Independent auditor's report

To the Board of Directors of RBC Royal Bank (Cayman) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBC Royal Bank (Cayman) Limited (the Company) as at October 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at October 31, 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

January 20, 2023

RBC Royal Bank (Cayman) Limited
(Incorporated under the laws of the Cayman Islands)

Statement of Financial Position
As at October 31, 2022

Expressed in United States Dollars

	Notes	2022	2021
Assets			
Cash and cash equivalents	3	$ 191,208,036	$ 383,553,001
Loans and advances to customers	4	809,893,390	755,499,224
Investment securities	5	221,401,082	30,544,491
Due from affiliated companies	18	3,179,030	3,486,739
Premises and equipment	6	8,260,230	5,908,551
Other assets	7	9,135,300	4,820,562
Total Assets		**$ 1,243,077,068**	**$ 1,183,812,568**
Liabilities			
Due to banks		$ 56,248,126	$ 32,182,387
Customer deposits	8	912,740,497	846,559,696
Due to affiliated companies	18	86,460,724	136,328,596
Other liabilities	9	18,494,427	20,310,115
Total Liabilities		**1,073,943,774**	**1,035,380,794**
Equity			
Share capital	11	16,486,373	16,486,373
Share premium		98,406,628	98,406,628
Retained earnings		54,286,173	33,536,221
Other components of equity		(45,880)	2,552
Total Equity		**169,133,294**	**148,431,774**
Total Equity and Liabilities		**$ 1,243,077,068**	**$ 1,183,812,568**

The notes on pages 8 to 61 form an integral part of these financial statements.

On January 12, 2023 the Board of Directors of RBC Royal Bank (Cayman) Limited authorized these financial statements for issue.

ERICKA ROLLE
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Director

ANDREW MCCARTNEY
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Director

RBC Royal Bank (Cayman) Limited

Statement of Comprehensive Income
For the Year Ended October 31, 2022

Expressed in United States Dollars

	Notes	2022	2021
Income			
Interest income	12	$ 27,410,336	$ 19,429,472
Interest expense	13	(1,753,975)	(1,724,455)
Net interest income		25,656,361	17,705,017
Non-interest income	14	9,441,590	6,986,154
Total income		**35,097,951**	**24,691,171**
Expenses			
Non-interest expenses	15	(18,349,211)	(17,886,946)
(Provision for)/release of credit losses on other assets		(22)	5,956
Release of credit losses on off balance sheet items		6,063	8,688
Release of credit losses on loans and commitments		3,995,626	4,972,379
(Provision for)/release of credit losses on securities		(455)	1,217
Total expenses		**(14,347,999)**	**(12,898,706)**
Net income		$ 20,749,952	$ 11,792,465
Other comprehensive income:			
Items that may be reclassified to net income			
Net gain/(loss) on investment securities		(48,348)	8,340
Expected credit losses on FVOCI investments		(84)	(5,880)
Total other comprehensive income		**(48,432)**	**2,460**
Total comprehensive income for the year		**$ 20,701,520**	**$ 11,794,925**

The notes on pages 8 to 61 form an integral part of these financial statements.

RBC Royal Bank (Cayman) Limited

Statement of Changes in Equity
For the Year Ended October 31, 2022

Expressed in United States Dollars

	Share Capital	Share Premium	Retained Earnings	Other Components of Equity	Total
As of October 31, 2020	$ 12,225,358	$ 67,667,643	$ 21,743,756	$ 92	$ 101,636,849
Shares issued	4,261,015	30,738,985	-	-	35,000,000
Net income	-	-	11,792,465	-	11,792,465
Other comprehensive income	-	-	-	2,460	2,460
As of October 31, 2021	**$ 16,486,373**	**$ 98,406,628**	**$ 33,536,221**	**$ 2,552**	**$ 148,431,774**
As of October 31, 2021	$ 16,486,373	$ 98,406,628	$ 33,536,221	$ 2,552	$ 148,431,774
Net income	-	-	20,749,952	-	20,749,952
Other comprehensive income	-	-	-	(48,432)	(48,432)
As of October 31, 2022	**$ 16,486,373**	**$ 98,406,628**	**$ 54,286,173**	**$ (45,880)**	**$ 169,133,294**

The notes on pages 8 to 61 form an integral part of these financial statements.

