



Royal Bank of Canada (Channel Islands) Limited

Abridged Consolidated Financial Statements
31 October 2009

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Officers and Professional Advisers

DIRECTORS

A C Bailey
C C Blampied
A L Creber
G W Dick
P F M Egan
A J Hunt
R P Patterson (Chairman)

SECRETARY

RBC Secretaries (CI) Limited

REGISTERED OFFICE

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Upland Road
St. Peter Port
Guernsey GY1 3BQ
Channel Islands

ADVOCATES

Ozannes
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St. Peter Port
Guernsey GY1 2JJ
Channel Islands

AUDITORS

Deloitte LLP
Chartered Accountants
St. Helier
Jersey JE4 8WA
Channel Islands

Royal Bank of Canada (Channel Islands) Limited is a wholly owned subsidiary of RBC Holdings (Channel Islands) Limited which is incorporated in Guernsey and which is itself a wholly owned subsidiary of RBC Finance B.V. which is incorporated in The Netherlands.

The company's ultimate parent company and controlling party is Royal Bank of Canada, which is incorporated in Canada. Consolidated accounts of the ultimate parent company are available from the following address:

Royal Bank of Canada
P.O. Box 1
Royal Bank Plaza
Toronto
Ontario M5J 2JS
Canada

The company has taken advantage of the disclosure exemption allowed by Financial Reporting Standard No. 8, "Related Party Disclosures", in respect of related party transactions with other group companies eliminated on consolidation in the group financial statements.

The Chairman's Statement

2009 has been a very challenging year for clients and financial institutions. The deepening economic downturn and heightened market volatility has made it much harder to generate above average returns. But the gloomy fiscal climate also serves to highlight the strength and stability of Canadian banks and Royal Bank of Canada ("RBC") in particular remains in a strong and stable position. Canada is the only G7 country to survive the financial crisis without a state bail-out for its financial sector and was named the most secure financial system in the world in both 2008 and 2009 by the World Economic Forum.

RBC maintained an exceptionally strong Tier One capital ratio at 13% and generated over C\$3.8 billion in profit in 2009, despite the economic turbulence. Its consistently strong performance is due to a diversified business mix, comprehensive approach to risk management and clear long-term strategy. RBC also retains some of the highest credit ratings of any financial institution (Moody's Aaa, Standard & Poor's AA and Fitch Ratings AA) and has been voted one of the world's top 100 sustainable companies for the fifth consecutive year.

RBC Wealth Management itself remains among the world's best, having been voted best for private banking services overall in Canada, Jersey and the Caribbean in the 2010 Euromoney private banking awards. Our unique value proposition, delivering integrated wealth management through teams of professionals with complementary expertise, continues to put RBC Wealth Management in an excellent position for attracting the highest calibre of professionals.

In 2009 RBC completed the acquisition of Mourant Private Wealth, a deal which expands on our Trust capabilities and client base while enhancing our wealth management expertise. Thanks to our continued financial strength and stability, RBC is able to invest in further strategic hires and acquisitions, such as the expansion of our onshore UK Wealth Management team. We continue to be on the look-out for genuinely talented individuals and complementary acquisitions that meet our strict economic, strategic and cultural criteria.

We encourage our staff to take part in charitable fundraising efforts and 2009 was an exceptional year for employee participation in our community sponsorship and team events. We supported the Jersey Swimarathon again, raising over £135,000 for charity. We also supported the Guernsey Harbour Carnival which was a huge success, attracting nearly 5,000 visitors and raising £10,500 for RNLI Guernsey and other local charities.

RBC is committed to environmental and watershed protection in communities worldwide. Globally, the business supports these initiatives through the 10 year, C\$50 million RBC Blue Water Project. Locally, staff at RBC Wealth Management rolled up their sleeves and gave their time willingly to a series of environmental projects over the course of 2009.

