RBTT BANK GRENADA LIMITED

Annual Report 2010

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Notice of Annual Meeting

NOTICE is hereby given that the Twenty-eighth Annual Meeting of RBTT Bank Grenada Limited (the Company) will be held at the Conference Room, 1st Floor, RBTT Bank Grenada Limited, St. George's Branch, Corner Cross and Halifax Streets, St. George, Grenada on Tuesday, May 3, 2011 at 1.30 p.m. for the following purposes:

Ordinary Business

1. To review and consider the Audited Financial Statements for the 10-month period ended October 31, 2010 and the Reports of the Directors and the Auditors thereon.
2. To sanction a dividend for the 10-month period ended October 31, 2010.
3. To re-elect Directors.
4. To elect an additional Director.
5. To re-appoint Auditors and empower the Directors to determine their remuneration for the ensuing year.
6. To transact any other business of the Company, which may be properly brought before the Meeting.

By Order of The Board

Nicole Richards

Corporate Secretary
April 7, 2011

Notes:

1. No Service Contracts were entered into between the Company and any of its Directors.
2. In accordance with Section 108(2) of the Companies Act, 1994, the Directors of the Company have fixed Tuesday April 12, 2011 as the record date for the determination of Shareholders who are entitled to receive Notice of the Annual Meeting. Only Shareholders on record at the close of business on Tuesday April 12, 2011 are therefore entitled to receive Notice of the Annual Meeting. A list of such Shareholders will be available for examination by Shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
3. A Shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder. Attached is a Proxy Form for your convenience which must be completed and signed in accordance with the Notes on the Proxy Form and then deposited with the Secretary at the Registered Office of the Company at least 48 hours before the time appointed for the meeting.
4. A Shareholder that is a body corporate may, in lieu of appointing a proxy, authorize an individual by resolution of its Directors or of its governing body to represent it at the Annual Meeting.

History and Ownership

RBTT Bank Grenada Limited was incorporated on January 19, 1983 with the Government of Grenada being the sole beneficial owner of the issued shares up to December 1996, when 15% was sold to the National Insurance Scheme. On June 5, 1997 RBTT Bank Limited purchased a 50% shareholding in the Bank, and from January 7, 1999 consequent on a corporate restructuring of the Group, RBTT Bank Grenada Limited became a subsidiary of RBTT Bank Caribbean Limited.

The parent company of the Group is RBC Financial (Caribbean) Limited, one of the region's largest and most successful financial institutions with consolidated assets of over US$11 billion. The ultimate parent of RBTT Bank Grenada Limited is Royal Bank of Canada.

The issued share capital is now held as follows: RBTT Bank Caribbean Limited 62%, of which 10% is earmarked for an Employee Stock Ownership Plan (ESOP), National Insurance Scheme 20%, Ports Authority Grenada 5.5% and the public of Grenada 12.5%, held by over 1,357 shareholders.

The Bank has four (4) branches, one in the town of St. George's, one in Grand Anse, St. George, the third on the St. George's University Campus, True Blue and the fourth in Grenville, St. Andrew. A comprehensive range of modern financial services is offered to individuals and institutions.

Board of Directors

Mrs. Harriet Thornhill
Chairman

Mr. Morris Mathlin

Mrs. Champa
Rampersad-Barnes

Mrs. Winnifred
Duncan-Phillip

Mr. Michael Philbert

Mrs. Patricia
Narayansingh

Corporate Information

Board of Directors
Mrs. Harriet Thornhill – Chairman
Mrs. Champa Rampersad-Barnes
Mrs. Patricia Narayansingh *
Mrs. Winnifred Duncan-Phillip
Mr. Morris Mathlin
Mr. Michael Philbert

Registered Office
Grand Anse
St. George, Grenada, W.I.
Tel: (473) 444-4919
Fax: (473) 444-2807

Corporate Secretary
Ms. Nicole Richards
St. Clair Place
7-9 St. Clair Avenue
Port-of-Spain, Trinidad, W.I.

Auditors
Deloitte & Touche
Chartered Accountants
The Phoenix Centre
George Street
Belleville
St. Michael, Barbados W.I.

Attorney
Grant, Joseph and Co.
Lucas Street
St. George's, Grenada, W.I.

Seon & Associates
St. Martin's
Lucas Street
St. George's, Grenada, W.I.

Wilkinson, Wilkinson & Wilkinson
Lucas Street
St George's, Grenada, W.I.

BRANCH INFORMATION

GRANDE ANSE BRANCH
Grand Anse
St. George
Grenada, W.I.
Tel: (473) 444-4919
Fax: (473) 444-2807

ST. GEORGE'S BRANCH
Cor. Cross & Halifax Streets
St. George's, Grenada, W.I.
Tel: (473) 440-3521
Fax: (473) 440-4153

ST. GEORGE'S UNIVERSITY BRANCH
St. George's University
True Blue, St. George's
Grenada, W.I.
Tel: (473) 444-3864
Fax: (473) 444-3915

GRENVILLE BRANCH
Victoria Street
Grenville
St. Andrew, Grenada, W.I.
Tel: (473) 438-0880
Fax: (473) 438-0883

* Mrs. Patricia Naraynsingh was appointed to the Board with effect from March 1, 2011

Chairman's Report

Mrs. Harriet Thornhill
Chairman

Dear Shareholders,

I am honoured to address you as Chairman of the Board, a position I assumed following my appointment as President of the Eastern Caribbean for the RBTT Financial Group in January 2010. Having held a variety of leadership positions in Canadian Banking at the Royal Bank of Canada—the ultimate parent company of RBTT—and with roots deeply planted in the Caribbean, I am fully committed to serving this region and contributing to the continued success of RBTT Bank Grenada Limited. As your new Chairman, I assure you of my commitment to build on the profitability and growth achieved under the Chairmanship of my predecessor, Robert de Silva, who has moved on to another role in the Dutch Caribbean where he is now the President and Country Head of RBTT Bank in Curaçao with branches in St. Maarten, Bonaire and Saba.

Economic Review

Grenada's economy remained in recession in 2010, although there was some recovery from the sharp downturn of the previous year.

While economic activity remained depressed during the first part of the year due to the decline in foreign direct investment and weakened consumer spending in source markets, there was a pick up in activity during the last quarter in the construction, hotel and restaurants, wholesale and retail trade and transportation sectors. Although affected by drought conditions, agricultural production was up 8.25%. There was also 25% growth in manufacturing, 3% in mining and quarrying, 3.5% in electricity and water and 1.5% in real estate and housing.

The unemployment rate, estimated at 29%, remains a great concern, while twelve month inflation to December 2010 increased marginally to 3.5%. Overall, it is estimated that the Grenada economy experienced growth of -1.4% in 2010, compared to -7.7% in 2009.

In November, Grenada received a positive report from the International Monetary Fund on its first review of the country's fiscal and reform performance under a three-year extended credit facility (ECF) worth around US$13.7 million. The introduction of a 15% Value Added Tax has also boosted Grenada's fiscal position. The Government is expected to undertake stimulus spending, using grants from donors to kick-start the economy through projects such as a major road rehabilitation initiative. For 2011, economic growth is forecast at 2.2%.

Grenada's business climate has also improved, with the International Finance Corporation (IFC), a member of the World Bank group, listing it among ten economies that most improved their business environment in the past year. Grenada improved six places in the World Bank's 2011 Doing Business In ranking released in early November, to 92 out of the 183 countries surveyed. The upgrade follows improvements to contract enforcement and customs administration in 2008-2009 and regulatory reforms in 2010 to facilitate business start-ups and cut the time needed to transfer property.

Regional Developments 2010

The Eastern Caribbean Currency Union (ECCU) economies contracted by 3.2% in 2010, on top of a 7.0% contraction in 2009. These contractions were largely the result of declines in construction and tourism activity. Construction, which has been one of the key productive sectors in the ECCU, remained depressed in 2010, contracting by 21.8%, due to the limited availability of foreign financing and reduced inflows of foreign direct investment.

There was an improvement in tourist arrivals in the latter part of 2010, but this has not returned to pre-crisis levels. The contraction in economic activity was also reflected in a decline in currency in circulation by 12.4% in 2010 and a 2.2% reduction in domestic credit. On the fiscal accounts, government revenues continued to fall, leading to a fiscal deficit of 335 million dollars.

Being small and externally oriented, the countries of the ECCU face major challenges to restructuring and realigning production and consumption patterns in order to be more resilient and internationally competitive. The slow pace of the recovery of the international economy makes these challenges even more daunting. If current circumstances and policies prevail, it is anticipated the ECCU countries will experience a pick-up in economic activity in 2011 and 2012. However, the challenge of strengthening fiscal positions, achieving financial stability and transforming the economies for higher and more sustainable rates of growth remains.