RBC Royal Bank (Cayman) Limited

Statement of Cash Flows
For the Year Ended October 31, 2022

Expressed in United States Dollars

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 20,749,952	$ 11,792,465
Adjustments for:		
Provision for credit losses	(4,001,212)	(4,988,240)
Depreciation and amortization	977,432	849,925
Gain on disposal of premises and equipment	(726,920)	(6,356)
Amortization of premium/discount on investments	55,420	395,531
	17,054,672	8,043,325
(Increases)/decrease in operating assets:		
Loans and advances to customers	(50,392,477)	(102,462,492)
Due from affiliated companies	307,709	(1,723,378)
Other assets	(4,314,760)	5,165,797
Increases/(decrease) in operating liabilities:		
Due to banks	24,065,739	3,117,599
Customer deposits	66,180,801	78,491,618
Due to affiliated companies	(49,867,872)	(107,771,681)
Other liabilities	(4,871,365)	(917,520)
Net cash from operating activities	(1,837,553)	(118,056,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of premises and equipment	(1,037,110)	(321,056)
Proceeds from disposal of premises and equipment	1,934,680	1,914,748
Purchase of investments	(349,602,466)	(76,786,702)
Proceeds from maturity of investments	158,690,000	71,000,000
Net cash from investing activities	(190,014,896)	(4,193,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of right-of-use lease liability	(444,084)	(276,402)
Proceeds from issuance of common shares	-	35,000,000
Net cash from financing activities	(444,084)	34,723,598
NET DECREASE IN CASH AND CASH EQUIVALENTS	(192,296,533)	(87,526,144)
BALANCE AT BEGINNING OF YEAR	383,553,001	471,070,805
Effects of fair value changes on cash and cash equivalents	(48,432)	8,340
BALANCE AT END OF YEAR	$ 191,208,036	$ 383,553,001
Interest received	$ 27,715,437	$ 20,230,198
Interest paid	$ (1,076,590)	$ (517,859)

The notes on pages 8 to 61 form an integral part of these financial statements.

Expressed in United States Dollars

1. Incorporation and business activities

RBC Royal Bank (Cayman) Limited (the "Bank") was incorporated in the Cayman Islands on September 21, 2011 subject to the provisions of the Companies Law of the Cayman Islands and is licensed under the provisions of the Bank and Trust Companies Act as revised.

The Bank is a wholly-owned subsidiary of RBC Royal Bank Holdings (Cayman) Limited and is ultimately owned by Royal Bank of Canada ("RBC" or the "Bank"), a publicly traded chartered bank. Its business activities include (1) the acceptance of savings, term and demand deposits including a private banking division, (2) the buying and selling of foreign currencies, (3) electronic banking, and (4) personal, commercial and mortgage lending in the Cayman Islands. The Bank's principal place of business is located at 24 Shedden Road, George Town, Grand Cayman along with a branch located at 53 Shamrock Road, George Town, Grand Cayman.

2. Summary of significant accounting policies, estimates and judgements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been consistently applied to all years presented.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements. Refer to the relevant accounting policies in this note for details on use of estimates and assumptions.

The economic outlook remains subject to ongoing uncertainty with moderate recessions expected in major developed economies in calendar 2023 reflecting increased downside risks including higher inflation, supply chain disruptions, labour shortages and heightened geopolitical risks, which could impact the Bank's financial results. The Bank continues to monitor and assess the impacts of these factors on its critical accounting judgments, estimates and assumptions.

Management also exercises judgement that affects the carrying amounts of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Significant judgements have been made in the following areas and discussed as noted in the financial statements:

- Fair value of financial instruments (Note 21)
- Allowance for credit losses (Note 4)

2. Significant accounting policies (Continued)

Changes in accounting policies

Interest Rate Benchmark Reform

Effective 1 November 2021, the Bank adopted the Phase 2 amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 16 *Leases* (the Amendments) in response to the market transition away from interbank offered rates (IBORs) to alternative benchmark rates (ABRs) as part of the IBOR reform (the Reform). The Amendments provide two key reliefs which are applicable to changes undertaken as a direct consequence of the Reform and where the transition from IBOR to ABRs rates are transacted on an economically equivalent basis:

- For modifications of financial instruments carried at amortized cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss.

