RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated Financial Statements
31 October 2011

Contents **Page**

Deloitte.

Deloitte & Touche
54 Ariapita Avenue,
Woodbrook, Port of Spain,
Trinidad, West Indies.

Tel: +1 868 628 1256
Fax: +1 868 628 6566
Website: www.deloitte.com

Independent auditor's report

To the shareholders of
RBC Financial (Caribbean) Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of RBC Financial (Caribbean) Limited (the Company) and its subsidiaries (together, the Group) which comprise the consolidated statement of financial position as at 31 October 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and the fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 October 2011 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte and Touche
Port of Spain
Trinidad, West Indies
23 January 2012

RBC Financial (Caribbean) Limited And Its Subsidiaries

Statement of management responsibilities

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

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

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

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

Chief Executive Officer

23 January 2012

Chief Financial Officer

23 January 2012

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated statement of financial position

Expressed in Trinidad and Tobago Dollars

	Note	At 31 October 2011 ($'000)	At 31 October 2010 ($'000)
Assets			
Cash and cash equivalents	5	12,822,976	13,095,774
Balances with central banks	6	5,817,147	5,044,730
Loans and advances to customers	7	40,881,670	29,198,709
Investment securities	8	10,866,570	11,582,508
Investment in associate companies and joint venture	9	180,049	182,945
Due from associated and affiliated companies		1,365,172	942,393
Derivative financial instruments	10	82,589	128,898
Intangible assets	11	1,256,010	1,346,267
Goodwill	12	9,262,214	9,262,214
Premises and equipment	13	1,559,321	1,302,196
Deferred tax assets	14	438,064	490,222
Other assets	15	1,553,149	1,507,878
Total assets		86,084,931	74,084,734
Liabilities			
Due to banks		1,222,523	966,741
Customers' deposits	16	58,983,055	45,020,443
Other funding instruments	17	1,507,997	2,083,359
Other borrowed funds	18	416,700	901,014
Debt securities in issue	19	752,373	749,071
Due to associated and affiliated companies		1,860,138	2,688,624
Derivative financial instruments	10	107,821	202,835
Post-retirement benefit obligations	20	343,921	318,865
Current income tax liabilities		171,248	360,237
Deferred tax liabilities	14	539,082	695,385
Other liabilities	21	2,266,681	1,912,592
Provisions		149,432	168,326
Total liabilities		68,320,971	56,067,492
Total equity attributable to owners of parent		17,194,667	17,970,416
Non-controlling interests	25	569,293	46,826
Total equity		17,763,960	18,017,242
Total equity and liabilities		86,084,931	74,084,734

The notes on pages 7 to 90 form an integral part of these consolidated financial statements.

On 23 January 2012 the Board of Directors of RBC Financial (Caribbean) Limited authorized these consolidated financial statements for issue.

_______________ Director   _______________ Director

RBC Financial (Caribbean) Limited And Its Subsidiaries

Consolidated statement of comprehensive income

Expressed in Trinidad and Tobago Dollars

	Note	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Interest income	26	3,606,454	5,587,393
Interest expense	27	(935,282)	(1,668,728)
Net interest income		2,671,172	3,918,665
Non-interest income	28	1,511,917	1,902,573
Net income		4,183,089	5,821,238
Non-interest expenses	29	(3,168,679)	(4,031,014)
Impairment losses on loans and advances	7.2	(642,136)	(994,408)
Impairment losses on investment securities	8.2	(28,609)	(249,745)
Share of profits of associate companies	9.1	5,015	8,726
Share of profits of joint venture	9.3	9,904	16,301
Income before taxation		358,584	571,098
Taxation	30	(25,530)	(149,024)
Net income after taxation		333,054	422,074
Other comprehensive income, net of taxes:			
Exchange differences on translating foreign operations	24.2	(19,047)	101,864
Net change in gains/(losses) on available-for-sale financial assets	24.3	(3,705)	711,850
Share of other comprehensive income of non-controlling interests		4,651	(6,710)
Other comprehensive income for the period, net of tax		(18,101)	807,004
Total comprehensive income for the period		314,953	1,229,078
Net income attributable to:			
Owners of parent		301,601	414,820
Non-controlling interests		31,453	7,254
		333,054	422,074
Total comprehensive income attributable to:			
Owners of parent		278,848	1,228,534
Non-controlling interests		36,105	544
		314,953	1,229,078

The notes on pages 7 to 90 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Expressed in Trinidad and Tobago Dollars

	Note	Share capital ($'000) Note 22	Statutory reserves ($'000) Note 23	Other reserves ($'000) Note 24	Retained earnings ($'000)	Attributable to owners of parent ($'000)	Non-controlling interests ($'000) Note 25	Total ($'000)
Nineteen months ended 31 October 2010								
Balance at beginning of period		13,815,959	104,623	(599,277)	373,576	13,694,881	53,350	13,748,231
Other comprehensive income		--	--	813,714	--	813,714	(6,710)	807,004
Profit attributable to shareholders		--	--	--	414,820	414,820	7,254	422,074
Total comprehensive income		--	--	813,714	414,820	1,228,534	544	1,229,078
Transfer to/(from) statutory reserves	23	--	158,890	--	(158,890)	--	--	--
Transfer to/(from) general banking risks reserve	24.4	--	--	(22,541)	22,541	--	--	--
Capital reserve movements	24.1	--	--	52,266	(52,266)	--	--	--
Acquisition of subsidiary		--	--	--	(759,792)	(759,792)	--	(759,792)
Proceeds from shares issued	22	3,807,423	--	--	--	3,807,423	--	3,807,423
Dividends	31	--	--	--	(630)	(630)	(7,068)	(7,698)
Balance at end of period		17,623,382	263,513	244,162	(160,641)	17,970,416	46,826	18,017,242
Year ended 31 October 2011								
Balance at beginning of year		17,623,382	263,513	244,162	(160,641)	17,970,416	46,826	18,017,242
Other comprehensive income		--	--	(22,753)	--	(22,753)	4,652	(18,101)
Profit attributable to shareholders		--	--	--	301,601	301,601	31,453	333,054
Total comprehensive income		--	--	(22,753)	301,601	278,848	36,105	314,953
Transfer to/(from) statutory reserves	23	--	68,409	--	(68,409)	--	--	--
Transfer to/(from) general banking risks reserve	24.4	--	--	108,564	(108,564)	--	--	--
Capital reserve movements	24.1	--	--	(363,752)	(7,362)	(371,114)	--	(371,114)
Dividends	31	--	--	--	--	--	(41,298)	(41,298)
Transfer of shareholding in subsidiary		--	--	--	--	--	527,660	527,660
Acquisition of subsidiary		--	--	--	(683,483)	(683,483)	--	(683,483)
Balance at end of year		17,623,382	331,922	(33,779)	(726,858)	17,194,667	569,293	17,763,960

The notes on pages 7 to 90 form an integral part of these consolidated financial statements.

RBC Financial (Caribbean) Limited And Its Subsidiaries
Consolidated statement of cash flows

Expressed in Trinidad and Tobago Dollars	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Operating activities		
Income before taxation	358,584	571,098
Adjustments for:		
Impairment losses on loans and advances to customers	642,136	994,408
Post-retirement benefit expense	25,056	81,841
Capitalized interest on investment securities	(3,197)	(58,106)
Net investment trading income	(57,858)	(69,911)
Impairment losses on investment securities	28,609	249,745
Impairment of investment in associate companies and joint ventures	9,500	19,000
Goodwill arising on combination	--	(196,067)
Depreciation and amortization of intangible assets	327,085	430,145
Loss/(gain) on disposal of premises and equipment and intangible assets	358	(2,060)
Dividends received from associate companies and joint venture	7,621	512
Share of losses of associate companies and joint venture	(14,919)	(25,027)
(Gains)/losses transferred from investment revaluation reserve	(10,273)	49,434
Translation adjustment	33,836	57,878
	1,346,538	2,102,890
(Increase)/decrease in operating assets		
Balances with central banks	(772,417)	(1,413,295)
Loans and advances to customers	458,642	(1,665,743)
Other assets	(414,098)	(561,591)
Increase/(decrease) in operating liabilities		
Due to banks	270,725	(614,686)
Customers' deposits	(1,855,921)	3,059,279
Other funding instruments	(571,071)	(3,598,801)
Due to/(from) associate and affiliate companies	(1,334,279)	1,261,265
Other liabilities	(453,881)	676,302
Corporation taxes paid	(239,234)	(405,226)
Cash used in operating activities	(3,564,996)	(1,159,606)
Investing activities		
Investment in subsidiaries and associate companies net of cash acquired	(663,771)	(215,579)
Net movement in investment securities	3,167,893	(25,000)
Additions to premises and equipment and intangible assets	(441,847)	(462,986)
Proceeds from sale of premises and equipment	90,340	34,722
Cash provided by/(used in) investing activities	2,152,615	(668,843)
Financing activities		
Proceeds from shares issued	--	3,807,423
Net movement in other borrowed funds	(482,991)	(287,239)
Net movement in debt securities in issue	3,302	(90,872)
Dividends paid to company's shareholders	--	(630)
Dividends paid to non-controlling interests	(41,298)	(7,068)
Cash (used in)/provided by financing activities	(520,987)	3,421,614
Effect of exchange rate changes on cash and cash equivalents	(148,209)	(131,002)
Net (decrease)/increase in cash and cash equivalents	(2,081,577)	1,462,163
Cash and cash equivalents at beginning of period	13,095,774	7,399,627
Cash and cash equivalents acquired on acquisition of subsidiary	1,808,779	4,233,984
Cash and cash equivalents at end of period	12,822,976	13,095,774

The notes on pages 7 to 90 form an integral part of these consolidated financial statements.

Expressed in Trinidad and Tobago Dollars

1 Incorporation and business activities of the Group

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

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

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

During fiscal 2010, the Group changed its end of reporting period to 31 October to align the Group's year-end with that of its ultimate parent company, Royal Bank of Canada. Consequen tly, the consolidated results for the comparative period ended 31 October 2010 include the results of operations for nineteen months from 1 April 2009 to 31 October 2010.

