

**FINANCE CORPORATION OF
BAHAMAS LIMITED**

**Consolidated Financial Statements
For The Year Ended October 31, 2010
And Independent Auditors' Report**

FINANCE CORPORATION OF BAHAMAS LIMITED

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED OCTOBER 31, 2010:	
Consolidated Balance Sheet	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 26

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Finance Corporation of Bahamas Limited:

We have audited the consolidated financial statements of Finance Corporation of Bahamas Limited (the "Corporation") which comprise the consolidated balance sheet as of October 31, 2010, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 auditors' 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 auditors consider 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.

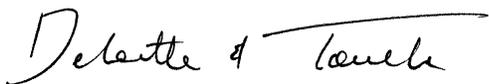
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of October 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2a to the financial statements which indicate that the renewal application of the Corporation's subsidiary for its agency licence as required by the Insurance Act 2009 is pending with the Insurance Commission of The Bahamas. The Corporation's subsidiary is taking steps to satisfy all regulatory requirements.



January 28, 2011

FINANCE CORPORATION OF BAHAMAS LIMITED

CONSOLIDATED BALANCE SHEET AS OF OCTOBER 31, 2010

(Expressed in Bahamian dollars)

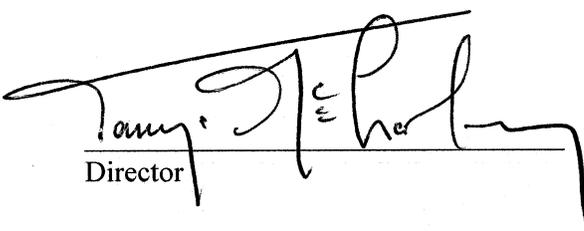
	2010	2009
ASSETS		
Cash (Note 5)	\$ 1,021,034	\$ 3,379,936
Demand deposits (Note 5)	59,549,286	41,605,182
Due from banks (Note 5)	458,399	345,572
Statutory reserve account with The Central Bank of The Bahamas (Note 4)	39,845,940	37,589,768
Investments (Note 6)	45,787,941	49,596,040
Loans - Net (Notes 7 and 13)	817,997,932	772,442,403
Fixed assets - Net (Note 9)	1,978,803	2,369,819
Other assets	<u>702,069</u>	<u>645,351</u>
TOTAL	<u>\$ 967,341,404</u>	<u>\$ 907,974,071</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Customer deposits (Notes 10 and 13)	\$ 827,659,285	\$ 823,508,692
Note payable (Note 14g)	37,300,000	-
Other liabilities	<u>2,056,448</u>	<u>2,327,784</u>
Total liabilities	<u>867,015,733</u>	<u>825,836,476</u>
EQUITY:		
Share capital (Note 12)	5,333,334	5,333,334
Share premium	2,552,258	2,552,258
General reserve	500,000	500,000
Retained earnings	<u>91,940,079</u>	<u>73,752,003</u>
Total equity	<u>100,325,671</u>	<u>82,137,595</u>
TOTAL	<u>\$ 967,341,404</u>	<u>\$ 907,974,071</u>

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on January 28, 2011 and are signed on its behalf by:



Director



Director

FINANCE CORPORATION OF BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED OCTOBER 31, 2010

(Expressed in Bahamian dollars)

	2010	2009
INCOME:		
Interest income (Note 14)	\$ 65,467,343	\$ 61,259,509
Interest expense (Note 14)	<u>37,225,961</u>	<u>32,945,462</u>
Net interest income	28,241,382	28,314,047
Allowance for credit losses (Note 8)	<u>1,345,330</u>	<u>15,073,431</u>
Net interest income after provision for credit losses	26,896,052	13,240,616
Fees and commissions (Note 14)	<u>3,575,960</u>	<u>3,558,251</u>
Total income	<u>30,472,012</u>	<u>16,798,867</u>
NON-INTEREST EXPENSE:		
Salaries and staff benefits (Notes 11 and 14)	5,808,542	5,957,775
General and administrative (Note 15)	3,856,602	3,449,295
Occupancy	2,061,479	2,235,122
Depreciation and amortization (Note 9)	<u>557,313</u>	<u>594,044</u>
Total non-interest expense	<u>12,283,936</u>	<u>12,236,236</u>
NET AND COMPREHENSIVE INCOME	<u>\$ 18,188,076</u>	<u>\$ 4,562,631</u>
EARNINGS PER SHARE (Basic and Diluted)	<u>\$ 0.68</u>	<u>\$ 0.17</u>

See notes to consolidated financial statements.

FINANCE CORPORATION OF BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED OCTOBER 31, 2010

(Expressed in Bahamian dollars)

	<u>Share Capital</u>	<u>Share Premium</u>	<u>General Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at October 31, 2008	\$ 5,333,334	\$ 2,552,258	\$ 500,000	\$ 83,056,040	\$ 91,441,632
Comprehensive income	-	-	-	4,562,631	4,562,631
Dividends (Note 19)	-	-	-	<u>(13,866,668)</u>	<u>(13,866,668)</u>
Balance at October 31, 2009	5,333,334	2,552,258	500,000	73,752,003	82,137,595
Comprehensive income	-	-	-	<u>18,188,076</u>	<u>18,188,076</u>
Balance at October 31, 2010	<u>\$ 5,333,334</u>	<u>\$ 2,552,258</u>	<u>\$ 500,000</u>	<u>\$ 91,940,079</u>	<u>\$ 100,325,671</u>

See notes to consolidated financial statements.

