Chairman's report

For the 19 months ended 31 October, 2010 the RBTT Bank Limited delivered solid results in the midst of a challenging economic environment. The Bank reported a profit after tax for the period of TT$711 million which compared favourably to the prior year. During this period the Bank experienced significant growth in total deposits of over TT$3 billion to end the period at TT$16 billion. The economic slowdown in the region led to a higher level of non-performing loans with an increase in impairment losses and a reduction in total loans and advances to customers.

The Bank changed its statutory year end from 31 March to 31 October in alignment with the statutory year end of its ultimate parent, Royal Bank of Canada (RBC), giving rise to the one time 19 month reporting period.

During this period, we opened a new lending centre, renovated several branches and introduced new business models to meet clients' changing needs and to provide a richer client experience. We led the market by introducing a floating Net Asset Value (NAV) for our two Roytrin Income Funds which aligns us with international standards and provides greater transparency to investors on the valuation of the funds. We also implemented a new technology platform and upgraded our technology infrastructure that will allow us to leverage the capabilities of the broader RBC network. I wish to thank the Bank's loyal customers for seeing us through this transition period and choosing RBTT.

I would like to thank our employees, who are without a doubt the driving force behind all our achievements. Their commitment to our values, to our clients and to one another continues to position us for long-term growth and success.

Suresh Sookoo
Chairman

Statement of management responsibilities

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

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

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

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

Arvinder Bharath
President and Country Head
19 January 2011

Gregory Weekes
Head – Finance
19 January 2011

Independent auditor's report

To the shareholders of

RBTT Bank Limited

Report on the financial statements
We have audited the accompanying financial statements of RBTT Bank Limited, which comprise the statement of financial position as of 31 October 2010 and the statement of comprehensive income, statement of changes in 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 the 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Deloitte & Touche

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

Statement of financial position

	Note	31 October 2010 ($'000)	31 March 2009 ($'000) Restated
Assets			
Cash on hand and due from banks	4	1,688,119	1,570,917
Balance with Central Bank	5	3,314,629	2,055,007
Loans and advances to customers	6	8,864,329	9,057,366
Investment securities	7	4,809,025	1,603,612
Banker's acceptances and participatory investments		398,100	240,070
Derivative financial instruments	8	87,271	36,453
Investment in associate company	9	13,637	10,569
Due from affiliated companies		746,892	2,353,470
Intangible assets	10	264,962	83,499
Premises and equipment	11	223,195	236,502
Deferred tax asset	12	64,283	39,454
Other assets	13	257,343	76,748
Total assets		20,731,785	17,363,667
Liabilities			
Due to banks		116,686	696,201
Customers' deposits	14	16,419,101	13,436,117
Derivative financial instruments	8	87,271	--
Banker's acceptances and participatory investments		398,100	240,070
Post-retirement benefit obligations	15	192,882	145,676
Due to affiliated companies		661,474	606,417
Corporation tax payable		51,122	107,921
Deferred tax liability	12	28,621	6,143
Other liabilities	16	569,862	388,060
Provisions		111,410	92,016
Total liabilities		18,636,529	15,718,621
Shareholders' equity			
Share capital	17	403,970	403,970
Statutory reserve	18	518,970	378,434
Other reserves	19	40,992	(8,500)
Retained earnings		1,131,324	871,142
Total shareholders' equity		2,095,256	1,645,046
Total shareholders' equity and liabilities		20,731,785	17,363,667

The accompanying notes form an integral part of these financial statements.
On 19 January 2011 the Board of Directors of RBTT Bank Limited authorised these financial statements for issue.

_____________ Director _____________ Director

Statement of comprehensive income

	Note	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000) Restated
Interest income	20	1,749,085	1,293,202
Interest expense	21	(223,783)	(432,823)
Net interest income		1,525,302	860,379
Other income	22	711,295	421,504
Total net income		2,236,597	1,281,883
Operating expenses	23	(1,177,143)	(899,279)
Impairment losses on loans and advances to customers	6.2	(239,851)	(74,520)
Impairment credit/ (losses) on investment securities	7.2	(411)	2,007
Total non-interest expenses		(1,417,405)	(971,792)
Share of profits of associate companies	9	4,102	2,662
Profit before taxation		823,294	312,753
Taxation	24	(112,576)	(76,249)
Profit after taxation		710,718	236,504
Other comprehensive income:			
Net value gain on available – for-sale financial assets	19.1	49,492	9,532
Other comprehensive income for the year, net of tax		49,492	9,532
Total comprehensive income for the year		760,210	246,036

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

Statement of changes in equity

	Note	Share capital ($'000)	Statutory reserve ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total share-holders' equity ($'000)
Period ended 31 October 2010						
Balance at beginning of period as previously stated		403,970	378,434	(8,500)	980,399	1,754,303
Prior year adjustment	30	--	--	--	(109,257)	(109,257)
Balance at beginning of period as restated		403,970	378,434	(8,500)	871,142	1,645,046
Other comprehensive income	19.1	--	--	49,492	--	49,492
Profit after taxation		--	--	--	710,718	710,718
Total comprehensive income		--	--	49,492	710,718	760,210
Transfer to statutory reserve	18	--	140,536	--	(140,536)	--
Dividends	25	--	--	--	(310,000)	(310,000)
Balance at end of period		403,970	518,970	40,992	1,131,324	2,095,256
Year ended 31 March 2009						
Balance at beginning of year		403,970	284,022	(18,636)	830,330	1,499,686
Other comprehensive income	19.1	--	--	9,532	--	9,532
Profit after taxation		--	--	--	236,504	236,504
Total comprehensive income		--	--	9,532	236,504	246,036
Transfer to statutory reserve	18	--	94,412	--	(94,412)	--
General reserve transfer	19	--	--	604	(604)	--
Dividends	25	--	--	--	(100,676)	(100,676)
Balance at end of year – as restated		403,970	378,434	(8,500)	871,142	1,645,046

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

Statement of cash flows

	Nineteen Months ended 31 October 2010 ($'000)	Year ended 31 March 2009 ($'000) Restated
Operating Activities		
Profit after taxation	710,718	236,504
Adjustments for		
Depreciation/amortisation	60,424	46,772
Post-retirement benefit expense	54,219	147,294
Loss on disposal of premises and equipment	716	3,524
Capitalised interest on investment securities	(21,277)	(40,799)
Net realised and unrealised (gains)/losses on investment securities	(25,177)	22,477
Impairment losses/(credit) on investment securities	411	(2,007)
Impairment expense on loans and advances to customers	256,501	76,981
Taxation expense	112,576	76,249
Unrealised gain on derivatives	--	(1,092)
Share of profits of associate company	(4,102)	(2,662)
Operating profit before changes in operating assets and liabilities	1,145,009	563,241
(Increase)/decrease in operating assets		
Balance with central bank	(1,259,622)	(428,335)
Loans and advances to customers	(116,806)	135,288
Interest receivable on loans and advances to customers	53,342	(968)
Investment securities at fair value through profit and loss	91,424	53,630
Other assets	(180,595)	(3,827)
Derivative financial instruments	--	(33,459)
Due from affiliated companies	1,606,578	(1,568,477)
Increase/(decrease) in operating liabilities		
Due to banks	(579,515)	(263,748)
Customers' deposits	3,006,370	776,630
Due to affiliate companies	55,057	(36,734)
Interest payable on customers' deposits	(23,386)	(11,750)
Interest payable on other borrowed funds/debt securities	--	(3,050)
Derivative financial instruments	36,453	(15,728)
Other liabilities	194,183	92,809
Corporation taxes paid	(187,188)	(130,921)
Cash provided by /(used in) operating activities	3,841,304	(875,399)
Investing activities		
Purchase of investment securities	(15,102,274)	(7,538,746)
Proceeds from sale and redemption of investment securities	11,917,470	8,233,118
Additions to premises and equipment	(230,179)	(30,201)
Proceeds from disposal of premises and equipment	881	164
Cash (used in)/provided by investing activities	(3,414,102)	664,335
Financing activities		
Other borrowed funds/debt securities repaid	--	(574,644)
Dividends paid	(310,000)	(100,676)
Cash used in financing activities	(310,000)	(675,320)
Net increase/(decrease) in cash resources	117,202	(886,384)
Cash resources at beginning of period	1,570,917	2,457,301
Cash resources at end of period (Note 4)	1,688,119	1,570,917