Gord Nixon, President and CEO of RBC, recently said that "no matter how you slice it, we are in a people business and our people are the foundation of all our activities. I think our people stand out - and that's right across the organisation." We are proud to be part of a strong and stable financial institution and we look forward to ensuring we can continue to serve your needs in the new decade. To our clients - thank you for your business and continued support.

Paul Patterson
Chairman

The Management Report

Once again, the global economic environment throughout 2009 has provided banks with highly challenging circumstances and once again we have faced up to this reality as pragmatically as possible. As envisaged, interest rates have remained extremely low in most major world currencies for the whole of 2009, yet we have still managed to return positive results and increase the size of our deposit book.

One advantage of the current economic climate is that it increases the opportunity to offer credit, which can be an invaluable tool for helping clients grow their wealth when used strategically. While many other banks have reduced their lending capacity in the wake of the financial crisis, we have been able to continue with a policy of growing our credit book, thanks to the strength and stability of the group of companies that make up Royal Bank of Canada. A key highlight of the last year was the performance of the Credit Products team, whose figures have shown significant growth on the back of some quality transactions. As we enter 2010, we plan to continue to meet the credit needs of our clients and to continue to grow our credit portfolio, whilst maintaining a prudent risk profile.

Our Treasury team in Guernsey have also played an important role in helping us to maintain a strong position, with currency volatility leading to increased turnover and a rise of over 17% in foreign exchange income.

Other highlights of 2009 include the British Isles Banking team winning the Branch of the Year award – an accolade that goes to the highest performing team across the RBC Wealth Management international network. This is another potent indicator of not only the quality that exists within our teams, but also the power of collaboration with our business partners. Ultimately, our clients benefit when different business areas work together to create the most appropriate solutions for a given scenario.

A great example of this teamwork is demonstrated by the synergy that has been nurtured between the Banking and Investment Advisory teams. Faced with such low interest rates, clients are more than ever looking for opportunities to increase returns on their funds. Thanks to our in-house innovation and expertise, we have been able to facilitate this on many occasions, where appropriate, through the use of structured solutions such as the popular Dual Currency Deposit. This is something we aim to continue throughout 2010, whilst working with our investment specialists to deliver other principal protected notes, especially while interest rates remain so low.

Another exciting development to look forward to is our enhanced Custody offering which we hope to introduce during the early part of the year. As with structured solutions, we are always trying to find the best ways to help our clients meet their financial objectives and we feel that this will play an important role in achieving this – especially for our Corporate and Institutional clients.

Looking forward to the coming year, we are confident that the combination of our highly competitive solution set and the passionate, client-first attitude of our dedicated teams of professionals across our businesses will stand us in the best possible stead to meet our client needs and to help us to continue to grow our business.

Christopher C Blampied
Managing Director

Independent Auditors' Report to the Directors of Royal Bank of Canada (Channel Islands) Limited

We have examined the abridged financial statements on pages 7 to 19 together with the audited financial statements of Royal Bank of Canada (Channel Islands) Limited for the year ended 31 October 2009. The scope of our work for the purpose of this report was limited to confirming whether the abridged financial statements have been properly prepared from the audited financial statements and have been drawn up in a manner authorised by the Guernsey Financial Services Commission.

In our opinion the abridged financial statements have been extracted from the audited financial statements and have been drawn up in accordance with the provisions of The Banking Supervision (Bailiwick of Guernsey) Law, 1994 in a manner authorised by the Guernsey Financial Services Commission.

On 22 December 2009 we reported, as auditors of the Royal Bank of Canada (Channel Islands) Limited, to the members on the audited financial statements as follows:

"We have audited the financial statements of Royal Bank of Canada (Channel Islands) Limited for the year ended 31 October 2009 which comprise the consolidated profit and loss account, the statement of consolidated retained profits, the consolidated and company balance sheets, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994, The Protection of Investors (Bailiwick of Guernsey) Law, 1987, The Financial Services ((Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007 and The Financial Services ((Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Furthermore, the directors are also responsible for preparing the Statement of Financial Resources under Rule 2.01 of The Licensees (Financial Resources, Notifications, Conduct of Business and Compliance) Rules, 1998. We examine the Statement of Financial Resources and state whether, in our opinion, the financial resources requirement specified in Rule 2.01 of The Licensees (Financial Resources, Notifications, Conduct of Business and Compliance) Rules, 1998 has been satisfied.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the group and the company, consistently applied and adequately disclosed.