Financial Highlights

In the last year, the Bank changed its financial reporting year end to coincide with that of its ultimate parent, the Royal Bank of Canada, leading to a one-time 10 month reporting period ending October 31, 2010.

The Bank delivered a solid performance, with Net Income of $27.7 million, reflecting strong returns from Interest Income and Other Income. Ongoing focus on cost control measures led to Operating Expenses being contained within similar levels to the previous year. When combined with the strong Net Income performance, this led to an improvement in the efficiency ratio (Operating Expenses as a percentage of Net Income) from 59% to 53%. The overall results of the Bank, however, were affected by increases in Impairment Losses, which were reflective of the continued challenges being experienced in the current economic climate.

For the 10 month period, RBTT Bank Grenada recorded impressive growth in its balance sheet with total assets increasing by $23 million or 4%. This was due primarily to a $17 million increase or 4% growth in the Loan book, a commendable achievement in the current environment which was driven by mortgage and commercial loan bookings. There was also significant growth in deposits, with total deposits increasing by $38 million or 8%, which created a liquid operating position for the Bank during the period.

The Bank enjoyed an increase in its book value per share which stood at $4.73 at October 31, 2010, an increase of 24 cents over the December 31, 2009 value of $4.49.

Social Services

In 2010, youth development continued to be the main focus of our corporate responsibility initiatives. The highly successful RBTT Young Leaders Programme, which is designed to develop leadership capabilities in secondary school students, challenged students to develop projects on the theme of "Holistic Wellness: The Journey Towards a Fulfilling Life". A total of 15 schools and 483 students participated. Beacon High School received the first prize and one of its students, Nikita McVean, was named "Most Outstanding RBTT Young Leader". The programme provides RBTT with high brand visibility and continues to attract a lot of positive media attention.

Employees in Grenada continued to show support for the RBC/RBTT Caribbean Children's Cancer Fund throughout the year. In addition to their personal contributions, employees held numerous fund-raisers, including the sale of cancer pins, a raffle, a Bar-b-que and a yard sale. Through the assistance of the fund, eight children across the region have received treatment for cancer, including a sixteen year old boy from Grenada who was diagnosed with Lymphoma, cancer that begins in the lymphatic cells of the immune system and makes it difficult to fight infections. Launched in June 2009, the RBC/RBTT Caribbean Children's Cancer Fund assists young persons diagnosed with Paediatric Cancer across the Caribbean—ages 16 and under—by providing treatment to overcome the disease.

Board of Directors

On December 31, 2010, Mr. Calvin Bijou resigned from the Board. I take this opportunity to thank him for his invaluable contributions and to wish him every success in the future.

I am pleased to welcome Mrs. Patricia Narayansingh, who replaced Mr. Bijou on the Board of Directors. Mrs. Narayansingh is currently the Chief Administrative Officer, Caribbean Banking, RBC Financial (Caribbean) Limited, with responsibility for Law, Corporate Secretarial, Internal Audit, Group Corporate Communications and Brand, and Group Regulatory Affairs. Mrs. Narayansingh also has oversight responsibility for the Trust Services and Asset Management units. She is a qualified accountant, with more than 20 years experience in the financial services industry and serves as a Director on several Boards within Caribbean Banking, RBC. I look forward to her contributions to the RBTT Bank Grenada Board.

RBC/RBTT Integration

I am pleased to report that there has been significant progress in the integration of the Caribbean operations of RBC and RBTT since the acquisition in June 2008. One of the key developments was the introduction of a new structure for Caribbean Banking operations last November and the creation of a single entity to take RBC and RBTT's legacy businesses in the Caribbean forward.

The new structure facilitates the integration of the businesses onto a common platform across the Caribbean, from Bahamas in the North to Suriname in the South, enhancing the end-to-end client experience by simplifying the way we do business, and improving the productivity in our banking network.

In the year ahead, we look forward to the re-branding of the RBTT network to RBC, which will further signal the coming together of RBC and RBTT.

Acknowledgements

In closing, I would like to acknowledge our various stakeholders, both within and outside the Bank, for their unwavering support and contribution to our success.

Firstly, I would like to express my sincerest gratitude to the previous Chairman, Mr. Robert de Silva, who served this Bank with devotion and distinction.

I would also like to thank the clients of RBTT Bank Grenada Ltd for their continued confidence over the period, along with all of our employees, who are without a doubt the driving force behind all our achievements.

Finally, I wish to recognise our Board of Directors for providing strategic oversight and support to ensure we stay on course. Their continued commitment to our values, to our clients and to one another positions us for long-term growth and success.

Harriet Thornhill
Chairman

Report of the Directors

The Directors have pleasure in submitting their Report for the 10-month period ended October 31, 2010.

FINANCIAL RESULTS	**$**
(Expressed in Eastern Caribbean dollars)	
Net profit for the period	5,132,241
Transfer to statutory reserve	--
Retained earnings at beginning of period	34,649,178
Retained earnings at end of period	36,011,663
DIVIDENDS	
Final Dividend of 40 cents per share payable on or after April 12, 2011	4,435,008

DIRECTORS

In accordance with paragraph 4.5.1(a) of By-law No. 3 of the Company, Mrs. Harriet Thornhill, Mrs. Champa Rampersad Barnes, Mr. Michael Philbert and Mrs. Winnifred Duncan-Phillip be and are hereby re-elected Directors of the company for a term from the date of their election until the close of the second Annual Meeting following their re-election.

In accordance with paragraph 4.5.1(b) of By-law No. 3 of the Company, Mrs. Patricia Narayansingh, who was appointed to the Board subsequent to the last Annual Meeting to fill a casual vacancy be and is hereby re-elected a Director of the Board of the Company for a term from the date of her election until the close of the first Annual Meeting following her re-election.

Pursuant to Section 114(a) and 115(2) of the Companies Act, 1994, Mr. Andy Jogie has been nominated for election to the Board of Directors. In this regard, the Board of Directors has agreed to recommend the appointment of Mr. Andy Jogie to the Board of Directors of the Company for a term expiring at the close of the first Annual Meeting following his election.

AUDITORS

The External Auditors, Deloitte & Touche, retire and being eligible offer themselves for re-appointment. The Directors have agreed to recommend the re-appointment of Deloitte & Touche as Auditors of the Company. In accordance with section 162(1) of the Companies Act, 1994, the term of the appointment will extend from the close of the Twenty-eighth Annual Meeting until the next Annual Meeting of the Company.

By Order of the Board

Nicole Richards

Corporate Secretary
April 7, 2011

Financial Highlights

	2010 ($000)	2009 ($000)
Net income	27,661	30,251
Profit before taxation	6,241	9,035
Profit after taxation	5,132	6,848
Earnings per share	46¢	62¢
Total assets	550,415	527,538
Loans and advances to customers	393,952	377,361
Customers' deposits	484,565	446,751
Shareholders' equity	52,428	49,758
Issued share capital	11,088	11,088
Number of banking branches	4	4
Number of full-time employees	112	111

Financial Highlights

The Bank changed its financial reporting year end to coincide with that of its ultimate parent, the Royal Bank of Canada, which led to a 10-month reporting period with a 12-month comparative reporting period.

Over the 10-month period, the Bank delivered a solid performance, with net income which, at $27.7 million, reflected strong returns from interest income and other income. Ongoing focus on cost control measures led to operating expenses being contained within similar levels to the prior year. This, when combined with the strong Net Income performance, led to an improvement in the efficiency ratio (operating expenses as a percentage of net income) from 59% to 53%. The overall results of the Bank were, however, impacted negatively by the increases in impairment losses suffered during the period, which were reflective of the continued challenges being experienced in the current economic climate.

For the 10-month period the Bank reflected impressive growth in its balance sheet with total assets increasing by $23 million or 4%. This growth was primarily attributable to significant growth in the Loan book of $17 million or 4%, a commendable achievement in the current environment and which was driven by mortgage and commercial loan bookings. This loan growth was supported by healthy deposit growth, with total deposits increasing by $38 million or 8%, attributable to current and savings account balances and affording the Bank a liquid operating position for the period.

The Bank enjoyed an increase in its book value per share which stood at $4.73 at October 31, 2010, an increase of 24 cents over the value at December 31, 2009 of $4.49.