FINANCE CORPORATION OF BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED OCTOBER 31, 2010

(Expressed in Bahamian dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 18,188,076	\$ 4,562,631
Adjustments for:		
Depreciation and amortization (Note 9)	557,313	594,044
Loss on disposal of fixed assets	93	46,800
Deferred fee income	391,849	550,466
Allowance for credit losses (Note 8)	<u>1,345,330</u>	<u>15,073,431</u>
	20,482,661	20,827,372
Changes in operating assets and liabilities (Note 17)	(1,560,342)	(4,526,402)
Increase in loans	(46,824,352)	(94,563,417)
Increase in customer deposits	<u>2,657,752</u>	<u>140,710,854</u>
Net cash (used in) from operating activities	<u>(25,244,281)</u>	<u>62,448,407</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 9)	(166,390)	(235,511)
Proceeds from maturity of investments	37,338,300	43,868,400
Purchase of investments	<u>(33,529,600)</u>	<u>(48,012,400)</u>
Net cash from (used in) investing activities	<u>3,642,310</u>	<u>(4,379,511)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid (Note 14g)	-	(40,766,668)
Note payable (Note 14g)	<u>37,300,000</u>	<u>-</u>
Net cash from (used in) financing activities	<u>37,300,000</u>	<u>(40,766,668)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,698,029	17,302,228
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>45,330,690</u>	<u>28,028,462</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	<u>\$ 61,028,719</u>	<u>\$ 45,330,690</u>
SUPPLEMENTAL INFORMATION:		
Interest received	<u>\$ 64,998,386</u>	<u>\$ 59,762,122</u>
Interest paid	<u>\$ 35,733,120</u>	<u>\$ 30,657,756</u>

See notes to consolidated financial statements.

FINANCE CORPORATION OF BAHAMAS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2010

(Expressed in Bahamian dollars)

1. GENERAL

Finance Corporation of Bahamas Limited (the "Corporation") is incorporated in the Commonwealth of The Bahamas and is licensed under the provisions of the Banks and Trust Companies Regulations Act, 2000. The Corporation is also licensed as an Authorized Dealer, pursuant to the Exchange Control Regulations Act and is 75% owned by R.B.C. Holdings (Bahamas) Limited, a wholly-owned subsidiary of Royal Bank of Canada. The remaining 25% of the Corporation's shares are publicly traded and listed on The Bahamas International Securities Exchange.

With effect from May 25, 2009 the Corporation's registered office is located at Royal Bank House, East Hill Street, Nassau, Bahamas. Previously, its registered office was located at Bahamas Financial Centre, Charlotte Street, Nassau, Bahamas. The Corporation's business activities include the acceptance of savings, term and demand deposits, the buying and selling of foreign currency, electronic banking, and mortgage lending in The Commonwealth of The Bahamas.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of presentation - These consolidated financial statements have been prepared using the historical cost convention, except for the re-measurement of investments to fair value.

The following is a summary of the significant accounting policies:

- a. *Basis of consolidation* - These consolidated financial statements include the financial position and financial performance of the Corporation and its wholly-owned subsidiary, FINCO Insurance Agency Limited ("FIAL"), after elimination of all inter-company balances and transactions. FIAL commenced operations on May 1, 2007 providing insurance agency services to mortgage customers of the Corporation. These services were previously provided by the Corporation. FIAL is incorporated in the Commonwealth of The Bahamas and its registered office is located at Bahamas Financial Centre, Charlotte Street, Nassau, Bahamas.

As of the balance sheet date, FIAL's application for renewal of its agency licence is pending with the Insurance Commission of The Bahamas. FIAL is taking steps to satisfy all regulatory requirements.

- b. *Cash and cash equivalents* - Cash and cash equivalents are comprised of cash on hand and demand deposits and other readily available amounts held with financial institutions.

- c. **Investments** - Investments are classified as available for sale. Available for sale investments are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in the market. Available-for-sale investments are initially measured at cost and are subsequently re-measured at fair value based on quoted prices. Fair values for unlisted securities are estimated using market values of the underlying securities or appropriate valuation methods.

The gain/loss on revaluation of available-for-sale investments are recognized as other comprehensive income. Gains and losses realized on disposal of available-for-sale financial assets are included in net income.

- d. **Loans** - Loans are stated inclusive of accrued interest and net of an allowance for loan losses and unearned income, which comprises unearned interest and unamortized loan fees. Loans are classified as impaired whenever a payment is 90 days past due. When a loan is classified as impaired, the accrual of interest is discontinued and any previously accrued but unpaid interest on the loan is reversed. Impaired loans are returned to an accrual status when all amounts including interest have been collected, all charges for loan impairment have been received and the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest.
- e. **Allowance for credit losses** - The allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred, but are not yet identifiable. The allowance is increased by the provision for credit losses, which is charged to income, and decreased by the amount of write-offs, net of recoveries.

The allowance is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio, and other factors including the composition and quality of the portfolio, and changes in economic conditions. The composition of the allowance for credit losses is as follows:

i. *Specific provision*

The specific provision is maintained to absorb losses on specifically identified borrowers that have become impaired. The losses relating to borrowers are estimated using management's judgment relating to the timing of future cash flow amounts that can be reasonably expected from the borrowers, financially responsible guarantors and the realization of collateral.

ii. *General provision*

The general provision represents the best estimate of probable losses within the portion of the portfolio that has not yet been specifically identified as non-accrual. Management's estimate of the general allowance for credit losses is a minimum of either 1.30% of total loans less specific provisions or 30.00% of non-accrual loans less specific provisions, whichever is greater. During the year management has revised the rate used in the Corporation's estimate for the general allowance from 40% to 30%. See also Note 8.

