RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Financial Statements
31 March 2009

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RBC Financial (Caribbean) Limited And Its Subsidiaries

Statement of Management Responsibilities

The Financial Institutions Act, 2008 (FIA 2008) requires management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the operating results of the Group for the year. 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 judgements 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.

______________________________	______________________________
Chief Executive Officer	**Chief Financial Officer**
29 June 2009	**29 June 2009**

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 balance sheet as at 31 March 2009 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year 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 March 2009 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte and Touche
Port of Spain
Trinidad, West Indies

29 June 2009

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Balance Sheet

Expressed in Trinidad and Tobago Dollars

	Note	At 31 March 2009 ($'000)	At 31 March 2008 ($'000)
Assets			
Cash on hand and due from banks	4	6,332,764	6,426,590
Balances with central banks	5	3,631,435	2,957,919
Loans and advances to customers	6	25,873,253	24,820,818
Investment securities	7	11,419,320	15,372,445
Investment in associate companies and joint venture	8	182,985	170,192
Due from associate companies		329,432	29,009
Derivative financial instruments	9	247,586	183,900
Intangible assets	10	876,303	--
Goodwill	11	9,066,147	450,145
Premises and equipment	12	1,674,689	1,252,231
Deferred tax assets	13	218,332	33,906
Other assets	14	711,987	380,684
Total Assets		60,564,233	52,077,839
Liabilities			
Due to banks		1,651,380	1,594,699
Customers' deposits	15	34,756,350	32,400,684
Other funding instruments	16	5,615,092	7,983,730
Other borrowed funds	17	1,180,213	2,441,390
Debt securities in issue	18	839,943	978,906
Due to affiliated companies		23,485	--
Derivative financial instruments	9	160,840	54,351
Post-retirement benefit obligations	19	98,461	94,146
Current income tax liabilities		495,496	324,251
Deferred tax liabilities	13	434,140	296,496
Other liabilities	20	1,560,602	823,559
Total Liabilities		46,816,002	46,992,212

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Balance Sheet (Continued)

Expressed in Trinidad and Tobago Dollars

	Note	At 31 March 2009 ($'000)	2008 ($'000)
Shareholders' Equity			
Share capital	21	13,815,959	890,426
Statutory reserves	22	104,623	554,786
Other reserves	23	(599,277)	291,942
Retained earnings		373,576	3,302,120
Total Shareholders' Equity		13,694,881	5,039,274
Minority interest	24	53,350	46,353
Total Equity		13,748,231	5,085,627
Total Equity and Liabilities		60,564,233	52,077,839

The notes on pages 8 to 80 form an integral part of these consolidated financial statements.

On 29 June 2009 the Board of Directors of RBC Financial (Caribbean) Limited authorized these consolidated financial statements for issue.

______________________ Director

______________________ Director

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Income Statement

Expressed in Trinidad and Tobago Dollars

	Note	Year Ended 31 March 2009 Successor (i) From 16 June 2008 To 31 March 2009 ($'000)	Predecessor (ii) From 1 April 2008 to 15 June 2008 ($'000)	Total ($'000)	Year Ended 31 March 2008 ($'000)
Interest income	25	3,211,659	1,194,664	4,406,323	3,768,972
Interest expense	26	(1,379,505)	(499,773)	(1,879,278)	(1,673,571)
Net Interest Income		1,832,154	694,891	2,527,045	2,095,401
Other income	27	821,561	291,356	1,112,917	1,232,355
Net Income		2,653,715	986,247	3,639,962	3,327,756
Operating expenses	28	(1,816,943)	(815,230)	(2,632,173)	(2,012,170)
Impairment losses on loans and advances	6.2	(75,045)	(30,667)	(105,712)	(35,075)
Impairment losses/(gains) on investment securities	7.2	(2,224)	(217)	(2,441)	8,682
Total Non-Interest Expenses		(1,894,212)	(846,114)	(2,740,326)	(2,038,563)
Share of profits of associate companies	8.1	6,676	220	6,896	3,230
Share of profits of joint venture	8.3	7,362	1,542	8,904	16,839
Profit Before Taxation		773,542	141,894	915,436	1,309,262
Taxation	29	(203,528)	(79,534)	(283,062)	(370,567)
Profit After Taxation		570,014	62,360	632,374	938,695
Attributable to:					
Shareholders of the company		563,425	58,642	622,067	931,139
Minority interest		6,589	3,718	10,307	7,556
		570,014	62,360	632,374	938,695

(i) Successor

This represents the results of the group for the period 16 June 2008 to 31 March 2009 following the acquisition by Royal Bank of Canada (RBC) on June 16, 2008 and the subsequent statutory amalgamation.

(ii) Predecessor

This represents the results for the group prior to the acquisition by Royal Bank of Canada for the period from the start of the financial year on 1 April 2008 to 15 June 2008.

The notes on pages 8 to 80 form an integral part of these consolidated financial statements.

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Statement Of Changes In Equity

Expressed in Trinidad and Tobago Dollars

	Note	Share Capital ($'000)	Statutory Reserves ($'000)	Other Reserves ($'000)	Retained Earnings ($'000)	Total Shareholders' Equity ($'000)	Minority Interest ($'000)	Total Equity ($'000)
Year ended 31 March 2008								
Balance at beginning of year		876,524	476,026	109,759	2,929,660	4,391,969	38,666	4,430,635
Currency translation differences	23	--	(1)	(34,631)	--	(34,632)	621	(34,011)
Investment securities								
- Unrealized Gains from changes in fair value	23	--	--	202,855	--	202,855	--	202,855
- Realized Gains transferred to net profit	23	--	--	(30,342)	--	(30,342)	--	(30,342)
Net income/(expense) recognized directly in equity		--	(1)	137,882	--	137,881	621	138,502
Profit attributable to shareholders		--	--	--	931,139	931,139	7,556	938,695
Total recognized income		--	(1)	137,882	931,139	1,069,020	8,177	1,077,197
Transfer to statutory reserves	22	--	78,761	--	(78,761)	--	--	--
Transfer to general banking risks reserve	23	--	--	25,996	(25,996)	--	--	--
Employee share options								
- Value of services provided	21	7,468	--	--	--	7,468	--	7,468
- Proceeds from shares issued	21	6,434	--	--	--	6,434	--	6,434
Other reserve movements	23	--	--	18,305	(24,017)	(5,712)	--	(5,712)
Dividends	30	--	--	--	(429,905)	(429,905)	(490)	(430,395)
Balance at end of year		890,426	554,786	291,942	3,302,120	5,039,274	46,353	5,085,627
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
Currency translation differences	23	--	--	(159,302)	--	(159,302)	(325)	(159,627)
Investment securities								
- Unrealized losses from changes in fair value	23	--	--	(453,509)	--	(453,509)	--	(453,509)
- Realized losses transferred to net profit	23	--	--	34,483	--	34,483	--	34,483
Net income/(expense) recognized directly in equity		--	--	(578,328)	--	(578,328)	(325)	(578,653)
Profit attributable to shareholders		--	--	--	622,067	622,067	10,307	632,374
Total recognized income		--	--	(578,328)	622,067	43,739	9,982	53,721
Transfer to statutory reserves	22	--	118,694	--	(118,694)	--	--	--
Transfer to general banking risks reserve	23	--	--	39,123	(39,123)	--	--	--
Other reserve movements	23	--	--	62,846	(60,870)	1,976	-	1,976
Employee share options								
- Proceeds from shares issued	21	315	--	--	--	315	--	315
- Cancellation of options	21	15,459	--	--	--	15,459	--	15,459
Acquisition adjustments								
- Issue of new shares	21	13,815,959	--	--	--	13,815,959	--	13,815,959
- Cancellation of RBTT Shares	21	(906,201)	--	--	--	(906,201)	--	(906,201)
- Elimination of pre-acquisition reserves		--	(568,858)	(414,861)	(3,108,266)	(4,091,985)	--	(4,091,985)
Dividends	30	--	--	--	(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

The notes on pages 8 to 80 form an integral part of these consolidated financial statements.