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

Notes to the financial statements

1 Incorporation and business activities

RBTT Bank Limited (the Bank) was incorporated in the Republic of Trinidad and Tobago on 26 July 1971. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited (formerly RBTT Financial Holdings Limited), which is also incorporated in the Republic of Trinidad and Tobago. The address of its registered office is St Clair Place,7-9 St Clair Avenue, Port of Spain. The ultimate parent company is the Royal Bank of Canada which is incorporated in Canada.

The Bank offers a complete range of banking and financial intermediary services to customers in Trinidad and Tobago.

The Bank has a 25% interest in an associated company, Infolink Services Limited, whose principal activity is the provision of automatic banking machine reciprocity.

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, Royal Bank of Canada. Consequently, the results for the period ended 31 October 2010 include the results of operations for nineteen months from 1 April 2009 to 31 October 2010. The results for the comparative year ended 31 March 2009 include the results of operations for twelve months.

2 Significant accounting policies

a) Basis of preparation

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

Standards affecting presentation and disclosure

- IAS 1, Presentation of Financial Statements. Comprehensive revision requiring a statement of comprehensive income (effective January 1, 2009)
- IAS1, Presentation of Financial Statements. Amendments resulting from May 2008 annual improvements to IFRSs (effective January 1, 2009).

  IAS 1 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- Improving Disclosures about Financial Instruments - Amendments to IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2009)

  The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Bank has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassification of financial assets (effective 1 July 2008)

  The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made.

  In April 2009, the Bank reclassified certain debt securities from at fair value through profit and loss and available-for-sale to loans and advances to customers. These securities would have met the definition of loans and advances to customers if they had not been designated as at fair value through profit and loss and available-for-sale at initial recognition. The Bank's original intention at initial recognition was to sell the securities at fair value through profit and loss in the short-term and to hold the available for sale securities for an indefinite period. However, as a result of adverse world economic conditions accompanied by the Bank's intent and ability to hold the financial assets for the foreseeable future or until maturity, the Bank concluded that the criteria for reclassification were met. Consequently, the assets were reclassified at 1 April 2009 (see note 7 for further details). The reclassification has been accounted for in accordance with the relevant transitional provisions and took effect only from the date of reclassification.

  The effect of the reclassification is that all transferred securities have been recorded as loans and advances to customers at their fair value on the date of reclassification which became its new amortised cost. For those reclassifications made from securities at fair value through profit and loss, any gain or loss already recognised in profit or loss shall not be reversed. For those reclassifications made from available for sale securities with a fixed maturity, any previous gain or loss is amortised to profit and loss over the remaining life of the security using the effective interest method. Any difference between the new amortised cost and the maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method. If the security becomes impaired, any gain or loss that was previously recognised in other comprehensive income is reclassified to profit and loss.

Standards and Interpretations adopted with no effect on financial statements

- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).
- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing and amendments resulting from May 2008 improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009).
- IAS 32, Financial Instruments: Disclosure and Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 16, Property, Plant and Equipment. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009).
- IAS 19, Employee Benefits. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009).
- IAS 36, Impairment of Assets. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009).
- IAS 38, Intangible Assets. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009).
- IAS 40, Investment Property. Amendments resulting from May 2008 annual improvements to IFRSs (effective 1 January 2009).

Standards and Interpretations in issue not yet adopted

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

Management is unable to provide a reasonable estimate of the potential impact of the adoption of these amendments until a detailed review is completed.

b) Investment in associated companies

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The investment in associate is initially recognised at cost and is subsequently accounted for using the equity method of accounting. The Bank's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Bank's share of its associates' post acquisition profits or losses is recognised in the statement of comprehensive income and its share of post acquisition movements in reserves. The Bank's investment in associates is carried in the statement of financial position at an amount that reflects its share of the net assets of the associates. The associates' accounting policies have been changed where necessary to ensure that consistency with the policies adopted by the Bank.

Notes to the financial statements

2 Significant accounting policies (continued)

c) Foreign currency transactions

Functional and presentation currency

The financial statements are presented in Trinidad and Tobago dollars which is the Bank's functional and presentation currency.

Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed 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 statement of comprehensive income, and other changes in the carrying amount are recognised in other comprehensive income.

d) Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value through profit and loss.

i) Investment securities at fair value through profit and loss

This category has two sub-categories: investment securities held for trading and those designated at fair value through profit and loss from inception.

Investment securities are classified as held for trading 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 are designated at fair value through profit and loss when:

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

Investment securities held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Investment securities at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of investment securities at fair value through profit and 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.

ii) Investment securities available for sale

Investment securities 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 in other comprehensive income until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income 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) Investment securities held to maturity

Held to maturity investment securities are non-derivative financial assets with fixed or determinable payments and fixed maturities where management has the positive intention and the ability to hold to maturity. Held to maturity investment securities are carried at amortised cost using the effective interest method, less any provision for impairment. If the Bank were to sell other than an insignificant amount of held to maturity investments, the entire category would be reclassified as available for sale.

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

Purchases and sales of financial assets are recognised at the settlement date.

iv) Loans and advances to customers

Loans and advances 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 and 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 and advances to customers are carried at amortised cost using the effective interest method.

e) 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 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 asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable evidence that comes to the attention of the Bank about the following loss events:

(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 value of collateral; and
(vii) Downgrading below investment grade level.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. Individually insignificant financial assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. These characteristics are relevant to the estimates 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 term of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the 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. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience, use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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.

ii) Financial assets classified as available for sale

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

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

Notes to the financial statements

2 Significant accounting policies (continued)

e) Impairment of financial assets (continued)

ii) Financial assets classified as available for sale (continued)

At the end of the reporting period 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 other comprehensive income is removed and recognised in profit or loss.

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

In respect of available for sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

f) Derivative financial instruments

Derivative financial instruments

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

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

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

g) Intangible assets

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

h) Impairment of tangible and intangible assets excluding goodwill

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

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

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

i) Premises and equipment

Premises and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed principally on the straight line method. Rates in effect are designed to allocate the cost of assets to their residual values over their estimated useful lives. The following rates are used:

Freehold properties	-	2%
Leasehold properties and improvements	-	2% to 10%
Equipment	-	10% to 25%

Freehold land is not depreciated.

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

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amounts and are taken into account in determining profit before tax. Cost of repairs and renewals are charged to the Statement of Comprehensive Income when the expenditure is incurred.