- f. **Fixed assets** - Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated to write the assets off over their estimated useful lives as follows:

Buildings and improvements	20 to 40 years straight line
Leasehold premises	Lease term plus one renewal option period to a maximum of 10 years
Furniture and equipment	Varying from 3 to 7 years straight line or 20% declining balance

- g. **Impairment of fixed assets** - Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount. Any impairment loss is recognized in net income.
- h. **Income and expenses** - Income and expenses are recognized on an accrual basis, except for fees and commissions which are recorded when the service has been provided. Commitment fees received on loans are deferred and recognized into income over the life of the loan using the effective interest method.
- i. **Pension contributions** - Pension contributions are actuarially determined on an annual basis and are expensed in the period to which they relate.
- j. **Foreign currency translation** - Items included in the consolidated financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars, which is the Corporation's functional and presentation currency.

As of the consolidated balance sheet date, foreign currency assets and liabilities are translated into Bahamian dollars using exchange rates in effect at the end of the reporting period. Transactions in currencies other than the Bahamian dollar are translated to the Bahamian dollar at the rate of exchange on the transaction date. Exchange differences arising on translations are included in operating results for the period.

- k. **Earnings per share** - Earnings per share are based on the weighted average number of shares outstanding during the period.
- l. **Related parties** - Related parties include the Corporation's parent, its ultimate parent and companies within the Royal Bank of Canada Group, together with respective officers and directors.
- m. **Financial assets** - Financial assets are:
- i. Cash;
 - ii. An equity instrument of another entity;
 - iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Company;

- iv. A contract that will or may be settled in the Company's own equity instrument and is either a non-derivative for which the Company is or may be obliged to receive a variable number of the Company's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets are classified into the following categories: "Fair Value Through Profit or Loss" (FVTPL); "Held-To-Maturity"; "Available-For-Sale" (AFS); and "Loans and Receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. FVTPL assets are stated at fair value, with any resultant gain or loss recognized in the statement of comprehensive income. Investments are classified as FVTPL.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) Held-To-Maturity or c) Loans and Receivables. AFS assets are stated at fair value. Cost is used to approximate the fair value of AFS assets. Cash and equivalents are classified as AFS instruments.

- n. ***Financial liabilities*** - Financial liabilities are any liabilities that are:
 - i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;
 - ii. Contracts that will or may be settled in the Company's own equity instruments and are either a non-derivative for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial liabilities are classified as either a) FVTPL or b) other financial liabilities.

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognised in the statement of comprehensive income.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognized on an effective yield basis.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Specific Provision on Loans

The carrying amounts of loans to customers are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular loan may not be fully recoverable. In such instances, a specific provision may be recognized if the collateral held for the loan appears to be less than the remaining value of the mortgage. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are by nature subjective.

General Provisions

As described in Note 2(e), management assesses the adequacy of its general provision using an estimate of 1.30% and 30.00% of total loans and non-accrual loans, respectively. In its assessment, management also takes into consideration the guidelines of the Central Bank of The Bahamas as it relates to provisions for loan losses. This percentage is deemed adequate to absorb any losses that should arise based on historical loss experience.

Impairment

The Corporation has made significant investments in loans and advances. These assets and investments are tested for impairment when circumstances indicate that there may be a potential impairment. Factors that are considered important and which could trigger an impairment review are explained in Note 2(e). Estimating recoverable amounts of loans and advances is based on management's evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and credit risks associated with the assets. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Depreciation and amortization

Depreciation and amortization are based on management estimates of future useful life of fixed assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. The Corporation reviews the future useful life of fixed assets periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar type of assets may vary due to factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate etc. In case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

Legal proceedings, claims and regulatory discussions

The Corporation is subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Corporation evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Corporation to increase or decrease the amount the Corporation has accrued for any matter or accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made.

4. STATUTORY RESERVE ACCOUNT AND CAPITAL REQUIREMENTS

The Corporation's statutory reserve account with the Central Bank of The Bahamas is non-interest bearing and includes a mandatory reserve deposit.

The Corporation is also subject to regulatory capital requirements as defined by The Central Bank of The Bahamas. The Central Bank requires the Corporation to maintain minimum Tier 1 and Total Capital ratios of 7% and 14%, respectively. The Central Bank changed the minimum Tier 1 and Total capital ratios ratio from 4% and 8%, respectively on November 11, 2009. The Central Bank further required that certain of the Corporation's loans be risk-weighted at 100%, which resulted in a reduction of the ratios. At October 31, 2010 the Corporation's Tier 1 and Total Capital ratios were 15.86% and 17.11% (2009: 18.53% and 19.78%), respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the statement of cash flows includes the following consolidated balance sheet amounts:

	2010	2009
Cash	\$ 1,021,034	\$ 3,379,936
Demand deposits	59,549,286	41,605,182
Due from banks	<u>458,399</u>	<u>345,572</u>
	<u>\$ 61,028,719</u>	<u>\$ 45,330,690</u>

6. INVESTMENTS

Investments are classified as available for sale and consist of the following:

	2010	2009
Securities issued or guaranteed by The Bahamas Government:		
Treasury bills	\$ 5,335,300	\$ 9,144,000
Registered stocks	36,872,900	36,872,900
Government bonds	<u>3,037,300</u>	<u>3,037,300</u>
Total investments	45,245,500	49,054,200
Accrued interest receivable	<u>542,441</u>	<u>541,840</u>
	<u>\$ 45,787,941</u>	<u>\$ 49,596,040</u>

The maturity of investments is as follows:

1 year or less	\$ 5,335,300	\$ 9,144,000
Over 5 years through 10 years	11,309,300	8,331,000
Over 10 years	<u>28,600,900</u>	<u>31,579,200</u>
Total investments	<u>\$ 45,245,500</u>	<u>\$ 49,054,200</u>

7. LOANS - Net

Loans consist of the following:

	2010	2009
Residential mortgages	\$ 795,719,032	\$ 750,949,828
Non-residential mortgages	40,928,309	37,852,871
Government insured mortgages	2,068,397	2,381,071
Demand loans and overdrafts	<u>8,496,758</u>	<u>9,882,364</u>
Total loans	847,212,496	801,066,134
Accrued interest receivable	5,358,532	4,890,176
Deferred fee income	(7,980,991)	(7,589,141)
Allowance for credit losses (Note 8)	<u>(26,592,105)</u>	<u>(25,924,766)</u>
Total loans - net	<u>\$ 817,997,932</u>	<u>\$ 772,442,403</u>

Loans mature as follows:

	2010	2009
3 months or less	\$ 13,869,552	\$ 20,958,827
Over 3 months through 6 months	4,230,515	1,879,150
Over 6 months through 1 year	8,647,592	11,151,002
Over 1 year through 3 years	9,437,654	8,835,474
Over 3 years through 5 years	19,454,524	17,435,700
Over 5 years	<u>791,572,659</u>	<u>740,805,981</u>
Total loans	847,212,496	801,066,134
Accrued interest receivable	5,358,532	4,890,176
Deferred fee income	(7,980,991)	(7,589,141)
Allowance for credit losses	<u>(26,592,105)</u>	<u>(25,924,766)</u>
Total loans, net	<u>\$ 817,997,932</u>	<u>\$ 772,442,403</u>

Non-accrual loans (included above) consist of the following:

Residential mortgages	\$ 59,768,882	\$ 60,533,965
Non-residential mortgages	28,456,961	3,861,508
Government insured mortgages	294,641	296,831
Demand loans and overdrafts	<u>119,868</u>	<u>119,222</u>
	<u>\$ 88,640,352</u>	<u>\$ 64,811,526</u>

Loans classified as non-accrual represent 10.47% (2009: 8.09%) of the total loan portfolio. At the consolidated balance sheet date, the carrying amounts of loans whose terms were renegotiated during the year were \$22,428,977 and interest accrued on loans year to date were \$1,580,020.

The following is an aged analysis of all loans that were past due as of the consolidated balance sheet date:

	2010				Total
	Residential Mortgages	Non- residential Mortgages	Government Insured Mortgages	Demand Loans overdrafts	
Past due up to 29 days	\$ 85,690,988	\$ 43,574,478	\$ 365,522	\$ 813,059	\$130,444,047
Past due 30-59 days	13,461,954	5,488,084	28,041	84,064	19,062,143
Past due 60-89 days	20,762,090	9,968,555	62,773	524	30,793,942
Past due 3-6 months	7,507,732	4,004,868	-	33,193	11,545,793
Past due 6 months 1 year	17,323,374	7,917,846	133,874	33,085	25,408,179
Over 1 year	<u>34,937,777</u>	<u>16,534,247</u>	<u>160,767</u>	<u>53,590</u>	<u>51,686,381</u>
	<u>\$179,683,915</u>	<u>\$ 87,488,078</u>	<u>\$ 750,977</u>	<u>\$ 1,017,515</u>	<u>\$268,940,485</u>

(Continued)

2009

	Residential Mortgages	Non- residential Mortgages	Government Insured Mortgages	Demand Loans overdrafts	Total
Past due up to 29 days	\$110,655,597	\$ 19,391,837	\$ 275,739	\$ 421,807	\$130,744,980
Past due 30-59 days	15,976,751	8,262,723	180,442	48,779	24,468,695
Past due 60-89 days	14,387,937	6,982,945	55,502	51,562	21,477,946
Past due 3-6 months	7,869,416	617,841	1,043	33,382	8,521,682
Past due 6 months 1 year	17,554,850	926,762	146,542	32,190	18,660,344
Over 1 year	<u>35,109,699</u>	<u>2,316,905</u>	<u>149,246</u>	<u>53,650</u>	<u>37,629,500</u>
	<u>\$201,554,250</u>	<u>\$ 38,499,013</u>	<u>\$ 808,514</u>	<u>\$ 641,370</u>	<u>\$241,503,147</u>

(Concluded)

8. ALLOWANCE FOR CREDIT LOSSES

Allowance for credit losses consists of the following:

	2010	2009
Balance at beginning of year	\$ 25,924,766	\$ 11,594,850
Loan and advances written off	(923,633)	(923,576)
Recoveries	245,642	180,061
Provision for credit losses	<u>1,345,330</u>	<u>15,073,431</u>
Balance at end of year	<u>\$ 26,592,105</u>	<u>\$ 25,924,766</u>
Consisting of:		
Specific provisions	\$ 1,570,874	\$ 1,097,563
General provisions	<u>25,021,231</u>	<u>24,827,203</u>
	<u>\$ 26,592,105</u>	<u>\$ 25,924,766</u>

Allowance for credit losses represents 3.14% (2009: 3.24%) of the total loan portfolio and 30.00% (2009: 40.00%) of the total non-accrual loans. At the balance sheet date the Corporation reviewed its provisioning policy which considered the levels of general provisions, the quality of real estate security held, recovery rates and current industry practices. This review resulted in the Corporation reducing its provisioning policy ratio to 30% of non-accrual loans and a reduction of \$8.9 million in the amount charged for provision for credit losses. While current provisions are considered conservative, the Corporation will continue to review its provisioning policy and methodology to ensure that levels remain appropriate and conservative.