Progress in and risks arising from the transition to ABRs

To manage the transition to ABRs, the Bank has implemented a comprehensive program and governance structure that addresses the key areas of impact including contract remediation, funding and liquidity planning, risk management, financial reporting and valuation, systems, processes and client education and communication. Transition activities were focused on conversion of existing LIBOR based contracts to ABRs. The Bank's program timelines are ultimately dependent on broader market acceptance of products that reference the new ABRs and its clients' readiness and ability to adopt the replacement products. Significant matters that the Bank continues to evaluate include client product offerings and short and long-term funding strategies.

The Bank continues to work towards the recommended target dates for the cessation of US LIBOR-based products and are on track with its transition activities to move to ABRs. These target dates reflect the announcement made on March 5, 2021 when the Financial Conduct Authority, the regulator of the ICE Benchmark Administration (IBA) which administers LIBOR, announced the permanent cessation or loss of representativeness of all 35 LIBOR settings currently published by the IBA. USD LIBOR settings to which the Bank has significant exposure will predominantly cease or lose their representativeness after June 30, 2023. The Bank has no exposure to GBP LIBOR or other IBOR currency settings.

Expressed in United States Dollars

2. Significant accounting policies (Continued)

Changes in accounting policies (Continued)

Interest Rate Benchmark Reform (Continued)

The following tables show the Bank's significant exposures to financial instruments referencing benchmark interest rates subject to the Reform that have yet to transition to ABRs and maturing after June 30, 2023 for USD LIBOR instruments.

	As at October 31, 2022	As at November 1, 2021
	Non-derivative financial assets (1)	Non-derivative financial assets (1)
	($'000)	($'000)
USD LIBOR	16,939	73,608

(1) Non-derivative assets represent the drawn outstanding balance of loans. There are no undrawn balances of loan commitments referencing benchmark interest rates subject to the Reform.

Other significant accounting policies

Classification and measurement of financial assets
Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

All other debt instruments are measured at FVTPL.

2. Significant accounting policies (Continued)

Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and the Bank makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis.

Business model assessment
The Bank determines the business models at the level that best reflects how it manages portfolios of financial assets to achieve business objectives. Judgement is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of the business generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the business, for example, market risk, credit risk, or other risks as described in the Risk Management Note 20, and the activities taken to manage those risks;
- Historical and future expectations of sales of the instruments managed as part of a business model; and
- The compensation structures for managers of the businesses within the Bank, to the extent that these are directly linked to the economic performance of the business model.

The Bank's business models fall into three categories, which are indicative of the key categories used to generate returns:

- HTC: the objective of this business model is to hold instruments to collect contractual principal and interest cash flows; sales are incidental to this objective and are expected to be insignificant or infrequent;
- HTC&S: both collecting contractual cash flows and sales are integral to achieving the objective of the business model; and
- Other fair value business models: these business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

SPPI assessment
Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected for basic lending arrangements. Principal amounts include the fair value of the financial asset at initial recognition from lending and financing arrangements, and interest primarily relates to basic lending return, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Investment Securities
Trading securities include all securities that are classified as FVTPL, by nature and securities designated at FVTPL. Realized and unrealized gains and losses on these securities are generally recorded as trading revenue in non-interest income. Dividends and interest accruing on trading securities are recorded in interest income.

2. Significant accounting policies (Continued)

Investment securities include all securities classified as FVOCI and amortized cost. Treasury bills which have original contractual maturities of three months or less have been classified at fair value through other comprehensive income and are included as part of cash and cash equivalents.

Investment securities carried at amortized cost are measured using the effective interest rate method, and are presented net of any allowance for credit losses, calculated in accordance with the Bank's policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortized cost are recorded in net interest income. Impairment gains or losses recognized on amortized cost securities are recorded in provision for credit losses. When a debt instrument measured at amortized cost is sold, the difference between the sale proceeds and the amortized cost of the security at the time of sale is recorded as a net gain (loss) on investment securities in non-interest income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair values included in other components of equity. Impairment gains and losses are included in provision for credit losses and correspondingly reduce the accumulated change in fair value included in other components in equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from other components of equity to net gain (loss) on investment securities in non-interest income.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in other components of equity and are not subsequently reclassified to net income when realized. Dividends from FVOCI securities are recognized in interest income.