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

j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

k) Cash and cash equivalents

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

l) Leases

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

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

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

n) Dividends

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

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

o) Taxation

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the period

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

p) Acceptances, guarantees, indemnities and letters of credit

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

Notes to the financial statements

2 Significant accounting policies (continued)

q) Revenue recognition

i) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or 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, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Once a financial asset or a group of similar assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ii) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fees and commissions primarily include fees from loan commitments and administration, letters of credit, deposit accounts, custody and processing services, debit and credit card products and other financial service-related products. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) over the term of the loan. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Other service related fees are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria is fulfilled.

r) Employee benefits

The Bank's employees are members of the parent company's group pension plan. The plan is a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The plan is funded by payments from the Bank based on the recommendations of independent consultants who value the plan once every three years. The Bank's contribution to the plan is charged to the statement of comprehensive income in the year to which it relates.

s) Financial Liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit and Loss (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

t) Other post-retirement benefits

The Bank also provides post-retirement medical benefits to its retirees through the parent company's plan. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Bank's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

A valuation of these obligations is carried out by independent qualified actuaries annually.

u) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Adjustments to previously reported results were made in accordance with International Accounting Standard #8 – Accounting policies, changes in accounting estimates and errors. The impact of these adjustments and reclassifications are summarised in Note 30 - Restatements and reclassifications.

3 Critical accounting estimates and judgments 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 judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment 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 judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets before the decrease can be identified with an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with default on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when rescheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Fair value of financial instruments including derivatives

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

c) Held to maturity investments

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

4 Cash on hand and due from banks

	2010 ($'000)	2009 ($'000)
Cash on hand	294,898	243,406
Due from banks	1,202,066	472,652
Treasury Bills	--	732,789
Items in course of collection from other banks	191,155	122,070
	1,688,119	1,570,917

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.

5 Balance with Central Bank

Primary reserve balance	3,070,786	1,875,542
Secondary reserve balance	243,843	179,465
	3,314,629	2,055,007

Under the Financial Institutions Act, 2008, every licensee is required to maintain a deposit with the Central Bank of Trinidad & Tobago, which shall bear a ratio to the total prescribed liabilities of that institution in such form and to such extent as the Central Bank, may prescribe from time to time.

At 31 October 2010, the primary reserve requirement was 17% (2009 – 17%) of specific deposit liabilities. This balance is held in a non-interest bearing reserve account. The Bank also maintains a secondary reserve requirement of 2% (2009 – 2%) of specific deposit liabilities that yields interest at 0.50% (2009: 5.00%).

6 Loans and advances to customers

Retail	1,533,315	1,577,120
Commercial/corporate	5,193,166	5,615,749
Mortgages	1,165,658	914,281
Other	1,165,841	1,164,796
Gross loans and advances to customers	9,057,980	9,271,946
Unearned interest	(1,372)	(125,984)
	9,056,608	9,145,962
Interest receivable	46,347	99,689
Allowance for impairment losses	(238,626)	(188,285)
	8,864,329	9,057,366
Neither past due nor impaired	6,669,028	7,885,351
Past due but not impaired	1,303,207	996,888
Impaired	1,085,745	389,707
Gross loans and advances to customers	9,057,980	9,271,946

Notes to the financial statements

6 Loans and advances to customers (continued)

As at 30 April 2009, the Bank reclassified some securities from at fair value through profit and loss (including trading) amounting to $89,896,000 to loans and advances to customers.

6.1 Allowance for impairment losses

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	188,285	116,426
Amounts previously provided for now being written off	(193,130)	(4,196)
Increase in allowance for the period	243,471	76,055
Balance at end of period	238,626	188,285
Individual impairment	177,102	178,285
Collective impairment	61,524	10,000
	238,626	188,285
Allowance for impairment losses by sector:		
Retail	42,446	65,214
Commercial/corporate	194,039	113,751
Mortgages	2,141	9,320
	238,626	188,285

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired amounts to $2,326,822,000 (2009: $2,774,107,000). The collateral consists of cash, securities and real property.

6.2 Impairment losses on loans and advances to customers

	2010	2009
Increase in allowance for the period	243,471	76,055
Amounts not previously provided for now being directly written off	13,029	926
Recoveries	(16,649)	(2,461)
	239,851	74,520
Impairment losses by sector:		
Retail	6,027	6,371
Commercial/corporate	225,139	68,113
Mortgages	8,685	36
	239,851	74,520

7 Investment securities

	2010	2009
Investment securities at fair value through profit and loss		
Treasury notes	377,884	--
Corporate debt securities	23,696	91,424
	401,580	91,424
Interest receivable	8,657	--
	410,237	91,424
Investment securities available for sale		
Treasury bills and treasury notes	2,613,732	142,637
Government and state owned enterprise debt securities	172,070	257,266
Corporate debt securities	281,721	147,907
Placements	63,972	--
Money market instruments	302,450	274,316
Equity securities	16,921	30,540
	3,450,866	852,666
Interest receivable	17,845	11,062
Provision for impairment losses	--	(1,528)
	3,468,711	862,200
Investment securities held to maturity		
Treasury bills and treasury notes	125,564	125,564
Placements	--	28,736
Government and state-owned enterprises debt securities	789,712	487,101
	915,276	641,401
Interest receivable	14,801	8,587
	930,077	649,988
Total investment securities	4,809,025	1,603,612

	At fair value through profit or loss ($'000)	Available-for-sale ($'000)	Held-to-maturity ($'000)	Total ($'000)
As at 1 April 2009	91,424	852,666	641,401	1,585,491
Additions	1,289,883	13,022,679	789,712	15,102,274
Disposal (sale and redemption)	(984,930)	(10,492,853)	(515,837)	(11,993,620)
Net gains from changes in fair value	5,203	68,374	--	73,577
As at 31 October 2010	401,580	3,450,866	915,276	4,767,722
As at 1 April 2008	145,054	1,650,349	495,623	2,291,026
Additions	--	7,007,316	515,837	7,523,153
Disposal (sale and redemption)	(65,386)	(7,797,673)	(370,059)	(8,233,118)
Net gains/ (losses) from changes in fair value	11,756	(7,326)	--	4,430
As at 31 March 2009	91,424	852,666	641,401	1,585,491

During 2009, the Bank reclassified some securities from at fair value through profit and loss (including trading) amounting to $89,896,000 to loans and advances to customers.

	Carrying Value ($'000)	Fair Value ($'000)
Balance at October 31, 2010	115,723	84,053
Balance at March 31, 2009	124,785	91,424

7.1 Provision for impairment losses

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	1,528	3,609
Foreign exchange adjustment	--	(74)
Decrease in provision	--	(2,007)
Transfers	(1,528)	--
Balance at end of period	--	1,528

7.2 Impairment losses/(credit) on investment securities

	2010	2009
Decrease in provision for the period	--	(2,007)
Amounts not previously provided for now being directly written off	411	--
	411	(2,007)

8 Derivative financial instruments

Types

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or bond price, or commodity price or index. The Bank utilises the following derivative instruments:

Interest rate swaps

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

Currency swaps

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

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) a security or other financial instrument at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The bank both writes and purchases options and the credit risk on these option contracts is limited as the counterparty to these contracts is other companies in the RBTT group.

Notional amounts and fair values

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

	Contract/ Notional Amount ($'000)	Fair Values Assets ($'000)	Liabilities ($'000)
Period ended 31 October 2010			
Derivatives held for trading			
Interest rate swaps	1,108,208	87,271	87,271
Derivative financial instruments		87,271	87,271
Year ended 31 March 2009			
Derivatives held for trading			
Derivative option	124,785	33,361	--
Interest Rate Swaps	53,424	2,523	--
Currency swaps	312,289	569	--
Derivative financial instruments		36,453	--

Credit risk

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

9 Investment in associate company

Movement in equity interest in associate company

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	10,569	8,270
Share of current year's profits, gross of tax	4,102	2,662
Tax on share of current year profits	(1,034)	(363)
Balance at end of period	13,637	10,569

	Assets ($'000)	Liabilities ($'000)	Revenues ($'000)	Profit before tax ($'000)	% of equity capital held ($'000)
At 31 October 2010					
Infolink Services Limited	56,232	1,686	31,372	16,408	25%
At 31 March 2009					
Infolink Services Limited	43,605	1,327	17,051	10,648	25%

The above Company is unlisted and incorporated in Trinidad and Tobago. Its principal activity is as a clearing facility for electronic funds.