9. FIXED ASSETS - Net

Fixed assets consist of the following:

	<u>Land and Buildings</u>	<u>Leasehold Premises</u>	<u>Furniture and Equipment</u>	<u>Total</u>
COST:				
At October 31, 2008	\$ 1,282,360	\$ 2,156,959	\$ 2,883,140	\$ 6,322,459
Additions	-	-	235,511	235,511
Disposals	-	(51,882)	(128,174)	(180,056)
At October 31, 2009	1,282,360	2,105,077	2,990,477	6,377,914
Additions	-	3,473	162,917	166,390
Disposals	-	-	(40,403)	(40,403)
At October 31, 2010	<u>\$ 1,282,360</u>	<u>\$ 2,108,550</u>	<u>\$ 3,112,991</u>	<u>\$ 6,503,901</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION:				
At October 31, 2008	\$ 699,890	\$ 1,180,357	\$ 1,667,060	\$ 3,547,307
Charge for the year	47,555	243,531	302,958	594,044
Disposals	-	(32,973)	(100,283)	(133,256)
At October 31, 2009	747,445	1,390,915	1,869,735	4,008,095
Charge for the year	42,744	231,751	282,818	557,313
Disposals	-	-	(40,310)	(40,310)
At October 31, 2010	<u>\$ 790,189</u>	<u>\$ 1,622,666</u>	<u>\$ 2,112,243</u>	<u>\$ 4,525,098</u>
CARRYING AMOUNT:				
At October 31, 2010	<u>\$ 492,171</u>	<u>\$ 485,884</u>	<u>\$ 1,000,748</u>	<u>\$ 1,978,803</u>
At October 31, 2009	<u>\$ 534,915</u>	<u>\$ 714,162</u>	<u>\$ 1,120,742</u>	<u>\$ 2,369,819</u>

10. CUSTOMER DEPOSITS

Customer deposits consist of the following:

	2010	2009
Demand deposits	\$ 24,779,405	\$ 27,485,917
Savings deposits	121,006,751	119,925,981
Term deposits	<u>671,152,124</u>	<u>666,868,630</u>
Total deposits	816,938,280	814,280,528
Accrued interest payable	<u>10,721,005</u>	<u>9,228,164</u>
	<u>\$ 827,659,285</u>	<u>\$ 823,508,692</u>

Customer deposits mature as follows:

	2010	2009
3 months or less	\$ 486,150,247	\$ 546,427,295
Over 3 months through 6 months	194,936,387	121,007,578
Over 6 months through 1 year	132,458,621	146,367,982
Over 1 year through 3 years	<u>3,393,025</u>	<u>477,673</u>
Total deposits	816,938,280	814,280,528
Accrued interest payable	<u>10,721,005</u>	<u>9,228,164</u>
Total	<u>\$ 827,659,285</u>	<u>\$ 823,508,692</u>

11. PENSION PLAN

The Corporation participates in a defined benefit pension plan and a defined contribution pension plan of RBC Royal Bank. Employees become eligible for membership in the defined benefit pension plan (the "Plan") after completing a probationary period and receive their benefits after retirement. The Plan's benefits are determined based on years of service, contributions and average earnings at retirement. An actuarial valuation is performed each year to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement. The latest actuarial valuation was carried out as at January 1, 2010 at which time the actuarial value of the net assets exceeded the actuarial present value of accrued pension benefits. The pension liability is born by the Corporation's ultimate parent.

Under the defined contribution plan, an employee may contribute up to 10% of their salary and the Corporation matches half of the employee's contribution up to 3% of the employee's salary. Contributions made by the employee are immediately vested and contributions made by the Corporation become vested after the completion of ten years of service.

During the year, pension contributions amounted to \$648,961 (2009: \$659,980).

12. SHARE CAPITAL

Share capital consists of the following:

	2010	2009
<i>Authorized:</i>		
27,500,000 common shares at par value B\$0.20		
Issued and fully paid: 26,666,670 common shares	<u>\$ 5,333,334</u>	<u>\$ 5,333,334</u>

13. CONCENTRATION OF LOANS AND CUSTOMER DEPOSITS

Concentration of loans by customers' account balance is as follows:

	2010	%	2009	%
\$0 - \$100,000	\$ 262,551,547	30.99%	\$ 261,064,989	32.59%
\$100,001 - \$300,000	483,616,760	57.08%	456,762,596	57.02%
\$300,001 - \$500,000	69,946,842	8.26%	58,810,355	7.34%
\$500,001 and over	<u>31,097,347</u>	<u>3.67%</u>	<u>24,428,194</u>	<u>3.05%</u>
	847,212,496	100.00%	801,066,134	100.00%
Accrued interest	5,358,532		4,890,176	
Deferred fee income	(7,980,991)		(7,589,141)	
Allowance for credit losses	<u>(26,592,105)</u>		<u>(25,924,766)</u>	
Total	<u>\$ 817,997,932</u>		<u>\$ 772,442,403</u>	