Independent Auditors' Report to the Directors of Royal Bank of Canada (Channel Islands) Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

■ The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and the company as at 31 October 2009 and of the group's profit for the year then ended; and

■ The financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Protection of Investors (Bailiwick of Guernsey) Law, 1987, The Financial Services ((Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007 and The Financial Services ((Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007.

Furthermore, we have examined the Statement of Financial Resources set out on page 37 and, in our opinion, the financial resources requirement specified in Rule 2.01 of The Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998 has been satisfied."

The statements of directors' responsibilities referred to in our audit report on the full financial statements, reproduced above, was as follows:

"The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

■ select suitable accounting policies and then apply them consistently;

■ make judgments and estimates that are reasonable and prudent; and

■ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with The Banking Supervision (Bailiwick of Guernsey) Law 1994, The Protection of Investors (Bailiwick of Guernsey) Law, 1987, The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 and The Companies (Guernsey) Law, 2008.

Furthermore, the directors are responsible for ensuring, under Rule 2.01 of the Licensees (Financial Resources, Notification, Conduct of Business and Compliance) Rules, 1998, that the company meets its financial resources requirement. The directors are also responsible for compliance with The Financial Services (Jersey) Law 1998 and its Codes of Practice. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities."

Deloitte LLP
Chartered Accountants
St Helier
Jersey JE4 8WA
Channel Islands

22 February 2010

Consolidated Profit & Loss Account Year ended 31 October 2009

	Note	2009 £'000	2008 £'000
Net interest income after movement in provision for loan losses		80,193	75,894
Other operating (losses)/income		(16,313)	5,046
TOTAL INCOME		<u>63,880</u>	<u>80,940</u>
Expenses including taxation		30,804	34,416
PROFIT FOR THE FINANCIAL YEAR		<u>33,076</u>	<u>46,524</u>
STATEMENT OF CONSOLIDATED RETAINED PROFITS			
Retained profit brought forward		351,566	303,551
Actuarial (losses)/gains recognised in pension plan net of deferred tax		(3,837)	1,491
Profit for the financial year		33,076	46,524
Retained profit carried forward as at 31 October	9	<u>380,805</u>	<u>351,566</u>

The notes on pages 9 to 19 form part of these abridged financial statements.

Consolidated Balance Sheet As at 31 October 2009

	Note	2009 £'000	2008 £'000 Restated
ASSETS			
Cash, current accounts with banks and money at call		37,185	86,949
Certificates of deposit and floating rate notes		2,902,518	1,398,719
Loans and advances to banks and other financial institutions	4	3,946,359	4,746,215
Loans and advances to customers	5	279,861	430,936
Investments	7	231,385	325,981
Debtors and other accounts		34,541	38,493
Goodwill		7,308	7,870
Tangible fixed assets		13,360	13,292
		7,452,517	7,048,455
LIABILITIES AND EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	8	5,000	5,000
Reserves and share premium	9	386,805	357,566
		391,805	362,566
TOTAL EQUITY SHAREHOLDERS' FUNDS			
Deposits by banks	10	380,799	449,746
Customer accounts	11	6,646,692	6,192,571
Creditors and other accounts including taxation		25,241	38,842
Pension scheme liabilities		7,980	4,730
		7,452,517	7,048,455

The abridged financial statements on pages 7 to 19 were approved by the Board of Directors on 22 February 2010.
Signed on behalf of the Board of Directors

CHRISTOPHER C. BLAMPIED
Managing Director

GEORGE W. DICK
Director

Notes to the Abridged Accounts

Year ended 31 October 2009

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Statements of Recommended Accounting Practice issued by the British Bankers' Association and United Kingdom Accounting Standards and the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the group and of the company.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Consolidation

The consolidated financial statements of the company incorporate the financial statements of the company and its subsidiaries. During the prior year a reorganisation of the RBC group in the Channel Islands was undertaken. The objective of the reorganisation was to align companies within a more appropriate business group. As a result Royal Bank of Canada (Channel Islands) Limited acquired two new subsidiaries and sold one subsidiary during the prior year. The basis of consolidation has been accounted for in accordance with the merger principles permitted by Financial Reporting Standards No. 6, "Acquisitions and Mergers," where group reorganisations have taken place.