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

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

Standards affecting the reported financial performance and/or financial position

- IFRS 3, Business Combinations – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 July 2010)
- IAS 27, (revised in 2008) Consolidated and Separate Financial Statements – Changes in ownership interests in its subsidiaries that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss (effective 1 July 2009)

Expressed in Trinidad and Tobago Dollars

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

Standards and Interpretations adopted with no effect on financial statements

- IAS 28, (revised in 2008) Investment in Associates – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 July 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IAS 31, Interests in Joint Ventures: consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)
- IAS 39, Financial Instruments: recognition and measurement: amendments for eligible hedged items (effective 1 July 2009)
- 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 32, Financial Instruments. Amendment relating to classification of rights issues (effective 1 February 2010)
- IAS 36, Impairment of Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 38, Intangible Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective July 2010)
- 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)

Standards and Interpretations in issue not yet adopted

- IAS 24, Related party disclosures. Revised definition of related parties (annual periods beginning on or after 1 January 2011)
- IFRIC 14, Requirements and their interaction. November 2009 amendment with respect to voluntary prepaid contributions (to be effected 1 January 2011)
- IFRS 1, First-time Adoption of International Financial Reporting Standards. Amendments resulting from May 2010 Annual Improvements to IFRSs (annual periods beginning on or after 1 January 2011)
- IFRS 1, First-time Adoption of International Financial Reporting Standards. Replacement for 'fixed dates' for certain exceptions with 'the date of transaction to IFRSs (annual periods beginning on or after 1 July 2011)

Expressed in Trinidad and Tobago Dollars

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

Standards and interpretations in issue not yet adopted (continued)

- IFRS 1, First-time Adoption of International Financial Reporting Standards. Additional exemption for entities ceasing to suffer from severe hyperinflation (annual periods beginning on or after 1 July 2011)
- IFRS 7, Financial Instruments: Disclosures. Amendments resulting from May 2010 annual improvements to IFRSs (annual periods beginning on or after 1 January 2011)
- IFRS 7, Financial Instruments: Disclosures. Amendments enhancing disclosure about transfers of financial assets (annual periods beginning on or after 1 July 2011)
- IFRS 9, Financial Instruments. Classification and Measurement (annual periods beginning on or after 1 January 2013)
- IFRS 10, Consolidated Financial Statements (annual periods beginning on or after 1 January 2013)
- IFRS 11, Joint Arrangements (annual periods beginning on or after 1 January 2013)
- IFRS 12, Disclosure in Interests in Other Entities (annual periods beginning on or after 1 January 2013)
- IFRS 13, Fair Value Measurement (annual periods beginning on or after 1 January 2013)
- IAS 1, Presentation of Financial Statements. Amendments resulting from April 2010 annual improvements to IFRSs (annual periods beginning on or after 1 January 2011)
- IAS 1, Presentation of Financial Statements. Amendments to revise the way other comprehensive income is presented (annual periods beginning on or after 1 July 2012)
- IAS 12, Income Taxes. Limited scope amendment (recovery of underlying assets) (annual periods beginning on or after 1 January 2012)
- IAS 19, Employee Benefits. Amended standard resulting from the post-employment benefits and termination benefits project (annual periods beginning on or after 1 January 2013)
- IAS 27, Consolidated and Separate Financial Statements. Re-issued as IAS 27 *Separate Financial Statements* (as amended in 2011), (annual periods beginning on or after 1 January 2013)
- IAS 28, Investments in Associates. Re-issued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), (annual periods beginning on or after 1 January 2013)
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

3 Significant accounting policies

a) Basis of preparation

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3 Significant accounting policies (continued)

a) Basis of preparation (continued)

Basis of measurement

The consolidated financial statements are prepared in Trinidad and Tobago dollars.

These consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, securities at fair value through profit or loss, investment properties, derivative financial instruments and other trading liabilities.

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

b) Basis of consolidation

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

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

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

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

b) Basis of consolidation (continued)

i) Business combinations

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

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

Under IFRS 3, an election has been made to have the non-controlling interest in the acquiree initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liability recognized.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

ii) Investment in associates

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

b) Basis of consolidation (continued)

ii) Investment in associates (continued)

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

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

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

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

iii) Interests in joint ventures

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

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

3 Significant accounting policies (continued)

b) Basis of consolidation (continued)

iii) Interests in joint ventures (continued)

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (note 3(k)).

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

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

c) Foreign currency translation

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

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

3 Significant accounting policies (continued)

c) Foreign currency translation (continued)

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

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

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

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

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

d) Financial assets

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

i) Financial assets at FVTPL

This category has two sub-categories: financial assets held for trading, and those designated at FVTPL from inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets and liabilities are designated at FVTPL when:

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

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

Expressed in Trinidad and Tobago Dollars

3 **Significant Accounting Policies (continued)**

d) **Financial assets (continued)**

ii) Loans and advances to customers

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

iii) Held-to-maturity financial assets

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

iv) AFS financial assets

AFS investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed when incurred.

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

3 Significant accounting policies (continued)

d) Financial assets (continued)

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

v) Derecognition of financial assets

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

e) Impairment of financial assets

i) Financial assets carried at amortised cost

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

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

e) Impairment of financial assets (continued)

i) Financial assets carried at amortised cost (continued)

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

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

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

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

e) Impairment of financial assets (continued)

i) Financial assets carried at amortised cost (continued)

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 income.

ii) Financial assets classified as AFS

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

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

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

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

For AFS equity investments, reversal of impairment losses previously recognised in income is recognised in other comprehensive income.

3 Significant accounting policies (continued)

e) Impairment of financial assets (continued)

iii) Renegotiated loans

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

f) Financial liabilities

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

(i) Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3 Significant accounting policies (continued)

f) Financial liabilities (continued)

(ii) Other Financial Liabilities

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

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

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

(iii) Derecognition of financial liabilities

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

g) Sale and repurchase agreements

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

h) Derivative financial instruments and other trading liabilities

Derivative financial instruments

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

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

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

3 Significant accounting policies (continued)

i) Guarantees, indemnities and letters of credit

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

j) Revenue recognition

i) Interest income and expense

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

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

ii) Fees and commissions

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

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

Expressed in Trinidad and Tobago Dollars

3 **Significant accounting policies (continued)**

j) **Revenue recognition (continued)**

ii) Dividend income

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

k) **Goodwill**

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

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

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

l) **Intangible assets**

i) Intangible assets acquired separately

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

ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequently to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

3 Significant accounting policies (continued)

m) Premises and equipment

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

Freehold land is not depreciated.

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

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

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

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

n) Impairment of tangible and intangible assets excluding goodwill

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

n) Impairment of tangible and intangible assets excluding goodwill (continued)

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

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

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

o) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are normally those with original maturities up to three months from the date of acquisition.

p) Leases

i) <u>The Group is the lessee</u>

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

p) Leases (continued)

ii) The Group is the lessor

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

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

q) Provisions

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

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

r) Share capital

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

s) Dividends

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

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

t) Employee benefits

i) Pension obligations

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

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

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

ii) Employee Share Ownership Plan (ESOP)

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

iii) Other post-retirement benefits

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

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

u) Taxation

(i) Current tax

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

(ii) Deferred tax

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

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

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

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.

Expressed in Trinidad and Tobago Dollars

3 Significant accounting policies (continued)

u) Taxation (continued)

(iii) Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

v) Administered funds

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. Assets under administration/trusteeship as at 31 October 2011 totaled $71 billion (as at 31 October 2010 - $65 billion).

w) Offsetting

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

x) Comparative information

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

4 Critical accounting estimates and judgments in applying accounting policies

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

The following are the critical accounting estimates and judgments that have been made in applying the Group's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

4 Critical accounting estimates and judgments in applying accounting policies (continued)

a) Impairment of financial assets

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

b) Fair value of financial instruments including derivatives

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

c) Held-to-maturity investments

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

d) Employee benefits – defined pension benefit plans, medical and group life plans

As disclosed in Note 20, the Group operates defined post retirement benefit plans in respect of pension, medical and group life insurance. The amounts shown in the statement of financial position are subject to estimates in respect of periodic costs which costs would be dependent on future discount rates, rates of salary increases, the inflation rate and rates of increases in medical costs. Actuaries are contracted by the Group in this regard. The Group, on the advice of actuaries, estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future post-retirement benefit obligations. To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered. The expected increase in medical costs was determined by comparing the historical relationship of actual medical increases with the local rate of inflation. Current market conditions also impact the assumptions outlined above.

Expressed in Trinidad and Tobago Dollars

4 Critical accounting estimates and judgments in applying accounting policies (continued)

e) Income taxes

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

f) Securitizations and special purpose entities

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

g) Goodwill

The Group's financial statements include goodwill arising from acquisitions. In accordance with IAS 36, goodwill was tested for impairment as at 31 October 2011 using the value in use method. This requires the use of estimates for determination of future cash flows expected to arise from each cash generating unit and an appropriate discount rate to calculate present value.