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Cash Flow Statement

Expressed in Trinidad and Tobago Dollars	Year Ended 31 March 2009 ($'000)	Year Ended 31 March 2008 ($'000)
Operating Activities		
Profit before taxation	915,436	1,309,262
Adjustments for:		
Impairment losses on loans and advances to customers	105,713	35,075
Post-retirement benefit expense/(credit) (net of premiums paid)	4,315	(30,671)
Capitalized interest on investment securities	(189,810)	(46,335)
Net investment trading losses/(income)	219,338	(135,601)
Impairment losses/(credit) on investment securities	2,441	(8,682)
Amortization of intangible asset	89,422	--
Depreciation	140,783	133,781
(Gain)/loss on disposal of premises and equipment	8,053	(1,008)
Loss on sale of subsidiary	375	--
Dividends received from associate companies and joint venture	5,093	5,243
Share of profits of associate companies and joint venture	(15,800)	(20,069)
Losses/(gains) transferred from investment revaluation reserve	34,483	(30,342)
Employee share options	15,459	7,468
Translation adjustment	175,783	36,677
Operating Profit Before Changes In Operating Assets And Liabilities	1,511,084	1,254,798
(Increase)/decrease in operating assets		
Balances with central banks	(673,516)	(831,977)
Loans and advances to customers	(1,882,791)	(2,791,037)
Other assets	(432,410)	(66,902)
Increase/(decrease) in operating liabilities		
Due to banks	65,375	427,949
Customers' deposits	2,925,641	3,872,054
Other funding instruments	(1,975,352)	284,317
Due to/from associate companies	(300,424)	(18,134)
Other liabilities	221,713	(84,379)
Corporation taxes paid	(518,095)	(252,511)
Cash (Used in)/Provided By Operating Activities	(1,058,775)	1,794,178
Investing Activities		
Investment in subsidiary, associate companies and joint venture, net of cash acquired	(13,707,726)	(15,799)
Net movement in investment securities	2,829,511	(565,805)
Additions to premises and equipment	(312,131)	(305,728)
Proceeds from sale of premises and equipment	7,688	20,358
Cash Used In Investing Activities	(11,182,658)	(866,974)
Financing Activities		
Net proceeds from issue of shares	13,793,689	6,434
Net movement in other borrowed funds	(1,118,763)	245,396
Net movement in debt securities in issue	(138,963)	(9,496)
Dividends paid to company’s shareholders	(223,656)	(429,905)
Dividends paid to minority interests	(2,985)	(490)
Cash Provided by/(Used In) Financing Activities	12,309,322	(188,061)
Effect of exchange rate changes on cash resources	(161,715)	(20,376)
Net (Decrease)/Increase In Cash On Hand And Due From Banks	(93,826)	718,767
Balance At Beginning Of Year	6,426,590	5,707,823
Balance At End Of Year	6,332,764	6,426,590

The notes on pages 8 to 80 form an integral part of these consolidated financial statements.

Expressed in Trinidad and Tobago Dollars

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 June 16, 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 June 17, 2008 from The Trinidad and Tobago Stock Exchange, The Barbados Stock Exchange and The Jamaica Stock Exchange.

2 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 3.

The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standard are effective in the current period:

- IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008).
- IAS 39, Financial Instruments: Recognition and Measurement, Reclassification of financial assets (effective from 1 November 2008);
- IFRS 7, Financial Instruments: Recognition and Measurement, Consequential disclosures arising from amendments to October 2008 amendments to IAS 39 (effective from 1 November 2008).

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

a) **Basis of preparation (continued)**

Adoption of these interpretations and the revised standard has not led to any changes in the Company's accounting policies.

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 18, Transfer of assets to Customers (effective for the accounting periods beginning on or after 1 July 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)
- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
- 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)
- 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)
- 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 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
- "Improvements to IFRSs" was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. The Company is currently assessing the impact and expected timing of adoption of these amendments on the Company's results and financial position.

RBC Financial (Caribbean) Limited And Its Subsidiaries

Expressed in Trinidad and Tobago Dollars

2 **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 govern 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 income statement 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 into line with those used by other members of the Group.

All intra-group transaction, balances, income and expenses are eliminated in full on consolidation. A listing of the principal subsidiaries is set out in note 37.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is 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 acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognitions under IFRS 3 *Business Combinations* are recognized 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 recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized 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 recognized. 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 recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree's is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liability recognized.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

b) **Basis of consolidation (Continued)**

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, expect 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 balance sheet 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 recognized, 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 recognized at the date of acquisition is recognized 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 recognized immediately in profit or loss.

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

iii) **Interests in joint ventures**

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 recognized 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, and its share of joint venture expenses, are recognized 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.

2 Significant Accounting Policies (Continued)

b) Basis of consolidation (Continued)

iii) Interests in joint ventures (Continued)

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 jointly controlled entity using proportionate consolidation, 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*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

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 8.2 and 8.4.

There are a number of subsidiaries, associates and joint ventures with a reporting date different to the reporting date of the Group. During the year, the Group changed its consolidation reporting procedures to make all subsidiaries report on a co-terminous basis. Consequently, the consolidated results for the year ended March 31, 2009 include the results of operations for fifteen months for those subsidiaries which have a financial year-end of December 31st. The additional three months were January 1, 2009 to March 31, 2009. The consolidated results for the comparative financial year ended March 31, 2008 include the results of operations for 12 months ended December 31, 2007 for those subsidiaries with a year-end of December 31st. The effect of this change on the results for the year ended March 31, 2009 is disclosed in note 37.3.

c) Foreign currency translation

Functional and presentation currency:

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in Trinidad and Tobago dollars which is the Group's functional and presentation currency.

Transactions and balances:

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

Expressed in Trinidad and Tobago Dollars

2 Significant Accounting Policies (Continued)

c) Foreign currency translation (Continued)

Group companies:

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity 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.

i) <u>Financial assets at fair value through profit or loss</u>

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss 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 categorized as held for trading unless they are designated as hedging instruments.

Financial assets and liabilities are designated at fair value through profit or loss 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.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

d) **Financial assets (Continued)**

- 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 available for sale; 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 available for sale.

iv) Available-for-sale financial assets

Available-for-sale 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 available-for-sale 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 fair value thorough profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

RBC Financial (Caribbean) Limited And Its Subsidiaries

2 Significant Accounting Policies (Continued)

d) Financial assets (Continued)

Available-for-sale 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 amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement 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.

e) Impairment of financial assets

i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date 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.

2 **Significant Accounting Policies (Continued)**

e) **Impairment of financial assets (continued)**

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 recognized 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 recognized in the income statement. 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 collateralized 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.

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 income statement.

2 **Significant Accounting Policies (Continued)**

e) **Impairment of financial assets (continued)**

ii) Financial assets classified as available for sale

The Group assesses at each balance sheet date 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. If any such evidence exists for financial assets available for sale, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement.

If in a subsequent period, the fair value of a financial asset classified as an investment security available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

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 Fair Value Through Profit and Loss (FVTPL) or other financial liabilities.

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.

2 **Significant Accounting Policies (Continued)**

f) **Financial Liabilities (Continued)**

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; or
- 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 fire 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 recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

<u>Other Financial Liabilities</u>

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

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

The effective interest method is a method of calculating the amortized 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.

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.

Expressed in Trinidad and Tobago Dollars

2 Significant Accounting Policies (Continued)

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 balance sheet 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 income statement.

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

i) Acceptances, guarantees, indemnities and letters of credit

The Group's potential liability under acceptances, guarantees and letters of credit is reported as a contingent liability. The Group has equal and offsetting claims against its customers in the event of a call on these commitments.

j) Revenue recognition

i) Interest income and expense

Interest income and interest expense are recognised in the income statement 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.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

j) **Revenue recognition (Continued)**

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized at the date of acquisition. Goodwill is initially recognized 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 recognized 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.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

l) **Intangible assets**

i) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 recognized 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 amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

m) **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assts 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 an individual assts, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. 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 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.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

m) **Impairment of tangible and intangible assets excluding goodwill (Continued)**

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 recognized 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.

n) **Premises and equipment**

Premises and equipment are stated at cost less depreciation.

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	-	10% 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 operating profit. Costs of repairs and renewals are charged to the income statement when the expenditure is incurred.

Borrowing costs incurred primarily for the purpose of acquiring, constructing or producing an asset that necessarily takes a substantial period of time to get ready for its intended use is capitalized as part of its cost. Borrowing costs capitalized will be mainly interest costs and exchange differences arising on foreign currency borrowings.

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 less than three months.

p) **Leases**

i) A group company 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 income statement 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 recognized as an expense in the period in which termination takes place.

Expressed in Trinidad and Tobago Dollars

2 **Significant Accounting Policies (Continued)**

p) **Leases (Continued)**

ii) A group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable and reported in loans and advances to customers. Lease income is recognized 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 recognized on a straight-line basis over the lease period.

q) **Provisions**

Provisions are recognized 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.

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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

r) **Borrowings**

Borrowings are recognized initially at cost, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

s) **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.

t) **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 balance sheet date are not shown as a liability on the balance sheet but are disclosed as a note to the financial statements.

Expressed in Trinidad and Tobago Dollars

2 Significant Accounting Policies (Continued)

u) Employee benefits

i) Pension obligations

The Group operates a number of defined contribution 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 income statement 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 expected costs of these benefits are accrued over the period of employment using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the related employees. A full valuation of these obligations is carried out by independent qualified actuaries every three years.

v) Deferred income tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation on equipment and the revaluation of certain financial assets including derivative financial instruments.

2 Significant Accounting Policies (Continued)

v) Deferred income tax (Continued)

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which temporary differences can be utilized.

Deferred tax related to fair value re-measurement of financial assets available for sale is credited or charged directly to equity and subsequently recognized in the income statement together with the deferred gain or loss.

w) 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 March 2009 totalled $64.1 billion (2008 - $57.1 billion).

x) Offsetting

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

y) 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 operating results of profit after tax of the Group for the previous year.

3 Critical Accounting Estimates And Judgements 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 judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Impairment 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 income statement, the Group makes judgements 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.