Independent Auditors' Report

To the shareholders of RBTT Bank Grenada Limited

We have audited the accompanying financial statements of RBTT Bank Grenada Limited, which comprise the statement of financial position as of 31 October 2010, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 auditors' judgement, 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 auditors consider 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 financial statements present fairly, in all material respects, the financial position of RBTT Bank Grenada Limited as of 31 October 2010, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Bridgetown, Barbados

17 January 2011

Statement of Financial Position

31 October 2010
(expressed in Eastern Caribbean Dollars)

	Notes	31 October 2010 $	Restated 31 December 2009 $	Restated 1 January 2009 $
Assets				
Cash and due from banks	4	27,871,739	43,508,289	29,961,135
Statutory deposit held at Central Bank	4	41,210,023	29,464,284	18,854,268
Loans and advances to customers	5	393,951,758	377,361,441	339,777,804
Investments	6	43,808,172	40,923,350	72,520,521
Premises and equipment	7	32,049,299	29,699,467	29,194,303
Deferred tax asset	8	4,640,647	4,168,572	1,945,536
Income tax recoverable		--	--	5,015
Other assets	9	6,883,505	2,413,005	2,757,447
Total assets		550,415,143	527,538,408	495,016,029
Liabilities				
Due to banks	28	3,310,063	24,808,867	42,296,964
Customers' deposits	10	484,564,672	446,750,660	395,408,166
Defined benefit pension liability	26	194,245	114,061	234,053
Other liabilities	11	9,918,141	6,107,281	5,210,386
Total liabilities		497,987,121	477,780,869	443,149,569
Net assets		52,428,022	49,757,539	51,866,460
Shareholders' equity				
Stated capital	12	11,087,521	11,087,521	11,087,521
Statutory reserve	13	11,087,521	11,087,521	11,087,521
Other reserves	14	(5,758,683)	(7,066,681)	(1,879,596)
Retained earnings		36,011,663	34,649,178	31,571,014
Total shareholders' equity		52,428,022	49,757,539	51,866,460

The attached notes set out on pages 16 to 55 form an integral part of these financial statements.

Approved for issue by the Board of Directors on 17 January 2011 and signed on their behalf by:-

__________________ Director
Morris Mathlin

__________________ Director
Champa Rampersad-Barnes

Statement of Comprehensive Income

31 October 2010
(expressed in Eastern Caribbean Dollars)

	Notes	10 Months 31 October 2010 $	Restated Year ended 31 December 2009 $
Interest income		33,938,976	37,601,001
Interest expense		(11,533,569)	(13,784,526)
Net interest income	15	22,405,407	23,816,475
Other income	16	5,255,233	6,434,973
Net income		27,660,640	30,251,448
Operating expenses	17	(14,775,547)	(17,701,240)
Losses on impaired loans and advances to customers	5.3	(6,644,557)	(3,515,368)
Total non-interest expenses		(21,420,104)	(21,216,608)
Profit before taxation		6,240,536	9,034,840
Taxation	18	(1,108,295)	(2,186,919)
Profit after taxation		5,132,241	6,847,921
Other comprehensive profit/(loss)	19		
Net fair value gains/(losses) on AFS investments arising during the period/year		1,307,998	(5,187,085)
Total comprehensive profit/(loss), net of taxation		6,440,239	1,660,836
Basic earnings per share	20	0.46	0.62

The attached notes set out on pages 16 to 55 form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

31 October 2010
(expressed in Eastern Caribbean Dollars)

	Notes	Stated capital $	Statutory reserve $	Other reserves $	Retained earnings $	Total shareholders' equity $
Year ended 31 December 2009						
Balance at 1 January 2009 (as previously reported)		11,087,521	11,087,521	(3,825,132)	31,571,014	49,920,924
Prior period adjustment		--	--	1,945,536	--	1,945,536
Balances as restated		11,087,521	11,087,521	(1,879,596)	31,571,014	51,866,460
Dividends paid		--	--	--	(3,769,757)	(3,769,757)
Profit after taxation		--	--	--	6,847,921	6,847,921
Other comprehensive loss as restated	19	--	--	(5,187,085)	--	(5,187,085)
Balance at 31 December 2009 (as restated)		11,087,521	11,087,521	(7,066,681)	34,649,178	49,757,539
Period ended 31 October 2010						
Balance at 1 January 2010		11,087,521	11,087,521	(7,066,681)	34,649,178	49,757,539
Dividends paid		--	--	--	(3,769,756)	(3,769,756)
Profit after taxation		--	--	--	5,132,241	5,132,241
Other comprehensive gain	19	--	--	1,307,998	--	1,307,998
Balance at 31 October 2010		11,087,521	11,087,521	(5,758,683)	36,011,663	52,428,022

An amount of $3,769,756 was appropriated from Retained Earnings representing dividends paid for the financial year ended 31 December 2009 (31 December 2008 - $3,769,757). Refer to note 24 in respect of dividends for period ended 31 October 2010.

The attached notes set out on pages 16 to 55 form an integral part of these financial statements.

Statement of Cash Flows

31 October 2010
(expressed in Eastern Caribbean Dollars)

	10 Months 31 October 2010 $	Year ended 31 December 2009 $
Cash flows from Operating activities		
Profit before taxation	6,240,536	9,034,840
Adjustments for:		
Increase of losses on loans and advances	6,024,659	3,516,189
Depreciation	1,091,333	1,380,699
Capitalised interest on investments	(1,573,595)	(1,735,112)
Net gain on disposal of premises and equipment	(10,115)	--
Profit before changes in operating assets and liabilities	11,772,818	12,196,616
Decrease (increase) in operating assets:		
- Statutory deposit held at Central Bank	(11,745,739)	(10,610,016)
- Loans and advances to customers	(21,624,007)	(40,873,542)
- Interest receivable on loans and advances	(990,969)	(226,284)
- Defined benefit pension liability (asset)	80,184	(119,992)
- Other assets	(4,470,500)	344,442
Increase (decrease) in operating liabilities:		
- Customers' deposits	40,337,201	50,501,140
- Interest payable on customers' deposits	(2,523,189)	841,354
- Due to banks	(21,498,804)	(17,488,096)
- Other liabilities	2,526,223	896,892
Cash used in operating activities	(8,136,782)	(4,537,486)
Income tax paid	(856,303)	(2,181,904)
Net cash used in operating activities	(8,993,085)	(6,719,390)
Cash flows from investing activities		
Proceeds on disposal of premises and equipment	35,000	--
Additions to premises and equipment	(3,466,050)	(1,885,862)
Purchase of investments	(1,280,200)	--
Proceeds from sale and redemption of investments	1,837,541	21,120,305
Net cash (used in) provided by investing activities	(2,873,709)	19,234,443
Cash flows from financing activities		
Dividends paid	(3,769,756)	(3,769,757)
Net cash used in financing activities	(3,769,756)	(3,769,757)
Net (decrease) increase in cash and due from banks	(15,636,550)	8,745,296
Cash and due from banks - beginning of period/year	43,508,289	34,762,993
Cash and due from banks - end of period/year (note 4)	27,871,739	43,508,289

The attached notes set out on pages 16 to 55 form an integral part of these financial statements.

Notes to the Financial Statements

31 October 2010
(expressed in Eastern Caribbean Dollars)

1. Incorporation and business activities

RBTT Bank Grenada Limited ("the Bank") was incorporated on 19 January 1983, under the laws of Grenada and is engaged in the business of commercial banking. The registered office is situated at Grand Anse, St. George.

The Bank is a 62% subsidiary of RBTT Bank Caribbean Limited ("parent company"), a company incorporated in St. Vincent and the Grenadines, with the parent company being RBC Financial (Caribbean) Limited (formerly RBTT Financial Holdings Limited) which is incorporated in Trinidad and Tobago. On June 16, 2008 RBTT Financial Holdings Limited was amalgamated with RBC Holdings (Trinidad and Tobago) Limited to form the new entity RBC Financial (Caribbean) Limited. RBC Financial (Caribbean) Limited and its subsidiaries ("the Group") are engaged in the business of banking and the provision of financial services. Royal Bank of Canada, a Canadian chartered bank is the ultimate parent of the Group.

2. Significant accounting policies

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

a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS makes use of certain critical accounting estimates. It also requires the Bank to exercise its judgement in the process of applying the Bank'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.

During fiscal 2010, the Bank changed its end of reporting period to 31 October to align the Bank's year-end with that of its ultimate parent company, The Royal Bank of Canada. Consequently, the results for the period ended 31 October 2010 include the results of operations for ten months from 1 January 2010 to 31 October 2010. The results for the comparative year ended 31 December 2009 include the results of operations for twelve months.

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Standards adopted during the year

The following new and revised standards have been adopted in the current period. IAS 1 introduced changes in terminology, including revised titles for the financial statements and changes to the format and content of the financial statements. The adoption of the other standards have had no material impact on these financial statements.