Notes to the financial statements

10 Intangible assets - software

	2010 ($'000)	2009 ($'000)
Opening net carrying value	83,499	75,603
Additions	198,634	22,243
Amortisation charge for the year	(17,171)	(14,347)
Closing net carrying amount	264,962	83,499
Cost	431,622	232,987
Accumulated amortisation	(166,660)	(149,488)
Net book value	264,962	83,499

11 Premises and equipment

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improve-ments ($'000)	Equipment ($'000)	Capital work in progress ($'000)	Total ($'000)
Period ended 31 October 2010						
Opening net book value	87,364	27,101	12,378	97,043	12,616	236,502
Additions	--	--	--	--	31,544	31,544
Disposals	--	--	--	(1,598)	--	(1,598)
Transfers	1,371	--	1,419	17,173	(19,963)	--
Depreciation charge	(3,498)	(333)	(3,916)	(35,506)	--	(43,253)
Closing net book value	85,237	26,768	9,881	77,112	24,197	223,195
At 31 October 2010						
Cost	116,126	30,657	44,230	348,475	24,197	563,685
Accumulated Depreciation	(30,889)	(3,889)	(34,349)	(271,363)	--	(340,490)
Net book value	85,237	26,768	9,881	77,112	24,197	223,195
Year ended 31 March 2009						
Opening net book value	91,004	26,740	14,429	107,243	18,769	258,185
Additions	--	--	--	--	14,430	14,430
Disposals	(3,155)	(390)	--	(143)	--	(3,688)
Transfers	1,332	1,322	507	17,422	(20,583)	--
Depreciation charge	(1,817)	(571)	(2,558)	(27,479)	--	(32,425)
Closing net book value	87,364	27,101	12,378	97,043	12,616	236,502
At 31 March 2009						
Cost	114,755	30,657	42,811	335,478	12,616	536,317
Accumulated Depreciation	(27,391)	(3,556)	(30,433)	(238,435)	--	(299,815)
Net book value	87,364	27,101	12,378	97,043	12,616	236,502

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

Aggregate rentals receivable

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

12 Deferred taxation

The following amounts are shown in the statement of financial position:

	2010	2009
Deferred tax asset	64,283	39,454
Deferred tax liability	(28,621)	(6,143)
	35,662	33,311
The movement on the deferred tax account is as follows:		
At beginning of period	33,311	(3,005)
Statement of comprehensive income (charge)/credit (Note 24)	18,848	39,494
Investment revaluation reserve		
- Gains from changes in fair value	(22,791)	2,442
- Gains transferred to the statement of comprehensive income	6,294	(5,620)
At end of period	35,662	33,311

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

	2010	2009
Deferred tax asset		
Available for sale securities	--	3,035
General provision	15,381	--
Other	681	--
Post-retirement benefits	48,221	36,419
	64,283	39,454
Deferred tax liability		
Accelerated tax depreciation	(15,159)	(6,143)
Available for sale securities	(13,462)	--
	(28,621)	(6,143)

13 Other assets

	2010	2009
Corporation tax recoverable	10,789	10,789
Other	246,554	65,959
	257,343	76,748

14 Customers' deposits

	2010 ($'000)	2009 ($'000)
Deposit balances	16,402,545	13,396,175
Accrued interest	16,556	39,942
	16,419,101	13,436,117
Sectoral analysis		
Consumers	10,677,301	6,263,659
Private sector	4,128,061	4,684,790
State sector	1,113,123	2,124,552
Other	484,060	323,174
	16,402,545	13,396,175

15 Post-retirement benefit obligations

The Bank provides post-retirement benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

These post-retirement benefits, which include medical, group life and pensions were previously carried by the parent company, RBC Financial (Caribbean) Limited and this is the first time that these post-retirement benefit obligations have been reflected in the Bank's financial statements. Details of the post-retirement benefits are not available prior to 31 March 2009, hence the Bank has not been able to restate its records prior to this date and no statement of financial position and associated notes as at 31 March 2008 have been presented.

The most recent actuarial valuation of the present value of the obligations was carried out at 30 September 2010 by Bacon Woodrow & de Souza Limited using the Projected Unit Method.

(i) The amounts recognised on the statement of financial position for the post-retirement benefit plans are as follows:

	Medical ($'000)	Group life ($'000)	Defined pension benefit ($'000)	Total ($'000)
Period ended 31 October 2010				
Post-retirement benefit obligation	59,181	8,402	111,303	178,886
Unrecognised actuarial gain/ (loss)	14,451	(455)	--	13,996
Liability in the statement of financial position	73,632	7,947	111,303	192,882
Year ended 31 March 2009				
Post-retirement benefit obligation	48,949	5,773	69,039	123,761
Unrecognised actuarial gain	20,450	1,465	--	21,915
Liability in the statement of financial position	69,399	7,238	69,039	145,676

(ii) The movements in the liability recognised on the statement of financial position are as follows:

	Medical	Group life	Defined pension benefit	Total
Period ended 31 October 2010				
At the beginning of period	69,399	7,238	69,039	145,676
Net benefit cost	6,396	1,200	46,623	54,219
Benefits paid by Group (net of retiree's premiums)	(2,163)	(491)	(4,359)	(7,013)
At end of period	73,632	7,947	111,303	192,882
Year ended 31 March 2009				
At the beginning of year	--	--	--	--
Net benefit cost	70,846	7,409	69,039	147,294
Benefits paid by Group (net of retiree's premiums)	(1,447)	(171)	--	(1,618)
At end of year	69,399	7,238	69,039	145,676

(iii) Change in post-retirement benefit obligation:

	Medical	Group life	Defined pension benefit	Total
19 months to 31 October 2010				
Defined benefit obligation at beginning of period	48,949	5,773	69,039	123,761
Current service cost	2,365	415	1,712	4,492
Interest cost	6,268	815	10,041	17,124
Actuarial gains	3,762	1,890	34,870	40,522
Benefits paid	(2,163)	(491)	(4,359)	(7,013)
Defined benefit obligation at end of period	59,181	8,402	111,303	178,886

Notes to the financial statements

15 Post-retirement benefit obligations (continued)

(iii) Change in post-retirement benefit obligation (continued):

12 months to 31 March 2009

	Medical ($'000)	Group life ($'000)	Defined pension benefit ($'000)	Total ($'000)
Defined benefit obligation at beginning of year	--	--	--	--
Current service cost	69,271	5,628	69,039	143,938
Interest cost	3,979	469	--	4,448
Actuarial gains	(22,854)	(153)	--	(23,007)
Benefits paid	(1,447)	(171)	--	(1,618)
Defined benefit obligation at end of year	48,949	5,773	69,039	123,761

(iv) The amounts recognised in the statement of comprehensive income are as follows:

19 months to 31 October 2010

	Medical	Group life	Defined pension benefit	Total
Current service cost	2,365	415	1,712	4,492
Interest cost	6,268	815	10,041	17,124
Actuarial (gains) /losses amortised	(2,237)	(30)	34,870	32,603
Net benefit cost included in staff costs	6,396	1,200	46,623	54,219

12 months to 31 March 2009

	Medical	Group life	Defined pension benefit	Total
Current service cost	67,812	7,087	69,039	143,938
Interest cost	3,979	469	--	4,448
Actuarial gains amortised	(945)	(147)	--	(1,092)
Net benefit cost included in staff costs	70,846	7,409	69,039	147,294

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rates – medical and life	6.25%	8.75%
Discount rates – pension	6.00%	7.00%
Medical costs trend rates	5.00%	7.00%
Salary increases	4.50% -5.00%	5.5%-7.00%

16 Other liabilities

	2010 ($'000)	2009 ($'000)
Accruals and payables	14,216	381
Deferred income	72,274	53,156
Other	483,372	334,523
	569,862	388,060

17 Share capital

Authorised

An unlimited number of ordinary shares of no par value

	2010	2009
Issued and fully paid 147,428,485 ordinary shares of no par value	403,970	403,970

18 Statutory reserve

	2010	2009
At beginning of period	378,434	284,022
Transfer from retained earnings	140,536	94,412
At end of period	518,970	378,434

The Financial Institutions Act, 2008 requires financial institutions in Trinidad & Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution.