Expressed in Trinidad and Tobago Dollars

3 **Critical Accounting Estimates And Judgements In Applying Accounting Policies (Continued)**

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 judgement. In making this judgement, 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 recognizes 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. Securitizations 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 securitization 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 judgements 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 IFRS 3, goodwill was reviewed for impairment as at 31 March 2009 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.

Expressed in Trinidad and Tobago Dollars

4 Cash On Hand And Due From Banks

	2009 ($'000)	2008 ($'000)
Cash on hand	922,619	1,610,996
Due from banks	5,410,145	4,815,594
	6,332,764	6,426,590

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

Due from banks are deposits held with other banks on demand or for fixed periods not exceeding 90 days. Due from banks also include items due from other banks in the process of clearing.

5 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.

6 Loans And Advances To Customers

	2009 ($'000)	2008 ($'000)
Retail	5,624,253	4,840,528
Commercial/corporate	14,181,154	14,469,457
Mortgages	5,653,588	5,072,086
Other	1,216,257	1,290,109
Gross loans and advances	26,675,252	25,672,180
Unearned interest	(449,938)	(701,804)
	26,225,314	24,970,376
Interest receivable	175,369	164,935
Allowance for impairment losses	(527,430)	(314,493)
	25,873,253	24,820,818
Neither past due nor impaired loans and advances	22,337,000	23,094,362
Past due but not impaired loans and advances	3,336,940	2,049,424
Impaired loans and advances	1,001,312	528,394
Gross loans and advances	26,675,252	25,672,180
Included in loans and advances are amounts pledged for the benefit of investors in other funding instruments	888,591	663,265

Expressed in Trinidad and Tobago Dollars

6 Loans And Advances To Customers (Continued)

6.1 Allowance for impairment losses

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	314,493	385,604
Amounts previously provided for now being written off	(53,157)	(125,365)
Increase in allowance for the year (excluding recoveries)	114,286	51,419
Fair value adjustment arising on acquisition	154,200	--
Currency translation differences	(2,392)	2,835
Balance at end of year	527,430	314,493
Individual impairment	341,080	243,757
Collective impairment	186,350	70,736
	527,430	314,493
Allowance for impairment losses by sector:		
Retail	185,509	146,341
Commercial/corporate	300,611	118,651
Mortgages	26,627	40,032
Other	14,683	9,469
	527,430	314,493

6.2 Impairment losses on loans and advances to customers

	Year Ended 31 March 2009			Year Ended 31 March 2008
	Successor From 16 June 2008 To 31 March 2009 ($'000)	Predecessor From 1 April 2008 to 15 June 2008 ($'000)	Total ($'000)	($'000)
Increase in allowance for the year	81,401	32,885	114,286	51,419
Amounts not previously provided for being directly written off	1,914	246	2,160	797
Recoveries	(8,270)	(2,463)	(10,733)	(17,141)
	75,045	30,668	105,713	35,075
Impairment losses by sector:				
Retail	44,966	19,502	64,468	28,460
Commercial/corporate	23,196	8,318	31,514	10,374
Mortgages	3,285	1,359	4,644	(2,024)
Other	3,599	1,488	5,087	(1,735)
	75,045	30,668	105,713	35,075

Expressed in Trinidad and Tobago Dollars

7 Investment Securities

	2009 ($'000)	2008 ($'000)
Securities at fair value through profit or loss (including trading)	1,525,370	2,080,056
Securities available-for-sale at fair value	8,744,110	11,750,681
Securities held-to-maturity at amortized cost	947,368	1,377,254
	11,216,848	15,207,991
Unearned interest	--	(44,020)
Interest receivable	215,836	218,058
Allowance for impairment	(13,364)	(9,584)
	11,419,320	15,372,445
Investment securities pledged for the benefit of investors in other funding instruments	4,847,729	7,675,069

Securities at fair value through profit or loss (including trading)

	2009 ($'000)	2008 ($'000)
Held for trading		
Government and state-owned enterprises debt securities	299,209	442,266
Corporate debt securities	1,134,737	1,466,170
	1,433,946	1,908,436
Designated upon initial recognition		
Corporate debt securities	91,424	171,620
	1,525,370	2,080,056

Securities available-for-sale at fair value

	2009 ($'000)	2008 ($'000)
Treasury bills and treasury notes	2,689,614	2,236,881
Government and state owned enterprises debt securities	3,428,011	4,375,029
Corporate debt securities	905,435	2,476,301
Other debt securities	205,394	696,751
Money market instruments	873,023	1,202,203
Equity securities	642,633	763,516
	8,744,110	11,750,681

Securities held-to-maturity at amortised cost

	2009 ($'000)	2008 ($'000)
Government and state-owned enterprises debt securities	671,398	626,888
Corporate debt securities	29,018	623,215
Other debt securities	246,954	127,151
	947,368	1,377,254

Expressed in Trinidad and Tobago Dollars

7 Investment Securities (Continued)

7.1 Provision for impairment

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	9,584	18,051
Foreign exchange adjustment	(93)	215
Increase/(Decrease) in allowance for the year	3,873	(8,682)
Balance at end of year	13,364	9,584

7.2 Impairment expense/(credit) on investment securities

	Year Ended 31 March 2009			Year Ended 31 March 2008
	Successor From 16 June 2008 To 31 March 2009 ($'000)	Predecessor From 1 April 2008 to 15 June 2008 ($'000)	Total ($'000)	($'000)
Increase/(Decrease) in allowance for the year	3,656	217	3,873	(8,682)
Impairment losses written-back	(1,432)	--	(1,432)	--
	2,225	217	2,441	(8,682)

8 Investment In Associate Companies And Joint Venture

Associate companies	71,727	64,134
Joint venture	111,258	106,058
	182,985	170,192

8.1 Movement in equity interest in associate companies

Balance at beginning of year	64,134	55,406
Disposal/additional investment	(292)	8,723
Share of current year's profits, before tax	6,896	3,230
Share of current year's tax	(329)	(545)
Share of current year's reserves	(153)	(2,345)
Prior period adjustment	1,976	--
Dividends	(503)	(335)
Balance at end of year	71,727	64,134

Expressed in Trinidad and Tobago Dollars

8 Investment In Associate Companies And Joint Venture (Continued)

8.2 Associate companies

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

	Assets ($'000)	Liabilities ($'000)	Revenues ($'000)	Profit ($'000)	% of equity capital held
At 31 March 2009					
Development Finance Limited	634,983	(268,306)	66,178	5,689	31.1%
Infolink Services Limited	43,605	(1,327)	17,051	8,575	25.0%
Park Court Limited	67,213	(52,325)	2,560	727	20.0%
KF Real Estate C.V.	20,827	(10,893)	511	166	33.3%
At 31 March 2008					
Development Finance Limited	642,848	(492,789)	29,328	4,738	31.1%
Infolink Services Limited	31,888	(2,265)	14,230	6,008	25.0%
Park Court Limited	51,198	(36,750)	--	--	20.0%
KF Real Estate C.V.	20,111	(11,388)	360	335	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 Curacao.

8.3 Movement in interest in joint venture

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	106,058	87,207
Additional investment during the year	60	7,076
Share of current year's profits, before tax	8,904	16,839
Share of current year's tax	825	(156)
Dividends	(4,589)	(4,908)
Balance at end of year	111,258	106,058

8.4 Interest in joint venture

Joint venture at 31 March 2009 and 31 March 2008

	Country of incorporation	Percentage of equity capital held
RGM Limited	Republic of Trinidad and Tobago	33□%

Expressed in Trinidad and Tobago Dollars

8 Investment In Associate Companies And Joint Venture (Continued)

8.4 Interest in joint venture (Continued)

	2009 ($'000)	2008 ($'000)
Assets		
Investment properties	280,019	245,532
Other non-current assets	33,967	51,237
	313,986	296,769
Current assets	14,880	15,595
	328,866	312,364
Liabilities		
Non-current liabilities	186,635	162,901
Current liabilities	30,973	43,405
	217,608	206,306
Net assets	111,258	106,058
Income	45,814	49,771
Expenses	(36,085)	(33,088)
Profit after tax	9,729	16,683
Proportionate interest in joint venture's commitments	12,703	20,225

9 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 utilizes 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.

Expressed in Trinidad and Tobago Dollars

9 Derivative Financial Instruments (Continued)

Notional amounts and fair values

The notional amount of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet 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)	Fair Values Liabilities ($'000)
Year ended 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
Year ended 31 March 2008			
Derivatives held-for-trading			
Interest rate swaps	891,806	19,539	32
Currency swaps	2,184,961	164,361	54,319
		183,900	54,351

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.

10 Intangible Assets

	2009 ($'000)
Opening net carrying value	--
Core deposit intangibles acquired in the business combination	963,668
Amortization charge for the year	(87,365)
Closing net carrying amount	876,303
Cost	963,668
Accumulated amortization	(87,365)
Net book value	876,303

Expressed in Trinidad and Tobago Dollars

11 Goodwill

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	450,415	450,145
Elimination of pre-acquisition balance	(450,415)	--
Arising on combination	9,066,147	--
Balance at end of year	9,066,147	450,145

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. 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 March 2009 and as such no impairment charge was required.