IAS1	Presentation of financial statements - Amendments resulting from April 2009 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2010
IAS 7	Statement of cash flows – Amendments resulting from May 2009 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2010
IAS 17	Leases – Amendment resulting from April 2009 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2010
IAS 39	Financial instruments: Recognition and measurement – Amendments resulting from April 2009 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2010

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

IFRS 7	Financial Instruments: Disclosures Amendments resulting from May 2010 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures Amendments enhancing disclosures about transfers of financial assets	Effective for annual periods beginning on or after 1 January 2011
IFRS 9	Financial Instruments – Classification and Measurement	Effective for annual periods beginning on or after 1 January 2013
IAS 1	Presentation of financial statements Amendments resulting from May 2010 annual improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2011
IAS 24	Related party disclosures – Revised definition of related parties	Effective for annual periods beginning on or after 1 January 2011
IAS 27	Consolidated and separate financial statements Amendments resulting from May 2010 annual Improvements to IFRSs	Effective for annual periods beginning on or after 1 July 2010

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

Standards adopted during the year (continued)

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Bank's financial statements and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

b) Foreign currencies

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency at 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 of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the profit and loss account and other changes in the carrying amount are recognised in equity.

Translation differences on non monetary items, such as equities classified as available for sale are included in equity.

c) Financial assets

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

2. Significant accounting policies (continued)

c) Financial assets (continued)

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss from inception. Financial assets held for trading are classified in this category if they are either acquired or incurred principally for the purpose of selling in the short 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. Financial assets held at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets at fair value through the profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of financial assets at fair value through the profit or loss are included in net trading income in the period in which they arise. Interest earned is accrued in interest income according to the terms of the contract. The bank did not classify any investments as fair value through profit or loss during the year.

ii) Financial assets available-for-sale

Financial assets available for sale 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. Financial assets available for sale are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised directly in equity until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income. However, interest calculated using the effective interest method and foreign currency gains and losses on financial assets classified as available for sale are recognised in the statement of comprehensive income.

iii) Financial assets held-to-maturity

Held-to-maturity investments are investment securities with fixed maturity where management has the positive intention and the ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment. 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 Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale. The bank did not classify any investments as held to maturity during the year.

2. Significant accounting policies (continued)

c) Financial assets (continued)

iv) Loans to customers

Loans to customers are non-derivative financial assets with fixed determinable payments that are not quoted in an active market, other than: (a) those 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 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. Loans to customers are carried at amortised cost using the effective interest method.

d) Impairment of financial assets

i) Financial assets carried at amortised cost

The Bank assesses at each statement of financial position 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 Bank uses to determine that there is objective evidence of an impairment loss include:

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

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

2. Significant accounting policies (continued)

d) Impairment of financial assets (continued)

i) Financial assets carried at amortised cost (continued)

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 that the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment loss in the statement of comprehensive income.

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

Renegotiated loans:

Where possible, the Bank 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.

2. **Significant accounting policies (continued)**

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

ii) Financial assets carried at fair value

The Bank assesses at each statement of financial position 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 statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income.

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 statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

e) **Premises and equipment**

Freehold properties are stated at cost (or professional valuation) less depreciation. All other fixed assets are stated at cost.

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

Buildings	2% - straight line
Motor vehicles	25% - straight line
Leasehold Improvements	20% - reducing balance
Furniture and equipment	20% - reducing balance
Computer equipment	33 1/3% - reducing balance

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortisation are reviewed for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately if the carrying amount is greater than the estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on 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 statement of comprehensive income when the expenditure is incurred.

2. Significant accounting policies (continued)

f) Cash and due from banks

Cash and due from banks comprise cash balances on hand, deposits with other banks and short-term investments with maturities of less than three months.

g) Revenue recognition

Interest income and expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income investments, loans and advances and accrued discounts and premiums on treasury bills and other discounted instruments.

Dividend Income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the bank and the amount of revenue can be measured reliably).

Fees and commissions

Fees and commissions are generally recognised on an accrual basis. Fees and commissions primarily include fees from investment management, loan commitments and administration, letters of credit, deposit accounts, debit and credit card products, insurance products and other financial service-related products.

h) Taxation

The taxation charge in the statement of comprehensive income comprises current and deferred taxation. Current taxation is provided on the basis of the income before taxation for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes.

Deferred taxation is provided under the liability method in respect of significant temporary differences arising from differences between the carrying amount of an asset and liability for financial reporting purposes and the amount used for income tax purposes. Deferred tax is determined using tax rates that have been substantially enacted by the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from depreciation on premises and equipment, post-retirement benefits, revaluation of certain financial assets and liabilities. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilised.

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

2. Significant accounting policies (continued)

i) Pension plan

The pension plan is administered by a registered insurance company in Grenada. This plan is a defined benefit plan which offers its employees retirement benefits depending on the length of service.

A defined benefit plan is one under which the Bank will have an obligation to pay all post employment benefits relating to employee service in the current and prior years. At normal retirement at age 60 an employee will be entitled to an annual pension equal to 1.75% of pensionable salary multiplied by the number of years of pensionable service subject to a limit of 70% of the maximum salary during any twelve (12) month period of membership.

The liability recognised in the statement of financial position is the fair value of the plan assets less the present value of defined benefit obligations and related current and past service costs, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is determined annually by independent actuarial valuation using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate of 6.0%.

Actuarial gains and losses are recognised in accordance with paragraphs 58, 58A, 92 and 93 of IAS 19. For the actuarial gains and losses arising from previous periods, only the portion in excess of the 'corridor' (specified in paragraph 92) will be amortised and recognised.

The Bank's contribution is charged to the statement of comprehensive income in the year to which it relates. (see note 17).

j) Accounting for leases

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the statement of comprehensive income in accordance with the terms of the lease.

k) 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 shareholders' equity.

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

3. Critical accounting estimates and judgements in applying accounting policies

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

a. Impairment losses on financial assets

The Bank reviews its loan and investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans and investment securities. 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. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b. Fair value of financial instruments

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. Income taxes

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 Bank recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d. Retirement benefit costs

The valuation of the defined retirement benefit plan by the actuary requires use of judgements and assumptions to determine the discount rate, expected rates of return on plan assets, future salary increases, future pension increases and the expected average remaining working lives of employees. These judgements and assumptions are detailed in note 26.

e. Useful lives of property plant and equipment

The Bank follows the guidance of IAS 16 on classifying an asset as property, plant and equipment. In making this judgement, the Bank evaluates if it is probable that future economic benefits associated with the asset will flow to the Bank and the cost at which the item can be measured reliably.

4. Cash and due from banks

	31 October 2010 $	31 December 2009 $
Cash on hand	6,006,887	7,065,716
Due from banks	12,437,595	15,759,966
Due from parent company	193,920	125,911
Due from affiliated company	4,163,671	14,849,841
Treasury bills with maturities < 90 days	4,801,858	4,801,858
Cheques and other items in transit	267,808	904,997
	27,871,739	43,508,289
Statutory deposit held at Central Bank	41,210,023	29,464,284

In accordance with Article 33 of the Eastern Caribbean Central Bank ("ECCB") agreement 1983, the Bank is required to maintain reserves of cash and other deposits with ECCB against customer deposits and other similar liabilities.

Cash on hand and balance held at Central Bank are non-interest bearing.

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. Loans and advances to customers

	31 October 2010 $	31 December 2009 $
Retail	123,241,012	157,066,000
Commercial/corporate	144,411,799	133,347,726
Mortgages	154,837,616	111,699,000
Gross loans and advances	422,490,427	402,112,726
Unearned interest	(16,289,471)	(17,433,677)
	406,200,956	384,679,049
Interest receivable	2,305,261	1,314,292
Allowance for losses	(14,554,459)	(8,631,900)
	393,951,758	377,361,441
Unimpaired loans and advances	395,672,994	378,623,327
Impaired loans and advances	26,817,433	23,489,399
	422,490,427	402,112,726

5.1 Sectorial analysis of loans and advances

	31 October 2010 $	31 December 2009 $
Residential mortgages	154,837,616	111,699,000
Consumer	123,241,012	157,066,000
Distribution	32,713,377	30,546,000
Tourism/entertaining/catering	39,953,388	32,860,000
Construction	18,179,018	14,602,000
Transport	5,909,740	5,901,000
Manufacturing	5,442,838	5,798,000
Agriculture/Fisheries	71,444	123,000
Utilities	657,085	804,000
Finance and insurance	3,797,609	4,478,000
Mining and quarrying	600,735	720,000
Public administration	8,102,372	9,293,000
Professional and other	28,984,193	28,222,726
	422,490,427	402,112,726

5. Loans and advances to customers

	31 October 2010 $	31 December 2009 $
5.2 Allowance for losses		
Balance at beginning of period/year	8,631,900	5,268,300
Increase for the period	6,024,659	3,516,189
Write-offs	(102,100)	(152,589)
Balance at end of period/year	14,554,459	8,631,900
Individual impairment	11,541,600	7,384,500
Collective impairment	3,012,859	1,247,400
	14,554,459	8,631,900
Allowance for impairment losses by sector		
Retail	4,245,555	3,371,637
Commercial/corporate	4,974,871	2,862,491
Mortgages	5,334,033	2,397,772
	14,554,459	8,631,900
5.3 Impairment losses/(recoveries) on loans and advances to customers		
Increase for the period	6,024,659	3,516,189
Amounts written off	813,603	1,139
Recoveries	(193,705)	(1,960)
	6,644,557	3,515,368
Impairment losses by sector		
Retail	1,938,226	1,373,109
Commercial/corporate	2,271,181	1,165,759
Mortgages	2,435,150	976,500
	6,644,557	3,515,368