5 Cash and cash equivalents

	2011 ($'000)	2010 ($'000)
Cash on hand	1,514,827	1,048,678
Treasury bills	1,535,111	1,302,964
Due from other banks	9,773,038	10,744,132
	12,822,976	13,095,774

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

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

Expressed in Trinidad and Tobago Dollars

6 Balances with central banks

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

7 Loans and advances to customers

	2011 ($'000)	2010 ($'000)
Retail	8,115,411	5,629,233
Commercial/corporate	18,798,543	16,200,462
Mortgages	13,975,098	7,092,100
Other	1,655,265	1,297,595
Gross loans and advances	42,544,317	30,219,390
Unearned interest	(328,448)	(286,371)
	42,215,869	29,933,019
Interest receivable	129,633	159,107
Allowance for impairment losses (Note 7.1)	(1,463,832)	(893,417)
	40,881,670	29,198,709
Neither past due nor impaired loans and advances	33,481,517	24,026,206
Past due but not impaired loans and advances	4,359,525	3,465,999
Impaired loans and advances	4,703,275	2,727,185
Gross loans and advances	42,544,317	30,219,390
Included in loans and advances are amounts pledged for the benefit of investors in other funding instruments	538,879	1,400,794

Expressed in Trinidad and Tobago Dollars

7 Loans and advances to customers (continued)

7.1 Allowance for impairment losses

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Balance at beginning of period	893,417	527,430
Amounts previously provided for now being written off	(625,612)	(221,508)
Increase in allowance for the period	679,946	570,471
Transferred upon acquisition of subsidiary	510,144	13,577
Currency translation differences	5,937	3,447
Balance at end of period	1,463,832	893,417
Specific and collective impairment	1,048,142	684,419
General impairment	415,690	208,998
	1,463,832	893,417
Allowance for impairment losses by sector:		
Retail	346,092	217,079
Commercial/corporate	874,691	599,805
Mortgages	237,012	60,989
Other	6,037	15,544
	1,463,832	893,417

7.2 Impairment losses on loans and advances

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Increase in allowance for the period	679,946	570,471
Amounts not previously provided for being directly written off	57,341	452,814
Recoveries	(95,151)	(28,877)
	642,136	994,408
Impairment losses by sector:		
Retail	125,265	117,760
Commercial/corporate	477,228	804,637
Mortgages	33,606	52,991
Other	6,037	19,020
	642,136	994,408

Expressed in Trinidad and Tobago Dollars

8 Investment securities

	2011 ($'000)	2010 ($'000)
Securities at FVTPL (including trading)	346,225	870,404
Securities available-for-sale at fair value	9,054,571	9,467,075
Securities held-to-maturity at amortised cost	1,431,890	1,183,724
	10,832,686	11,521,203
Interest receivable	51,236	87,555
Provision for impairment (Note 8.1)	(17,352)	(26,250)
	10,866,570	11,582,508
Investment securities pledged for the benefit of investors in other funding instruments	958,751	1,059,839

Securities at FVTPL (including trading)

Held for trading

	2011 ($'000)	2010 ($'000)
Government and state-owned enterprises debt securities	36,408	377,888
Corporate debt securities	309,817	492,516
	346,225	870,404

Securities available-for-sale at fair value

	2011 ($'000)	2010 ($'000)
Treasury bills and treasury notes	4,179,635	4,960,816
Government and state owned enterprises debt securities	3,387,276	1,406,128
Corporate debt securities	739,370	1,461,529
Other debt securities	56,199	414,465
Money market instruments	214,830	731,448
Equity securities	477,261	492,689
	9,054,571	9,467,075

Securities held-to-maturity at amortised cost

	2011 ($'000)	2010 ($'000)
Government and state-owned enterprises debt securities	1,399,090	1,183,441
Corporate debt securities	32,800	283
	1,431,890	1,183,724

Expressed in Trinidad and Tobago Dollars

8 Investment Securities (continued)

	At Fair Value Through Profit or Loss ($'000)	Available-For-Sale ($'000)	Held-to-Maturity ($'000)	**Total** ($'000)
As at 1 November 2010	870,404	9,467,075	1,183,724	11,521,203
Addition upon acquisition of subsidiary	--	2,386,627	--	2,386,627
Additions	336,547	32,567,510	1,068,519	33,972,576
Disposal (sale and redemption)	(866,430)	(35,363,925)	(821,776)	(37,052,131)
Gains/(losses) from changes in fair value	5,704	(5,936)	--	(232)
Foreign exchange adjustment	--	3,220	1,423	4,643
As at 31 October 2011	346,225	9,054,571	1,431,890	10,832,686

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

Expressed in Trinidad and Tobago Dollars

8 Investment Securities (continued)

8.1 Provision for impairment

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Balance at beginning of period	26,250	13,364
Foreign exchange adjustment	210	76
Amounts previously provided for now being written off	(9,132)	(6,565)
Increase/(decrease) in allowance for the period	24	19,375
Balance at end of period	17,352	26,250

8.2 Impairment losses on investment securities

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Amounts not previously provided for being directly written off	30,515	230,370
Increase in allowance for the period	24	19,375
Impairment losses written-back	(1,930)	--
	28,609	249,745

9 Investment in associate companies and joint venture

	2011 ($'000)	2010 ($'000)
Associate companies (Note 9.1)	52,639	57,842
Joint venture (Note 9.3)	127,410	125,103
	180,049	182,945

9.1 Movement in investment in associate companies

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	57,842	71,727
Investment impairment	(9,500)	(19,000)
Additional investment	1,066	--
Share of current period's profits, before tax	5,015	8,726
Share of current period's tax (Note 30)	(574)	(4,071)
Share of current period's reserves	159	527
Dividends	(1,369)	(67)
Balance at end of period	52,639	57,842

Expressed in Trinidad and Tobago Dollars

9 Investment in associate companies and joint venture (continued)

9.2 Associate companies

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

	Principal Activity	Assets ($'000)	Liabilities ($'000)	Revenues ($'000)	Profit ($'000)	% of equity capital held
At 31 October 2011						
Development Finance Limited	Venture capital	192,864	(157,459)	10,228	(5,891)	31.1%
Infolink Services Limited	Clearing facility for electronic funds transfer	63,313	(1,427)	19,802	8,172	25.0%
Park Court Limited	Real estate	78,263	(68,007)	9,155	2,056	20.0%
KF Real Estate C.V.	Real estate	22,336	(10,695)	553	104	33.3%
At 31 October 2010						
Development Finance Limited	Venture capital	197,493	(145,64 7)	21,932	1,767	31.1%
Infolink Services Limited	Clearing facility for electronic funds transfer	56,232	(1,686)	31,372	16,408	25.0%
Park Court Limited	Real estate	72,065	(62,289)	7,362	964	20.0%
KF Real Estate C.V.	Real estate	21,991	(10,934)	479	67	33.3%

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

9.3 Movement in investment in joint venture

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	125,103	111,258
Share of current period's profits, before tax	9,904	16,301
Share of current period's tax (Note 30)	(1,345)	(2,010)
Dividends	(6,252)	(446)
Balance at end of period	127,410	125,103

9.4 Interest in joint venture

Joint venture at 31 October 2011 and 31 October 2010

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

Expressed in Trinidad and Tobago Dollars

9 Investment in associate companies and joint venture (continued)

9.4 Interest in joint venture (continued)

	2011 ($'000)	2010 ($'000)
Assets		
Investment properties	297,148	308,090
Other non-current assets	47,510	43,882
	344,658	351,972
Current assets	14,042	14,493
	358,700	366,465
Liabilities		
Non-current liabilities	217,250	227,785
Current liabilities	14,040	13,577
	231,290	241,362
Net assets	127,410	125,103
Income	44,055	71,168
Expenses and taxation	(35,496)	(56,877)
Profit after tax	8,559	14,291

10 Derivative financial instruments

Types

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

Interest rate swaps

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

Currency swaps

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

Expressed in Trinidad and Tobago Dollars

10 Derivative financial instruments (continued)

Notional amounts and fair values

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

	Contract/Notional Amount ($'000)	Fair Values Assets ($'000)	Liabilities ($'000)
As at 31 October 2011			
Derivatives held-for-trading			
Interest rate swaps	1,376,607	75,384	103,844
Currency swaps	329,066	7,205	3,977
		82,589	107,821
As at 31 October 2010			
Derivatives held-for-trading			
Interest rate swaps	720,496	88,760	115,772
Currency swaps	1,024,133	40,138	87,063
		128,898	202,835

Credit risk

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

11 Intangible assets

	2011			2010		
	Core deposit intangible ($'000)	Software ($'000)	Total ($'000)	Core deposit intangible ($'000)	Software ($'000)	Total ($'000)
Opening net carrying value	653,589	692,678	1,346 ,267	876,303	506,221	1,382,524
Additions	--	172,357	172,357	--	248,285	248,285
Disposals	--	(66,302)	(66,302)	--	(9,297)	(9,297)
Amortization	(140,661)	(55,651)	(196,312)	(222,714)	(52,531)	(275,245)
Closing net carrying value	512,928	743,082	1,256 ,010	653,589	692,678	1,346 ,267
Cost	963,668	1,061 ,142	2,024 ,810	963,668	956,151	1,919 ,819
Accumulated amortization	(450,740)	(318,060)	(768,800)	(310,079)	(263,473)	(573,552)
Net carrying value	512,928	743,082	1,256 ,010	653,589	692,678	1,346 ,267

Expressed in Trinidad and Tobago Dollars

12 Goodwill

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	9,262,214	9,066,147
Arising on combination	--	196,067
Balance at end of period	9,262,214	9,262,214

During 2010, goodwill in the amount of $196 million was created arising from adjustments to the fair valuations of assets acquired by Royal Bank of Canada on the combination of RBC Financial (Caribbean) Limited and RBTT Financial Holdings Limited on 16 June 2008. Goodwill on assets acquired was assessed to determine the need for an impairment provision as at the year end, in accordance with IFRS 3 – Business Combinations. In 2011, this assessment used the "value in use" method. Based on the results of the assessment, goodwill was deemed not to be impaired as at 31 October 2011 and as such no impairment charge was required.