12 Premises And Equipment

	Freehold Properties ($'000)	Leasehold Properties ($'000)	Leasehold Improvements ($'000)	Equipment ($'000)	Capital Work in Progress ($'000)	Total ($'000)
At 31 March 2007						
Cost	478,186	15,978	114,643	1,015,085	280,827	1,904,719
Accumulated depreciation	(100,059)	(2,079)	(48,172)	(653,075)	--	(803,385)
Net book value	378,127	13,899	66,471	362,010	280,827	1,101,334
Year ended 31 March 2008						
Opening net book value	378,127	13,899	66,471	362,010	280,827	1,101,334
Translation adjustment	(266)	--	(332)	(1,815)	713	(1,700)
Adjusted opening net book value	377,861	13,899	66,139	360,195	281,540	1,099,634
Additions	8,849	--	4,835	52,715	239,329	305,728
Disposals	(7,705)	(5,804)	(69)	(5,772)	--	(19,350)
Transfers	13,829	25,634	9,158	79,916	(128,537)	--
Depreciation charge	(13,227)	(541)	(7,107)	(112,906)	--	(133,781)
Closing net book value	379,607	33,188	72,956	374,148	392,332	1,252,231
At 31 March 2008						
Cost	488,784	38,088	130,041	1,080,903	392,332	2,130,148
Accumulated depreciation	(109,177)	(4,900)	(57,085)	(706,755)	--	(877,917)
Net book value	379,607	33,188	72,956	374,148	392,332	1,252,231

Expressed in Trinidad and Tobago Dollars

12 Premises And Equipment (Continued)

	Freehold Properties ($'000)	Leasehold Properties ($'000)	Leasehold Improvements ($'000)	Equipment ($'000)	Capital Work in Progress ($'000)	Total ($'000)
Year ended 31 March 2009						
Opening net book value	379,607	33,188	72,956	374,148	392,332	1,252,231
Translation adjustment	(8,362)	(9)	(1,633)	(8,564)	(851)	(19,420)
Adjusted opening net book value	371,245	33,179	71,323	365,584	391,481	1,232,811
Fair value adjustment on acquisition	286,270	--	--	--	--	286,270
Additions	11,483	--	2,358	111,791	186,500	312,131
Disposals	(7,252)	(391)	(566)	(7,195)	(336)	(15,740)
Transfers	22,019	(1,068)	(428)	65,689	(86,213)	--
Depreciation charge	(15,001)	(781)	(6,941)	(118,061)	--	(140,783)
Closing net book value	668,764	30,939	65,746	417,809	491,432	1,674,689
At 31 March 2009						
Total cost	802,806	36,112	126,271	1,207,706	491,432	2,664,328
Accumulated depreciation	(134,043)	(5,173)	(60,525)	(789,898)	--	(989,639)
Net book value	668,764	30,939	65,746	417,809	491,432	1,674,689

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

	2009 ($'000)	2008 ($'000)
Aggregate rentals receivable:		
Not later than one year	382	435
Later than one year and no later than five years	553	1,739
	935	2,174

Borrowing costs capitalised as at 31 March 2009 totalled $13.8 million (2008 - $12.8 million).

13 Deferred Taxation

The following amounts are shown in the consolidated balance sheet:

Deferred tax assets	218,332	33,906
Deferred tax liabilities	(434,140)	(296,496)
	(215,808)	(262,590)

Expressed in Trinidad and Tobago Dollars

13 Deferred Taxation (Continued)

	2009 ($'000)	2008 ($'000)
The movement on the deferred tax account is as follows:		
At beginning of year	(262,590)	(172,647)
Effect of changes in exchange rate	2,921	(386)
Income statement credit (charge) (Note 29)	38,899	(36,355)
Investment revaluation reserve		
- Fair value (gains)/losses	169,218	(66,072)
- Gain/(losses) transferred to the income statement	(8,155)	12,870
Amount arising on acquisition	(137,020)	--
Other	(19,081)	--
At end of year	(215,808)	(262,590)

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

Deferred tax assets

	2009 ($'000)	2008 ($'000)
Investment securities available-for-sale	66,135	14,433
Unrealized losses derivative financial instruments	35,359	--
Post retirement benefits	4,231	--
Accelerated tax depreciation	28	59
Tax losses	--	4,540
Interest payable	8,064	6,810
Allowance for impairment on loans and advances	--	8,064
Fair value adjustment on acquisition	104,435	--
Other	80	--
	218,332	33,906

Deferred tax liabilities

	2009 ($'000)	2008 ($'000)
Accelerated goodwill amortisation	44,140	66,060
Accelerated tax depreciation	44,268	53,605
Post retirement benefits	2,684	429
Investment securities available-for-sale	23,332	80,797
Investment securities at fair value through profit or loss	8,844	17,420
Unrealized gains on derivative financial instruments	--	42,489
Regulatory loan loss reserve	44,727	19,593
Allowance for impairment losses on loans and advances	--	(534)
Interest receivable	23,085	15,705
Fair value adjustment on acquisition	240,900	--
Unrealized foreign exchange gains	--	932
Other	2,160	--
	434,140	296,496

Expressed in Trinidad and Tobago Dollars

14 Other Assets

	2009 ($'000)	2008 ($'000)
Corporation tax recoverable	132,678	43,669
Other taxes recoverable	38,494	48,939
Other	540,815	288,076
	711,987	380,684

15 Customers' Deposits

Savings	12,775,226	11,597,974
Term deposits	11,148,984	12,026,765
Current accounts	10,580,388	8,526,060
	34,504,598	32,150,799
Accrued interest	251,752	249,885
	34,756,350	32,400,684

Sectoral analysis

Consumers	16,032,408	16,048,359
Private sector	14,410,263	11,257,513
State sector	3,172,745	4,034,402
Other	889,182	810,525
	34,504,598	32,150,799

16 Other Funding Instruments

Other funding instruments	5,518,364	7,872,925
Accrued interest	96,728	110,805
	5,615,092	7,983,730

Sectoral analysis

Consumers	978,639	1,164,186
Private sector	3,288,719	4,380,692
State sector	1,251,006	2,040,454
Other	--	287,593
	5,518,364	7,872,925

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 2.5% to 24.8% (2008 – 2.25% to 14.95%).

Expressed in Trinidad and Tobago Dollars

17 Other Borrowed Funds

	2009 ($'000)	2008 ($'000)
Short-term credit lines	41,441	656,777
Long-term loan agreements	1,121,893	1,060,422
Private placements	--	704,940
	1,163,334	2,422,139
Accrued interest	16,879	19,251
	1,180,213	2,441,390

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 March 2009 ranged from 1.87% to 13.00% (2008 – 3.19% to 8.5%).

18 Debt Securities In Issue

	2009 ($'000)	2008 ($'000)
Debt securities in issue	833,177	972,199
Accrued interest	6,766	6,707
	839,943	978,906

Debt securities in issue as at 31 March 2009 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
US$40 Million Bond	5 years	December 2009	5.45% Floating

These financial statements account for debt securities only to the extent that they are participated in by third parties.

Expressed in Trinidad and Tobago Dollars

19 Post-Retirement Benefit Obligations

Apart from the pension plans, the Group operates other post-retirement benefit plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

The amounts recognised on the balance sheet for other post-retirement benefit plans are as follows:

	2009 ($'000)	2008 ($'000)
Post-retirement benefit obligation	70,305	66,457
Unrecognized actuarial gain	28,156	27,689
Liability in the balance sheet	98,461	94,146

The movements in the liability recognised on the balance sheet are as follows:

	2009 ($'000)	2008 ($'000)
At beginning of year	94,146	126,670
Net benefit cost/(credit)	6,394	(30,671)
Benefits paid by group companies (net of retirees' premiums)	(2,079)	(1,853)
At end of year	98,461	94,146

Change in post-retirement benefit obligation:

	2009 ($'000)	2008 ($'000)
Defined benefit obligation at beginning of year	66,457	99,786
Current service cost	2,082	2,192
Interest cost	5,715	5,396
Past service cost	--	(37,131)
Actuarial gains	(1,870)	(1,933)
Benefits paid	(2,079)	(1,853)
	70,305	66,457

The amounts recognised in the income statement are as follows:

	2009 ($'000)	2008 ($'000)
Current service cost	2,082	2,192
Interest cost	5,715	5,396
Amortized net gain	(1,403)	(1,128)
Past service cost	--	(37,131)
Net benefit cost/(credit) included in staff costs (Note 28.1)	6,394	(30,671)

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	8.75%	8.75%
Medical costs trend rates	7.00%	7.00%

Expressed in Trinidad and Tobago Dollars

20 Other Liabilities

	2009 ($'000)	2008 ($'000)
Accruals and payables	363,199	359,811
Deferred Income	113,846	82,480
Provisions arising on acquisition	444,244	--
Other provisions	116,285	112,400
Other	523,028	268,868
	1,560,602	823,559

21 Share Capital

	Number of Ordinary Shares ('000)	Share Capital ($'000)
Year ended 31 March 2008		
At 1 April 2007	343,719	876,524
Share option plan:		
-Value of services provided	--	7,468
- Proceeds from shares issued	353	6,434
At 31 March 2008	344,072	890,426
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
Shares acquired and cancelled	(344,086)	(906,200)
New shares issued pursuant to Combination Agreement	10,100	13,815,959
At 31 March 2009	10,100	13,815,959

On June 16, 2008 the ordinary shares of the predecessor parent company, RBTT Financial Holdings Limited were acquired by RBC Holdings (Trinidad and Tobago) Limited and cancelled immediately. The two companies were subsequently amalgamated under a new name, RBC Financial (Caribbean) Limited which issued 10,099,990 new ordinary shares with no par value.