6. Investments

	31 October 2010 $	31 December 2009 $
Investments available-for-sale (at fair value)		
Government treasury bills	7,699,590	7,699,590
Government and state-owned enterprises securities	20,851,137	20,936,582
Corporate enterprises	3,007,568	198,538
Equity securities	280,960	212,800
Other securities	11,167,208	10,505,451
	43,006,463	39,552,961
Interest accrued on investments	801,709	1,370,389
Total investments available-for-sale	43,808,172	40,923,350
Fair value movements		
Balance at start of period/year	39,552,961	67,718,663
Additions	2,853,795	1,735,112
Disposal (sale and redemption)	(1,268,862)	(22,490,693)
Gains/(losses) from changes in fair value (note 19)	1,868,569	(7,410,121)
Balance at end of period/year	43,006,463	39,552,961

Available-for-sale securities which are traded on active liquid markets are determined with reference to quoted market prices. The fair value of all available-for-sale securities not traded in active markets has been determined based on internal valuation models.

The Bank recorded an unrealised gain of $1,868,569 (31 December 2009 - $7,410,121 unrealised loss) on available-for-sale investments, representing the difference between the fair market value and the costs of available-for-sale investments as of 31 October 2010.

With the exception of dividend income totalling 31 October 2010 $8,780 (31 December 2009 $8,780), all investment income relates to interest income.

There were no impairment provisions on available-for-sale financial assets in 31 October 2010 and 31 December 2009.

7. Premises and equipment

	Freehold properties $	Leasehold improvements $	Equipment and motor vehicles $	Capital work in progress $	Total $
Period ended 31 October 2010					
Opening net book value	18,610,667	4,729	2,955,091	8,128,980	29,699,467
Additions	--	--	--	3,466,050	3,466,050
Transfers	7,289,651	--	265,737	(7,555,388)	--
Disposals	--	--	(24,885)	--	(24,885)
Depreciation charge	(406,640)	(788)	(683,905)	--	(1,091,333)
Closing net book value	25,493,678	3,941	2,512,038	4,039,642	32,049,299
Year ended 31 December 2009					
Opening net book value	18,853,681	5,912	3,774,220	6,560,490	29,194,303
Additions	--	--	--	1,885,862	1,885,862
Transfers	112,299	--	205,073	(317,372)	--
Disposals					
Depreciation charge	(355,313)	(1,183)	(1,024,202)	--	(1,380,698)
Closing net book value	18,610,667	4,729	2,955,091	8,128,980	29,699,467
At 31 October 2010					
Cost/valuation	27,475,784	55,611	8,616,165	4,039,642	40,187,202
Accumulated depreciation	(1,982,106)	(51,670)	(6,104,127)	--	(8,137,903)
Net book value	25,493,678	3,941	2,512,038	4,039,642	32,049,299
At 31 December 2009					
Cost/valuation	20,186,133	55,611	8,433,527	8,128,980	36,804,251
Accumulated depreciation	(1,575,466)	(50,882)	(5,478,436)	--	(7,104,784)
Net book value	18,610,667	4,729	2,955,091	8,128,980	29,699,467

Certain of the Bank's freehold land and buildings were revalued by independent surveyors in 2003. The revaluation was done on the basis of replacement cost.

8. Deferred tax asset

The deferred tax asset results from differences between the tax value and book value of the following items:

	31 October 2010 $	As restated 31 December 2009 $
Investment valuation reserve	3,608,002	4,168,572
Premises and equipment	128,787	--
General loan loss provision	903,858	--
Balance at end of year	4,640,647	4,168,572

9. Other assets

Credit card cash advance	2,969,446	136,361
Other	3,914,059	2,276,644
	6,883,505	2,413,005

10. Customers' deposits

Deposit balances	480,734,124	440,396,923
Accrued interest	3,830,548	6,353,737
	484,564,672	446,750,660
10.1 Sectoral analysis of customers' deposits		
Consumers	253,748,622	243,629,382
Private institutions	120,336,438	88,765,843
Public institutions	64,803,188	64,711,555
State sector	3,060,381	6,518,143
Other	38,785,495	36,772,000
	480,734,124	440,396,923
10.2 Product type		
Savings	200,914,526	187,393,278
Term deposits	95,820,577	170,661,651
Current accounts	183,999,021	82,341,994
	480,734,124	440,396,923

11. Other liabilities

Accruals	874,136	725,567
Unearned origination fees	3,717,536	3,160,227
Allowance for Profit Sharing	1,065,000	808,073
Other	4,261,469	1,413,414
	9,918,141	6,107,281

12. Stated capital

	31 October 2010 $	31 December 2009 $
Authorised:		
- 50,000,000 ordinary shares of no par value		
Issued and outstanding:		
- 11,087,521 ordinary shares of no par value	11,087,521	11,087,521

13. Statutory reserve

This fund is required to be maintained under the provisions of the new Banking Act No. 19 of 2005, at a minimum amount equal to that of the bank's stated capital.

Where the reserve is less than the stated capital, the bank is required to transfer to the reserve, a minimum of 20% of profit for the year. This reserve is not available for distribution as dividend or any form of appropriation.

14. Other reserves

	31 October 2010 $	As restated 31 December 2009 $
Property revaluation surplus	2,659,989	2,659,989
Investment valuation reserve	(8,418,672)	(9,726,670)
Balance at end of period	(5,758,683)	(7,066,681)

Certain of the Bank's freehold land and buildings were revalued by independent surveyors in 2003. The revaluation was done on the basis of replacement cost.

An appropriation of Retained Earnings to a reserve for loan loss is only done where the ECCB provision exceeds the IAS 39 provision. Accordingly, where the IAS 39 loan loss provision exceeds the ECCB provision, no appropriation is required.

Fair value losses represent mark-to market adjustments on available-for-sale securities. No losses on disposals on investments have been incurred for the ten months period (31 December 2009 – Nil).

15. Net interest income

	31 October 2010 $	31 December 2009 $
Interest income		
Loans and advances	30,149,290	32,570,150
Investments	3,403,343	4,556,576
Deposits with banks	62,165	73,125
Credit cards	324,178	401,150
	33,938,976	37,601,001
Interest expense		
Customers' deposits	11,430,229	12,804,158
Due to banks	103,340	980,368
	11,533,569	13,784,526
	22,405,407	23,816,475

16. Other income

Fees and commissions	2,504,094	3,028,074
Foreign exchange earnings	2,751,139	3,406,899
	5,255,233	6,434,973

17. Operating expenses

Staff costs	6,287,897	8,827,053
Premises and equipment costs, excluding depreciation	1,750,213	1,784,075
Advertising	337,512	192,651
Depreciation	1,091,333	1,380,699
Retirement benefit expense	716,054	665,681
Directors' fees	17,500	15,000
Auditors' remuneration	91,500	96,300
Other operating expenses	4,483,538	4,739,781
	14,775,547	17,701,240

18. Taxation

	31 October 2010 $	31 December 2009 $
Current tax	2,140,940	2,186,919
Deferred tax	(1,032,645)	--
	1,108,295	2,186,919

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	31 October 2010 $	31 December 2009 $
Profit before taxation	6,240,536	9,034,840
Prima facie tax calculated at corporation tax rate of 30%	1,872,161	2,710,452
Tax effect of:		
Income not subject to tax	(1,063,536)	(1,388,321)
Expenses not deductible for tax purposes	549,050	728,833
Depreciation on assets not qualifying for capital allowances	(247,415)	135,955
Other	(1,965)	--
	1,108,295	2,186,919

19. Other comprehensive gain (loss)

Other comprehensive expenses resulted from price movements in government bonds held in the Available for Sale investment portfolio.

	31 October 2010 $	As restated 31 December 2009 $
Net fair value gains/(losses) arising on AFS investments during the period/year	1,307,998	(5,187,085)
Other comprehensive gain/(loss)	1,307,998	(5,187,085)

20. Basic earnings per share

Earnings per share are calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the period/year.

	31 October 2010 $	31 December 2009 $
Profit after taxation	5,132,241	6,847,921
Weighted average number of ordinary shares in issue	11,087,521	11,087,521
Basic earnings per share	0.46	0.62

The Bank has no potential ordinary shares which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be same as basic earnings per share.

21. 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.