19 Other reserves

	2010	2009
Investment revaluation reserve	40,388	(9,104)
General reserve	604	604
Balance at end of period	40,992	(8,500)

19.1 Investment revaluation reserve

	2010	2009
Balance at beginning of period	(9,104)	(18,636)
Fair value gains/(losses) arising during the period, net of tax	68,374	(7,326)
Realised (gains)/losses transferred to income, net of tax	(18,882)	16,858
Balance at end of period	40,388	(9,104)

19.2 General reserve

	2010 ($'000)	2009 ($'000)
Balance at beginning of period	604	--
Transfer from retained earnings	--	604
Balance at end of period	604	604

20 Interest income

	2010	2009
Loans and advances to customers	1,485,069	1,020,648
Investment securities	178,014	178,319
Due from affiliated companies	68,220	44,849
Due from banks	17,782	49,386
	1,749,085	1,293,202

21 Interest expense

	2010	2009
Customers' deposits	188,425	361,812
Other funding instruments	--	2,203
Other borrowed funds	--	10,343
Due to affiliated companies	21,629	25,132
Due to banks	13,729	33,333
	223,783	432,823

22 Other income

	2010	2009
Fees and commissions	464,498	252,432
Net trading gains/(losses) (See Note 22.1)	30,380	(10,723)
Foreign exchange earnings	200,617	168,893
Sundry income	15,800	10,902
	711,295	421,504

22.1 Net trading gains/ (losses):

	2010	2009
Investment securities at fair value through profit or loss		
- Unrealised gains/(losses)	2,987	(48,429)
Investment securities at fair value through profit or loss		
- Realised (losses)/gains	(2,616)	7,612
Derivative financial instruments		
- Unrealised(losses)/gains	(3,078)	49,519
Derivative financial instruments		
-Realised gains	7,910	3,052
Investment securities available for sale		
- Realised gains /(losses)	25,177	(22,477)
	30,380	(10,723)

23 Operating expenses

	2010 ($'000)	2009 ($'000)
Staff costs (See Note 23.1)	547,643	489,100
Other premises and equipment expenses	63,649	43,941
Marketing and promotions	1,547	18,095
Amortisation charge on intangible assets	17,171	14,347
Depreciation charge on premises and equipment	43,253	32,425
Deposit insurance premium (See Note 23.2)	31,333	16,739
Operating lease rentals	65,320	43,206
Directors' remuneration	100	186
Auditors' remuneration	635	920
Royalties	140,913	77,540
Other operating expenses	265,579	162,780
	1,177,143	899,279

23.1 Staff costs:

	2010	2009
Wages and salaries	328,341	236,843
Bonuses	37,641	29,435
Employees' pension benefit expense	33,715	20,548
Employees' post-retirement benefit expense	54,219	147,294
Other staff costs	93,727	54,980
	547,643	489,100

23.2 Deposit insurance premium

Statutory regulations governing the operations of banks and other financial institutions in Trinidad & Tobago stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

24 Taxation

	2010	2009
Current tax charge	127,719	113,480
Green fund levy	2,585	1,900
Prior years	86	--
Deferred tax credit (Note 12)	(18,848)	(39,494)
Share of tax charge of associate companies and joint venture (note 9)	1,034	363
	112,576	76,249

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

	2010	2009
Profit before tax	823,294	312,753
Prima facie tax calculated at a rate of 25%	205,824	78,188
Income exempt from tax	(19,329)	(10,898)
Expenses not deductible for tax purposes	1,377	23,577
Prior year	86	--
Green fund levy	2,585	1,900
Other	(77,967)	(16,518)
	112,576	76,249

The deferred income tax credit for the period comprises the following temporary difference:

	2010	2009
Accelerated tax depreciation	9,016	(3,075)
Other	(16,062)	--
Post-retirement medical benefits	(11,802)	(36,419)
Credit	(18,848)	(39,494)

	Nineteen Months Ended 31 October 2010 ($'000)	Year Ended 31 March 2009 ($'000)
Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of available-for-sale financial asset	(16,497)	(3,177)

Notes to the financial statements

25 Dividends

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

	2010 ($'000)	2009 ($'000)
Final dividend	100,000	49,676
Interim dividend	210,000	51,000
	310,000	100,676

26 Financial risk management

26.1 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 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.

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

Risk management structure

While the Board of Directors is ultimately responsible for identifying and controlling risks, there are several 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.

Group Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The Unit is also responsible for monitoring compliance with risk policies and limits across the Bank in the three key areas of credit risk, market risk and operational risk.

Group Asset/Liability Committee (ALCO)

The Bank utilises the Group ALCO which has a mandate that includes the recommendation of policies covering investments, liquidity and market risk to the Bank's Board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

Mark to Market Committee

The Bank uses the Group's established Mark to Market Committee which is responsible for the review and validation of the policies and procedures applied in the valuation of financial assets and liabilities.

Internal audit

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

Risk measurement and reporting systems

The Bank's risks are measured using methods which reflect the expected loss likely to arise in normal circumstances. The methods make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

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

Information compiled is examined and processed in order to analyse, identify and control risks. This information which consists of several reports is presented and explained to the Board of Directors, the Board's Committees and the Asset/Liability Committee. The reports include but are not limited to aggregate credit exposures, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

26.2 Categories of financial instruments

	2010 ($'000)	2009 ($'000)
Assets		
Financial assets at fair value through profit or loss		
Investment securities	410,237	91,424
Derivative financial instruments	87,271	36,453
	497,508	127,877
Financial assets available for sale		
Investment securities	3,468,711	862,200
Financial assets at amortised costs		
Held to maturity		
Investment securities	930,077	649,988
Loans and receivables		
Cash on hand and due from banks	1,688,119	1,570,917
Balances with central banks	3,314,629	2,055,007
Loans and advances to customers	8,864,329	9,057,366
Investment in associate company	13,637	10,569
Banker's acceptances and participatory investments certificate	398,100	240,070
Due from affiliated companies	746,892	2,353,470
	15,025,706	15,287,399
Total financial assets	19,922,002	16,927,464
Non-financial assets	809,783	436,203
Total assets	20,731,785	17,363,667
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	87,271	--
Liabilities (continued)		
Financial liabilities at amortised cost		
Due to banks	116,686	696,201
Customers' deposits	16,419,101	13,436,117
Banker's acceptances and participatory investments certificate	398,100	240,070
Due to affiliated companies	661,474	606,417
	17,595,361	14,978,805
Total financial liabilities	17,682,632	14,978,805
Non-financial liabilities	953,897	739,816
Total liabilities	18,636,529	15,718,621
Total equity	2,095,256	1,645,046
Total equity and liabilities	20,731,785	17,363,667

26.3 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 and manages assets with liquidity in mind by monitoring future 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 Treasury department and monitored by the Bank's ALCO. 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 inter-group and institutional markets, call features on selected advances, stand-by lines of credit with external parties, and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Bank has sufficient funds to meet its obligations.