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

Expressed in Trinidad and Tobago Dollars

21 Share Capital (Continued)

Amendment to Share Option Plan Pursuant to Combination Agreement dated 1 October 2007

Pursuant to the Combination transaction, which was consummated on June 16, 2008, the RBTT Share Option Plan was amended such that, (i) all issued and outstanding RBTT options were deemed to have vested; (ii) each unexercised RBTT in-the-money option was cancelled on June 13, 2008 in exchange for a total cash amount of $31 million equal to the difference between the per share consideration and its exercise price; (iii) each RBTT out-of-money option was cancelled on June 13, 2008 without payment of any further consideration; and (iv) all exercises of RBTT options ceased from and after June 11, 2008.

22 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, Curacao, Barbados, Jamaica and the Eastern Caribbean impose similar obligations on financial institutions operating within their territories.

23 Other Reserves

	2009 ($'000)	2008 ($'000)
Capital reserves (note 23.1)	62,846	156,079
Translation reserve (note 23.2)	(121,288)	(307,728)
Investment revaluation reserve (note 23.3)	(565,189)	170,795
General banking risks reserve (note 23.4)	24,353	272,796
	(599,277)	291,942

Expressed in Trinidad and Tobago Dollars

23 Other Reserves (Continued)

23.1 Capital reserves

Capital reserves include several reserve accounts, the most significant of which is the retained earnings reserve of $62,846,000 (2008: $153,111,000) 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.

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	156,079	137,202
Other reserve movements	62,846	18,877
Acquisition Adjustments – elimination of pre-acquisition reserves	(156,079)	--
Balance at end of year	62,846	156,079

23.2 Translation reserve

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	(307,728)	(272,863)
Currency translation differences arising during the year	(159,299)	(34,865)
Acquisition adjustment – elimination of pre-acquisition reserves	345,741	--
Balance at end of year	(121,288)	(307,728)

23.3 Investment revaluation reserve – securities available-for-sale

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	170,795	(1,717)
Fair value (losses)/gains arising during the year, net of tax	(453,510)	202,855
Realized losses/(gains) transferred to income, net of tax	34,483	(30,342)
Currency translation differences arising during the year	(3)	(1)
Acquisition adjustment – elimination of pre-acquisition reserves	(316,954)	--
Balance at end of year	(565,189)	170,795

Expressed in Trinidad and Tobago Dollars

23 Other Reserves (Continued)

23.4 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.

	2009 ($'000)	2008 ($'000)
Balance at beginning of year	272,796	247,137
Currency translation differences arising during the year	--	235
Transferred from retained earnings	39,123	25,996
Other reserve movements	--	(572)
Acquisition adjustment – elimination of pre-acquisition reserves	(287,567)	--
Balance at end of year	24,353	272,796

24 Minority Interest

This represents the 38% shareholding in RBTT Bank Grenada Limited and 4.6% in RBTT Bank (SKN) Limited.

	Year Ended 31 March 2009			Year Ended 31 March 2008
	Successor From 16 June 2008 To 31 March 2009	Predecessor From 1 April 2008 to 15 June 2008	Total	
25 Interest Income	**($'000)**	**($'000)**	**($"000)**	**($'000)**
Loans and advances to customers	2,168,301	841,406	3,009,707	2,542,510
Investment securities	896,984	303,827	1,200,811	1,080,323
Due from banks	146,374	49,431	195,805	146,139
	3,211,659	1,194,664	4,406,323	3,768,972
26 Interest Expense				
Customers' deposits	741,234	318,153	1,059,387	908,719
Due to banks	118,183	41,146	159,329	114,901
Other interest bearing liabilities	520,088	140,474	660,562	649,951
	1,379,505	499,773	1,879,278	1,673,571
27 Other Income				
Fees and commissions (Note 27.1)	716,864	233,582	950,446	786,213
Net trading (losses)/income (Note 27.2)	(197,356)	(21,982)	(219,338)	151,329
Foreign exchange earnings	276,207	76,915	353,122	276,231
Dividend income	22,206	392	22,598	9,364
Sundry income	3,640	2,449	6,089	9,218
	821,561	291,356	1,112,917	1,232,355

Expressed in Trinidad and Tobago Dollars

27 Other Income (Continued)

	Year Ended 31 March 2009 Successor From 16 June 2008 To 31 March 2009	Predecessor From 1 April 2008 to 15 June 2008	Total	Year Ended 31 March 2008
27.1 Fees and commissions	($'000)	($'000)	($'000)	($'000)
Transaction service fees/ commissions	273,096	186,917	460,013	435,904
Credit related fees and commissions	227,665	4,998	232,663	144,999
Corporate finance fees	36,023	7,374	43,397	26,991
Trust and asset management related fees	180,080	34,293	214,373	178,319
	716,864	233,582	950,446	786,213
27.2 Net trading (losses)/income				
Securities at fair value through profit or loss - realised and unrealised (losses)/gains (Including trading loans)	(150,608)	(11,143)	(161,751)	104,067
Derivative financial instruments - realised and unrealised (losses)/gains	(58,721)	(26,728)	(85,449)	(18,741)
Available-for-sale securities - realised gains	11,973	15,889	27,862	66,003
	(197,356)	(21,982)	(219,338)	151,329

28 Operating Expenses

	Successor	Predecessor	Total	2008
Staff costs (Note 28.1)	914,443	364,353	1,278,796	1,071,397
Premises and equipment expenses, Excluding depreciation and operating lease rentals	152,299	67,305	219,604	189,783
Advertising	31,406	15,874	47,280	65,240
Depreciation	100,120	40,665	140,785	133,781
Deposit insurance premium (Note 28.2)	22,111	7,017	29,128	25,194
Operating lease rentals	99,390	25,431	124,821	81,291
Directors' fees	4,736	2,444	7,180	7,799
Auditors' fees	7,938	--	7,938	7,940
Other operating expenses	484,500	292,141	776,641	429,745
	1,816,943	815,230	2,632,173	2,012,170

Expressed in Trinidad and Tobago Dollars

28 Operating Expenses (Continued)

	Year Ended 31 March 2009			Year Ended 31 March 2008
	Successor From 16 June 2008 To 31 March 2009 ($'000)	Predecessor From 1 April 2008 to 15 June 2008 ($'000)	Total ($'000)	($'000)
28.1 Staff costs				
Wages and salaries including bonuses	860,191	329,830	1,190,021	1,032,290
Employees' pension benefit expense	49,400	17,522	66,922	62,310
Employees' post-retirement benefit cost/(credit) (Note 19)	4,852	1,542	6,394	(30,671)
Share option plan- cancellation of options	--	15,459	15,459	7,468
	914,443	364,353	1,278,796	1,071,397

The average number of employees in 2009 was 5,220 (2008: 5,327).

28.2 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 Taxation

	2009 ($'000)	2008 ($'000)
Current tax charge	318,770	329,186
Green fund levy	3,355	3,642
Prior years	(660)	683
Net deferred tax (credit)/charge (Note 13)	(38,899)	36,355
Share of tax charge/(credit) of associate company (note 8.1)	(329)	545
Share of tax charge of joint venture (note 8.3)	825	156
	283,062	370,567

Expressed in Trinidad and Tobago Dollars

29 Taxation (Continued)

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:

	2009 ($'000)	2008 ($'000)
Profit before tax	915,435	1,309,262
Prima facie tax calculated at a rate of 25%	228,859	327,316
Effect of different tax rates in other countries	35,275	55,723
Effect of different tax rates on certain sources of income	(1,007)	(2,239)
Income exempt from tax	(184,510)	(106,729)
Expenses not deductible for tax	156,297	57,468
Utilization of tax losses not previously recognized	(2,575)	--
Effect of current year unrecognised tax losses	22,315	29,931
Prior years	(666)	683
Green fund levy	3,355	3,642
Business levy	835	432
Permanent differences	(9,882)	--
Other timing differences	24,759	--
Other	10,007	4,340
Tax charge	283,062	370,567

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

	2009 ($'000)	2008 ($'000)
Accelerated goodwill amortisation	--	1,910
Accelerated tax depreciation	(5,327)	9,756
Retirement Benefits	3,233	--
Unrealized gains/(losses) on derivative financial instruments	(29,903)	(1,364)
Allowance for impairment losses on loans and advances	27,238	(4,100)
Investment securities at fair value through profit or loss	(39,498)	17,417
Post retirement medical benefits	--	3,741
Tax losses	4,512	5,901
Regulatory loan loss reserve	24,387	2,561
Other temporary differences	(1,145)	533
Amortization of fair value adjustments	(22,396)	--
Deferred tax (credit)/charge	(38,899)	36,355

Expressed in Trinidad and Tobago Dollars

30 Dividends

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

	2009 ($'000)	2008 ($'000)
Final dividend for 2008 - 65¢ per share (2007 - 65¢ per share)	223,656	223,466
Interim dividend for 2009 - Nil (2008 - 60¢ per share)	--	206,439
	223,656	429,905

No final dividend in respect of the year ended 31 March 2009 is proposed (2008: $223,656,000)

31 Contingent Liabilities

a) Legal proceedings

As at 31 March 2009, there were certain legal proceedings outstanding against the Group for which a provision has been made of $123 million based on professional advice as to the likely obligations arising from these litigation matters (2008: Nil)

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 balance sheet.