Recognition of revenues and expenses

All income and expenses are recorded on an accruals basis. Income arising from interest rate agreements, forward rate agreements and swap contracts is taken to revenue over the period of the contract if they relate to hedging interest positions.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling based on the rates of exchange ruling at the balance sheet date.

Revenue and expense items are converted monthly into Sterling at month end rates.

Foreign exchange gains and losses are included in the profit and loss account.

Certificates of deposit

Certificates of deposit are included in the balance sheet at cost adjusted for unamortised discount or premium.

Amounts due under reverse repurchase agreements

Securities purchased under repurchase agreements are treated as secured advances with interest accrued accordingly.

Investments

Fixed interest bonds and associated interest rate swaps which are intended to be held to maturity, are included in the balance sheet at currency cost plus unamortised premium or currency cost less unamortised discount and are accounted for at settlement date rather than trade date.

Asset Backed Securities are included in the balance sheet at cost adjusted for unamortised discount or premium less provision for impairment in value. The Asset Backed Securities portfolio is considered as available for sale although it remains the intention to hold the portfolio to maturity.

Investments in subsidiary companies

Investments in subsidiary companies are included at cost less provision for impairment in value.

Loans

Loans are included at the principal amount outstanding, less general and specific provisions.

Cash flow statement

The company is ultimately owned by Royal Bank of Canada and is included in the consolidated financial statements of Royal Bank of Canada, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 Cash Flow Statements (revised 1996).

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

1. PRINCIPAL ACCOUNTING POLICIES - continued

Derivatives

Derivatives are used in customer dealing activities to provide clients with the ability to manage their own market risk exposures and by the bank to manage its own exposure to interest, currency and other market risks. The derivatives used are forward foreign exchange contracts, interest rate swaps and forward rate agreements ('FRAs').

Interest rate swaps and FRAs are accounted for on an accruals basis to reflect the accounting treatment of the associated assets and liabilities.

Similar open positions with other fellow subsidiaries of the Royal Bank of Canada group are accounted for on a net settlement basis in the financial statements due to the existence of a master netting agreement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is calculated at the annual rates shown below so as to write off the cost of tangible fixed assets over their anticipated useful lives as follow:

Freehold land	Nil
Freehold property and fixtures	2% - 20% Straight line
Improvements to leasehold premises	Over the period of the lease
Office equipment	20% Reducing balance
Furniture and fittings	20% Reducing balance
Computer hardware	25% - 33 $\frac{1}{3}$ % Straight line
Computer software	33 $\frac{1}{3}$ %- 100% Straight line
Motor vehicles	33 $\frac{1}{3}$ % Reducing balance

Goodwill

Goodwill arising on acquisition of subsidiaries as part of the Abacus group acquisition, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 15 years. Provision is made for any impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates both defined contribution and defined benefit pension plans.

Company contributions to the defined contribution plan are charged to the profit and loss account as contributions payable in the year.

Pension costs in respect of the defined benefit plan are charged to the profit and loss account so as to spread the cost of the pension over the estimated working lives of the employees. The costs are based on actuarial advice and variations from the regular cost are allocated over the average remaining service lives of current employees.

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

1. PRINCIPAL ACCOUNTING POLICIES - continued

Pension costs (continued)

The company participates in the Pension Fund Society of Royal Bank of Canada, incorporated in Canada. The plan is a defined benefit scheme. However, given the relative participation of the company in the group scheme, the contributions to the scheme are accounted for as with a defined contribution scheme. The amounts charged to the profit and loss account in respect of pension costs, are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Assets held in a fiduciary capacity

Assets and liabilities held in trust, agency or a fiduciary capacity are not included in these financial statements.