Concentration of deposits by customers' account balance is as follows:

	2010	%	2009	%
\$0 - \$100,000	\$ 141,529,461	17.32%	\$ 148,758,444	18.27%
\$100,001 - \$300,000	102,714,536	12.57%	103,103,485	12.66%
\$300,001 - \$500,000	59,613,278	7.30%	51,261,514	6.30%
\$500,001 and over	<u>513,081,005</u>	<u>62.81%</u>	<u>511,157,085</u>	<u>62.77%</u>
Sub-total	816,938,280	100.00%	814,280,528	100.00%
Accrued interest	<u>10,721,005</u>		<u>9,228,164</u>	
Total	<u>\$ 827,659,285</u>		<u>\$ 823,508,692</u>	

14. RELATED PARTY BALANCES AND TRANSACTIONS

- a. The Corporation has established a \$5 million overdraft facility at Royal Bank of Canada. The facility is part of the Corporation's liquidity management contingency plan required by its primary regulator. The facility is a standby arrangement to be utilized when the Corporation experiences short term illiquidity in its operations. Fees for the use of this facility are ¼ of 1% per annum. Charges incurred in this regard during the year were \$12,500 (2009: \$12,500). Overdraft interest is charged at 6% per annum. No overdraft interest was charged on this facility during the year (2009: \$Nil).
- b. The Corporation has technical service and license agreements with Royal Bank of Canada. During the year, \$1,264,642 (2009: \$920,514) was expensed in reference to the above agreements and is included in general and administrative expense in the consolidated statement of comprehensive income. The Corporation continues to pursue opportunities for outsourcing with related parties to improve operational efficiency.
- c. All clearing accounts are maintained at the Royal Bank of Canada, which acts as a clearing bank for the Corporation. The balance as at October 31, 2010 was \$59,549,286 (2009: \$41,605,182). These deposits are non-interest bearing and are held as a part of the Corporation's Statutory Reserve Requirement. The funds are also available for investment as opportunities arise.
- d. Loans include advances to directors and officers of the Corporation in the amount of \$708,066 (2009: \$846,942). Some of the loans to officers (as well as those to employees of the Corporation) are at preferential interest rates. The Corporation waives commitment fees on loans to its employees and to employees of affiliated entities. Employees of the Corporation receive concessions on certain fees and services from Royal Bank of Canada.

Interest earned on related party loans were \$36,358 (2009: \$46,830).

- e. During the year total short-term benefits paid to directors and key management personnel was \$521,951 (2009: \$502,632).
- f. Related party deposits as at the consolidated balance sheet date are as follows:

	2010	2009
Directors and Officers	\$ 1,756,531	\$ 583,967
Royal Bank of Canada Trust Company (Bahamas) Limited	7,609,254	7,124,165
Royal Employee Savings and Ownership Plan	4,836,357	4,808,361
R B C Holdings (Bahamas) Limited	-	37,300,000
Royal Bank of Canada Bahamas Branch	-	16,000,000
	<u>\$ 14,202,142</u>	<u>\$ 65,816,493</u>

Interest paid on related party deposits were \$355,810 (2009: \$1,949,357).

- g. Dividends payable to R.B.C Holdings (Bahamas) Limited at October 31, 2010 was \$Nil (2009: \$Nil). On November 2, 2009 the Corporation's parent, RBC Holdings (Bahamas) Limited agreed to convert \$37,300,000 which was held on deposit with the Company into a note payable. This note bears interest at 5.00% per annum and will be due for repayment on or before August 1, 2012.
- h. The Corporation subleased two of its leased properties to the Royal Bank of Canada. During the year \$7,700 (2009: \$18,425) in rental income was received. Minimum lease payments in respect of this arrangement is as follows:

Within 1 year	\$7,700
1 - 5 years	\$36,500

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2010	2009
Stationery and communication	\$ 351,118	\$ 348,607
Professional fees	1,477,550	1,170,139
Business taxes	844,341	738,260
Insurances	337,909	290,945
Other expenses	845,684	901,344
	<u>\$ 3,856,602</u>	<u>\$ 3,449,295</u>

16. COMMITMENTS

The Corporation has the following commitments as of October 31, 2010:

- a. The Corporation is obligated under non-cancelable leases on premises, all of which are operating leases and on which the minimum annual rentals are approximately as follows:

2011	\$1,402,066
2012	\$1,403,937
2013	\$1,403,937
2014	\$1,403,937
2015	\$1,404,403

- b. Mortgage commitments in the normal course of business amounting to \$39,052,443 (2009: \$49,598,735).

17. CHANGES IN OPERATING ASSETS AND LIABILITIES

	2010	2009
Increase in accrued interest receivable	\$ (468,957)	\$ (1,497,387)
Increase in statutory reserve account with the Central Bank of The Bahamas	(2,256,172)	(5,714,966)
Increase in other assets	(56,718)	(154,055)
Increase in accrued interest payable	1,492,841	2,287,706
(Decrease) increase in other liabilities	<u>(271,336)</u>	<u>552,300</u>
	<u>\$ (1,560,342)</u>	<u>\$ (4,526,402)</u>

18. CONTINGENCIES

The Corporation has been named as defendant in various legal actions and lawsuits relating primarily to the collection of bad debts. Although the ultimate outcome of these actions cannot be ascertained at this time, it is the opinion of management, after consultation with its legal counsel, that the resolution of such actions will not have a material adverse effect on the consolidated financial statements.