	2009 ($'000)	2008 ($'000)
Bankers' acceptances and participatory investment certificates	77,563	158,167
Guarantees, indemnities and letters of credit	1,900,241	1,694,641
	1,977,804	1,852,808

Expressed in Trinidad and Tobago Dollars

32 Credit Commitments

	Gross maximum exposure 2009 ($'000)	Gross maximum exposure 2008 ($'000)
Consumer	375,841	134,532
Manufacturing	241,737	173,848
Distribution	299,031	469,768
Financial services	70,894	44,987
Transport	19,678	30,962
Construction	248,820	215,856
Petroleum	3,841	8,000
Agriculture	17,357	4,330
Real estate	176,390	264,896
Tourism	20,742	251,616
Professional services	26,229	124,033
Utilities	163,497	642,849
Health services	11,842	9,132
Government	1,338	6,554
Other	143,332	105,429
	1,820,569	2,486,792

33 Capital And Lease Commitments

The Group's capital commitments, principally in respect of building construction and renovation and information technology projects are $237.8 million as at 31 March 2009 (2008 - $88.9 million).

Operating lease commitments are as follows:	**2009 ($'000)**	**2008 ($'000)**
Premises		
Within one year	70,750	80,493
One to five years	256,365	232,755
Over five years	410,717	368,116
	737,832	681,364

Expressed in Trinidad and Tobago Dollars

34 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.

	2009 ($'000)	2008 ($'000)
Outstanding balances		
Loans and investments		
Associates	126,961	375,644
Directors and key management personnel	14,555	33,427
Other related parties	528,244	825,105
	669,760	1,234,176
Deposits and other liabilities		
Associates	9,265	27,691
Directors and key management personnel	13,273	21,193
Other related parties	359,585	417,891
	382,123	466,775
Interest income		
Associates	9,143	6,202
Directors and key management personnel	1,121	1,330
Other related parties	4,424	41,857
	14,688	49,389
Interest expense		
Associates	345	1,393
Directors and key management personnel	246	584
Other related parties	331	697
	922	2,674

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

	2009 ($'000)	2008 ($'000)
Key management compensation		
Salaries and other short term benefits	43,636	40,240
Share-based benefits	15,459	7,468
	59,095	47,708

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management

35.1 Balance Sheet – Categorization

	At 31 March 2009 ($'000)	At 31 March 2008 ($'000)
Assets		
Financial Assets at Fair Value Through Income Statement		
Investment Securities	1,525,370	2,080,056
Derivative Financial Instruments	247,586	183,900
	1,772,956	2,263,956
Financial Assets at Fair Value Through Equity		
Investment securities	8,730,746	11,741,097
Financial Assets at Amortized Costs		
Cash on hand and due from banks	6,332,764	6,426,590
Balances with central banks	3,631,435	2,957,919
Loans and advances to customers	25,873,253	24,820,818
Investment securities	947,368	1,377,254
Due from associate companies	329,432	29,009
Other assets	524,357	340,782
	37,638,609	35,952,372
Total Financial Assets	48,142,311	49,957,425
Non-Financial Assets	12,421,925	2,120,414
Total Assets	60,564,236	52,077,839
Liabilities		
Financial Liabilities at Fair Value Through Income Statement		
Derivative financial instruments	160,840	54,351
Financial Liabilities at Amortized Cost		
Due to banks	1,651,380	1,594,699
Customers' deposits	34,756,350	32,400,684
Other funding instruments	5,615,092	7,983,730
Other borrowed funds	1,180,213	2,441,390
Debt securities in issue	839,943	978,906
Due to affiliated companies	23,485	--
Other liabilities	341,113	312,196
	44,407,576	45,711,605
Total Financial Liabilities	44,568,416	45,765,956
Non-Financial Liabilities	2,247,588	1,226,256
Total Liabilities	46,816,004	46,992,212
Equity Instruments	13,694,882	5,039,274
Minority interest	53,350	46,353
Total Equity	13,748,232	5,085,627
Total Equity and Liabilities	60,564,236	52,077,839

Expressed in Trinidad and Tobago Dollars

35.2 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, operating 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 centralized 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 decentralized 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 decentralized 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.

35 Financial Risk Management (Continued)

35.2 Risk Management (Continued)

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 analyze, 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 authorized 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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.3 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 grater than, the statutory liquidity requirements.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.3 Liquidity Risk (Continued)

35.3.1 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 balance sheet date.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
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 affiliated companies	(680,533)	704,018	--	23,485
Other liabilities	338,423	--	2,690	341,113
Total Liabilities (contractual maturity dates)	39,212,994	4,355,711	838,871	44,407,576
As at 31 March 2008				
Liabilities				
Due to Banks	1,343,400	239,494	11,805	1,594,699
Customers' deposits	30,544,345	1,773,992	82,347	32,400,684
Other funding instruments	5,778,730	2,171,153	33,847	7,983,730
Other borrowed funds	523,028	1,789,239	129,123	2,441,390
Debt securities in issue	6,862	142,921	829,123	978,906
Other liabilities	304,582	--	7,614	312,196
Total Liabilities (contractual maturity dates)	38,500,947	6,116,799	1,093,859	45,711,605

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.3 Liquidity Risk (Continued)

35.3.2 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 balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 March 2009	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
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

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.3 Liquidity Risk (Continued)

35.3.2 Derivative Cash Flows (Continued)

As at 31 March 2008	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
a) **Derivatives settled on a net basis**				
- Foreign exchange derivatives	6,618	--	--	6,618
- Interest rate derivatives	--	--	--	--
	6,618	--	--	6,618
b) **Derivatives settled on a gross basis**				
Foreign exchange derivatives				
- Outflow	(567,520)	(827,198)	(1,161,751)	(2,556,468)
- Inflow	616,034	904,804	929,975	2,450,813
Interest rate derivatives				
- Outflow	(13,508)	(18,536)	(2,337)	(34,381)
- Inflow	19,357	29,359	7,287	56,003
Total outflow	(581,028)	(845,733)	(1,164,088)	(2,590,849)
Total inflow	635,391	934,163	937,262	2,506,816

Expressed in Trinidad and Tobago Dollars

35 **Financial Risk Management (Continued)**

35.3 **Liquidity Risk (Continued)**

35.3.3 **Contingent Liabilities and Commitments**

The table below summarizes 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 March 2009				
Guarantees, acceptances, indemnities and letters of credit	1,731,313	177,312	69,179	1,977,804
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
	3,354,653	706,408	712,909	4,773,970
As at 31 March 2008				
Guarantees, acceptances, indemnities and letters of credit	1,750,562	49,069	53,177	1,852,808
Credit commitments	1,502,094	807,824	176,874	2,486,792
Operating lease commitments	80,493	232,755	368,116	681,364
Capital commitments	88,925	--	--	88,925
	3,422,074	1,089,648	598,167	5,109,889

35.4 **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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.4 Market Risk (Continued)

35.4.1 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.

35.4.2 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.

Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, Suriname and Other

	Effect on Net Profit 2009 $'000	Effect on Other Components of Equity 2009 $'000	Effect on Net Profit 2008 $'000	Effect on Other Components of Equity 2008 $'000
Change in interest rate				
+ 1%	80,029	(126,700)	17,470	(202,375)
- 1%	(79,046)	199,215	(8,038)	209,646

Jamaica

	Effect on Net Profit 2009 $'000	Effect on Other Components of Equity 2009 $'000	Effect on Net Profit 2008 $'000	Effect on Other Components of Equity 2008 $'000
Change in interest rate				
-8% (2008: -2%)	(24,538)	(4,207)	3,832	32,499
+5% (2008: +2%)	15,336	4,863	13,254	(54,410)

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.4.2 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, categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2009	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
Assets					
Cash on hand and due from banks	2,887,878	--	--	3,444,886	6,332,764
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	6,044,678	2,578,419	2,205,206	591,017	11,419,320
Due from associate companies	329,432	--	--	--	329,432
Derivative financial instruments	241,563	--	--	6,023	247,586
Other assets	11,319	--	--	297,202	308,521
Total financial assets	27,833,795	6,676,819	7,666,205	5,965,492	48,142,311
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 affiliated companies	24,978	--	--	(1,493)	23,485
Derivative financial instruments	160,840	--	--	--	160,840
Other liabilities	1,490	--	--	339,623	341,113
Total financial liabilities	34,095,953	3,605,222	808,306	6,058,935	44,568,416
Interest Sensitivity Gap	(6,262,158)	3,071,597	6,857,899		