2. REVIEW OF THE BANK'S RISK PROFILE

The information provided in this note is aimed at enabling the users of our accounts to assess the objectives, policies and strategies for holding or issuing financial instruments. A financial instrument is any contract that gives rise to both a financial asset or one enterprise and a financial liability or equity instrument of another enterprise. In particular the information is designed to enable users to assess:

- the risk profile for each of the main financial risks that arise in connection with financial instruments; and
- the significance of such instruments to the reported financial position, performance and cash flows regardless of whether the instruments are on or off balance sheet.

The Bank's financial instruments, other than derivatives, comprise deposits, money market assets and liabilities, some cash and liquid resources and other various items arising from its operations.

The Bank also enters into derivative transactions, principally forward foreign currency contracts and interest rate swaps. The purpose of such transactions is to manage the currency and interest rate risks arising from the Bank's operations and other financial instruments.

The main risks arising from the Bank's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year to 31 October 2009.

Instruments held

The Bank has tight dealing limits and its treasury activities are concentrated on customer facilitation and managing the Bank's own risks.

The Bank has not identified any assets or liabilities as being specifically held for trading. The Bank does not use sensitivity analysis or value at risk models to monitor exposure.

Interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non rate sensitive assets, liabilities and off balance sheet items. The Bank's policy is to maintain the interest rate risk at a minimal level.

The Bank's business is concerned with financial instruments, principally loans and deposits in various currencies and investments. Interest rates applied to loans and deposits are normally variable at the discretion of the Bank and linked to base rates. The year end balances are representative of the development of the business during the year in pursuance of its stated objectives, policies and strategies.

The Bank normally controls the mismatching of the dates on which the investments, loans and deposits mature or have their interest rates reset to market rates by using other on and off balance sheet financial instruments. The table below summarises these mismatches. Items are allocated on time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The actual interest rate sensitivity will be determined by subsequent customer and management decisions.

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

2. REVIEW OF THE BANK'S RISK PROFILE - continued

Earlier of term to maturity or contract repricing date

	3 months or less £'000	More than 3 but not more than 6 months £'000	More than 6 but not more than 12 months £'000	More than 1 but not more than 3 years £'000	More than 3 but not more than 5 years £'000	Non interest bearing £'000	Total £'000
ASSETS							
Cash, current accounts with banks and money at call	37,185	-	-	-	-	-	37,185
Certificates of deposit & FRNs	1,707,192	642,022	553,304	-	-	-	2,902,518
Loans and advances to banks	3,840,317	44,477	28,034	12,914	20,617	-	3,946,359
Loans and advances to customers	75,077	2,429	31,573	109,606	61,176	-	279,861
Investments including goodwill	204,911	-	-	25,000	-	1,474	231,385
Goodwill	-	-	-	-	-	7,308	7,308
Other assets	-	-	-	-	-	34,541	34,541
Tangible fixed assets	-	-	-	-	-	13,360	13,360
TOTAL ASSETS	5,864,682	688,928	612,911	147,520	81,793	56,683	7,452,517
LIABILITIES							
Deposits by banks	380,792	7	-	-	-	-	380,799
Customers accounts	6,377,365	185,567	62,805	6,502	14,453	-	6,646,692
Other liabilities	-	-	-	-	-	33,221	33,221
Shareholders' funds	-	-	-	-	-	391,805	391,805
TOTAL LIABILITIES	6,758,157	185,574	62,805	6,502	14,453	425,026	7,452,517
OFF BALANCE SHEET ITEMS	(1,062,081)	479,921	553,973	21,440	6,747	-	-
INTEREST RATE SENSITIVITY GAP	(1,955,556)	983,275	1,104,079	162,458	74,087	(368,343)	-
CUMULATIVE GAP 2009	1,955,556	972,281	131,798	294,256	368,343	-	-
CUMULATIVE GAP 2008 RESTATED	(1,308,759)	(1,214,017)	247,735	310,830	345,137	-	-

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Bank's foreign exchange exposure arises from providing services to customers. The Bank's functional currency is sterling. The Bank's policy is to hedge against foreign exchange risks by engaging in spot and forward currency transactions. Management receives regular reports on foreign currency exposures.