The Bank accounts for all securities using settlement date accounting and changes in fair value between trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in fair value of securities measured at FVOCI between trade date and settlement dates are recorded in other comprehensive income (OCI), except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.

Purchased or Originated Credit Impaired (POCI) securities are already impaired at the time they are purchased or originated. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired will come from observable data about any impairment event as detailed in the allowance for credit losses accounting policy. POCI securities are initially recognized at fair value. The effective interest rate is the yield implied by the credit-adjusted cash flows.

Fair value option

A financial instrument can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category subsequently.

2. Significant accounting policies (Continued)

Financial assets designated as FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in Non-interest income.

Financial liabilities designated as FVTPL are initially recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in Non-interest income. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognized in net income. To make that determination, we assess whether we expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL.

Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on our financial liabilities designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Loans and advances to customers
Loans and advances to customers are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy described above. All of the Bank's loans are carried at amortized cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortized into non-interest income over the commitment or standby period. Prepayment fees on mortgage loans are not included as part of the effective interest rate at origination. If prepayment fees are received on a renewal of a mortgage loan, the fee is included as part of the effective interest rate; and if not renewed, the prepayment fee is recognized in interest income at the prepayment date.

Impairment losses is recognized at each statement of financial positon date in accordance with the three-stage impairment model outlined in these accounting policies.

2. Significant accounting policies (Continued)

Allowance for credit losses
An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to an impairment assessment. Assets subject to an impairment assessment include loans and advances to customers, debt securities, interest-bearing deposits with banks, accounts and accrued interest receivable. ACL on financial assets is disclosed in the notes to the financial statements. ACL on debt securities measured at FVOCI is presented in other components of equity on the statement of financial position. Financial assets carried at amortized cost are presented net of ACL on the statement of financial position. Provision for credit losses (PCL) on amortized cost instruments are recognized directly in the statement of income.

Off-statement of financial position items subject to impairment assessment include financial guarantees and undrawn loan commitments. The ACL for undrawn credit commitments is included in ACL for loans. ACL for financial guarantees is included in other liabilities.

The Bank measures the ACL on each statement of financial position date according to a three-stage expected credit loss impairment model:

Performing financial assets:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months or shorter if the remaining term is less than 12 months following the reporting date.
- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

Impaired financial assets:

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, model changes and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-off and recoveries are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on financial assets as at the statement of financial position date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

2. Significant accounting policies (Continued)

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider available, reasonable and supportable information including, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced at the loan level. The estimate is based on a model that takes into account different segments of the Bank's portfolio and forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment is exercised in determining the final expected credit losses using a range of possible outcomes.

In the previous year, an expected credit loss estimate was produced at the portfolio segment level. Relevant parameters were modeled on a collective basis using portfolio segmentation that allowed for appropriate incorporation of forward looking information. To reflect other characteristics that were not already considered through modelling, expert credit judgment was exercised in determining the final expected credit losses using a range of possible outcomes. In addition, as the IFRS 9 model was not calibrated for unprecedented events such as the COVID 19 pandemic the Bank applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the estimate credit losses at the portfolio level to account for late breaking events, model limitations and expert credit judgement applied following management review and challenge. Internal governance was in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

Expected credit losses continue to be discounted to the reporting period date using the effective interest rate.

Expected life

For instruments in Stage 2 or Stage 3, the loss allowance reflects the expected credit loss over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the Bank has the contractual ability to demand repayment and cancel the undrawn commitment; and (c) the Bank's exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which the Bank's exposure to credit losses is not mitigated by its normal credit risk management actions. This period varies by product and risk category and is estimated based on historical experience with similar exposures and consideration of credit risk management actions taken as part of a regular credit review cycle. The products in scope of this exemption are credit cards. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on historical experience and credit risk mitigation practices requires significant judgment.