13 Premises and equipment

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Capital work in progress ($'000)	Total ($'000)
Year ended 31 October 2011						
Opening net book value	747,064	30,606	124,345	265,137	135,044	1,302,196
Translation adjustment	(3,046)	20	73	(2,233)	(1,453)	(6,639)
Adjusted opening net book value	744,018	30,626	124,418	262,904	133,591	1,295,557
Additions on acquisition of subsidiaries	8,013	57,452	32,372	51,606	--	149,443
Additions	2,387	2,175	1,075	59,326	204,527	269,490
Disposals	--	(96)	(475)	(21,470)	(2,355)	(24,396)
Transfers	11,671	382	4,429	33,936	(50,418)	--
Depreciation charge	(20,855)	(4,490)	(16,410)	(89,018)	--	(130,773)
Closing net book value	745,234	86,049	145,409	297,284	285,345	1,559,321
At 31 October 2011						
Total cost	924,388	161,279	293,324	1,332,151	285,345	2,996,487
Accumulated depreciation	(179,15 4)	(75,230)	(147,91 5)	(1,034,867)	--	(1,437,166)
Net book value	745,234	86,049	145,409	297,284	285,345	1,559,321

Expressed in Trinidad and Tobago Dollars

13 Premises and equipment (continued)

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Capital Work in progress ($'000)	Total ($'000)
Nineteen Months ended 31 October 2010						
Opening net book value	668,764	30,939	65,746	247,649	155,371	1,168,469
Translation adjustment	5,095	29	489	2,198	548	8,359
Adjusted opening net book value	673,859	30,968	66,235	249,847	155,919	1,176,828
Additions on acquisition of subsidiary	75,007	--	4,913	9,012	--	88,932
Additions	3,589	142	62,820	112,942	35,208	214,701
Disposals	(5,919)	--	--	(17,446)	--	(23,365)
Transfers	31,451	--	3,402	21,230	(56,083)	--
Depreciation charge	(30,923)	(504)	(13,025)	(110,44 8)	--	(154,900)
Closing net book value	747,064	30,606	124,345	265,137	135,044	1,302,196
At 31 October 2010						
Total cost	910,022	36,299	199,800	1,017,028	135,044	2,298,193
Accumulated depreciation	(162,95 8)	(5,693)	(75,455)	(751,89 1)	--	(995,997)
Net book value	747,064	30,606	124,345	265,137	135,044	1,302,196

14 Deferred tax assets and liabilities

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

	2011 ($'000)	2010 ($'000)
Deferred tax assets	438,064	490,222
Deferred tax liabilities	(539,082)	(695,385)
	(101,018)	(205,163)

Expressed in Trinidad and Tobago Dollars

14 Deferred tax assets and liabilities (continued)

	2011 ($'000)	2010 ($'000)
The movement on the deferred tax account is as follows:		
At beginning of period	(205,163)	(215,808)
Effect of changes in exchange rate	2,759	--
Statement of comprehensive income (Note 30)	64,579	166,737
Investment revaluation reserve		
- Fair value losses /(gains)	7,452	(188,975)
- Gains transferred to the statement of comprehensive income	28,979	5,854
Other	376	27,029
At end of period	(101,018)	(205,163)

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

	2011 ($'000)	2010 ($'000)
Deferred tax assets		
Investment securities available-for-sale	91	40,296
Unrealized losses on investment securities FVTPL	22,042	--
Unrealized losses derivative financial instruments	109,819	309,748
Post retirement benefits	84,986	97,013
Accelerated tax depreciation	20,752	15,570
Tax losses	149,663	27,595
General loan loss provisions	35,102	--
Other	15,609	--
	438,064	490,222
Deferred tax liabilities		
Accelerated goodwill amortisation	66,448	66,562
Accelerated tax depreciation	134,054	121,153
Post retirement benefits	632	766
Investment securities available-for-sale	23,673	47,948
Investment securities at fair value through profit or loss	--	6,776
Unrealized gains on derivative financial instruments	97,447	252,703
Regulatory loan loss reserve	78,594	29,573
Interest receivable	13	473
Fair value adjustment on acquisition	138,221	169,431
	539,082	695,385

Expressed in Trinidad and Tobago Dollars

15 Other assets

	2011 ($'000)	2010 ($'000)
Corporation tax recoverable	142,793	250,165
Other taxes recoverable	76,013	17,765
Bankers' acceptances and Participatory investment certificates	357,377	398,100
Other	976,966	841,848
	1,553,149	1,507,878

16 Customers' deposits

	2011 ($'000)	2010 ($'000)
Savings	23,163,702	9,549,811
Term deposits	15,080,513	19,462,863
Current accounts	20,476,129	15,784,751
	58,720,344	44,797,425
Accrued interest	262,711	223,018
	58,983,055	45,020,443
Sectoral analysis		
Consumers	30,699,442	23,784,172
Private sector	20,144,545	17,042,832
State sector	3,846,687	2,828,632
Other	4,029,670	1,141,789
	58,720,344	44,797,425

17 Other funding instruments

	2011 ($'000)	2010 ($'000)
Other funding instruments	1,492,858	2,045,251
Accrued interest	15,139	38,108
	1,507,997	2,083,359
Sectoral analysis		
Consumers	610,897	977,918
Private sector	101,397	427,985
State sector	555,085	631,175
Other	225,479	8,173
	1,492,858	2,045,251

Other funding instruments consist of asset-backed fund raising instruments which include securities sold subject to repurchase agreements (repos). Interest rates on other funding instruments ranged from 0.10% to 0.50% (2010 – 0.10% to 11.50%).

Expressed in Trinidad and Tobago Dollars

18 Other borrowed funds

	2011 ($'000)	2010 ($'000)
Short-term credit lines	301,403	90,500
Long-term loan agreements	79,065	723,677
Private placements	32,939	72,046
	413,407	886,223
Accrued interest	3,293	14,791
	416,700	901,014

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

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

Interest rates on borrowings which are principally in US dollars as at 31 October 2011 ranged from 1.87% to 13% (as at 31 October 2010 – 0.71 % to 13.00%).

19 Debt securities in issue

	2011 ($'000)	2010 ($'000)
Debt securities in issue	748,187	744,903
Accrued interest	4,186	4,168
	752,373	749,071

Debt securities in issue as at 31 October 2011 include the following:

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

Expressed in Trinidad and Tobago Dollars

20 Post-retirement benefit obligations

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

20.1 The amounts recognized in the Statement of Financial Position are as follows:

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2011				
Fair value of plan assets	--	--	(210,158)	(210,158)
Post-retirement benefit obligation	165,514	20,076	360,039	545,629
Unrecognized actuarial gain	11,422	(4,737)	1,765	8,450
Liability in the statement of financial position	176,936	15,339	151,646	343,921
31 October 2010				
Fair value of plan assets	--	--	(175,505)	(175,505)
Post-retirement benefit obligation	142,129	16,736	319,963	478,828
Unrecognized actuarial gain	18,518	(4,177)	1,201	15,542
Liability in the statement of financial position	160,647	12,559	145,659	318,865

20.2 The movements in the net liability is recognized in the Statement of Financial Position are as follows:

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2011				
At beginning of period	160,647	12,559	145,659	318,865
Net benefit cost (note 20.5)	19,318	3,192	16,186	38,696
Benefits paid by Group (Net of retirees contributions)	(3,029)	(412)	(10,199)	(13,640)
At end of period	176,936	15,339	151,646	343,921
31 October 2010				
At beginning of period	137,182	10,932	88,910	237,024
Net benefit cost (note 20.5)	26,505	2,265	66,185	94,955
Benefits paid by Group (Net of retirees contributions)	(3,040)	(638)	(9,436)	(13,114)
At end of period	160,647	12,559	145,659	318,865

Expressed in Trinidad and Tobago Dollars

20 Post-retirement benefit obligations (continued)

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

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2011				
At beginning of period	--	--	(175,505)	(175,505)
Expected return of plan assets	--	--	(11,855)	(11,855)
Contributions – total	--	--	(2,511)	(2,511)
Benefits paid by Group	--	--	2,345	2,345
Actuarial gain/(loss) on plan assets	--	--	(22,632)	(22,632)
At end of period	--	--	(210,158)	(210,158)
31 October 2010				
At beginning of period	--	--	(159,300)	(159,300)
Expected return of plan assets	--	--	(14,549)	(14,549)
Contributions – total	--	--	(2,171)	(2,171)
Benefits paid by Group	--	--	2,019	2,019
Actuarial gain/(loss) on plan assets	--	--	(1,504)	(1,504)
At end of period	-	--	(175,505)	(175,505)

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

	Medical	Life	Pension	Total
31 October 2011				
At beginning of period	142,129	16,736	319,963	478,828
Current service cost	7,979	979	10,377	19,335
Interest cost	12,233	1,404	20,137	33,774
Actuarial gains/(loses)	6,202	1,369	19,761	27,332
Benefits paid	(3,029)	(412)	(10,199)	(13,640)
At end of period	165,514	20,076	360,039	545,629
31 October 2010				
At beginning of period	110,908	9,051	251,005	370,964
Current service cost	7,971	739	8,862	17,572
Interest cost	21,409	1,565	30,558	53,532
Actuarial gains/(loses)	4,881	6,019	38,974	49,874
Benefits paid	(3,040)	(638)	(9,436)	(13,114)
At end of period	142,129	16,736	319,963	478,828

Expressed in Trinidad and Tobago Dollars

20 **Post-retirement benefit obligations (continued)**

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

	Medical ('$000)	Life ($'000)	Pension ($'000)	Total ($'000)
31 October 2011				
Current service cost	7,979	979	10,377	19,335
Interest cost	12,233	1,404	20,137	33,774
Past service cost	--	--	313	313
Actuarial gains/(losses)	(894)	809	(2,786)	(2,871)
Expected return on plan assets	--	--	(11,855)	(11,855)
At end of year	19,318	3,192	16,186	38,696
31 October 2010				
Current service cost	7,971	739	8,862	17,572
Interest cost	21,409	1,565	30,558	53,532
Actuarial gains/(losses)	(2,875)	(39)	41,314	38,400
Expected return on plan assets	--	--	(14,549)	(14,549)
At end of period	26,505	2,265	66,185	94,955

20.6 **Summary of principal assumptions**

	31 October 2011	31 October 2010
Discount rates – medical and life	6.25% – 11.0%	6.25% - 11.50%
Discount rates – pension	6.00% -7.50%	6.00% - 7.75%
Future pension increase	0.00%	0.00%
Expected return on plan assets	6.50%	8.00%
Salary increases	4.5% - 6.50%	4.5% - 7.00%
Medical expense increases		
- Basic cover for retirees	5.00%	5.00%
- All other cover	2.50%	2.50%

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

	31 October 2011	31 October 2010
Medical expense increase by 1%		
Effect on aggregate service and interest costs	2,087	2,000
Effect on year end defined benefit obligation	(1,898)	(1,819)
Medical expense decrease by 1%		
Effect on aggregate service and interest costs	15,275	14,637
Effect on year end defined benefit obligation	(12,161)	(11,653)

Expressed in Trinidad and Tobago Dollars

21 Other liabilities

	2011 ($'000)	2010 ($'000)
Accruals and payables	1,398,426	1,085,500
Deferred Income	138,313	143,974
Bankers' acceptances and Participatory investment certificates	357,377	398,100
Other	372,565	285,018
	2,266,681	1,912,592

22 Share capital

	Number of ordinary shares ('000)	Share capital ($'000)
Year ended 31 October 2011		
At 31 October 2011	12,947	17,623,382
Nineteen months ended 31 October 2010		
At 1 April 2009	10,200	13,815,959
Proceeds from shares issued	2,747	3,807,423
At 31 October 2010	12,947	17,623,382