The currency breakdown of the consolidated balance sheet as at 31 October 2009 is stated below in the Sterling equivalent in thousands. Forward foreign exchange contracts are entered into principally as part of arbitrage swap contracts and to hedge the net exposure arising from customer dealings. Net exposure largely represents future interest flows on forward foreign exchange contracts.

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

2. REVIEW OF THE BANK'S RISK PROFILE - continued

	GBP		USD		CAD		EUR		Others		Total
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Assets	3,211,277	43	2,536,268	34	351,057	5	948,494	13	405,421	5	7,452,517
Liabilities including shareholder's funds	(3,374,277)	45	(2,866,832)	39	(85,967)	1	(981,564)	13	(143,877)	2	(7,452,517)
Off balance sheet assets	1,263,648	28	2,068,947	46	14,289	-	469,586	10	725,184	16	4,541,654
Off balance sheet liabilities	(1,114,505)	24	(1,735,415)	38	(286,154)	6	(433,886)	10	(984,957)	22	(4,554,917)
Net position at 31 October 2009	(13,857)		2,968		(6,775)		2,630		1,771		(13,263)
Net position at 31 October 2008	(2,287)		(59,347)		(22,760)		42,572		2,929		(38,893)

Credit risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment into which it has entered. Management receive information on large credit exposures, asset concentration, country exposure and bad debt provisioning.

In the normal course of business there are various outstanding commitments and contingent liabilities that are not reflected in the financial statements and details of such items are provided in note 12.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The Bank monitors expected cash outflows for each of the next two months. Its policy throughout the year has been to maintain at all times sufficient highly liquid quality assets to meet its cash outflow commitments for the next two months. The maturity analysis of the Bank's assets and liabilities have been provided in the respective notes.

The customer deposit base represents a stable source of funding due to the number and diversity of depositors. Liquidity is further managed through dealing in the money markets.

Derivatives

As stated in accounting policy note 1, derivatives are used to provide clients with the ability to manage their own market risk exposure and by the Bank to manage its own exposure to interest, currency and other market risks. In the former case, all derivatives are matched with a similar hedging derivative which are generally with fellow subsidiaries of the Royal Bank of Canada group. All such transactions are encompassed within a master netting agreement.

The notional amounts of the Bank's derivatives serve as a point of reference for calculating payments and are a common measure of business volume.

Notes to the Abridged Accounts Year ended 31 October 2009 - continued

2. REVIEW OF THE BANK'S RISK PROFILE - continued

2009	Term to maturity			Total
	Less than six months £'000	Six to twelve months £'000	Over one year £'000	2009 £'000
NOTIONAL AMOUNTS OVER-THE-COUNTER CONTRACTS:				
Forward foreign exchange contracts *	5,256,628	3,690	545	5,260,863
<hr/>				
2008 - Restated	Term to maturity			Total
	Less than six months £'000	Six to twelve months £'000	Over one year £'000	2007 £'000
NOTIONAL AMOUNTS OVER-THE-COUNTER CONTRACTS:				
Forward foreign exchange contracts *	7,214,597	132,035	6,087	7,352,719
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* These notional amounts include the derivative instruments associated with the fixed interest bond portfolio. The replacement cost excludes amounts already recorded on balance sheet.