2. Significant accounting policies (Continued)

Assessment of significant increase in credit risk
The assessment of a significant increase in credit risk requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. This assessment is performed at the instrument level.

The Bank's assessment of significant increases in credit risk remains largely the same and is based on factors such as delinquency status and whether the account is being watch-listed and managed by the special loans group. If any of the following conditions is met, the instrument is moved from Stage 1 to Stage 2. Prior year assessment is based on the first three conditions only:

1) The instrument is 30 days past due.
2) The account is watch-listed and centrally monitored and managed. This centrally monitored portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialized management team due to circumstances other than delinquency which marks the account as having a higher risk component.
3) Retail loans receiving business as usual deferrals granted by our collections team.
4) Loans of clients who had a prior default during the last three years.
5) Increases in the probability of default (PD) at the loan level

The Bank's assessment of significant increases in credit risk is primarily based on the approach described above. For the previous year which integrated the COVID overlay, the broader macroeconomic impacts of the pandemic were largely reflected in an instrument's lifetime PD. To the extent the impacts of COVID 19 were not already reflected within the lifetime PD model, they were reflected through the qualitative review performed to assess the staging results and adjustments were made as necessary.

Use of forward-looking information
The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on macroeconomic scenarios. Each macroeconomic scenario used in the Bank's expected credit loss calculation includes a projection of all relevant macroeconomic variables usend in our models for a five year period. In comparison to the previous year in which the PD and LGD inputs were modelled based on the macroeconomic variables (or changes in macroeconomic variables) that were most closely correlated with credit losses in the relevant portfolio such as unemployment rate, GDP and/or inflation rate.

Further details on our forward looking assumptions and scenarios as at October 31, 2022 are provided in Note 4.

Scenario Design
The Bank's estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers five distinct future macroeconomic scenarios. Scenarios and scenario weights are set at the RBC Group level; considering the RBC baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows RBC to have a consistent view of macroeconomic scenarios across business lines and legal entities.

2. Significant accounting policies (Continued)

Scenarios are designed to capture a wide range of possible outcomes and weighted on the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probability weighting.

Definition of default
The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for the Bank's internal credit risk management purposes. The definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers, except as detailed below, default occurs when the borrower is 90 days or more past due on any material obligation to the Bank, and/or the Bank considers the borrower unlikely to make their payments in full without recourse action, such as taking formal possession of any collateral held. For certain credit card balances, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by the performance experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)
Financial assets are assessed for credit-impairment at each statement of financial position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, the accrual is calculated by applying the effective interest rate to the carrying amount, which is recorded in the statement of financial position. The discount resulting from the impact of time delays in collecting principal (time value of money) is established and recorded through provision for credit losses.

ACL for credit-impaired financial assets in Stage 3 are established at the financial asset level, where losses related to impaired financial assets are identified on individually significant financial asset, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.

2. Significant accounting policies (Continued)

Individually assessed loans (Stage 3)
When individually significant loans are identified as impaired, the carrying value of the loan is reduced to its estimated realizable value by recording an individually assessed ACL to cover identified credit losses. The individually assessed ACL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions based on expert credit judgement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

Collectively assessed loans (Stage 3)
Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, geographic location, collateral type, past due status and other relevant factors.

The collectively-assessed ACL reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

The expected principal and interest collection is estimated on a portfolio basis and references historical loss experience of comparable portfolios with similar credit risk characteristics, adjusted for the current environment and expected future conditions. A portfolio specific coverage ratio is applied against the impaired loan balance in determining the collectively-assessed ACL. The time value of money component is calculated by using the discount factors applied to groups of loans sharing common characteristics. The discount factors represent the expected recovery pattern of the comparable group of loans, and reflect the historical experience of these groups adjusted for current and expected future economic conditions and/or industry factors. Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

2. Significant accounting policies (Continued)

Write-off of loans
Loans are generally written off, either partially or in full, when there is no or minimal realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances are generally written off when payment is 180 days past due. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due unless liquidation of the underlying real estate collateral is expected to be closed in the short term. In such cases write-off may be delayed beyond 2,000 days. In all other instances, the write-off will be completed at 2,000 days, although recovery efforts will continue.