26.3.1 Non-derivative cash flows

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Liabilities				
Due to banks	116,686	--	--	116,686
Customers' deposits	16,323,175	95,926	--	16,419,101
Banker's acceptances and participatory investments certificate	398,100	--	--	398,100
Due to affiliated companies	661,474	--	--	661,474
Total liabilities (contractual maturity dates)	17,499,435	95,926	--	17,595,361
As at 31 March 2009				
Liabilities				
Due to banks	490,033	206,168	--	696,201
Customers' deposits	13,433,755	2,362	--	13,436,117
Banker's acceptances and participatory investments certificate	240,070	--	--	240,070
Due to affiliated companies	606,417	--	--	606,417
Total liabilities (contractual maturity dates)	14,770,275	208,530	--	14,978,805

26.3.2 Contingent liabilities and commitments

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Guarantees, acceptances, indemnities & letters of credit	604,722	--	--	604,722
Credit commitments	755,830	318,713	220,899	1,295,442
Operating lease commitments	31,704	95,112	45,709	172,525
Capital commitments	7,005	--	--	7,005
	1,399,261	413,825	266,608	2,079,694
As at 31 March 2009				
Guarantees, acceptances, indemnities & letters of credit	1,184,640	--	--	1,184,640
Credit commitments	56,437	130,938	146,881	334,256
Operating lease commitments	26,652	78,774	44,870	150,296
Capital commitments	380	--	--	380
	1,268,109	209,712	191,751	1,669,572

Notes to the financial statements

26 Financial risk management (continued)

26.4 Market risk

The Bank takes on exposure to market risk, 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 Bank's Treasury department and the Group's Market Risk Department. On a quarterly basis, the Mark to Market Committee reviews and approves the valuation of all investment securities and derivatives and submits reports to the Bank's ALCO.

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 and available for sale investments.

26.4.1 Market risk measurement techniques

The major measurement technique used to measure and control market risk is stress testing. The Bank applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Group Market Risk consist of risk sensitivity analyses by applying possible stress events such as changes to interest rates and foreign currency rates on the Bank's positions.

26.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored and hedging strategies are used to ensure positions are maintained within the established limits.

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

	Effect on net profit 2010 ($'000)	Effect on other compo-nents of equity 2010 ($'000)	Effect on net profit 2009 ($'000)	Effect on other compo-nents of equity 2009 ($'000)
Change in interest rate				
+ 1%	1,004	29,043	19,450	56,431
- 1%	(1,004)	(29,043)	(19,450)	(56,431)

26.4.3 Interest sensitivity of assets and liabilities to repricing risk

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

	Up to One Year ($'000)	One to Five Years ($'000)	Over Five Years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at 31 October 2010					
Assets					
Cash on hand and due from banks	1,567,448	120,000	--	671	1,688,119
Balances with Central Bank	1,954,629	1,360,000	--	--	3,314,629
Loans and advances to customers	5,751,641	2,920,889	145,454	46,345	8,864,329
Investment securities	4,374,217	355,592	37,914	41,302	4,809,025
Investment in associate company	--	--	--	13,637	13,637
Derivatives financial instruments	87,271	--	--	--	87,271
Banker's acceptances and participatory investments	398,100	--	--	--	398,100
Due from affiliated companies	439,648	59,207	248,000	37	746,892
Total financial assets	14,572,954	4,815,688	431,368	101,992	19,922,002
Liabilities					
Due to banks	116,686	--	--	--	116,686
Customers' deposits	11,051,515	5,351,029	--	16,557	16,419,101
Derivative financial instruments	87,271	--	--	--	87,271
Banker's acceptances and participatory investments	398,100	--	--	--	398,100
Due to affiliated companies	661,474	--	--	--	661,474
Total liabilities	12,315,046	5,351,029	--	16,557	17,682,632
Interest sensitivity gap	2,257,908	(535,341)	431,368		
As at 31 March 2009					
Assets					
Cash on hand and due from banks	1,099,742	150,000	--	321,175	1,570,917
Balances with Central Bank	695,007	1,360,000	--	--	2,055,007
Loans and advances to customers	6,431,963	2,332,891	192,823	99,689	9,057,366
Investment securities	1,373,593	190,077	20,293	19,649	1,603,612
Investment in associate company	--	--	--	10,569	10,569
Derivatives financial instruments	33,361	--	--	3,092	36,453
Banker's acceptances and participatory investments	240,070	--	--	--	240,070
Due from affiliated companies	2,335,570	1,518	358	16,024	2,353,470
Total financial assets	12,209,306	4,034,486	213,474	470,198	16,927,464
Liabilities					
Due to banks	593,579	--	--	102,622	696,201
Customers' deposits	8,147,582	5,248,592	--	39,943	13,436,117
Banker's acceptances and participatory investments	240,070	--	--	--	240,070
Due to affiliated companies	606,417	--	--	--	606,417
Total liabilities	9,587,648	5,248,592	--	142,565	14,978,805
Interest sensitivity gap	2,621,658	(1,214,106)	213,474		

26.4.4 Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Bank is affected by changing prices of equity instruments classified as investment securities available for sale with fair value movements recognised in shareholders' equity. Management has determined that the impact of other price risk on equity instruments classified as available for sale is immaterial at the end of the current period and the prior year.

Notes to the financial statements

26 Financial risk management (continued)

26.5 Currency risk

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

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

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk. Currency exposure resides mainly in trading activity. The table below summarises the Bank's exposure to foreign currency exchange rate risk.

	TT ($'000)	US ($'000)	Other ($'000)	Total ($'000)
As at 31 October 2010				
Assets				
Cash on hand and due from banks	451,130	1,092,210	144,779	1,688,119
Balances with Central Bank	3,314,629	--	--	3,314,629
Loans and advances to customers	6,930,704	1,933,625	--	8,864,329
Investment securities	4,313,105	429,484	66,436	4,809,025
Investment in associate company	13,637	--	--	13,637
Due from affiliates	612,142	131,573	3,177	746,892
Banker's acceptances and participatory investments	391,730	6,370	--	398,100
Derivatives financial instruments	--	87,271	--	87,271
Total financial assets	16,027,077	3,680,533	214,392	19,922,002
Liabilities				
Due to banks	1,638	44,164	70,884	116,686
Customers' deposits	12,366,598	3,939,389	113,114	16,419,101
Due to affiliates	448,008	212,974	492	661,474
Banker's acceptances and participatory investments	391,730	6,370	--	398,100
Derivative financial instruments	--	87,271	--	87,271
Total financial liabilities	13,207,974	4,290,168	184,490	17,682,632
Net balance sheet position	2,819,103	(609,635)	29,902	2,239,370
Credit commitments	577,778	717,664	--	1,295,442
As at 31 March 2009				
Total financial assets	12,174,437	4,442,510	310,517	16,927,464
Total financial liabilities	(9,792,928)	(4,907,539)	(278,338)	(14,978,805)
Net balance sheet position	2,381,509	(465,029)	32,179	1,948,659
Credit commitments	246,800	87,456	--	334,256

26.5.2 Currency risk non-trading portfolio

The table below demonstrates the sensitivity to reasonable possible movements of the US dollar against the Trinidad and Tobago dollar to which the Bank had significant exposure in respect of its non-trading financial assets and liabilities holding all other variables constant.