Gross replacement cost is the amount of loss that the Bank would suffer if every counterparty to which the Bank was exposed were to default at once (i.e. the current replacement value of all outstanding contracts in a gain position). The Bank's credit exposure to a counterparty from a derivative transaction is composed of the gross replacement cost plus an estimate of the potential change in that market value over the remaining period of time until the transaction would normally terminate. The Bank's positions attempt to limit its credit exposure by dealing with counterparties believed to be creditworthy. All derivative contracts other than those for clients are with fellow subsidiaries of the Royal Bank of Canada. Market risk is the risk of loss that results from changes in interest rates and foreign exchange rates. The Bank manages its exposure to market risks through the use of risk limits and gap analysis.

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

2. REVIEW OF THE BANK'S RISK PROFILE - continued

2009	Term to maturity			Total
	Less than six months £'000	Six to twelve months £'000	Over one year £'000	2009 £'000
GROSS REPLACEMENT COST OVER-THE-COUNTER CONTRACTS:				
Forward exchange contracts	27,125	53	32	27,210
Total gross replacement cost	<u>27,125</u>	<u>53</u>	<u>32</u>	<u>27,210</u>
2008 - Restated				
	Term to maturity			Total
	Less than six months £'000	Six to twelve months £'000	Over one year £'000	2008 £'000
GROSS REPLACEMENT COST OVER-THE-COUNTER CONTRACTS:				
Forward exchange contracts	198,903	7,055	106	206,064
Total gross replacement cost	<u>198,903</u>	<u>7,055</u>	<u>106</u>	<u>206,064</u>

* These notional amounts include the derivative instruments associated with the fixed interest bond portfolio. The replacement cost excludes amounts already recorded on balance sheet.

3. EQUITY DIVIDENDS

No equity dividend has been proposed or paid for the current financial year (2008: £nil).

4. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009 £'000	2008 - Restated £'000
Loans to intermediate parent company	21,046	50,808
Deposits with fellow subsidiary companies	3,315,264	2,635,446
Deposits with banks – non-group companies	610,049	2,059,961
	3,946,359	4,746,215
Repayable:		
Up to one month	<u>3,018,252</u>	<u>4,651,303</u>
From one month to three months	822,065	8,019
From three months to one year	85,425	86,893
From one year to five years	20,617	-
	3,946,359	4,746,215

Notes to the Abridged Accounts Year ended 31 October 2009 - continued

5. LOANS AND ADVANCES TO CUSTOMERS

	2009	2008
	£'000	£'000
Repayable in less than one year:		
Secured	89,289	214,678
Unsecured	170,774	182,916
Repayable after one year:		
Secured	19,791	33,360
Unsecured	7	7
	<hr/>	<hr/>
	279,861	430,961
Less provision for loan losses:		
Specific provision	-	(25)
	<hr/>	<hr/>
	279,861	430,936
	<hr/> <hr/>	<hr/> <hr/>

6. RELATED PARTIES

The following is a summary of assets and liabilities in respect of related parties:

	2009	2008 - Restated
	£'000	£'000
Assets		
Cash, current accounts with banks and money at call	1,763	24,662
Loans and advances to banks and other financial institutions	3,336,310	2,686,254
Debtors and other accounts	3,511	15,344
	<hr/>	<hr/>
	3,341,584	2,726,260
Liabilities		
Deposits by banks	363,775	389,512
Creditors and other accounts including taxation	11,907	8,378
	<hr/>	<hr/>
	375,682	397,890
	<hr/> <hr/>	<hr/> <hr/>

7. INVESTMENTS

Investments are stated at cost. The fair value of the investments are £202,399,000 (2008: £271,545,000).

