit risk exposure by industry sectors

The following table breaks down the Group's main credit exposure of loans and advances as categorised by industry sectors of counterparties.

Consumer	9,926,929	10,166,544
Manufacturing	1,499,474	1,473,827
Distribution	3,363,109	3,365,647
Financial services	1,092,354	931,035
Transport	1,090,862	667,555
Construction	1,636,892	1,469,100
Petroleum	100,471	144,761
Agriculture	141,303	132,913
Real estate	4,114,830	2,620,165
Tourism	1,214,093	1,805,043
Professional services	1,304,330	656,328
Utilities	523,351	328,284
Health services	190,643	150,845
Government	442,581	534,986
Other	3,578,168	2,228,219
	30,219,390	26,675,252

36.6.6 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as at 31 October 2010 was $4,463,162,000 (2009: $3,490,062,000) before taking account of collateral or other credit enhancements.

Notes to the consolidated financial statements

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.7 Credit quality by class of financial assets

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 October 2010				
Treasury bills (Maturities up to 90 days)	1,302,964	--	--	1,302,964
Due from banks	10,744,132	--	--	10,744,132
	12,047,096	--	--	12,047,096
Loans and advances to customers:				
Retail	4,575,331	716,498	337,404	5,629,233
Commercial/corporate	12,054,660	2,194,471	1,951,331	16,200,462
Mortgages	6,168,869	513,174	410,057	7,092,100
Other	1,227,346	41,856	28,393	1,297,595
Loans and advances (gross)	24,026,206	3,465,999	2,727,185	30,219,390
Investment debt securities:				
At FVTPL (including trading):				
Government	377,888	--	--	377,888
Corporate and other	492,516	--	--	492,516
AFS:				
Government	6,366,921	--	23	6,366,944
Corporate and other	2,603,817	--	3,625	2,607,442
Held to maturity:				
Government	1,183,441	--	--	1,183,441
Corporate and other	283	--	--	283
Investment securities (gross)	11,024,866	--	3,648	11,028,514
Derivative financial instruments:				
Government	12,105	--	--	12,105
Corporate	116,793	--	--	116,793
	128,898	--	--	128,898
Total	47,227,066	3,465,999	2,730,833	53,423,898
As at 31 March 2009				
Treasury bills (maturities up to 90 days)	1,066,863	--	--	1,066,863
Due from banks	5,410,145	--	--	5,410,145
	6,477,008	--	--	6,477,008
Loans and advances to customers:				
Retail	4,663,272	745,464	215,517	5,624,253
Commercial/corporate	11,826,288	1,852,575	502,291	14,181,154
Mortgages	4,813,000	606,385	234,203	5,653,588
Other	1,034,440	132,516	49,301	1,216,257
Loans and advances (gross)	22,337,000	3,336,940	1,001,312	26,675,252
Investment debt securities:				
At FVTPL (including trading):				
Government	297,643	--	1,566	299,209
Corporate and other	1,226,159	2	--	1,226,161
AFS:				
Government	5,031,380	10,577	8,805	5,050,762
Corporate and other	1,712,630	264,079	7,143	1,983,852
Held to maturity:				
Government	671,396	--	--	671,396
Corporate and other	275,972	--	--	275,972
Investment securities (gross)	9,215,180	274,658	17,514	9,507,352
Derivative financial instruments:				
Government	46,906	--	--	46,906
Corporate	200,680	--	--	200,680
	247,586	--	--	247,586
Total	38,276,774	3,611,598	1,018,826	42,907,198

For those exposures that are neither past due nor impaired the majority are rated between standard (good) to excellent which is high grade.