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

Expressed in Trinidad and Tobago Dollars

23 Statutory reserves

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

24 Other reserves

	2011 ($'000)	2010 ($'000)
Capital reserves (Note 24.1)	(248,640)	115,112
Translation reserve (Note 24.2)	(38,471)	(19,424)
Investment revaluation reserve (Note 24.3)	142,956	146,661
General banking risks reserve (Note 24.4)	110,376	1,813
	(33,779)	244,162

24.1 Capital reserves

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	115,112	62,846
Other reserve movements	7,362	52,266
Reduction in reserves related to creation of non-controlling interest	(371,114)	--
Balance at end of period	(248,640)	115,112

24.2 Translation reserve

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	(19,424)	(121,288)
Currency translation differences arising during the period	(19,047)	101,864
Balance at end of period	(38,471)	(19,424)

24.3 Investment revaluation reserve – securities available-for-sale

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	146,661	(565,189)
Net value gains/(losses) arising during the period, net of tax	(3,705)	711,850
Balance at end of period	142,956	146,661

Expressed in Trinidad and Tobago Dollars

24 Other reserves (continued)

24.4 General banking risks reserve

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

	2011 ($'000)	2010 ($'000)
Balance at beginning of period	1,813	24,354
Transferred from/(to) retained earnings	108,563	(22,541)
Balance at end of period	110,376	1,813

25 Non-controlling interests

	%	2011 ($'000)	2010 ($'000)
RBTT Bank Grenada Limited	38%	44,277	44,374
RBTT Bank (SKN) Limited	5%	2,429	2,452
FINCO	25%	197,638	-
RBC Royal Bank Holdings (Bahamas) Limited	18%	324,949	-
		569,293	46,826

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
26 Interest income		
Loans and advances to customers	3,133,353	4,480,987
Investment securities	443,715	1,031,471
Due from affiliates	8,781	10,476
Due from banks	20,605	64,459
	3,606,454	5,587,393
27 Interest expense		
Customers' deposits	702,397	1,019,448
Due to banks	19,389	58,038
Due to affiliates	68,414	113,120
Other interest bearing liabilities	145,082	478,122
	935,282	1,668,728

Expressed in Trinidad and Tobago Dollars

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
28 Non-interest income		
Fees and commissions (Note 28.1)	991,990	1,277,130
Net trading income (Note 28.2)	57,858	69,911
Foreign exchange earnings	353,714	513,424
Dividend income	19,699	34,348
Due to affiliates	1,451	--
Sundry income	87,205	7,760
	1,511,917	1,902,573
28.1 Fees and commissions		
Transaction service fees/commissions	252,859	599,255
Credit related fees and commissions	472,363	313,228
Corporate finance fees	4,302	7,331
Trust and investment management related fees	262,466	357,316
	991,990	1,277,130
28.2 Net trading income		
Securities at FVTPL - realised and unrealised (losses)/gains (including trading loans)	(15,077)	91,630
Derivative financial instruments - realised and unrealised gains/(losses)	62,100	(145,763)
AFS securities - realised gains	10,835	124,044
	57,858	69,911
29 Non-interest expenses		
Staff costs (Note 29.1)	1,637,848	2,004,282
Premises and equipment expenses, excluding depreciation and operating lease rentals	275,522	321,803
Advertising	31,440	37,135
Depreciation and amortization	327,085	430,145
Deposit insurance premium (Note 29.2)	42,176	50,155
Operating lease rentals	157,612	198,488
Directors' fees	4,791	7,517
Auditors' fees	9,800	12,163
Client guarantee payment (Note 29.3)	--	238,886
Other operating expenses	682,405	730,440
	3,168,679	4,031,014

Expressed in Trinidad and Tobago Dollars

29 Non-interest expenses (continued)

29.1 Staff costs

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Wages and salaries including bonuses	1,531,453	1,820,369
Employees' defined contribution pension expense	67,699	88,958
Employees' defined benefit and other post-retirement benefit costs (Note 20.5)	38,696	94,955
	1,637,848	2,004,282

29.2 Deposit insurance premium

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

29.3 Client guarantee payment

On 19 November 2009, RBTT as sponsors of the Roytrin Mutual Fund products announced its intention to move from a fixed net asset value (NAV) to a floating NAV for its TTD and USD Income funds. The change was effective 4 January 2010 and unitholders of those Funds were given a six week period to re-evaluate their portfolios and determine the best investment mix to meet their investment objectives. RBTT stated their intention to commence the floating with a NAV of $25 and make up any shortfall on the NAV as of 4 January 2010. This payment reflects the total amount paid into the funds to satisfy this guarantee

30 Taxation

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Current tax charge	81,928	299,358
Green fund levy	2,839	4,508
Prior years	3,423	5,814
Net deferred tax (credit) (Note 14)	(64,579)	(166,73 7)
Share of tax charge/ (credit) of associate company (Note 9.1)	574	4,071
Share of tax charge of joint venture (Note 9.3)	1,345	2,010
	25,530	149,024

Expressed in Trinidad and Tobago Dollars

30 Taxation (continued)

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

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Profit before tax	358,584	571,098
Prima facie tax calculated at a rate of 25%	89,646	142,775
Effect of different tax rates in other countries	(65,502)	9,522
Effect of different tax rates on certain sources of income	(2,069)	963
Income exempt from tax	(85,531)	(329,521)
Expenses not deductible for tax	60,467	246,757
Utilization of tax losses not previously recognized	--	(636)
Effect of current year unrecognised tax losses	50,199	88,969
Prior years	3,423	5,814
Green fund levy	2,839	4,508
Business levy	641	1,052
Other	(28,583)	(21,179)
Tax charge	25,530	149,024

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

Accelerated tax depreciation	4,298	14,590
Unrealized gains/(losses) on derivative financial instruments	12,117	(24,803)
Allowance for impairment (losses)/credit on loans and advances	37,709	(35,633)
Investment securities at FVTPL	7,991	9,480
Post retirement benefits	(13,133)	(66,914)
Tax losses	(73,141)	(23,061)
Regulatory loan loss reserve	(581)	(13,750
Other temporary differences	(8,629)	(26,646)
Amortization of fair value adjustments	(31,210)	--
Deferred tax credit	(64,579)	(166,737)

Expressed in Trinidad and Tobago Dollars

31 Dividends

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

	Year Ended 31 October 2011 ($'000)	Nineteen Months Ended 31 October 2010 ($'000)
Final dividend	--	--
Interim dividend	--	630
	--	630

Dividends paid to non-controlling interests in 2011 amounted to $41.3 million (2010: $7.0 million).

32 Contingent liabilities

a) Legal proceedings

As at 31 October 2011, there were certain legal proceedings outstanding against the Group for which a provision has been made of $12.5 million based on professional advice as to the likely obligations arising from these litigation matters (2010: $33 million)

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

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

	2011 ($'000)	2010 ($'000)
Guarantees, indemnities and letters of credit	1,215,075	1,219,163

Expressed in Trinidad and Tobago Dollars

33 Credit commitments

	Gross maximum exposure 2011 ($'000)	Gross maximum exposure 2010 ($'000)
Consumer	746,390	619,287
Manufacturing	115,805	348,597
Distribution	460,183	448,248
Financial services	69,980	91,633
Transport	56,198	27,765
Construction	210,833	143,673
Petroleum	25,408	250,600
Agriculture	3,847	13,418
Real estate	88,350	61,559
Tourism	39,386	32,862
Professional services	93,608	51,687
Utilities	340,655	91,044
Health services	7,316	47,207
Government	5,685	626,160
Other	458,392	285,804
	2,722,036	3,139,544

34 Capital and lease commitments

The Group's capital commitments, principally in respect of building construction and renovation and information technology projects are $349 million as at 31 October 2011 (2010 - $335 million).

	2011 ($'000)	2010 ($'000)
Operating lease commitments are as follows:		
Premises		
Within one year	121,016	95,792
One to five years	350,303	169,798
Over five years	335,529	46,395
	806,848	311,985

Expressed in Trinidad and Tobago Dollars

35 Related party transactions

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

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

Balances and transactions between the company and its subsidiaries, which are related parties of the subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

	2011 ($'000)	2010 ($'000)
Outstanding balances		
Loans and investments		
Associates	318,966	307,883
Directors and key management personnel	12,151	12,959
	331,117	320,842
Deposits and other liabilities		
Associates	133,738	56,878
Directors and key management personnel	4,585	6,262
	138,323	63,140
Interest income		
Associates	20,812	2,350
Directors and key management personnel	124	--
	20,936	2,350
Fees and commissions		
Other related parties	1,263	1,517
Interest expense		
Associates	--	117
Directors and key management personnel	641	--
	641	117

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

	2011 ($'000)	2010 ($'000)
Key management compensation		
Salaries and other short term benefits	20,461	36,335

Expressed in Trinidad and Tobago Dollars

36 Financial risk management

36.1 Statement of financial position – categorization

	At 31 October 2011 ($'000)	At 31 October 2010 ($'000)
Assets		
Financial assets at fair value through profit and loss		
Investment securities	346,225	870,404
Derivative financial instruments	82,589	128,898
	428,814	999,302
Financial assets at fair value through equity		
Investment securities	9,088,455	9,528,380
Financial assets at amortized costs		
Cash on hand and due from banks	12,822,976	13,095,774
Balances with central banks	5,817,147	5,044,730
Loans and advances to customers	40,881,670	29,198,709
Investment securities	1,431,890	1,183,724
Due from associated and affiliated companies	1,365,172	942,393
Other assets	416,925	691,423
	62,735,780	50,156,753
Total financial assets	72,253,049	60,684,435
Non-financial assets	13,831,882	13,400,299
Total assets	86,084,931	74,084,734
Liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial instruments	107,821	202,835
Financial liabilities at amortized cost		
Due to banks	1,222,523	966,741
Customers' deposits	58,983,055	45,020,443
Other funding instruments	1,507,997	2,083,359
Other borrowed funds	416,700	901,014
Debt securities in issue	752,373	749,071
Due to associated and affiliated companies	1,860,138	2,688,624
Other liabilities	659,999	603,870
	65,402,785	53,013,122
Total financial liabilities	65,510,606	53,215,957
Non-financial liabilities	2,810,365	2,851,535
Total liabilities	68,320,971	56,067,492
Total equity attributable to owners of parent	17,194,667	17,970,416
Non-controlling interests	569,293	46,826
Total equity	17,763,960	18,017,242
Total equity and liabilities	86,084,931	74,084,734

Expressed in Trinidad and Tobago Dollars

36.2 Risk management

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

Risk management structure

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

Operating Committee

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

Risk Management Unit

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

Group Asset/Liability Committee (ALCO)

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

Mark To Market Committee

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.2 Risk management (Continued)

Internal Audit

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

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyze, control and identify risks early. This information which consists of several reports is presented and explained to the Operating Committee, the Asset/Liability Committees, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

Risk mitigation

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

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

The Group actively uses collateral to reduce its credit risks.