	Change in currency rate in % in 31 October 2010	Effect on profit before tax 2010 ($'000)	Effect on equity ($'000)
Currency			
USD	(1)	5,786	--

	Change in currency rate in % in 31 March 2009	Effect on profit before tax 2009 ($'000)	Effect on equity ($'000)
Currency			
USD	(1)	4,286	--

26.6 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 Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

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

Loans and advances to customers

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

26.6.1 Credit risk management

The Bank's internal ratings scale and mapping of external ratings are as follows:

Bank's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very Good	High grade
3	Good	Standard grade
4	Special Mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and Doubtful	Past due or impaired
7	Virtual Certain Loss	Past due or impaired

Loans and advances to customers

The ratings 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 Bank 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.

Debt securities and other bills

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

26.6.2 Risk limit control and mitigation policies

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. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

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. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

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

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

Derivatives

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

Master netting arrangements

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

Notes to the financial statements

26 Financial risk management (continued)

26.6 Credit risk (continued)

26.6.2 Risk limit control and mitigation policies (continued)

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank 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.

26.6.3 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 2e). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for banking regulation purposes.

The Bank'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 statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts.

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

Collectively assessed impairment allowances are provided for portfolios of homogenous assets that are individually below materiality thresholds by using the available historical experience and experienced judgment.

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

	Gross maximum exposure 2010 ($'000)	Gross maximum exposure 2009 ($'000)
Credit risk exposures are as follows:		
On-balance sheet		
Loans and advances to customers	9,057,980	9,271,946
Securities at fair value through profit or loss	401,580	91,424
Securities available for sale at fair value excluding equities	3,433,945	822,126
Securities held to maturity at amortised cost	915,276	641,401
Due from banks	1,202,066	472,652
Banker's acceptances and participatory investments	398,100	240,070
Derivative financial instruments	87,271	36,453
	15,496,218	11,576,072
Off-balance sheet		
Guarantees, acceptances, indemnities and letters of credit	604,722	1,261,035
Credit commitments	1,295,442	334,256
	1,900,164	1,595,291
Total credit risk exposure	17,396,382	13,171,363

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

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

	Gross maximum exposure 2010 ($'000)	Gross maximum exposure 2009 ($'000)
Consumer	3,111,348	3,060,348
Manufacturing	1,147,722	1,075,476
Distribution	981,296	1,263,471
Financial services	1,835,463	1,024,694
Transport	323,929	176,333
Construction	553,379	599,097
Petroleum	100,460	220,998
Agriculture	15,685	59,219
Real estate	882,983	964,442
Tourism	366,077	673,688
Professional services	24,676	37,267
Utilities	125,372	225,735
Health services	85,462	52,802
Government	4,435,257	1,322,754
Other	1,507,109	819,748
	15,496,218	11,576,072

26.6.6 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit to any client or counterparty as at October 31, 2010 was $4,109,706,000 (2009: $3,090,305,000) before taking account of account collateral or other credit enhancements.

26.6.7 Credit quality by class of financial assets

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 October 2010				
Due from banks	1,202,066	--	--	1,202,066
Derivative financial instruments	87,271	--	--	87,271
Banker's acceptances and participatory investments	398,100	--	--	398,100
At fair value through profit or loss:				
- Government debt	377,884	--	--	377,884
- Corporate debt	23,696	--	--	23,696
Available for sale:				
- Government debt	2,785,802	--	--	2,785,802
- Corporate debt	281,721	--	--	281,721
- Other	366,422	--	--	366,422
Held to maturity:				
- Government	915,276	--	--	915,276
- Other	--	--	--	--
	4,750,801	--	--	4,750,801
Loans and advances to customers				
- Retail	1,222,250	241,594	69,471	1,533,315
- Commercial/corporate	3,326,145	864,774	1,002,247	5,193,166
- Mortgages	985,498	173,918	6,242	1,165,658
- Other	1,135,135	22,921	7,785	1,165,841
	6,669,028	1,303,207	1,085,745	9,057,980
	13,107,266	1,303,207	1,085,745	15,496,218

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 March 2009				
Due from banks	472,652	--	--	472,652
Derivative financial instruments	36,453	--	--	36,453
Banker's acceptances and participatory investments	240,070	--	--	240,070
At fair value through profit or loss:				
- Corporate debt	91,424	--	--	91,424
Available for sale:				
- Government debt	391,036	--	8,868	399,904
- Corporate debt	166,820	--	--	166,820
- Other	255,402	--	--	255,402
Held to maturity:				
- Government	612,665	--	--	612,665
- Other	28,736	--	--	28,736
	1,546,083	--	8,868	1,554,951
Loans and advances to customers				
- Retail	1,304,215	233,697	39,208	1,577,120
- Commercial/Corporate	4,581,394	734,206	300,149	5,615,749
- Mortgages	914,236	45	--	914,281
- Other	1,085,506	28,940	50,350	1,164,796
	7,885,351	996,888	389,707	9,271,946
	10,180,609	996,888	398,575	11,576,072

Notes to the financial statements

26 Financial risk management (continued)

26.6 Credit risk (continued)

26.6.8 Credit risk exposure based on the Bank's internal corporate rating system

	Standard & Poor's equivalent grades	Total 2010 ($'000)	Total 2009 ($'000)
Excellent			
AA	BB+	1,646,286	2,453,191
Very good			
A+	BB	1,429,623	2,279,978
A	BB-	6,012,790	1,634,230
Good			
A-	B+	4,369,390	3,995,493
B+	B		
Special mention			
B	B-	17,149	445,705
C+	CCC+	1,102,356	--
Unacceptable			
C	CCC	260,109	541,422
D+	CCC-		
Bad and doubtful			
D	CC+	414,855	225,886
E+	CC		
Virtual certain loss			
E	CC-	243,660	167
		15,496,218	11,576,072

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

	Less than 1 mth ($'000)	1-3 mths ($'000)	3-6 mths ($'000)	More than 6 mths ($'000)	Total ($'000)
As at 31 October 2010					
Loans and advances to customers:					
Retail	178,752	62,842	--	--	241,594
Commercial/Corporate	442,162	422,612	--	--	864,774
Mortgages	142,720	31,198	--	--	173,918
Other	16,129	6,792	--	--	22,921
	779,763	523,444	--	--	1,303,207
As at 31 March 2009					
Loans and advances to customers:					
Retail	203,279	30,418	--	--	233,697
Commercial/corporate	588,032	146,174	--	--	734,206
Mortgages	--	--	--	45	45
Other	19,861	9,079	--	--	28,940
	811,172	185,671	--	45	996,888

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

	2010 ($'000)	2009 ($'000)
Investment securities available for sale	--	--
Loans and advances to customers		
Retail	3,879	573
Commercial/corporate	88,179	2,020
Mortgages	--	210
	92,058	2,803
Total renegotiated financial assets	92,058	2,803

26.6.11 Repossessed collateral

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

26.7 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 Central Bank of Trinidad and Tobago;
- 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 Central Bank of Trinidad and Tobago. The required information is filed with the Authority on a monthly basis.