Outstanding balances

	31 October 2010 $	31 December 2009 $
Loans and investments		
Directors and key management personnel	431,214	585,680
Other related parties	4,357,591	5,971,656
	4,788,805	6,557,336
Deposits and other liabilities		
Directors and key management personnel	796,105	889,358
Other related parties	3,282,405	24,788,137
National Insurance Scheme	61,404,594	63,176,361
	65,483,104	88,853,856
Interest income		
Directors and key management personnel	19,878	39,723
Other related parties	43,200	181,733
	63,078	221,456
Interest expense		
Directors and key management personnel	19,958	21,164
Other related parties	103,340	980,368
National insurance scheme	2,853,937	3,216,469
	2,977,235	4,218,001
Other		
Management fees	2,663,000	3,324,000
Directors' fees	17,500	15,000
	2,680,500	3,339,000

22. Financial risk management

22.1 Risk management

Risk is inherent in the Bank'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 Bank's continuing profitability and each individual company within the Group is accountable for the risk exposures relating to its responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry.

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.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk management unit

An independent centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit 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 group has decentralised units which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the complete capture of the risks in risk measurement and reporting systems.

Internal audit

Risk management processes throughout the Group are audited annually 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.

Risk measurement and reporting systems

The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact occur.

22. Financial risk management (continued)

22.1 Risk management (continued)

Risk measurement and reporting systems (continued)

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. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business units is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Board Committees, and the head of each business division. The report includes aggregate credit exposure, open currency positions, VaR, 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 extensive, necessary and up-to-date information.

22.2 Liquidity risk

Liquidity risk is the risk that the Bank 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 Bank's liquidity management process is carried out by the Manager – Funding and Investments Eastern Caribbean and monitored by a Centralised Investment Unit. The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short term requirements. Fall back techniques include access to local interGroup and institutional markets, call features on selected advances, stand-by lines of credit with external parties, and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Group has sufficient funds to meet its obligations.

22. Financial risk management (continued)

22.2 Liquidity risk (continued)

22.2.1 Cash flows

The table below presents the cash flows of the Bank under financial assets and liabilities by the remaining contractual maturities at the statement of financial position date.

	Up to one year $	Up to five years $	Over five years $	Total $
As at 31 October 2010				
Assets				
Cash and due from banks	27,871,739	--	--	27,871,739
Statutory deposit held at Central Bank	41,210,023	--	--	41,210,023
Loans and advances to customers	31,657,840	116,524,861	245,769,057	393,951,758
Investment securities	21,759,472	7,000,000	15,048,700	43,808,172
	122,499,074	123,524,861	260,817,757	506,841,692
Liabilities				
Due to banks	3,310,063	--	--	3,310,063
Customers' deposits	457,951,022	26,613,650	--	484,564,672
	461,261,085	26,613,650	--	487,874,735
Net liquidity gap	(338,762,011)	96,911,211	260,817,757	18,966,957
As at 31 December 2009				
Total assets	149,256,904	109,017,716	232,982,744	491,257,364
Total liabilities	466,169,828	5,389,699	--	471,559,527
Net liquidity gap	(316,912,924)	103,628,017	232,982,744	19,697,837

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

	Up to one year $	Up to five years $	Over five years $	Total $
As at 31 October 2010				
Guarantees, acceptances and letters of credit	9,727	--	--	9,727
Loan commitments	14,728	--	--	14,728
Operating lease commitments	17	--	--	17
Total	24,472	--	--	24,472
As at 31 December 2009				
Guarantees, acceptances and letters of credit	9,678	--	--	9,678
Loan commitments	22,594	--	--	22,594
Operating lease commitments	14	--	--	14
Total	32,286	--	-	32,286

22. Financial risk management (continued)

22.3 Market risk

The Bank 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 Bank 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 to whom reports are submitted on a regulatory basis.

Trading portfolios include those portfolios arising from market-making transactions where the Bank acts as a principal with clients or with the market. Non-trading portfolios primarily arise from the interest-rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Bank's held-to-maturity and available for sale investments.

The major measurement techniques used to measure and control market risk are outlined below:

Value at Risk

The Bank applies a 'value at risk' methodology (VaR) to its portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. This is monitored on a quarterly basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VaR estimate.

The VaR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over a 1 day period in the past. The Group's assessment of past movements is based on data for the past year. The Group applies these past movements into a variance-covariance model to calculate VaR.

The use of this approach does not prevent losses outside of these calculations in the event of more significant market movements.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Group Market Risk include changes in the general level of interest rates and the depreciation of foreign currency rates. The statement of financial position impact of the changes in interest rates is measured by Event VaR, whilst an Earnings at Risk model is used to calculate the impact on net income as a result of the changes in interest rates.

22. Financial risk management (continued)

22.4 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 Group has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Exposure to interest rate risk on financial assets and liabilities is summarised below (in $'000):

	Up to 12 months $'000	1 – 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
As at 31 October 2010					
Assets					
Cash and due from banks	4,802	--	--	23,070	27,872
Statutory deposits with Central Bank	--	--	--	41,210	41,210
Loans and advances to customers	288,907	75,543	2,684	26,818	393,952
Investment securities	21,759	7,000	15,049	--	43,808
Total financial assets	315,468	82,543	17,733	91,098	506,842
Liabilities					
Due to banks	--	--	--	3,310	3,310
Due to customers	362,132	26,613	--	95,820	484,565
Total financial liabilities	362,132	26,613	--	99,130	487,875
Total interest repricing gap	(46,664)	55,930	17,733		
As at 31 December 2009					
Total financial assets	337,649	68,130	15,249	70,229	491,257
Total financial liabilities	383,000	4,096	--	84,464	471,560
Total interest repricing gap	(45,351)	64,034	15,249		

22. Financial risk management (continued)

22.4 Interest rate risk (continued)

The following table demonstrates the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, of the Bank's statement of comprehensive income.

Currency	Increase in basis points 2010 (%)	Sensitivity of net interest income ($'000)
XCD	100	(184)
USD	100	(896)
		(1,080)

Currency	Decrease in basis points 2010 (%)	Sensitivity of net interest income ($'000)
XCD	100	184
USD	100	896
		1,080

Currency	Increase in basis points 2009 (%)	Sensitivity of net interest income ($'000)
XCD	100	773
USD	100	(407)
		366

Currency	Decrease in basis points 2009 (%)	Sensitivity of net interest income ($'000)
XCD	100	(773)
USD	100	407
		(366)

22.5 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 to ensure positions are maintained within established limits.

22. Financial risk management (continued)

22.5 Currency risk (continued)

22.5.1 Concentrations of currency risk – on and off-statement of financial position 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 Bank's exposure to foreign currency exchange rate risk as at 31 December.

	EC $	US $	Other $	Total $
As at 31 October 2010				
Assets				
Cash and due from banks	10,958,851	16,155,764	757,124	27,871,739
Statutory deposit held at Central Bank	41,210,023	--	--	41,210,023
Loans and advances	386,846,626	7,105,132	--	393,951,758
Investments	27,720,245	16,087,927	--	43,808,172
Total assets	466,735,745	39,348,823	757,124	506,841,692
Liabilities				
Due to banks	3,310,063	--	--	3,310,063
Customers' deposits	446,891,321	37,504,898	168,453	484,564,672
Total liabilities	450,201,384	37,504,898	168,453	487,874,735
Net statement of financial position	16,534,361	1,843,925	588,671	18,966,957
Credit commitments	14,727,957	--	--	14,727,957
As at 31 December 2009				
Total assets	441,983,275	48,651,554	622,535	491,257,364
Total liabilities	426,474,924	44,746,004	338,599	471,559,527
Net statement of financial position	15,508,351	3,905,550	283,936	19,697,837
Credit commitments	22,594,053	--	--	22,594,053

22. Financial risk management (continued)

22.5 Currency risk (continued)

22.5.2 Currency risk non-trading portfolio

The table below demonstrates the sensitivity to reasonable possible movement of select currencies against the Eastern Caribbean dollar to which the Bank had significant exposure at 31 October in respect of its non-trading financial assets and liabilities holding all other variables constant.

Currency	Change in currency rate in % in 2010	Effect on profit before tax ($'000)
USD	(10)	(184)
GBP	(10)	(12)
CAD	(10)	(17)
EUR	(10)	(3)

Currency	Change in currency rate in % in 2009	Effect on profit before tax ($'000)
USD	(10)	(391)
GBP	(10)	(11)
CAD	(10)	(14)
EUR	(10)	(3)

22.6 Credit risk

Credit risk is the risk that the Bank 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.