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.3 Liquidity risk

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

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.3 Liquidity risk (continued)

36.3.1 Non-derivative cash flows

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2011				
Liabilities				
Due to Banks	1,217,562	4,961	--	1,222,523
Customers' deposits	57,617,580	1,364,908	567	58,983,055
Other funding instruments	1,461,773	46,224	--	1,507,997
Other borrowed funds	306,230	23,910	86,560	416,700
Debt securities in issue	4,188	748,185	--	752,373
Due to associated and affiliated companies	1,386,198	473,940	--	1,860,138
Other liabilities	659,999	--	--	659,999
Total liabilities (contractual maturity dates)	62,653,530	2,662,128	87,127	65,402,785
As at 31 October 2010				
Liabilities				
Due to Banks	949,100	13,256	4,385	966,741
Customers' deposits	43,396,905	1,623,022	516	45,020,443
Other funding instruments	1,743,503	339,856	--	2,083,359
Other borrowed funds	468,704	360,266	72,044	901,014
Debt securities in issue	4,169	744,902	--	749,071
Due to associated and affiliated companies	2,244,516	444,108	--	2,688,624
Other liabilities	603,870	--	--	603,870
Total liabilities (contractual maturity dates)	49,410,767	3,525,410	76,945	53,013,122

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.3 Liquidity risk (continued)

36.3.2 Derivative cash flows

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2011				
a) **Derivatives settled on a net basis**				
- Foreign exchange derivatives	1,808	5,384	(4,039)	3,153
- Interest rate derivatives	16	39	(26,996)	(26,941)
	1,824	5,423	(31,035)	(23,788)
b) **Derivatives settled on a gross basis**				
Foreign exchange derivatives				
- Outflow	(12,137)	(208,003)	(6,076)	(226,216)
- Inflow	13,982	213,854	668	228,504
Interest rate derivatives				
- Outflow	(9,854)	(24,395)	(15,471)	(49,720)
- Inflow	2,782	2,142	--	4,924
Total outflow	(21,991)	(232,398)	(21,547)	(275,93 6)
Total inflow	16,764	215,996	668	233,428

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.3 Liquidity risk (continued)

36.3.2 Derivative cash flows (continued)

As at 31 October 2010	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
a) Derivatives settled on a net basis				
- Foreign exchange derivatives	--	--	--	--
- Interest rate derivatives	--	--	--	--
	--	--	--	--
b) Derivatives settled on a gross basis				
Foreign exchange derivatives				
- Outflow	(301,18 5)	(504,903)	(357,362)	(1,163,450)
- Inflow	307,555	509,287	266,488	1,083,330
Interest rate derivatives				
- Outflow	(16,172)	(27,633)	(19,922)	(63,727)
- Inflow	11,146	9,827	14,689	35,662
Total outflow	(317, 357)	(532,536)	(377,284)	(1,227,177)
Total inflow	318,701	519,114	281,177	1,118,992

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.3 Liquidity risk (continued)

36.3.3 Contingent liabilities and commitments

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2011				
Guarantees, acceptances, indemnities and letters of credit	1,146,701	26,470	41,904	1,215,075
Credit commitments	2,515,429	64,137	142,470	2,722,036
Operating lease commitments	121,016	350,303	335,529	806,848
Capital commitments	349,101	--	--	349,101
	4,132,247	440,910	519,903	5,093,060
As at 31 October 2010				
Guarantees, acceptances, indemnities and letters of credit	962,997	198,324	57,842	1,219,163
Credit commitments	2,599,932	318,713	220,899	3,139,544
Operating lease commitments	95,792	169,799	46,394	311,985
Capital commitments	335,257	--	--	335,257
	3,993,978	686,836	325,135	5,005,949

36.4 Market risk

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

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

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

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.4 Market risk (continued)

36.4.1 Market risk measurement techniques

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

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

36.4.2 Interest rate risk

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

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

	Effect on net profit 2011 ($'000)	Effect on other components of equity 2011 ($'000)	Effect on net profit 2010 ($'000)	Effect on other components of equity 2010 ($'000)
Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, Suriname, Bahamas and Other				
Change in interest rate				
+ 1%	(34,984)	33,895	(136,196)	3,845
- 1%	34,984	(33,895)	136,196	(3,845)

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk

The table below summarises the Group's exposure to interest rate repricing risk. It includes the Group's financial instruments at carrying amounts, categorized 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 2011					
Assets					
Cash and cash equivalents	8,786,047	116,435	--	3,920,494	12,822,976
Balances with central banks	2,744,626	956,232	--	2,116,289	5,817,147
Loans and advances to customers	25,525,049	6,311,553	7,881,677	1,163,391	40,881,670
Investment securities	5,898,076	2,022,564	2,453,813	492,117	10,866,570
Due from associated and affiliated companies	1,145,659	58,800	72,467	88,246	1,365,172
Derivative financial instruments	82,589	--	--	--	82,589
Other assets	132,837	--	--	284,088	416,925
Total financial assets	44,314,883	9,465,584	10,407,957	8,064,625	72,253,049
Liabilities					
Due to banks	353,569	--	--	868,954	1,222,523
Customers' deposits	46,597,734	6,571,126	56	5,814,139	58,983,055
Other funding instruments	1,446,634	46,224	--	15,139	1,507,997
Other borrowed funds	344,239	3,885	65,044	3,532	416,700
Debt securities in issue	--	748,185	--	4,188	752,373
Due from associated and affiliated companies	1,103,771	442,079	--	314,288	1,860,138
Derivative financial instruments	107,821	--	--	--	107,821
Other liabilities	101,626	--	--	558,373	659,999
Total financial liabilities	50,055,394	7,811,499	65,100	7,578,613	65,510,606
Interest sensitivity gap	(5,740,511)	1,654,085	10,342,857		

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk (continued)

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at 31 October 2010					
Assets					
Cash and cash equivalents	7,409,354	184,325	--	5,502,095	13,095,774
Balances with central banks	2,418,651	--	--	2,626,079	5,044,730
Loans and advances to customers	15,316,957	6,527,797	7,194,848	159,107	29,198,709
Investment securities	8,380,444	1,570,759	1,127,719	503,586	11,582,508
Due from affiliated and associated companies	634,754	59,207	248,000	432	942,393
Derivative financial instruments	128,898	--	--	--	128,898
Other assets	570,114	--	--	121,309	691,423
Total financial assets	34,859,172	8,342,088	8,570,567	8,912,608	60,684,435
Liabilities					
Due to banks	312,537	13,256	--	640,948	966,741
Customers' deposits	31,349,174	6,854,388	47	6,816,834	45,020,443
Other funding instruments	1,705,395	339,856	--	38,108	2,083,359
Other borrowed funds	519,818	289,928	76,477	14,791	901,014
Debt securities in issue	--	744,903	--	4,168	749,071
Due to affiliated and associated companies	2,223,953	444,108	--	20,563	2,688,624
Derivative financial instruments	202,835	--	--	--	202,835
Other liabilities	489,837	--	--	114,033	603,870
Total financial liabilities	36,803,549	8,686,439	76,524	7,649,445	53,215,957
Interest sensitivity gap	(1,944,377)	(344,351)	8,494,043		

36 Financial risk management (continued)

36.4.3 Other price risk

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

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

	Change in Price		Effect on Equity	
	2011 (%)	2010 (%)	2011 ($ Millions)	2010 ($ Millions)
Guardian Holdings Limited shares	+15	+15	65	64
	-15	-15	(65)	(64)

36.5 Currency risk

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.5 Currency risk (continued)

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

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

	TTD ($'000)	USD ($'000)	XCD ($'000)	ANG ($'000)	JMD ($'000)	BBD ($'000)	BSD ($'000)	Other ($'000)	Total ($'000)
As at 31 October 2011									
Assets									
Cash and Cash equivalents	1,253,782	5,847,468	453,096	1,851,374	769,308	733,105	485,376	1,429,467	12,822,976
Balances with central banks	3,357,902	68,219	186,832	701,730	231,162	281,061	858,612	131,629	5,817,147
Loans and advances to customers	7,770,159	8,794,756	2,409,214	4,610,657	1,016,973	4,386,936	10,935,950	957,025	40,881,670
Investment securities	4,814,053	1,980,752	138,984	46,821	158,464	644,825	2,775,784	306,887	10,866,570
Due from associated and affiliated companies	--	1,365,172	--	--	--	--	--	--	1,365,172
Derivative financial instruments	3,226	79,363	--	--	--	--	--	--	82,589
Other assets	83,721	98,998	156,960	11,638	7,256	48,666	6,646	3,040	416,925
Total financial assets	17,282,843	18,234,728	3,345,086	7,222,220	2,183,163	6,094,593	15,062,368	2,828,048	72,253,049
Liabilities									
Due to banks	55,088	670,621	15,962	44,288	17,535	170,641	63,536	184,852	1,222,523
Customers' deposits	13,360,350	13,192,847	2,958,468	6,505,273	1,907,520	5,209,211	12,808,640	3,040,746	58,983,055
Other funding Instruments	322,463	1,135,468	1,963	--	101	--	--	48,002	1,507,997
Other borrowed funds	--	291,516	--	--	37,930	87,254	--	--	416,700
Debt securities in issue	200,961	551,412	--	--	--	--	--	--	752,373
Due to associated and affiliated companies	--	1,860,138	--	--	--	--	--	--	1,860,138
Derivative financial instruments	75,361	32,460	--	--	--	--	--	--	107,821
Other liabilities	274,000	131,622	49,956	--	55,758	38,685	109,978	--	659,999
Total financial liabilities	14,288,223	17,866,084	3,026,349	6,549,561	2,018,844	5,505,791	12,982,154	3,273,600	65,510,606
Net statement of financial position	2,994,620	368,644	318,737	672,659	164,319	588,802	2,080,214	(445,552)	6,742,443
Credit commitments	370,717	528,436	163,432	151,220	56,320	811,875	622,265	17,771	2,722,036