Modifications
The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes expected to result. Modifications can be tracked through the original financial asset or result in derecognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognized. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Client relief programs under COVID 19

The COVID-19 relief program which was established to assist clients in good standing through payment deferrals over a moratorium period was concluded end of September 2020. The relief program resulted in no material modifications and did not give rise to derecognition of the original financial asset and recognition of a new financial asset. The relief program focused mainly on loans within Stage 1.

2. Significant accounting policies (Continued)

During fiscal 2021 payment deferrals were granted to clients who continued to face challenges as a result of the pandemic on a case by case basis only. The relief extended did not result in any material modifications and did not give rise to derecognition of the original financial asset and recognition of a new financial asset. Payment relief granted in fiscal 2021 was mainly on loans in Stage 1.

During fiscal 2022 the volume of payment deferrals showed a continuous decline with no change to the general terms of relief provided when compared to previous years.

Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank determines fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

The Bank has established policies, procedures and controls for valuation methodologies and techniques to ensure fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. The Bank gives priority to those third-party pricing services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, to other pricing service values and, when available, to actual trade data. Other valuation techniques are used when a price or quote is not available. Some valuation processes use models to determine fair value. The Bank has a systematic and consistent approach to control model use. Valuation models are approved for use within the Bank's model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures, and approval authorities. Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty or derived from internal estimates when market data is unavailable.

Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated and changes are recorded in non-interest income.

2. Significant accounting policies (Continued)

Determination of fair value (Continued)

In determining fair value, a hierarchy is used which prioritizes the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are inputs that are unobservable. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances. Refer to Note 5.

Interest
Interest is recognized in Interest income and Interest expense in the Statement of Comprehensive Income for all interest bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Judgement is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Transaction costs
Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost, capitalized transaction costs are amortized through interest income over the estimated life of the instrument using the effective interest method.

Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset on the statement of financial position when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2. Significant accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognized when the Bank's contractual rights to the cash flows from the assets have expired, when the Bank retains the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements or when the Bank transfers its contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. When the Bank retains substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized and are accounted for as secured financing transactions. When the Bank neither retains nor transfer substantially all risks and rewards of ownership of the assets, it derecognizes the assets if control over the assets is relinquished. If the Bank retains control over the transferred assets, it continues to recognize the transferred assets to the extent of its continuing involvement.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether the Bank retains the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. The Bank derecognizes transferred financial assets if it transfers substantially all the risk and rewards of the ownership in the assets. When assessing whether the Bank has transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. In transfers that the Bank retains the servicing rights, management has applied judgement in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair market value, a servicing asset is recognized in other assets in the statement of financial position. When the benefits of servicing are less than fair market value, a servicing liability is recognized in other liabilities in the statement of financial position.

Derecognition of financial liabilities

The Bank derecognizes a financial liability when its obligation specified in the contract expires, or is discharged or cancelled. The Bank recognizes the difference between the carrying amount of a financial liability transferred and the consideration paid in the statement of comprehensive income.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The financial statements are presented in United States dollars (USD$). The Bank's functional currency is the Cayman Islands dollar.

Transactions and balances

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

2. Significant accounting policies (Continued)

Foreign currency translation (Continued)

Transactions and balances (Continued)

Exchange differences are recognized in net income in the statement of comprehensive income in the period in which they arise.

Customer deposits

Customer deposits are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Customer deposits are derecognized when the financial liability has been extinguished.

Income and expense recognition

Revenue recognition
Revenue is recognized when control of a service transfers to a customer. Service contracts are assessed by taking the following factors into consideration sequentially, which individually will vary based on the facts and circumstances present in a contract with a customer and will require the exercise of management judgement:

1. Identified all contracts with customers;
2. Identified the separate performance obligations under a contract;
3. Determined the transaction price of the contract;
4. Allocated the transactions price to each of the separate performance obligations; and
5. Recognized the revenue as each performance obligation is satisfied.