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.4.2 Interest rate risk (continued)

Interest Sensitivity of Assets and Liabilities to Repricing Risk (Continued)

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at 31 March 2008					
Assets					
Cash on hand and due from banks	4,354,115	--	--	2,072,475	6,426,590
Balances with central banks	335,163	--	--	2,622,756	2,957,919
Loans and advances to customers	16,820,312	3,759,441	4,076,130	164,935	24,820,818
Investment securities	7,708,981	1,970,737	4,711,537	981,190	15,372,445
Due from associate companies	28,691	--	--	318	29,009
Derivative financial instruments	183,900	--	--	--	183,900
Other assets	1,271	--	--	165,473	166,744
Total financial assets	29,432,433	5,730,178	8,787,667	6,007,147	49,957,425
Liabilities					
Due to banks	962,066	17,629	4,830	610,174	1,594,699
Customers' deposits	25,997,603	1,830,927	6,153	4,566,001	32,400,684
Other funding instruments	7,524,645	314,484	33,796	110,805	7,983,730
Other borrowed funds	1,240,174	1,181,965	--	19,251	2,441,390
Debt securities in issue	147,690	--	824,509	6,707	978,906
Derivative financial instruments	54,351	--	--	--	54,351
Other liabilities	1,888	--	--	310,308	312,196
Total financial liabilities	35,928,417	3,345,005	869,288	5,623,246	45,765,956
Interest Sensitivity Gap	(6,495,984)	2,385,173	7,918,379	--	

Expressed in Trinidad and Tobago Dollars

35 **Financial Risk Management (Continued)**

35.4.3 **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 shareholders' equity.

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	
	2009 (%)	2008 (%)	2009 ($ Millions)	2008 ($ Millions)
Guardian Holdings Limited shares	24	15	127	104
	-24	-15	-127	-104

35.5 **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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.5 Currency Risk (Continued)

35.5.1 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 as at 31 March.

	TT ($'000)	US ($'000)	Eastern Caribbean ($'000)	Netherlands Antilles Florins ($'000)	JMD ($'000)	Other ($'000)	Total ($'000)
As at 31 March 2009							
Assets							
Cash on hand and due from banks	365,381	2,462,163	241,737	1,562,669	165,183	1,535,631	6,332,764
Balances with central banks	2,100,109	116,679	212,618	788,567	211,830	201,632	3,631,435
Loans and advances to customers	7,769,770	6,539,895	2,334,532	5,393,901	1,287,908	2,547,247	25,873,253
Investment securities	4,338,965	4,255,782	151,418	430,367	1,473,997	768,791	11,419,320
Due from associate companies	337,878	(8,781)	--	335	--	--	329,432
Derivative financial instruments	8,101	236,555	--	2,930	--	--	247,586
Other assets	39,180	248,263	505	6,490	--	14,083	308,521
Total financial assets	14,959,384	13,850,556	2,940,810	8,185,259	3,138,428	5,067,384	48,142,311
Liabilities							
Due to banks	22,997	1,177,853	49,826	271,656	37,658	91,390	1,651,380
Customers' deposits	9,653,240	10,779,870	1,230,486	7,518,204	1,583,759	3,990,791	34,756,350
Other funding instruments	1,600,148	2,525,719	2,165	--	1,025,261	461,799	5,615,092
Other borrowed funds	--	1,123,691	--	--	29,100	27,422	1,180,213
Debt securities in issue	206,544	633,399	--	--	--	--	839,943
Due to affiliated companies	195	173,334	(18,116)	--	--	(131,928)	23,485
Derivative financial instruments	70,584	90,256	--	--	--	--	160,840
Other liabilities	36,058	200,221	1,619	82,553	--	20,662	341,113
Total financial liabilities	11,589,766	16,704,343	1,265,980	7,872,413	2,675,778	4,460,136	44,568,416
Net Balance Sheet Position	3,369,618	(2,853,787)	1,674,830	312,846	463,140	607,248	3,573,895
Credit Commitments	246,800	666,593	155,729	216,871	383,577	150,999	1,820,569

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.5 Currency Risk (Continued)

35.5.1 Concentrations of currency risk – on and off-balance sheet financial instruments (Continued)

As at 31 March 2008	TT ($'000)	US ($'000)	Eastern Caribbean ($'000)	Netherlands Antilles Florins ($'000)	JMD ($'000)	Other ($'000)	Total ($'000)
Total financial assets	15,312,232	16,431,599	2,608,287	6,538,762	3,839,497	5,227,048	49,957,425
Total financial liabilities	12,745,077	16,102,931	2,556,296	5,869,149	3,293,379	5,199,124	45,765,956
Net Balance Sheet Position	2,567,155	328,668	51,991	669,613	546,118	27,924	4,191,469
Credit Commitments	383,094	1,326,121	232,631	279,621	152,462	112,863	2,486,792

35.5.2 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 March in respect of its assets and liabilities holding all other variables constant. The results revealed that as at 31 March 2009, 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 $12 million (2008 – $60 million) higher and other components of equity would have been $20 million (2008 – $25 million) higher. The lower foreign currency exchange rate sensitivity in profit compared to 2008 is attributable to the change in net US dollar holdings in monetary assets.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 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.

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.

35.6.1 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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.2 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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.2 Risk limit control and mitigation policies (continued)

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 balance sheet 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

35.6.3 Impairment and provisioning policies

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2.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 balance-sheet 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.

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35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

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

	Gross maximum exposure 2009 ($'000)	Gross maximum exposure 2008 ($'000)
Credit risk exposures relating to on - balance sheet financial assets are as follows:		
Due from banks	5,410,145	4,815,594
Loans and advances to customers	26,675,252	25,672,180
Securities at fair value through profit or loss (including trading loan)	1,525,370	2,080,056
Securities available for sale at fair value	8,744,110	10,987,165
Securities held to maturity at amortised cost	947,368	1,377,254
Derivative financial instruments	247,586	183,900
	43,549,831	45,116,149
Credit risk exposures relating to off - balance sheet financial assets are as follows:		
Contingent liabilities (letter of credit and financial guarantees)	1,977,804	1,852,808
Credit commitments	1,820,569	2,486,792
	3,798,373	4,339,600
Total credit risk exposure	47,348,204	49,455,749

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.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.5 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 categorized by industry sectors of counterparties.

	Gross maximum exposure 2009 ($'000)	Gross maximum exposure 2008 ($'000)
Consumer	10,166,544	10,126,305
Manufacturing	1,473,827	1,354,815
Distribution	3,365,647	3,486,694
Financial services	931,035	963,939
Transport	667,555	715,070
Construction	1,469,100	1,411,398
Petroleum	144,761	174,390
Agriculture	132,913	115,937
Real estate	2,620,165	2,784,719
Tourism	1,805,043	1,497,485
Professional services	656,328	611,014
Utilities	328,284	347,019
Health services	150,845	291,423
Government	534,986	504,254
Other	2,228,221	1,287,718
	26,675,254	25,672,180

35.6.6 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 March 31, 2009 was $3,490,062,000 (2008: $3,410,048,000) before taking account of collateral or other credit enhancements.

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.7 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 March 2009				
Due from banks:	5,410,145	--	--	5,410,145
Loans and advances to customers:				
Retail	4,663,274	745,464	215,516	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	1,034,438	132,516	49,302	1,216,257
Loans and advances (Gross)	22,337,000	3,336,940	1,001,312	26,675,252
Investment securities:				
Trading:				
Government	297,643	--	1,566	299,209
Corporate	867,034	2	--	867,036
Other	359,125	--	--	359,125
Available for sale:				
Government	6,088,721	10,577	8,805	6,108,103
Corporate	979,127	264,079	7,143	1,250,349
Other	743,025	--	--	743,025
Held to maturity:				
Government	796,960	--	--	796,960
Corporate	282	--	--	282
Other	150,126	--	--	150,126
Investment securities (Gross)	10,282,043	274,658	17,514	10,574,215
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

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.7 Credit quality by class of financial assets (continued)

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 March 2008				
Due from banks:	4,815,594	--	--	4,815,594
Loans and advances to customers:				
Retail	4,292,725	380,161	167,641	4,840,527
Commercial/Corporate	12,954,061	1,240,226	275,171	14,469,458
Mortgages	4,656,369	359,525	56,192	5,072,086
Other	1,191,207	69,512	29,390	1,290,109
Loans and advances (Gross)	23,094,362	2,049,424	528,394	25,672,180
Investment securities:				
Trading:				
Government	440,693	--	1,573	442,266
Corporate	1,186,397	--	--	1,186,397
Other	451,393	--	--	451,393
Available for sale:				
Government	6,655,552	--	29,544	6,685,096
Corporate	1,930,434	190,325	11,249	2,132,008
Other	2,170,061	--	--	2,170,061
Held to maturity:				
Government	626,888	--	--	626,888
Corporate	623,215	--	--	623,215
Other	127,151	--	--	127,151
Investment securities (Gross)	14,211,784	190,325	42,366	14,444,475
Derivative financial instruments:				
Government	111,310	--	--	111,310
Corporate	72,590	--	--	72,590
	183,900	--	--	183,900
Total	42,305,640	2,239,749	570,760	45,116,149