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.5 Currency risk (continued)

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

	TT (\$'000)	US (\$'000)	XCD (\$'000)	ANG (\$'000)	JMD (\$'000)	BBD (\$'000)	BSD (\$'000)	Other (\$'000)	Total (\$'000)
As at 31 October 2010									
Total financial assets	17,637,687	18,513,472	3,304,092	8,510,236	2,691,892	5,958,052	--	4,069,004	60,684,435
Total financial Liabilities	13,581,974	17,321,038	2,982,398	7,724,995	2,186,806	5,706,245	--	3,712,501	53,215,957
Net statement of financial position	4,055,713	1,192,434	321,694	785,241	505,086	251,807	--	356,503	7,468,478
Credit commitments	577,778	1,257,375	186,918	196,385	62,308	783,907	--	74,873	3,139,544

36.5.2 Foreign currency exchange risk

Analysis was conducted to determine the sensitivity to reasonable possible movements of select currencies against the Trinidad and Tobago dollar (TT dollar) to which the Group had significant exposure at 31 October in respect of its assets and liabilities holding all other variables constant. The results revealed that as at 31 October 2011, if the TT dollar had weakened 2% against the US dollar currency, Eastern Caribbean dollar and Antillean Guilders and 7% against the Jamaican dollar with all other variables held constant, profit before tax for the year would have been \$80 million (2010 – \$25 million) higher and other components of equity would have been \$71 million (2010 – \$45 million) higher. The higher foreign currency exchange rate sensitivity in profit compared to 2010 is attributable to the change in net US dollar holdings.

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk

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

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

36.6.1 Credit risk management

a) Loans and advances to customers

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

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

b) Debt securities and other bills

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.2 Risk limit control and mitigation policies

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

Collateral

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

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

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

Derivatives

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.2 Risk limit control and mitigation policies (continued)

Master netting arrangements

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

Credit-related commitments

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

36.6.3 Impairment and provisioning policies

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

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

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

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

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

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

	Gross maximum exposure 2011 ($'000)	Gross maximum exposure 2010 ($'000)
Credit risk exposures relating to on - Balance sheet financial assets are as follows:		
Due from banks	9,773,038	10,744,132
Treasury bills	1,535,111	1,302,964
Loans and advances to customers	42,544,317	30,219,390
Securities at FVTPL (including trading loans)	346,225	870,404
AFS Securities	8,577,310	8,974,386
Securities held to maturity at amortised cost	1,431,890	1,183,724
Derivative financial instruments	82,589	128,898
	64,290,480	53,423,898
Credit risk exposures relating to off - Balance sheet financial assets are as follows:		
Contingent liabilities (letter of credit and financial guarantees)	1,864,794	1,219,163
Credit commitments	2,722,036	3,139,544
	4,586,830	4,358,707
Total credit risk exposure	68,877,310	58,782,605

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

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

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

	Gross maximum exposure 2011 ($'000)	Gross maximum exposure 2010 ($'000)
Consumer	11,383,439	9,926,929
Manufacturing	2,071,579	1,499,474
Distribution	2,808,417	3,363,109
Financial services	1,405,400	1,092,354
Transport	1,680,593	1,090,862
Construction	1,401,976	1,636,892
Petroleum	317,118	100,471
Agriculture	1,323,825	141,303
Real estate	9,525,065	4,114,830
Tourism	1,344,644	1,214,093
Professional services	942,531	1,304,330
Utilities	738,333	523,351
Health services	1,539,342	190,643
Government	359,751	442,581
Other	5,702,304	3,578,168
	42,544,317	30,219,390

36.6.6 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as at 31 October 2011 was $5,083 million (2010: $4,463 million) before taking account of collateral or other credit enhancements.

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.7 Credit quality by class of financial assets

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 October 2011				
Treasury bills (Maturities up to three months)	1,535,111	--	--	1,535,111
Due from banks	9,773,038	--	--	9,773,038
	11,308,149	--	--	11,308,149
Loans and advances to customers:				
Retail	7,106,685	642,883	365,843	8,115,411
Commercial/corporate	14,030,420	1,811,555	2,956,568	18,798,543
Mortgages	10,755,322	1,866,552	1,353,224	13,975,098
Other	1,589,090	38,535	27,640	1,655,265
Loans and advances (gross)	33,481,517	4,359,525	4,703,275	42,544,317
Investment debt securities:				
At FVTPL (including trading):				
Government	36,408	--	--	36,408
Corporate and other	309,817	--	--	309,817
AFS:				
Government	7,396,700	--	170,211	7,566,911
Corporate and other	1,010,399	--	--	1,010,399
Held to maturity:				
Government	1,399,090	--	--	1,399,090
Corporate and other	32,800	--	--	32,800
Investment securities (gross)	10,185,214	--	170,211	10,355,425
Derivative financial instruments:				
Government	--	--	--	--
Corporate	82,589	--	--	82,589
	82,589	--	--	82,589
Total	55,057,469	4,359,525	4,873,486	64,290,480

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.7 Credit quality by class of financial assets (continued)

	Neither past due nor impaired (\$'000)	Past due but not impaired (\$'000)	Impaired (\$'000)	Total (\$'000)
As at 31 October 2010				
Treasury bills (Maturities up to three months)	1,302,964	--	--	1,302,964
Due from banks	10,744,132	--	--	10,744,132
	12,047,096	--	--	12,047,096
Loans and advances to customers:				
Retail	4,575,331	716,498	337,404	5,629,233
Commercial/corporate	12,054,660	2,194,471	1,951,331	16,200,462
Mortgages	6,168,869	513,174	410,057	7,092,100
Other	1,227,346	41,856	28,393	1,297,595
Loans and advances (gross)	24,026,206	3,465,999	2,727,185	30,219,390
Investment debt securities:				
At FVTPL (including trading):				
Government	377,888	--	--	377,888
Corporate and other	492,516	--	--	492,516
AFS:				
Government	6,366,921	--	23	6,366,944
Corporate and other	2,603,817	--	3,625	2,607,442
Held to maturity:				
Government	1,183,441	--	--	1,183,441
Corporate and other	283	--	--	283
Investment securities (gross)	11,024,866	--	3,648	11,028,514
Derivative financial instruments:				
Government	12,105	--	--	12,105
Corporate	116,793	--	--	116,793
	128,898	--	--	128,898
Total	47,227,066	3,465,999	2,730,833	53,423,898

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

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

As at 31 October 2011	Less than 1 mth ($'000)	1-3 mths ($'000)	3-6 mths ($'000)	More than 6 mths ($'000)	Total ($'000)
Loans and advances to customers:					
Retail	397,557	238,618	6,708	--	642,883
Commercial/Corporate	1,022,043	775,994	8,339	5,179	1,811,555
Mortgages	1,379,773	484,542	2,237	--	1,866,552
Other	18,577	19,958	--	--	38,535
	2,817,950	1,519,112	17,284	5,179	4,359,525

As at 31 October 2010	Less than 1 mth ($'000)	1-3 mths ($'000)	3-6 mths ($'000)	More than 6 mths ($'000)	Total ($'000)
Loans and advances to customers:					
Retail	426,443	287,652	2,403	--	716,498
Commercial/Corporate	1,283,476	874,218	36,777	--	2,194,471
Mortgages	284,166	229,008	--	--	513,174
Other	29,148	12,708	--	--	41,856
	2,023,233	1,403,586	39,180	--	3,465,999

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

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

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

	Standard & Poor's Equivalent grades	2011 Total ($'000)	2010 Total ($'000)
Excellent			
AA	BB+	8,274,130	6,472,719
Very good			
A+	BB	6,856,597	1,214,613
A	BB-	2,220,613	5,935,515
Good			
A-	B+	2,162,354	686,732
B+	B	1,870,808	7,416,785
Special mention			
B	B-	177,893	174,331
C+	CCC+	182,466	1,280,095
Unacceptable			
C	CCC	24	23,719
D+	CCC-	--	--
Bad and doubtful			
D	CC+	1,281	--
E+	CC	--	--
Virtual certain loss			
E	CC-	--	--
		21,746,166	23,204,509

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.6 Credit risk (continued)

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

	2011 ($'000)	2010 ($'000)
Loans and advances to customers:		
Retail	39,559	14,784
Commercial / Corporate	146,674	139,469
Mortgages	1,969,958	8,663
Total renegotiated loans and advances to customers	2,156,191	162,916

36.6.11 Repossessed collateral

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

36.7 Capital management

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

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

Expressed in Trinidad and Tobago Dollars

36 Financial risk management (continued)

36.7 Capital management (continued)

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

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

	2011	2010
RBC Royal Bank (Trinidad & Tobago) Limited	17%	16%
RBC Merchant Bank Limited	44%	29%
RBC Trust (Trinidad & Tobago) Limited	126%	94%
RBTT Bank Caribbean Limited	19%	21%
RBTT Bank (SKN) Limited	24%	21%
RBTT Bank Grenada Limited	13%	14%
RBTT Bank N.V.	173%	176%
RBTT Bank International N.V.	11%	14%
RBTT Bank Aruba N.V.	16%	15%
RBTT Bank (Suriname) N.V.	14%	12%
RBC Royal Bank (Jamaica) Limited	13%	27%
RBTT Securities Jamaica Limited	195%	154%
RBTT Bank Barbados Limited	21%	20%
RBC Royal Bank Bahamas	18%	--
RBC Investment Management (Caribbean) Limited	151%	212%
RBC Royal Bank (Barbados) Limited	17%	16%

The licensed banking entities in Trinidad and Tobago, the Eastern Caribbean and Barbados are required to maintain a qualifying capital ratio (total regulatory capital to risk-weighted assets) of at least 8%. The licensed banking entities in Bahamas are required to maintain a qualifying capital ratio (total regulatory capital to risk weighted assets) of at least 14%. The licensed entities in Jamaica are required to maintain a qualifying capital ratio of at least 10%. The banking entities in the Curacao and Aruba are required to maintain a minimum capital of 5 million guilders and in Suriname 4.5 million Suriname dollars.