22.6.1 Credit risk management

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits 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. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

22. Financial risk management (continued)

22.6 Credit risk (continued)

22.6.1 Credit risk management (continued)

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into seven rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Group's internal ratings scale and mapping of external ratings:

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Excellent	BB+
2	Very Good	BB, BB-
3	Good	B+, B
4	Special Mention	B-, CCC+
5	Unacceptable	CCC, CCC-
6	Bad and Doubtful	CC+, CC
7	Virtual Certain Loss	CC-

The rating of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates of each external grade. The Group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

22. Financial risk management (continued)

22.6 Credit risk (continued)

22.6.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Bank 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.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, 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 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.

Credit-related commitments

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

22.6.3 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment (see Note 2.d). 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 internal operational management and 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.

22. Financial risk management (continued)

22.6 Credit risk (continued)

22.6.3 Impairment and provisioning policies

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: (1) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

22.6.4 Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

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

	Gross maximum exposure 2010 $	Gross maximum exposure 2009 $
Credit risk exposures relating to on and off statement of financial position assets are as follows:		
Loans and advances to customers	422,490,427	402,112,726
Securities available for sale at fair value	43,006,463	39,552,961
Total	465,496,890	441,665,687
Contingent liabilities (letter of credit and financial guarantees)	9,726,678	9,678,444
Credit commitments	14,727,957	22,594,053
Total credit risk exposure	489,951,525	473,938,184

22. Financial risk management (continued)

22.6 Credit risk (continued)

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

The following table breaks down the Bank's main credit exposure and their carrying amounts, as categorised by industry sectors of counterparties.

	Gross maximum exposure 2010 $	Gross maximum exposure 2009 $
Consumer	123,619,526	157,646,675
Residential mortgages	160,136,804	119,828,446
Professional and other	30,233,002	40,187,653
Public administration	36,652,941	34,458,787
Distribution	45,943,005	41,840,123
Tourism/entertaining/catering	40,944,223	33,818,113
Finance and insurance	17,245,937	17,496,157
Construction	21,996,405	15,316,230
Transport	6,089,740	5,901,000
Manufacturing	5,596,171	5,798,000
Utilities	762,085	804,000
Mining and quarrying	600,735	720,000
Agriculture/fisheries	71,444	123,000
Real estate	59,507	--
	489,951,525	473,938,184

22. Financial risk management (continued)

22.6 Credit risk (continued)

22.6.7 Credit quality by class of financial assets

	High Grade ($'000)	Standard Grade ($'000)	Substandard Grade ($'000)	Impaired ($'000)	Total ($'000)
As at 31 October 2010					
Investment securities					
Securities available-for- sale:					
Government	803	19,676	8,072	--	28,551
Corporate	12,175	2,280	--	--	14,455
	12,978	21,956	8,072	--	43,006
Loans and advances to customers					
Retail	100,548	8,358	6,610	7,726	123,242
Commercial/corporate	113,355	9,422	7,451	14,183	144,411
Mortgages	130,502	10,846	8,581	4,908	154,837
	344,405	28,626	22,642	26,817	422,490
Total	357,383	50,582	30,714	26,817	465,496
As at 31 December 2009					
Investment securities					
Securities available-for- sale:					
Government	1,619	7,099	19,918	--	28,636
Corporate	10,505	412	--	--	10,917
	12,124	7,511	19,918	--	39,553
Loans and advances to customers					
Retail	130,825	10,874	8,600	6,767	157,066
Commercial/corporate	105,257	8,749	6,919	12,423	133,348
Mortgages	93,483	7,770	6,147	4,299	111,699
	329,565	27,393	21,666	23,489	402,113
Total	341,689	34,904	41,584	23,489	441,666

22. Financial risk management (continued)

22.6 Credit risk (continued)

22.6.8 Aging analysis of past due but not impaired loans and advances by class

	Less than 1 mth ($'000)	1 – 3 mths ($'000)	Total ($'000)
As at 31 October 2010			
Loans and advances to customers			
Retail	14,784	9,856	24,640
Commercial/corporate	23,572	15,714	39,286
Mortgage	7,374	4,916	12,290
	45,730	30,486	76,216
As at 31 October 2009			
Loans and advances to customers			
Retail	16,277	3,476	19,753
Commercial/corporate	18,958	12,536	31,494
Mortgage	8,414	1,439	9,853
	43,649	17,451	61,100

As at 31 October 2010 (31 December 2009 – Nil) there are no financial assets whose terms have been renegotiated.

22. Financial risk management (continued)

22.7 Capital management

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

- To comply with the capital requirements set by the Eastern Caribbean Central Bank (ECCB);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the period ended 31 October (31 December). During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subjected.

	31 October 2010 $	Restated 31 December 2009 $
Tier 1 capital		
Share capital	11,088	11,088
Statutory reserve	11,088	11,088
Retained earnings	36,012	34,649
Total qualifying Tier 1 capital	58,188	56,825
Tier 2 capital		
Revaluation reserve – available- for-sale investments	(8,419)	(9,727)
Total qualifying Tier 2 capital	(8,419)	(9,727)
Total regulatory capital	49,769	47,098
Risk-weighted assets:		
On-statement of financial position	333,587	319,563
Off- statement of financial position	16,673	24,530
Total risk-weighted assets	350,260	344,093
Total regulatory capital to risk weighted assets	14.2%	13.7%

23. Contingent liabilities and commitments

23.1 Customers' liability under acceptances, guarantees and indemnities

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

	31 October 2010 $	31 December 2009 $
Bonds	9,064,052	8,553,217
Guarantees	662,626	1,125,227
	9,726,678	9,678,444

23.2 Operating lease commitments

The Bank has operating lease commitments as follows:-

	31 October 2010 $	31 December 2009 $
Within one year	16,560	14,400
	16,560	14,400

23.3 Sectoral analysis of undrawn loan commitments

	31 October 2010 $	31 December 2009 $
Consumer	378,514	580,675
Distribution	7,362,086	11,294,123
Residential mortgages	5,299,188	8,129,446
Hospitality	624,547	958,113
Professional and other services	1,063,622	1,631,696
	14,727,957	22,594,053

Loan commitments refer to facilities that have been approved by the year-end but have either not been disbursed to the customer or are partially undrawn.

24. Dividends

On 17 January 2011, the Board of Directors declared a dividend of $4,435,008 in respect of 31 October 2010. The financial statements for the period ended 31 October 2010 do not reflect this declaration which will be accounted for in the shareholders' equity as an appropriation of retained profits in the year ending 31 October 2011.

25. Employees

The average number of employees in the Bank for the year was 112 (31 December 2009 – 111).

26. Defined benefit pension plan

The Plan was established as a defined-benefit retirement scheme for the permanent employees. The pension fund is deposited with the Demerara Mutual Life Assurance Society Limited.

26.1 Present value of defined benefit obligation

The present value of defined benefit obligation is calculated in accordance with the method prescribed in IAS 19. The result is summarised as follows:

	31 October 2010 $	31 December 2009 $
Present value of defined benefit obligation for:		
Active members	7,376,494	6,547,405
Deferred vested members	1,549,420	1,445,207
Total present value of defined benefit obligation	8,925,914	7,992,612

26.2 Recognition of liability (asset) in the statement of financial position

The amounts of liabilities to be recognised in the statement of financial position as at the valuation date are as follows:

Present value of defined benefit obligation	8,925,914	7,992,612
Fair value of plan assets	(8,802,377)	(7,840,877)
Deficit	123,537	151,735
Unrecognised actuarial losses	70,708	(37,674)
Defined benefit liability (asset) calculated from above	194,245	114,061
Defined benefit liability (asset) calculated from above statement of financial position	194,245	114,061

26.3 Recognition of expense in statement of comprehensive income

The amounts of expenses to be recognised in the statement of comprehensive income for the year of valuation are as follows:

Current service cost	644,438	584,740
Interest cost	479,557	435,888
Expected return on plan assets	(407,941)	(354,947)
Expense recognised in the statement of comprehensive income	716,054	665,681

26. Defined benefit pension plan (continued)

26.4 Valuation method

Actuarial basis

The valuation is performed on a going-concern basis.

Valuation of assets

The pension fund is deposited with the Demerara Mutual Life Assurance Society Limited ("Demerara Mutual") under Group Deposit Administration Policy Number GPA 26. The value of the plan assets is the fund balance of the Policy due from Demerara Mutual according to the draft Financial Statements as at 31 October 2010.

Actuarial cost method

The actuarial cost method used in this valuation is the Projected Unit Credit Method as prescribed by IAS 19. Under this method, the current salary is projected to the date of retirement by taking into account the expected future salary change, and the projected retirement benefit is distributed over the participant's career.

Recognition of actuarial gains and losses

Actuarial gains and losses are recognised in accordance with paragraphs 58, 58A, 92 and 93 of IAS 19. For the actuarial gains and losses arising from previous periods, only the portion in excess of the 'corridor' will be amortised and recognised.