19. DIVIDENDS

There were no dividends declared to shareholders during the year. During 2009 total dividends declared to shareholders was \$13,866,668 (\$0.52 per share).

20. OPERATING SEGMENTS

As disclosed in Note 1, the Corporation's business activities include the acceptance of deposits, buying and selling foreign currencies and mortgage lending in The Bahamas. Through its subsidiary, the Corporation provides insurance agency services solely to its mortgage customers. The following table includes a summary of financial information for these entities:

	<u>Banking</u>	<u>FIAL</u>	<u>Consolidated</u>
Assets	<u>\$ 962,585,092</u>	<u>\$ 4,756,312</u>	<u>\$ 967,341,404</u>
Liabilities	<u>\$ 866,280,097</u>	<u>\$ 735,636</u>	<u>\$ 867,015,733</u>
Revenue:			
Net interest income	\$ 28,241,382	\$ -	\$ 28,241,382
Allowance for credit losses	(10,209,366)	-	(10,209,366)
Fees and commission income	<u>2,183,849</u>	<u>1,392,111</u>	<u>3,575,960</u>
Total revenue	<u>\$ 20,215,865</u>	<u>\$ 1,392,111</u>	<u>\$ 21,607,976</u>
Net income	<u>\$ 17,001,267</u>	<u>\$ 1,186,809</u>	<u>\$ 18,188,076</u>

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values represent values at which financial instruments could be exchanged in a current transaction between willing parties. Wherever there is no available trading market, fair values are estimated using appropriate valuation methods.

The following methods and assumptions have been used in determining fair value of financial instruments:

- a. **Cash and cash equivalent** - The fair value of these instruments are assumed to approximate their carrying values due to their short-term nature.
- b. **Investments** - The fair value of investments approximate cost due to the interest rates attached.
- c. **Loans** - The rates of interest in the portfolio reflect market conditions and the carrying amounts, net of allowance for credit losses, are assumed to reflect their fair value.
- d. **Customer deposits** - Deposit liabilities payable on demand are assumed to equal their fair value. Deposit liabilities payable after notice or on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values.

22. RISK MANAGEMENT

There are a number of risks that the Corporation manages on an ongoing basis. Among these risks, the more significant are credit, operational, liquidity and interest rate risks.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's credit risk is primarily represented by demand deposits, investments and loans.

The credit risk on demand deposits and investments is limited because the counterparties are high-quality institutions, including the Central Bank of The Bahamas and The Bahamas Government. Loans are secured by a first mortgage charge over the underlying property. The amount presented in the consolidated balance sheet is net of an allowance for credit losses, estimated by the Corporation's management based upon prior experience and the current economic environment. The Corporation's credit risk is concentrated in The Bahamas and is spread over a number of counterparties and customers.

Operational risk - Operational risk is the risk to earnings or capital arising from the possibility that inadequate information systems, operational/transactional problems in service and product delivery, breaches in internal controls, fraud, failure to properly adjust to changes in the operating complexities of the markets, or unforeseen catastrophes will result in unexpected losses. These risks are mitigated by strong and robust internal policies and control procedures, sound Corporate Governance oversight by the Corporation's Board of Directors and its ultimate parent.

Liquidity risk - Liquidity risk arises from the fluctuation in cash flows. The Corporation's liquidity management policy ensures that the Corporation is able to honour its financial commitments as they come due. Management monitors daily the Corporation's liquidity needs.

	Within 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
Assets							
Cash and cash equivalents	\$ 61,028,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,028,719
Statutory Reserve account	39,845,940	-	-	-	-	-	39,845,940
Investments	5,877,741	-	-	-	4,139,500	35,770,700	45,787,941
Loans	19,228,084	4,230,515	8,647,592	9,437,654	19,454,524	756,999,563	817,997,932
Others Assets	702,069	-	-	-	-	-	702,069
TOTAL	\$ 126,682,553	\$ 4,230,515	\$ 8,647,592	\$ 9,437,654	\$ 23,594,024	\$ 792,770,263	\$ 965,362,601
Liabilities							
Customer deposits	\$ 496,871,252	\$ 194,936,387	\$ 132,458,621	\$ 3,393,025	\$ -	\$ -	\$ 827,659,285
Note payable	-	-	-	-	37,300,000	-	37,300,000
Other liabilities	2,056,448	-	-	-	-	-	2,056,448
TOTAL	\$ 498,927,700	\$ 194,936,387	\$ 132,458,621	\$ 3,393,025	\$ 37,300,000	\$ -	\$ 867,015,733
	\$ (372,245,147)	\$ (190,705,872)	\$ (123,811,029)	\$ 6,044,629	\$ (13,705,976)	\$ 792,770,263	\$ 98,346,868

Foreign currency risk - The Corporation has no significant foreign currency risk.

Interest rate risk - Interest rate risk arises primarily from differences in the maturity or repricing dates of assets and liabilities. Interest rate risk exposures or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity or repricing date than liabilities, an increase in interest rates has a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margins results.

The Corporation analyses its exposure on interest sensitive assets and liabilities on a periodic basis. Consideration is given to the impact on net income as movements in interest rates occur. Based on these events, simulations are performed to determine the considered impact on pricing of assets and liabilities, including those pegged to prime rates. Based on the simulations performed, the impact on net income of a 1% shift in prime interest rates would have resulted in a maximum increase or decrease of \$7.5 million (2009: \$7.3 million).