36.6.8 Aging analysis of past due but not impaired financial assets by sector

	Less than 1 month ($'000)	1-3 months ($'000)	3-6 months ($'000)	More than 6 months ($'000)	Total ($'000)
As at 31 October 2010					
Loans and advances to customers:					
Retail	426,443	287,652	2,403	--	716,498
Commercial/Corporate	1,283,476	874,218	36,777	--	2,194,471
Mortgages	284,166	229,008	--	--	513,174
Other	29,148	12,708	--	--	41,856
	2,023,233	1,403,586	39,180	--	3,465,999
Investment securities:					
AFS:					
Corporate	--	--	--	--	--
	--	--	--	--	--
As at 31 March 2009					
Loans and advances to customers:					
Retail	491,322	213,975	30,619	9,548	745,464
Commercial/Corporate	1,217,314	535,581	40,927	58,753	1,852,575
Mortgages	392,129	210,735	2,583	938	606,385
Other	115,204	17,312	--	--	132,516
	2,215,969	977,603	74,129	69,239	3,336,940
Investment securities:					
AFS:					
Corporate	264,079	--	10,579	--	274,658
	264,079	--	10,579	--	274,658

36.6.9 Credit risk exposure on due from banks, debt securities and other bills and derivative financial instruments based on the Group's internal corporate rating system

The table below presents an analysis of debt securities, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's Equivalent grades	2010 Total ($'000)	2009 Total ($'000) restated
Excellent			
AA	BB+	6,472,719	4,576,963
Very good			
A+	BB	1,214,613	645,586
A	BB-	5,935,515	1,487,409
Good			
A-	B+	686,732	6,389,152
B+	B	7,416,785	3,535,676
Special mention			
B	B-	174,331	46,123
C+	CCC+	1,280,095	617,900
Unacceptable			
C	CCC	23,719	--
D+	CCC-	--	--
Bad and doubtful			
D	CC+	--	--
E+	CC	--	--
Virtual certain loss			
E	CC-	--	--
		23,204,509	17,298,809

36.6.10 Carrying amount per class of financial assets whose terms have been renegotiated

	2010 ($'000)	2009 ($'000) restated
Loans and advances to customers:		
Retail	14,784	42,830
Commercial / Corporate	139,469	126,206
Mortgages	8,663	34,672
Total renegotiated loans and advances to customers	162,916	203,708

36.6.11 Repossessed collateral

Repossessed collateral are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

36.7 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the various territories in which the Group operates. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

Notes to the consolidated financial statements

36 Financial risk management (continued)

36.7 Capital management (continued)

The table below summarises the regulatory qualifying capital ratios of the individual licensed entities within the Group.

	2010	2009
RBTT Bank Limited	16%	14%
RBTT Merchant Bank Limited	29%	25%
RBTT Trust Limited	94%	68%
RBTT Bank Caribbean Limited	21%	15%
RBTT Bank (SKN) Limited	21%	20%
RBTT Bank Grenada Limited	14%	16%
RBTT Bank N.V.	176%	107%
RBTT Bank International N.V.	14%	45%
RBTT Bank Aruba N.V.	15%	14%
RBTT Bank (Suriname) N.V.	12%	13%
RBTT Bank Jamaica Limited	27%	16%
RBTT Securities Jamaica Limited	154%	112%
RBTT Bank Barbados Limited	20%	16%
RBTT Asset Management Limited	212%	--
RBC Royal Bank (Barbados) Limited	16%	--

The licensed banking entities in Trinidad and Tobago, the Eastern Caribbean and Barbados are required to maintain a qualifying capital ratio (total regulatory capital to risk-weighted assets) of at least 8%. The licensed entities in Jamaica are required to maintain a qualifying capital ratio of at least 10%. The banking entities in the Netherlands Antilles and Aruba are required to maintain a minimum capital of 5 million guilders and in Suriname 4.5 million Suriname dollars.

The securities company in Jamaica is subject to capital requirements issued by the Financial Services Commission in Jamaica as a licensed securities dealer. The Commission requires the company to hold a minimum level of regulatory capital of 6% of total assets and as well to maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

During the two years, the entities have complied with all of the externally imposed capital adequacy requirements to which they are subject.

37 Fair value of financial assets and liabilities

Financial assets and liabilities not carried at fair value include cash resources, loans and advances to customers, investment securities held-to-maturity, due to banks, customers' deposits, other funding instruments, other borrowed funds and debt securities in issue. The following comments are relevant to their fair value.

Assets

Cash on hand and due from banks and balances with Central Banks

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

Loans and advances to customers

Loans and advances are stated net of specific provision for impairment. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received.

Investment securities held-to-maturity

Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. 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.