26.5 Actuarial assumptions

Financial assumptions

- Discount rate - The discount rate is assumed to be 6.00%. (31 December 2009 – 6.00%)
- Expected investment rate of return - The expected investment rate of return from plan assets is assumed to be 5.00%. (31 December 2009 – 5.00%)
- Future salary escalation - Based on the opinion of the Sponsor Company's management, the expected rate of future salary increase was assumed to be 5.00% per annum. (31 December 2009 – 5.00%)
- Future administrative expenses - No allowance was made for future expenses.

Demographic assumptions

- Retirement age – It was assumed that all active members will retire at the Normal Retirement Age of 60.
- Mortality – Assumptions were made using the pre-retirement mortality rates using the Group Annuity Mortality Tables of 1994 Male and Female published by the Society of Actuaries.
- Termination of employment - No provision was made for termination of employment other than death before retirement.

27. Fair value of financial assets and liabilities

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

Assets

Cash and due from banks

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

Loans and advances to customers

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

Investment securities available-for-sale

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

Liabilities

Due to banks and customers' deposits

The fair values of items with no stated maturity are assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

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

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

27. Fair value of financial assets and liabilities (continued)

Liabilities (continued)

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities available-for-sale at fair value				
Treasury bills and treasury notes	--	--	7,699	7,699
Government and state-owned enterprises debt securities	--	--	20,851	20,851
Corporate debt securities	--	--	3,008	3,008
Other debt securities	--	--	--	--
Money market instruments	--	--	11,167	11,167
Equity securities	--	--	281	281
	--	--	43,006	43,006
Total investments	--	--	43,006	43,006

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

28. Due to banks

The amount due to banks represents deposits placed by other banks including affiliates. Interest paid, where applicable, on these deposits are at fixed rates.

Due to banks	31 October 2010 $	31 December 2009 $
RBTT	3,282,405	15,338,137
RBC	--	9,450,000
Other	27,658	20,730
	3,310,063	24,808,867

29. Prior period adjustment

The Bank has determined that the deferred tax asset was not correctly recorded in 2009. Consequently, the 2009 financial statements have been restated, as follows:-

	As restated $	As previously reported $
Statement of financial position		
Deferred tax asset	4,168,572	-
Other reserves	(7,066,681)	(11,235,253)
Statement of comprehensive income		
Other comprehensive profit/(loss)		
Net fair value losses on AFS investments arising during the year	(5,187,085)	(7,410,121)
Total comprehensive profit/(loss), net of taxation	1,660,836	(562,200)

Management Proxy Circular

GRENADA

THE COMPANIES ACT, 1994

(Section 142)

1. **Name of Company:**

   RBTT Bank Grenada Limited — Company No. 2 of 1983-924

2. **Particulars of Meeting:**

   Twenty-eighth Annual Meeting of the Shareholders of the Company to be held at the Conference Room, 1st Floor, RBTT Bank Grenada Limited, St. George's Branch, Corner Cross and Halifax Streets, St. George, Grenada on Tuesday, May 3, 2011 at 1.30 p.m.

3. **Solicitation:**

   It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and, in the absence of a specific direction, in the discretion of the Proxy-holder in respect of any other resolution.

4. **Any Director's statement submitted pursuant to section 74(2):**

   No statement has been received from any Director pursuant to Section 74(2) of the Companies Act, 1994.

5. **Any Auditor's statement submitted pursuant to Section 170(1):**

   No statement has been received from the Auditors of the Company pursuant to Section 170(1) of the Companies Act, 1994.

6. **Any Shareholder's proposal submitted pursuant to Sections 114(a) and 115(2):**

   Set out in Schedule 'A' of this Circular is a Shareholder proposal pursuant to Section 114(a) and 115(2) of the Companies Act, 1994.

Date	Name and Title	Signature
April 7, 2011	Nicole Richards Corporate Secretary RBTT Bank Grenada Limited	

Schedule 'A' Shareholder Proposal

By Shareholder: RBTT Bank Caribbean Limited (62% shareholding)

Pursuant to Section 114(a) and 115(2) of the Companies Act, 1994 the following proposal has been submitted for consideration at the Annual Meeting of Shareholders by RBTT Bank Caribbean Limited, 81 South River Road, Kingstown, St. Vincent:

To elect Mr. Andy Jogie, Head, Sales and Trading, RBTT Merchant Bank Limited, as a Director of RBTT Bank Grenada Limited for a term from the date of his election until the close of the first Annual Meeting following his election.

Mr. Jogie has been the Head, Sales and Trading within the RBTT Financial Group for the last four and a half years. Prior to the assumption of this position, Andy was the Head of Derivatives Structuring and Marketing for a large US Investment Bank. As Head, Sales and Trading, Andy is responsible for growing the Foreign Exchange trading book regionally. He is also responsible for establishing the Fixed Income trading business regionally. Additionally the structuring, marketing and execution of all Derivative transaction is done by the Sales and Trading unit.

Shareholder's Statement:

In accordance with provisions of Section 4.4 of By-law No. 3 and Section 16 of the Companies Act, 1994, Shareholders may include nominations for the election of directors if the proposal is signed by one or more holders of shares who represent in the aggregate no less than 5 percent of the shares of the company entitled to vote at a meeting to which the proposal is to be presented.

The Board of Directors recommends voting in the affirmative for this proposal for the following reasons:

1. The candidate has met the legislative and governance criteria for his appointment as Director of RBTT Bank Grenada Limited; and
2. In accordance with the provisions of Section 4.4 of By-law No. 3 and Section 116 of the Companies Act, 1994, the candidate is eligible for election to the Board.

RBTT BANK GRENADA LIMITED

Form of Proxy

RBTT BANK GRENADA LIMITED **Company No. 2 of 1983-924**

TWENTY-EIGHTH ANNUAL MEETING scheduled for Tuesday May 3, 2011 at 1.30 p.m. at the Conference Room, 1st Floor, RBTT Bank Grenada Limited, St. George's Branch, Corner Cross and Halifax Streets, St. George, Grenada.

I/We ____

(Name of Shareholder/s) (Block Letters)

of ____

(Address) (Block Letters)

being a member of RBTT BANK GRENADA LIMITED, hereby appoint the Chairman of the Meeting, or, failing him/her,

____

(Name of Proxy) (Block Letters)

of ____

(Address of Proxy) (Block Letters)

as my/our proxy to vote for me/us and on my/our behalf at the above meeting and any adjournment thereof in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Please indicate with an 'X' in the spaces below how you wish your Proxy to vote on the Resolutions referred to. If no such indication is given the Proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

Ordinary Resolutions

BE IT RESOLVED THAT:	**For**	**Against**
1. The Audited Financial Statements for the 10-month period ended October 31, 2010 together with the Reports of the Directors and Auditors thereon be and are hereby received;	☐	☐
2. The dividend amounting to 40 cents per share in respect of the 10-month period ended October 31, 2010 be sanctioned;	☐	☐
3. a) In accordance with paragraph 4.5.1(a) of By-law No. 3 of the Company, Harriet Thornhill, Champa Rampersad Barnes, Michael Philbert and Winnifred Duncan Phillip be and are hereby re-elected Directors of the company for a term from the date of their election until the close of the second Annual Meeting following their re-election; and	☐	☐
b) In accordance with paragraph 4.5.1(b) of By-law No. 3 of the Company, Mrs. Patricia Narayansingh, who was appointed to the Board subsequent to the last Annual Meeting to fill a casual vacancy be and is hereby re-elected a Director of the Board of the Company for a term from the date of her election until the close of the first Annual Meeting following her re-election.	☐	☐
4. In accordance with Section 114(a) and 115(2) of the Companies Act, 1994, Mr. Andy Jogie be elected for a term from the date of his election until the close of the first Annual Meeting following his election;	☐	☐
5. Deloitte & Touche be re-appointed Auditors of the Company and the Directors be authorised to fix their remuneration for the ensuing year.	☐	☐

Dated this __________________ day of ______________________ 2011.

Signature of Member ____________________ Signature of Member _________________________

Form of Proxy (continued)

NOTES:

1. If it is desired to appoint as a proxy a person other than named on the form, delete as necessary and insert the name and address of the person appointed.

2. If the shareholder is a corporation, this Proxy Form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

3. A shareholder that is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at this Annual Meeting.

4. In the case of a joint shareholder, the signature of one joint shareholder is sufficient but the names of all joint shareholders should be stated.

5. If the Proxy Form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

6. To be valid, this Proxy Form must be completed and deposited at the Registered Office of the Company, at the address below not less than 48 hours before the time for holding the Annual Meeting or adjourned Meeting.

Return to:
The Secretary
RBTT Bank Grenada Limited
Grand Anse
St. George's
Grenada, West Indies

FOR OFFICIAL USE	
Folio number	
Number of shares	

RBTT BANK GRENADA LIMITED

www.rbtt.com