The table below summarises the composition of regulatory capital and the ratios of the Bank at the statement of financial position date. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2010 ($'000)	2009 ($'000)
Tier 1 capital		
Share capital (net of the treasury shares)	403,970	403,970
Statutory reserve	518,970	378,434
Retained earnings	1,131,324	871,142
Total qualifying Tier 1 capital	2,054,264	1,653,546
Tier 2 capital		
General Reserve	604	604
Revaluation reserve/(deficit) – available-for-sale investments	40,388	(9,104)
Total qualifying Tier 2 capital	40,992	(8,500)
Total regulatory capital	2,095,256	1,645,046
Risk-weighted assets:		
On-balance sheet	10,514,263	10,567,190
Off-balance sheet	1,748,427	2,051,694
Total risk-weighted assets	12,262,690	12,618,884
Total regulatory capital to risk weighted assets	15.59%	12.23%

27 Contingent liabilities and commitments

Legal proceedings

As at 31 October 2010, there were certain legal proceedings outstanding against the Bank. A provision has been made of $9 million based on professional advice as to the likely obligations arising from these litigation matters.

Customers' liability under acceptances, guarantees and letter of credit

The contractual amounts of the Bank's off-balance sheet financial instruments that may commit it to extend credit to customers are as follows:

	2010 ($'000)	2009 ($'000)
Bonds outstanding, letters of credit and guarantees	604,722	1,184,640
Sectoral analysis		
Private sector	525,751	1,157,151
State sector	550	678
Consumers	73,469	18,521
Other	4,952	8,290
	604,722	1,184,640

There are equal and offsetting claims against the Bank's customers in the event of a call on these commitments.

Notes to the financial statements

27 Contingent liabilities and commitments (continued)

	2010 ($'000)	2009 ($'000)
Credit commitments		
Sectoral analysis of credit commitments is as follows:		
Distribution	23,050	53,149
Construction	14,827	49,055
Consumer	81,567	61,336
Manufacturing	222,509	60,680
Financial services	--	5,000
Transport	850	100
Tourism	--	7,815
Professional services	4,900	4,270
Petroleum	250,600	2,520
Real estate	3,283	10,574
Government	623,500	--
Other	70,356	79,757
	1,295,442	334,256

Capital commitments

The Bank has capital commitments totaling $7.00 million at 31 October 2010 (2009 - $0.38 million). See Note 26.3.2.

Operating lease commitments

The future minimum lease payments under non-cancellable building operating leases are shown in Note 26.3.2

28 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 Bank is Royal Bank of Canada.

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

	2010	2009
Loans and investments		
Directors and key management personnel	5,750	26,828
Other related parties	605,456	1,270,461
	611,206	1,297,289

No provisions have been recognised in respect of loans given to related parties (2009: nil).

	2010	2009
Deposits and other liabilities		
Directors and key management personnel	5,232	28,075
Other related parties	661,474	606,417
	666,706	634,492
Interest income		
Directors and key management personnel	76	2,451
Other related parties	68,220	44,849
	68,296	47,300
Other income		
Other related parties	72,682	61,082
Interest expense		
Directors and key management personnel	37	381
Other related parties	21,729	25,132
	21,766	25,513
Operating expenses		
Other related parties	154,949	94,238

Key management compensation

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

	2010	2009
Salaries, benefits and fees	4,874	1,125

29 Fair value of financial assets and liabilities

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

Assets

Cash on hand and due to banks

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

Loans and advances to customers

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 consistent with their carrying values.

Investment securities held to maturity

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

	Carrying Value ($'000)	Fair Value ($'000)
Balance at 31 October 2010	915,276	916,740
Balance at 31 March 2009	641,401	606,113

Liabilities

Due to banks and customers' deposits

The fair values of items with no stated maturity are assumed to be equal to their carrying value. 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).

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities at fair value through profit or loss (including trading)				
Government and state-owned enterprises debt securities	--	--	377,884	377,884
Corporate debt securities	--	--	23,696	23,696
	--	--	401,580	401,580
Securities available-for-sale at fair value				
Treasury bills and treasury notes	--	--	2,613,732	2,613,732
Government and state-owned enterprises debt securities	--	--	172,070	172,070
Corporate debt securities	--	--	281,721	281,721
Other debt securities	--	--	63,972	63,972
Money market instruments	--	--	302,450	302,450
Equity securities	--	13,519	3,402	16,921
	--	13,519	3,437,347	3,450,866

Reconciliation of Level 3 fair value measurements of financial assets

	At fair value through profit and loss	Available-for-sale	Total
As at April 1, 2009	91,424	852,666	944,090
Additions	1,289,883	13,022,679	14,312,562
Disposal (Sale and redemption)	(984,930)	(10,478,069)	(11,462,999)
Gains from changes in fair value	5,203	40,071	45,274
As at October 31, 2010	401,580	3,437,347	3,838,927

30 Restatements and re-classifications

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

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

	As previously stated ($'000)	Re-classification ($'000)	Adjustments ($'000)	Revised balance ($'000)
As at 31 March 2009				
Statement of financial position				
Assets				
Cash on hand and due from banks	1,570,917	--	--	1,570,917
Balances with central banks	2,055,007	--	--	2,055,007
Loans and advances to customers	9,057,366	--	--	9,057,366
Investment securities	1,603,612	--	--	1,603,612
Banker's acceptances and participatory investments	--	--	240,070	240,070
Investment in associate company	10,569	--	--	10,569
Due from affiliate companies	2,353,470	--	--	2,353,470
Derivative financial instruments	36,453	--	--	36,453
Intangible assets	--	83,499	--	83,499
Premises and equipment	320,001	(83,499)	--	236,502
Deferred tax assets	3,035	--	36,419	39,454
Other assets	76,748	--	--	76,748
Total assets	17,087,178	--	276,489	17,363,667
Liabilities				
Due to banks	696,201	--	--	696,201
Customers' deposits	13,436,117	--	--	13,436,117
Banker's acceptances and participatory investments	--	--	240,070	240,070
Due to affiliated companies	606,417	--	--	606,417
Provision for taxation	107,921	--	--	107,921
Deferred tax liabilities	6,143	--	--	6,143
Post-retirement benefit	--	--	145,676	145,676
Other liabilities	480,076	(92,016)	--	388,060
Provisions	--	92,016	--	92,016
Total liabilities	15,332,875	--	385,746	15,718,621

Notes to the financial statements

30 Restatements and re-classifications (continued)

	As previously stated ($'000)	Re-classification ($'000)	Adjustments ($'000)	Revised balance ($'000)
As at 31 March 2009				
Statement of financial position				
Shareholders' Equity				
Share capital	403,970	--	--	403,970
Statutory reserves	378,434	--	--	378,434
Other reserves	(8,500)	--	--	(8,500)
Retained Earnings	980,399	--	(109,257)	871,142
Total shareholders' equity	1,754,303	--	(109,257)	1,645,046
Total equity and liabilities	17,087,178	--	276,489	17,363,667
Statement of comprehensive income				
Interest income	1,293,202	--	--	1,293,202
Interest expense	(432,823)	--	--	(432,823)
Net interest income	860,379	--	--	860,379
Other income	421,504	--	--	421,504
Net income	1,281,883	--	--	1,281,883
Operating expenses	(753,603)	--	(145,676)	(899,279)
Impairment losses on loans and advances	(74,520)	--	--	(74,520)
Impairment credit on investment securities	2,007	--	--	2,007
Total non-interest expenses	(826,116)	--	(145,676)	(971,792)
Share of profits of associate companies before tax	2,662	--	--	2,662
Profit before taxation	458,429	--	(145,676)	312,753
Taxation	(112,668)	--	36,419	(76,249)
Profit after taxation	345,761	--	(109,257)	236,504

Reconciliation of prior year adjustments to the statement of changes in shareholders' equity

There were no restatements or reclassifications made to the statement of changes in equity at 31 March 2008.

The prior year adjustment made to shareholders equity at 31 March 2009 relates to the recognition of post-retirement benefits previously carried by the parent company and the details are set out in note 15.