	Carrying Value ($'000)	Fair Value ($'000)
Balance at 31 October 2010	1,183,724	1,190,475
Balance at 31 March 2009	947,368	897,236

Liabilities

Due to banks, customers' deposits, other funding instruments and other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

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

Debt securities in issue

The fair value is calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

	Carrying Value ($'000)	Fair Value ($'000)
Balance at 31 October 2010	749,071	833,841
Balance at 31 March 2009	839,943	825,065

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities at fair value through profit or loss (including trading)				
Government and state-owned enterprises debt securities	--	--	377,888	377,888
Corporate debt securities	--	11,421	481,095	492,516
	--	11,421	858,983	870,404
Securities available-for-sale at fair value				
Treasury bills and treasury notes	--	2,077,966	2,882,850	4,960,816
Government and state-owned enterprises debt securities	--	--	1,406,128	1,406,128
Corporate debt securities	--	9	1,461,520	1,461,529
Other debt securities	--	--	414,465	414,465
Money market instruments	--	3,996	727,452	731,448
Equity securities	--	460,731	31,958	492,689
	--	2,542,702	6,924,373	9,467,075

There were no transfers between Level 1 and 2 in the period.

Reconciliation of Level 3 fair value measurements of financial assets

	At fair value through profit and loss ($'000)	Available-for-sale ($'000)	Total ($'000)
As at 1 April 2009	1,593,361	5,790,259	7,383,620
Additions	1,656,796	21,326,805	22,983,601
Disposal (sale and redemption)	(2,310,654)	(20,561,232)	(22,871,886)
Currency translation differences	--	134,647	134,647
(Losses)/gains from changes in fair value	(80,520)	233,894	153,374
As at 31 October 2010	858,983	6,924,373	7,783,356

38 Principal subsidiaries

	Country of incorporation	Percentage of equity capital held
RBTT Bank Limited	Republic of Trinidad and Tobago	100%
RBTT Merchant Bank Limited	Republic of Trinidad and Tobago	100%
RBTT Trust Limited	Republic of Trinidad and Tobago	100%
RBTT Services Limited	Republic of Trinidad and Tobago	100%
RBTT Insurance Holdings Limited	Republic of Trinidad and Tobago	100%
RBTT Insurance Agency Limited	Republic of Trinidad and Tobago	100%
RBTT Asset Management Limited	Republic of Trinidad and Tobago	100%
RBTT Overseas Limited	St. Lucia	100%
RBTT Bank (Suriname) N.V.	Republic of Suriname	100%
RBTT Albion Limited	Republic of Trinidad and Tobago	100%
R&M Holdings Limited	St. Vincent and the Grenadines	100%
RBTT Bank Caribbean Limited	St. Vincent and the Grenadines	100%
RBTT Bank (SKN) Limited	St. Kitts & Nevis	95%
RBTT Bank Grenada Limited	Grenada	62%
ABC Holdings N.V.	Netherlands Antilles	100%
ABC International N.V.	Aruba	100%
RBTT Bank N.V.	Netherlands Antilles	100%
RBTT Bank International N.V.	Netherlands Antilles	100%
RBTT Bank Aruba N.V.	Aruba	100%
RBTT International Limited	St. Lucia	100%
RBTT Bank Jamaica Limited	Jamaica	100%
RBTT Securities Jamaica Limited	Jamaica	100%
West Indies Stockbrokers Limited	Republic of Trinidad and Tobago	100%
RBTT Finance Limited	British Virgin Islands	100%
RBTT Finance (BVI) Limited	British Virgin Islands	100%
RBTT Bank Barbados Limited	Barbados	100%
RBC Royal Bank Holdings (Barbados) Limited	Barbados	100%
RBC Royal Bank (Barbados) Limited	Barbados	100%

Notes to the consolidated financial statements

38 Principal subsidiaries (continued)

38.1 Acquisition of subsidiaries

On 1 November 2009 RBC Royal Bank (Barbados) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired 100% of the shareholding of RBC Barbados Limited, an affiliate company within the RBC Group and formerly the Barbados branch operation of the Royal Bank of Canada for a total cash consideration of $975.3 million.