Interest rate risk to the Corporation is significantly mitigated by the fact that the majority of the financial assets are floating rate loans which are subject to repricing within a short period of time. The interest rate risk gap shows more assets than liabilities repriced within three months, which is typical for a financial institution with a large mortgage lending customer base for which the majority of the mortgages have floating rates. The following table sets out the Corporation's interest rate risk exposure as of October 31, 2010.

(Continued)

INTEREST RATE RISK (Continued)

Maturity or repricing date of interest sensitive instruments as of October 31, 2010:

	Within 3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years	Not Interest Rate Sensitive	Total
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,028,719	\$ 61,028,719
Statutory Reserve account	-	-	-	-	-	39,845,940	39,845,940
Investments	5,335,300	-	-	-	39,910,200	542,441	45,787,941
	2.00%	-	-	-	5.91%	-	-
Loans	758,122,588	166,916	-	282,640	-	59,425,788	817,997,932
	8.36%	7.61%	-	9.03%	-	-	-
Fixed Assets	-	-	-	-	-	1,978,803	1,978,803
Other assets	-	-	-	-	-	702,069	702,069
TOTAL	\$ 763,457,888	\$ 166,916	\$ -	\$ 282,640	\$ 39,910,200	\$ 163,523,760	\$ 967,341,404
Liabilities							
Customer deposits	\$ 486,150,247	\$ 194,936,387	\$ 132,458,621	\$ 3,393,025	\$ -	\$ 10,721,005	\$ 827,659,285
	3.75%	4.43%	4.33%	5.47%	-	-	37,300,000
Note payable	37,300,000	-	-	-	-	-	-
	5.00%	0.00%	0.00%	0.00%	-	2,056,448	2,056,448
Other liabilities	-	-	-	-	-	-	-
TOTAL	\$ 523,450,247	\$ 194,936,387	\$ 132,458,621	\$ 3,393,025	\$ -	\$ 12,777,453	\$ 867,015,733
Interest Rate Sensitivity Gap	\$ 240,007,641	\$ (194,769,471)	\$ (132,458,621)	\$ (3,110,385)	\$ 39,910,200	\$ 150,746,307	\$ 100,325,671
Cumulative Interest Rate Sensitivity Gap							
Average Yield - Earning Assets	8.32%	7.61%	-	9.03%	5.91%	-	7.72%
Average Yield - Paying Liabilities	3.82%	4.43%	4.33%	5.47%	-	-	4.51%
Net Interest Margin - 2010	4.50%	3.18%	-4.33%	3.56%	5.91%	-	3.21%
Net Interest Margin - 2009	4.35%	2.85%	-4.85%	-4.40%	5.91%	-	2.79%

(Concluded)

23. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards effective in the current period

The following new accounting standards and interpretations which were issued by the International Accounting Standards Board (“IASB”) or the International Financial Reporting Interpretations Committee (“IFRIC”) will become effective and the Corporation expects to implement as follows:

<u>Standards</u>	<u>Year Ending</u>
IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk	October 31, 2010
IFRS 8 - Operating Segments	October 31, 2010
IAS 16 - Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs	October 31, 2010
IAS 39 - Financial Instruments: Recognition and Measurement	October 31, 2010

The standards above affect the presentation and disclosure related to these consolidated financial statements and have resulted in changes to the titles of the consolidated financial statements and increased disclosures.

Standards and Interpretations in issue but not yet effective

<u>Standards</u>	<u>Year Ending</u>
Improvements to IFRSs (2010)	October 31, 2011
IFRS 8 - Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs	October 31, 2011
IAS 1 - Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs	October 31, 2011
IAS 7 - Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs	October 31, 2011
IAS 32 - (Amendment) Financial Instruments: Presentation Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	October 31, 2011
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	October 31, 2011
IFRS 2 (Amended) Share-based Payment - Vesting Conditions and Cancellations	October 31, 2011
IAS 32 / IAS 1 (Amended) Puttable Financial Instruments and Obligations Arising on Liquidation	October 31, 2011

<u>Standards</u>	<u>Year Ending</u>
Improvements to IFRSs (2011)	October 31, 2012
IAS 24 - Related Party Disclosures - Revised definition of related parties	October 31, 2012
IFRS 1 / IAS 27 (Amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	October 31, 2012
IAS 34 Interim Financial Reporting Amendments resulting from May 2010 Annual Improvements to IFRSs	October 31, 2012
IFRS 9 - Financial Instruments: Classification & Measurement	October 31, 2014

The above standards have not led to changes in the financial position of the Corporation during the current year.

<u>Interpretations</u>	<u>Year Ending</u>
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	October 31, 2011
IFRIC 13 - Customer Loyalty Programmes - Amendments Resulting from May 2010 Annual Improvements to IFRSs	October 31, 2012
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to voluntary prepaid contributions	October 31, 2012

Standards effective but not affecting the reported results or financial position

<u>Standards</u>	<u>Year Ending</u>
IAS 38 (Amended) Intangible Assets	October 31, 2010
IAS 28 (Amended) Investments in Associates	October 31, 2010
IAS 31 (Amended) Interest in Joint Ventures	October 31, 2010

<u>Interpretations</u>	<u>Year Ending</u>
IFRIC 15 - Agreements for the Construction of Real Estate	October 31, 2010

The above standards have not led to changes in the financial position of the Corporation during the current year.

* * * * *