8. CALLED UP SHARE CAPITAL

	2009	2008
	£'000	£'000
Authorised		
7,500,000 ordinary shares of £1 each	7,500	7,500
	<hr/>	<hr/>
Share capital allotted and fully paid		
5,000,000 ordinary shares of £1 each	5,000	5,000
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

9. RESERVES AND SHARE PREMIUM

	Share premium £'000	Capital reserve £'000	Retained profits £'000	Total £'000
Group				
As previously reported	2,500	3,500	351,566	357,566
Actuarial loss recognised in pension scheme	-	-	(3,837)	(3,837)
Profit for the financial year	-	-	33,076	33,076
	2,500	3,500	380,805	386,805

10. DEPOSITS BY BANKS

	2009 £'000	2008 - Restated £'000
Current and call accounts	17,024	37,234
Deposit accounts – banks	-	23,000
Amount owed to ultimate parent company	-	-
Amount owed to fellow subsidiaries	363,775	389,512
	363,775	389,512
Total	380,799	449,746
Deposit accounts		
Repayable:		
Up to one month	17,024	60,234
From one month to three months	-	-
	17,024	60,234
Fellow subsidiaries, holding company and other related parties		
Repayable:		
Up to one month	339,832	382,252
From one month to three months	23,937	3,666
From three months to one year	6	3,594
	363,775	389,512

Notes to the Abridged Accounts

Year ended 31 October 2009 - continued

11. CUSTOMER ACCOUNTS

	2009	2008
	£'000	£'000
Current and call accounts	5,645,045	4,344,196
Deposit accounts – others	1,001,647	1,848,375
Total	<u>6,646,692</u>	<u>6,192,571</u>
Deposit accounts		
Repayable:		
Up to one month	6,121,758	5,503,218
From one month to three months	255,607	416,689
From three months to one year	248,372	272,453
From one year to three years	6,502	211
From three to five years	14,453	-
	<u>6,646,692</u>	<u>6,192,571</u>

12. MEMORANDUM ITEMS

In the normal course of business there are various outstanding commitments and contingent liabilities that are not reflected in the consolidated financial statements.

	2009	2008
	£'000	£'000
Contingent liabilities		
Guarantees secured	242,615	245,519
Standby letters of credit	924	592
	<u>243,539</u>	<u>246,111</u>
Commitments		
Undrawn intragroup facilities	30,833	-
Undrawn credit facilities:		
One year or less	181,199	173,473
One to five years	68,098	11,233
Annual leasehold commitments, expiring after five years	14	54
Annual licences to occupy premises expiring within five years	272	135
	<u>280,416</u>	<u>184,895</u>

The contractual amounts of contingent liabilities and commitments, which are credit related instruments, represent the amounts at risk should the contracts be fully drawn upon and the client default.

Notes to the Abridged Accounts Year ended 31 October 2009 - continued

13. SUBSIDIARIES

The company has investments in the following 100% owned subsidiary companies:

	Country of Incorporation	Activity
Canada Court Limited	Guernsey	Property
Guernroy Limited	Guernsey	Nominee
RBC Treasury Services (CI) Limited (formerly Abacus Treasury Services Limited)	Jersey	Treasury

Officers and Professional Advisers

DIRECTORS



R P Patterson
(Chairman)



C C Blampied
(Managing Director)



A C Bailey



A L Creber



G W Dick



P F M Egan



A J Hunt

CORPORATE SECRETARY:

RBC Secretaries (CI) Limited

REGISTERED OFFICE:

Canada Court
Upland Road
St Peter Port
Guernsey GY1 3BQ
Channel Islands

ADVOCATES:

Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 2JJ
Channel Islands

AUDITORS:

Deloitte LLP
Chartered Accountants
St. Helier
Jersey JE4 8WA
Channel Islands

Royal Bank of Canada (Channel Islands) Limited ("the Bank") is a wholly owned subsidiary of RBC Holdings (Channel Islands) Limited which is incorporated in Guernsey and which is itself a wholly owned subsidiary of RBC Finance BV which is incorporated in the Netherlands.

The Bank's ultimate parent company and controlling party is Royal Bank of Canada, which is incorporated in Canada. Consolidated accounts of Royal Bank of Canada are available from the following address:

Royal Bank of Canada, P.O. Box 1, Royal Bank Plaza, Toronto, Ontario, Canada, M5J 2J5.

Royal Bank of Canada (Channel Islands) Limited

P.O. Box 48, Canada Court, St. Peter Port, Guernsey, GY1 3BQ.
Telephone: +44 (0) 1481 744000
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