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

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

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

As at 31 March 2009	Less than 1 mth ($'000)	1-3 mths ($'000)	3-6 mths ($'000)	More than 6 mths ($'000)	Total ($'000)
Loans and advances to customers:					
Retail	437,503	213,975	30,619	9,548	691,645
Commercial/Corporate	1,375,530	535,581	40,927	58,753	2,010,791
Mortgages	355,848	210,735	2,583	938	570,104
Other	47,092	17,312	--	--	64,404
	2,215,973	977,603	74,129	69,239	3,336,944
Investment securities:					
Available for sale:					
Corporate	264,079	--	10,579	--	274,658
	264,079	--	10,579	--	274,658

As at 31 March 2008	Less than 1 mth ($'000)	1-3 mths ($'000)	3-6 mths ($'000)	More than 6 mths ($'000)	Total ($'000)
Loans and advances to customers:					
Retail	214,753	80,107	67,054	18,247	380,161
Commercial/Corporate	474,715	520,022	197,856	47,633	1,240,226
Mortgages	165,269	82,387	109,496	2,373	359,525
Other	9,767	5,849	1,969	51,927	69,512
	864,504	688,365	376,375	120,180	2,049,424
Investment securities:					
Available for sale:					
Corporate	--	--	190,325	--	190,325
	--	--	190,325	--	190,325

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

35.6.9 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	2009 Total ($'000)	2008 Total ($'000)
Excellent			
AA	BB+	4,576,963	5,386,030
Very Good			
A+	BB	645,586	1,065,431
A	BB-	420,545	
Good			
A-	B+	6,389,152	12,481,496
B+	B	3,535,676	
Special mention			
B	B-	46,123	488,792
C+	CCC+	617,900	
Unacceptable			
C	CCC	--	10,999
D+	CCC-	--	
Bad and doubtful			
D	CC+	--	11,221
E+	CC	--	
Virtual certain loss			
E	CC-	--	--
		16,231,945	19,443,969

Expressed in Trinidad and Tobago Dollars

35 Financial Risk Management (Continued)

35.6 Credit Risk (Continued)

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

	2009 ($'000)	2008 ($'000)
Investment securities:		
Securities at fair value through profit or loss including trading:		
Government	--	--
Corporate	--	--
Other	--	--
Securities available for sale:		
Government	--	10,589
Corporate	--	--
Other	--	--
Securities held-to-maturity:		
Government	--	--
Corporate	--	--
Other	--	--
Total renegotiated investment securities	--	10,589
Loans and advances to customers:		
Retail	42,830	19,413
Commercial / Corporate	126,206	139,362
Mortgages	34,672	11,436
Other	--	196
Total renegotiated loans and advances to customers	203,708	170,407

35.6.11 Repossessed collateral

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

35.7 Capital Management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, 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.

Expressed in Trinidad and Tobago Dollars

35 **Financial Risk Management (Continued)**

35.7 **Capital Management (Continued)**

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.

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

	2009	**2008**
RBTT Bank Limited	14%	12%
RBTT Merchant Bank Limited	25%	22%
RBTT Trust Limited	68%	98%
RBTT Bank Caribbean Limited	15%	18%
RBTT Bank (SKN) Limited	20%	23%
RBTT Bank Grenada Limited	16%	14%
RBTT Bank N.V.	107%	146%
RBTT Bank International N.V.	45%	22%
RBTT Bank Aruba N.V.	14%	12%
RBTT Bank (Suriname) N.V.	13%	12%
RBTT Bank Jamaica Limited	16%	15%
RBTT Securities Jamaica Limited	112%	114%
RBTT Bank Barbados Limited	16%	14%

The licensed banking entities in Trinidad and Tobago, the Eastern Caribbean, Barbados and Jamaica are required to maintain a qualifying capital ratio (total regulatory capital to risk-weighted assets) of at least 8%. 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 requirements to which they are subject.

Expressed in Trinidad and Tobago Dollars

36 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 March 2009	947,368	897,236
Balance at 31 March 2008	1,377,254	1,364,313

Expressed in Trinidad and Tobago Dollars

36 Fair Value of Financial Assets and Liabilities (Continued)

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 March 2009	839,943	825,065
Balance at 31 March 2008	978,906	856,995

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37 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 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	95.4%
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%

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37 Subsidiaries (Continued)

37.1 Acquisition of Subsidiaries

On June 16, 2008 RBC Holdings (Trinidad and Tobago) Limited, a wholly owned subsidiary of the Royal Bank of Canada, acquired 100% of the shareholding of RBTT Financial Holdings Limited. Subsequently, the two companies were combined by way of a statutory amalgamation under the laws of Trinidad and Tobago to continue the operations of the predecessor company under a new name RBC Financial (Caribbean) Limited.

The cost of acquisition of the shares of RBTT Financial Holdings was paid in cash and shares with an aggregate fair value of $13.7 billion.

Net Cash Outflow on Acquisition	As at June 16, 2008 $'000
Purchase Consideration	13,694,024
Acquisition Related Costs	99,350
Consideration Paid In Cash	13,793,374

The following is a summary of the fair value of the Assets and Liabilities acquired on June 16, 2008:

	Book Value ($'000)	Fair Value Adjustment ($'000)	Fair Value on Acquisition ($'000)
Assets:			
Cash Resources	10,037,591	--	10,037,591
Loans	24,958,696	(154,200)	24,804,496
Investment Securities	15,844,926	(230,400)	15,614,526
Premises and Equipment	1,277,474	286,270	1,563,744
Deferred Tax Assets	29,681	103,880	133,561
Other Assets	972,104	82,700	1,054,804
	53,120,472	88,250	53,208,722
Liabilities:			
Customers' deposits and other Funding instruments	(43,322,595)	--	(43,322,595)
Debt Securities in Issue and Other Borrowed Funds	(3,210,978)	24,676	(3,186,302)
Deferred Tax Liabilities	(335,005)	(240,900)	(575,905)
Other Liabilities	(1,660,976)	(653,344)	(2,314,320)
	(48,529,554)	(869,568)	(49,399,122)
Minority Interest	(46,042)	--	(46,042)
Identifiable Net Assets Acquired	**4,544,876**	**(781,318)**	**3,763,558**
Core Deposit Intangibles			963,668
Goodwill on acquisition			9,066,148
			13,793,374

Expressed in Trinidad and Tobago Dollars

37 Subsidiaries (Continued)

37.1 Acquisition of Subsidiaries (Continued)

Goodwill arose in the business combination because the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and retention of the employees of RBC Financial (Caribbean) Limited. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Core deposit intangibles were separately identified and measured at a fair value of $963 million. It is being amortized on a straight-line basis over an estimated average useful life of seven years.

37.2 Disposal of Business

On March 31, 2009 the Group disposed of its subsidiary, RBTT Trust Corporation Limited, to an affiliate company within the RBC Group. Details of the disposal are as follows:

Book value of net assets sold	**As at March 31, 2009 ($'000)**
Assets:	
Cash and cash equivalents	5,560
Other assets	5,045
Total assets	10,605
Liabilities:	
Borrowings	4,508
Other liabilities	1,940
Total liabilities	6,448
Net assets disposed of	4,157
Loss on disposal	(375)
Disposal proceeds	3,782
Consideration Received	
Cash	3,782
Net cash outflow on disposal	
Consideration received in cash	3,782
Less: cash and cash equivalent balances disposed of	(5,560)
	(1,778)

Expressed in Trinidad and Tobago Dollars

37 Subsidiaries (Continued)

37.3 Effect of Change in the Financial Reporting Period for certain subsidiaries

The Group has a number of subsidiaries with a 31st December reporting date (primarily due to local regulations) that differ to the 31st March year-end of the Group. In prior years, adjustments were made for the effect of significant transactions or events that occurred between that date and the date of the group's financial statements. Following the acquisition by Royal Bank of Canada, it was decided to include the entire financial results of all the subsidiaries up to 31st March so that the Group Financial Reporting is co-terminous for all entities. The effect of this change on the results for the year ended 31 March 2009 is set out below.

	Before Adjustment ($'000)	Adjustment For Subsidiaries With 31 December Year-End ($'000)	Total ($'000)
Interest Income	4,056,609	349,714	4,406,323
Interest Expense	(1,758,373)	(120,905)	(1,879,278)
Net Interest Income	2,298,236	228,809	2,527,045
Fees, commissions and other income	1,028,762	99,955	1,128,717
Total Net Income	3,326,998	328,764	3,655,762
Provision for Credit Loss of Impairment	(97,540)	(10,613)	(108,153)
Other Operating expenses	(2,415,696)	(216,476)	(2,632,172)
Non-Interest Expenses	(2,513,237)	(227,089)	(2,740,326)
Profit Before Taxation	**813,761**	**101,675**	**915,436**
Taxation	(258,630)	(24,432)	(283,062)
Profit After Taxation	**555,131**	**77,243**	**632,374**