The Bank adopts the portfolio approach, as an operational expedient, where contracts are assessed as a portfolio as opposed to individually assessed when the characteristics of each contract is similar. The Bank reviews the services provided as part of the contract, the contract duration, the terms and conditions for the contract, the amount, form and timing of consideration and the timing of the transfer of the service. Due to the high volume of the Bank's contracts that are identical or have similar contractual terms (for example standardized banking agreements with retail customers), the expedient is applied to many of its current revenue streams.

In addition, the Bank does not adjust for the effects of a significant financing component for contracts with a 12 months or less expected time difference between when we the transfer the service to the customer and the receipt of the contract consideration.

The Bank expenses incremental costs to obtain a contract if the expected amortization period of the asset otherwise would have been recognized in 12 months or less. Anticipated contract renewals and amendments with the same customer are considered when determining whether the period of benefit, and therefore the period of amortization, is 12 months or less.

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit related fees and commissions. The Bank does not incur material costs to obtain contracts with customers such as sales commissions.

2. Significant accounting policies (Continued)

Interest income and expense

Interest income and interest expense are recognized in the statement of comprehensive income for all financial instruments measured at amortized cost using the effective interest method. Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loans.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Commissions and fees

Commission and fees primarily relate to transactions service fees and commissions, card service revenue and credit fees, and are recognized based on the applicable service contracts with customers.

Transactions service fees and commissions represent card service revenue which primarily includes interchange revenue and annual card fees. Interchange revenue is calculated as a fixed percentage of the transaction amount and recognized when the card transaction is settled. Annual card fees are fixed fees and are recognized over a twelve month period.

Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided. Where services are provided over time, revenue is recognized as the services are provided.

When service fees and other costs are incurred in relation to commissions and fees earned, the Bank records these costs on a gross basis in either ‘other operating expenses or staff costs’ based on its assessment of whether it has primary responsibility to fulfill the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

Premises and equipment

Premises and equipment are carried at historical cost less accumulated depreciation, amortization and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income as part of net income during the financial period in which they are incurred.

2. Significant accounting policies (Continued)

Premises and equipment (Continued)

Depreciation and amortization is calculated principally on the straight-line method to write off the depreciable amounts over their estimated useful lives as follows:

Land	- Not depreciated
Leasehold improvements	- Straight line lease term plus 1 renewal term
Furniture and other equipment	- Straight line 5 years
Computer equipment	- Straight line – 3 to 10 years
Motor vehicles	- Straight line – 3 years

Management reviews the estimated useful lives, residual values and methods of depreciation at each year-end. Any changes are accounted for prospectively as a change in accounting estimate. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amounts and are included in the statement of comprehensive income as part of net income in the period.

Impairment of tangible assets

At the end of each reporting date, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those asset have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Cash and cash equivalents

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

Provisions

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

2. Significant accounting policies (Continued)

Provisions (Continued)

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

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

Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

Stated capital

The Bank classify a financial instrument that the Bank issue as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments issued by the Bank are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are included in equity as deduction from the proceeds, net of tax.

Guarantees, indemnities and letters of credit

Financial guarantees are financial contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts issued by the Bank are treated as contingent liabilities and not recognized in the statement of financial position until a payment under the guarantee has been made.

Dividends

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

Dividends that are proposed and declared after the statement of financial position are disclosed as a subsequent event.

2. Significant accounting policies (Continued)

Employee benefits

The Bank's employees participate in a defined benefit pension plan and a defined contribution pension plan of Royal Bank of Canada (RBC). 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. Due to the long-term nature of the Plan, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on assets, projected salary increases, retirement age, mortality and termination rates. The accrued pension obligation is retained by and recorded in the books of RBC. The Bank recognizes its proportionate share of pension costs as an expense during the period, after which the Bank has no further obligations to the Plan.

Defined contribution plan

Under the defined contribution plan, an employee contributes 4% of their salary and the Bank contributes 6% of the employee's salary up to Cayman Islands Dollars $87,000. Expenses for services rendered by the employee's and related to the defined contribution plan are recognized as an expense during the period.

Taxation

Under the laws of Cayman, the country of domicile of the Bank, there are no income, capital gains or other corporate taxes imposed. The Bank's operations do not subject it to taxation in any other jurisdiction.

Leases

At inception of a contract, the Bank assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to obtain substantially all of the economic benefits from, and direct the use of, an identified asset for a period of time in return for consideration.