Details of the assets and liabilities acquired on 1 November 2009:

	Book value ($'000)	Fair value adjustment ($'000)	Fair value on acquisition ($'000)
Assets:			
Cash resources	4,233,984	--	4,233,984
Loans	2,533,802	(16,284)	2,517,518
Investment securities	433,082	--	433,082
Premises and equipment	83,395	5,537	88,932
Deferred tax assets	10,835	--	10,835
Other assets	54,295	(2,084)	52,211
	7,349,393	(12,831)	7,336,562
Liabilities:			
Customers' deposits	7,074,527	--	7,074,527
Other liabilities	72,099	(25,643)	46,456
	7,146,626	(25,643)	7,120,983
Identifiable net assets acquired			215,579

Since the transaction was related to the acquisition of an affiliated company under common control, the net assets acquired were recorded in the books of RBC Royal Bank (Barbados) Limited and the excess of $759.7 million was recorded as a reduction to retained earnings.

39 Restatements and re-classifications

Adjustments and re-classifications to prior year figures have been made to represent balances in conformity with the current year's reporting.

The effect of these changes to the 2009 consolidated statement of financial position is summarised in the table below.

	As previously stated ($'000)	Re-classifications ($'000)	Other adjustments ($'000)	Revised balance ($'000)
Assets				
Cash on hand and due from banks	6,332,764	1,066,863	--	7,399,627
Balances with central banks	3,631,435	--	--	3,631,435
Loans and advances to customers	25,873,253	--	--	25,873,253
Investment securities	11,419,320	(1,066,863)	--	10,352,457
Investment in associate companies and joint venture	182,985	--	--	182,985
Due from associated and affiliated companies	329,432	1,301,030	--	1,630,462
Derivative financial instruments	247,586	--	--	247,586
Intangible assets	876,303	506,221	--	1,382,524
Goodwill	9,066,147	--	--	9,066,147
Premises and equipment	1,674,689	(506,220)	--	1,168,469
Deferred tax assets	218,332	--	--	218,332
Other assets	711,987	(1)	77,563	789,549
Total assets	60,564,233	1,301,030	77,563	61,942,826
Liabilities				
Due to banks	1,651,380	--	--	1,651,380
Customer deposits	34,756,350	--	--	34,756,350
Other funding instruments	5,615,092	--	--	5,615,092
Other borrowed funds	1,180,213	--	--	1,180,213
Debt securities in issue	839,943	--	--	839,943
Due to associated and affiliated companies	23,485	1,301,030	--	1,324,515
Derivative financial instruments	160,840	--	--	160,840
Post-retirement benefit obligations	98,461	138,563	--	237,024
Current income tax liabilities	495,496	--	--	495,496
Deferred tax liabilities	434,140	--	--	434,140
Other liabilities	1,444,317	(138,563)	77,563	1,383,317
Provisions	116,285	--	--	116,285
Total liabilities	46,816,002	1,301,030	77,563	48,194,595
Equity attributable to owners of parent	13,694,881	--	--	13,694,881
Non-controlling interests	53,350	--	--	53,350
Total equity	13,748,231	--	--	13,748,231
Total equity and liabilities	60,564,233	1,301,030	77,563	61,942,826

Consolidated statement of comprehensive income
There were no restatements or re-classifications made to the consolidated statement of comprehensive income.

Consolidated statement of changes in equity
There were no restatements or re-classifications made to the opening balances of the consolidated statement of changes in equity.

Description of restatements

1. Re-classification of Treasury Bills with original maturities of up to three months from investment securities to cash and cash equivalents.
2. Re-classification of computer software from premises and equipment to intangible assets.
3. Re-classification of pension plan fair value adjustment arising on acquisition of Group from other liabilities to post-retirement benefit obligations.
4. Adjustment for bankers' acceptances and participatory investment certificates to other assets and liabilities previously classified as off balance sheet assets and liabilities.

40 Events after the reporting period

On 1 November 2010 RBC Royal Bank (Bahamas) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired the retail and commercial banking operations of RBC Bahamas, an affiliate within the RBC Group. The acquisition was made for a total cash consideration of TTD 2,451 million (USD 386 million).