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

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

Expressed in Trinidad and Tobago Dollars

37 Fair value of financial assets and liabilities

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

Assets

Cash and cash equivalents and due from banks and balances with Central Banks

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

Loans and advances to customers

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

Investment securities held-to-maturity

Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit characteristics or discounted cash flow models.

	Carrying Value ($'000)	Fair Value ($'000)
Balance at 31 October 2011	1,431,890	1,428,043
Balance at 31 October 2010	1,183,724	1,190,475

Expressed in Trinidad and Tobago Dollars

37 **Fair value of financial assets and liabilities (continued)**

Liabilities

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

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

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

Debt securities in issue

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

	Carrying value ($'000)	Fair value ($'000)
Balance at 31 October 2011	748,187	804,134
Balance at 31 October 2010	744,903	833,841

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Expressed in Trinidad and Tobago Dollars

37 Fair value of financial assets and liabilities (continued)

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).

At 31 October 2011

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	**Total ($'000)**
Securities at FVTPL (including trading)				
Government and state-owned enterprises debt securities	--	--	36,408	36,408
Corporate debt securities	--	--	309,817	309,817
	--	--	346,225	346,225
Securities AFS at fair value				
Treasury bills and treasury notes	--	567,420	3,612,215	4,179,635
Government and state-owned enterprises debt securities	202,108	272,015	2,913,153	3,387,276
Corporate debt securities	--	--	739,370	739,370
Other debt securities	--	--	56,199	56,199
Money market instruments	--	--	214,830	214,830
Equity securities	--	431,362	45,899	477,261
	202,108	1,270,797	7,581,666	9,054,571

Expressed in Trinidad and Tobago Dollars

37 **Fair value of financial assets and liabilities (continued)**

At 31 October 2010

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

There were no significant transfers between Level 1 and 2 in the respective periods.

Reconciliation of Level 3 fair value measurements of financial assets

	At fair value through profit and loss ($'000)	Available-for-sale ($'000)	**Total ($'000)**
As at 1 November 2010	858,983	6,924,373	7,783,356
Additions	347,968	17,790,370	18,138,338
Additions upon acquisition of subsidiary	--	2,386,627	2,386,627
Disposal (Sale and redemption)	(866,430)	(19,175,936)	(20,042,366)
Currency translation differences	--	(7,230)	(7,230)
(Losses)/gains from changes in fair value	5,704	(11,780)	(6,076)
Transfers out of level 3	--	(324,758)	(324,758)
As at 31 October 2011	346,225	7,581,666	7,927,891

Expressed in Trinidad and Tobago Dollars

37 Fair value of financial assets and liabilities (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	At fair value through profit and loss ($'000)	Available-for-sale ($'000)	**Total ($'000)**
As at 1 April 2009	1,593,361	5,790,259	7,383,620
Additions	1,656,796	21,326,805	22,983,601
Disposal (Sale and redemption)	(2,310,654)	(20,561,232)	(22,871,886)
Currency translation differences	--	134,647	134,647
(Losses)/gains from changes in fair value	(80,520)	233,894	153,374
Transfers out of level 3	--	--	--
As at 31 October 2010	858,983	6,924,373	7,783,356

Transfers out of level 3 during the 2011 financial year are attributable to a review of the observability of market data relevant to the particular issuer.

Expressed in Trinidad and Tobago Dollars

38 Principal subsidiaries

	Country of Incorporation	Percentage of equity capital held 2011	Percentage of equity capital held 2010
RBC Royal Bank Limited	Republic of Trinidad and Tobago	100%	100%
RBC Merchant Bank (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Trust (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
Royal Insurance Holdings (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Insurance Services (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Investment Management (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBTT Overseas Limited	St. Lucia	100%	100%
RBTT Bank (Suriname) N.V.	Republic of Suriname	100%	100%
RBC Nominee Services (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
R&M Holdings Limited	St Vincent and the Grenadines	100%	100%
RBTT Bank Caribbean Limited	St. Vincent and the Grenadines	100%	100%
RBTT Bank (SKN) Limited	St. Kitts & Nevis	95%	95%
RBTT Bank Grenada Limited	Grenada	62%	62%
ABC Holdings N.V.	Curacao	100%	100%
ABC International N.V.	Aruba	100%	100%
RBTT Bank N.V.	Curacao	100%	100%
RBTT Bank International N.V.	Curacao	100%	100%
RBTT Bank Aruba N.V.	Aruba	100%	100%
RBTT International Limited	St. Lucia	100%	100%
RBC Royal Bank (Jamaica) Limited	Jamaica	100%	100%
RBTT Securities Jamaica Limited	Jamaica	100%	100%
West Indies Stockbrokers Limited	Republic of Trinidad and Tobago	100%	100%
RBTT Finance Limited	British Virgin Islands	100%	100%
RBTT Finance (BVI) Limited	British Virgin Islands	100%	100%
RBTT Bank Barbados Limited	Barbados	100%	100%
RBC Royal Bank Holdings (Barbados) Limited	Barbados	100%	100%
RBC Royal Bank (Barbados) Limited	Barbados	100%	100%
RBC Royal Bank Holdings (Bahamas) Limited	Barbados	82%	--
RBC Royal Bank (Bahamas) Limited	Bahamas	82%	--
Finance Corporation of Bahamas Limited	Bahamas	75%	--

Expressed in Trinidad and Tobago Dollars

38 Principal subsidiaries (continued)

38.1 Acquisition of subsidiaries

	Principal Activity	Date of Acquisition	Acquired By	Proportion Voting Equity	Consideration Transferred
2011					**($'000)**
RBC Royal Bank (Bahamas) Branch	Retail and Commercial Banking	November 1, 2010	RBC Royal Bank (Bahamas) Limited	100%	858,000
RBC Royal Bank (Turks and Caicos) Branch	Retail and Commercial Banking	April 1, 2011	RBC Royal Bank (Bahamas) Limited	100%	18,000
Finance Corporation Of Bahamas Limited (Finco)	Mortgage Company	May 14, 2011	RBC Royal Bank Holdings (Bahamas) Limited	75%	509,000

RBC Royal Bank (Bahamas) Branch

On 1 November 2010, RBC Royal Bank (Bahamas) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired the retail and commercial banking operations of RBC Royal Bank Bahamas, an affiliate within the RBC Group. The acquisition was made for a total cash consideration of TTD$858 million.

Details of the assets and liabilities acquired on 1 November, 2010:

	Book Value ($'000)	Fair Value Adjustment ($'000)	Fair Value on Acquisition ($'000)
Assets:			
Cash and cash equivalents	1,171,862	--	1,171,862
Loans	7,344,962	--	7,344,962
Investment securities	2,128,266	--	2,128,266
Premises and equipment	133,706	--	133,706
Other assets	15,695	--	15,695
	10,794,491	--	10,794,491
Liabilities:			
Customers' deposits	10,712,435	--	10,712,435
Other liabilities	82,056	--	82,056
	10,794,491	--	10,794,491
Identifiable net assets acquired			--

Since the transaction was related to the acquisition of an affiliated company under common control, the net assets acquired were recorded in the books of RBC Royal Bank (Bahamas) Limited and the excess of $858 million was recorded as a reduction to retained earnings.

Expressed in Trinidad and Tobago Dollars

38 Principal subsidiaries (continued)

38.2 Acquisition of subsidiaries

RBC Royal Bank (Turks and Caicos) Branch

On 1 April, 2011, RBC Royal Bank (Bahamas) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired the retail and commercial banking operations of RBC Royal Bank Turks and Caicos, an affiliate within the RBC Group. The acquisition was made for a total cash consideration of TTD$18 million.

Details of the assets and liabilities acquired on 1 April, 2011:

	Book Value ($'000)	Fair Value Adjustment ($'000)	Fair Value on Acquisition ($'000)
Assets:			
Cash and cash equivalents	40,647	--	40,647
Loans	401,449	(2,386)	399,063
Premises and equipment	3,675	--	3,675
Other assets	255	--	255
	446,026	(2,386)	443,640
Liabilities:			
Customers' deposits	423,587	--	423,587
Other liabilities	3,298	--	3,298
	426,885	--	426,885
Identifiable net assets acquired			16,755

Since the transaction was related to the acquisition of an affiliated company under common control, the net assets acquired were recorded in the books of RBC Royal Bank (Bahamas) Limited and the excess of $1.2 million was recorded as a reduction to retained earnings.

Expressed in Trinidad and Tobago Dollars

38 Principal subsidiaries (continued)

38.3 Acquisition of subsidiaries

Finance Corporation of Bahamas Limited (Finco)
On 14 May 2011, RBC Royal Bank Holdings (Bahamas) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired the banking operations of Finance Corporation of Bahamas Limited (Finco). The acquisition was made for a non-cash consideration consisting of an exchange RBC Financial Caribbean Limited giving up 18% of its shares in RBC Royal Bank Holdings (Bahamas) Limited in exchange for the 75% shareholding of Finco for a value of TTD$509 million.

Details of the assets and liabilities acquired on 14 May, 2011:

	Book Value ($'000)	Fair Value Adjustment ($'000)	Fair Value on Acquisition ($'000)
Assets:			
Cash and cash equivalents	596,270	--	596,270
Loans	5,303,949	--	5,303,949
Investment securities	259,044	--	259,044
Premises and equipment	11,847	--	11,847
Other assets	11,170	--	11,170
	6,182,280	--	6,182,280
Liabilities:			
Customers' deposits	5,124,984	--	5,124,984
Other liabilities	548,000	--	548,000
	5,672,984	--	5,672,984
Identifiable net assets acquired			509,296

39 Events after the reporting period

On 1 November 2011, RBC Royal Bank Holdings (Cayman) Limited, a wholly-owned subsidiary of RBC Financial (Caribbean) Limited, acquired the retail and commercial banking operations of RBC Royal Bank (Cayman) Limited, an affiliate within the RBC Group. The acquisition was made for a total cash consideration of TTD$550 million.