When we are the lessee in a lease arrangement, we initially record a right-of-use asset and corresponding lease liability, except for short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are unspecialized, common, technologically unsophisticated, widely available, and widely used non-infrastructure assets. For short-term leases and leases of low-value assets, we record the lease payments as an operating expense on a straight-line basis over the lease term.

Where we are reasonably certain to exercise extension and termination options, they are included in the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at our incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method, recorded in interest expense.

Expressed in United States Dollars

2. Significant accounting policies (Continued)

Leases (Continued)

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for lease payments made on or before the commencement date, initial direct costs incurred, less any lease incentives received. Costs related to dismantling are capitalized as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalized.

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to the Bank or we are reasonably certain to exercise a purchase option, in which case the useful life of the right-of-use asset is used. The Bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the premises and equipment accounting policies in the Bank's financial statements.

3. Cash and cash equivalents

	2022	**2021**
Cash on hand	7,680,162	9,207,201
Treasury bills	101,067,153	264,997,375
Due from banks	82,460,721	109,348,425
	191,208,036	**383,553,001**

Cash on hand represents cash held in vaults and cash dispensing machines. Due from banks are deposits held with other banks on demand or for fixed periods up to three months. Treasury bills have original maturities up to three months. Approximately $48,076,813 (2021: $34,066,295) of Due from banks is non-interest bearing. Treasury bills earn interest rates ranging from 2.45% to 3.25% (2021: 0.02% to 0.06%).

Expressed in United States Dollars

4. Loans and Advances to customers

	2022	2021
Retail	$ 33,082,231	$ 34,104,317
Commercial	533,822,798	507,047,555
Mortgages	248,074,906	223,967,567
	814,979,935	765,119,439
Provision for credit loss	(4,500,786)	(8,893,463)
Loan origination fees and cost (net)	(585,759)	(726,752)
	$ 809,893,390	$ 755,499,224

Stage 1	$ 795,051,039	$ 741,579,487
Stage 2	15,056,616	18,371,963
Stage 3	4,872,280	5,167,989
Gross loans and advances	$ 814,979,935	$ 765,119,439

Current (due within one year)	$ 260,912,355	$ 294,423,075
Non-current (due after one year)	554,067,580	470,696,364
Gross loans and advances	$ 814,979,935	$ 765,119,439

Loans and advances classified as impaired represents 0.60% (2021: 0.68%) of the total loans and advances portfolio. The allowance for impairment losses represents 0.55% (2021: 1.16%) of the total loans and advances portfolio and Stage 3 allowances represent 35.13% (2021: 33.64%) of the total impaired loans.

Loans and advances include loans to employees of the Bank and its affiliate companies of $16,833,295 (2021: $14,574,776). These loans were granted to the employees at interest rates which are lower than the market rate, ranging from 2.75% to 6.50% (2021: 1.75% to 6.5%).

Expressed in United States Dollars

4. Loans and advances to customers (Continued)

Allowance for credit losses consists of the following:

	For the year ended October 31, 2022				
	Balance at beginning of period	Provision for credit losses	Net write-offs	Other	Balance at end of period
Retail	731,432	(222,612)	(65,996)	57,789	500,613
Commercial	3,377,143	(2,215,321)	-	43,038	1,204,860
Mortgages	4,784,888	(1,557,689)	(284,220)	(147,666)	2,795,313
	8,893,463	(3,995,622)	(350,216)	(46,839)	4,500,786
The above includes:					
Undrawn loan commitments	925,968	(650,491)	-	-	275,477

	For the year ended October 31, 2021				
	Balance at beginning of period	Provision for credit losses	Net write-offs	Other	Balance at end of period
Retail	1,155,776	(1,154,696)	406,938	323,414	731,432
Commercial	5,218,249	(1,801,867)	(203)	(39,036)	3,377,143
Mortgages	7,118,108	(2,015,816)	(164,991)	(152,413)	4,784,888
	13,492,133	(4,972,379)	241,744	131,965	8,893,463
The above includes:					
Undrawn loan commitments	1,894,428	(968,460)	-	-	925,968

The following tables reconcile the opening and closing allowance for credit losses by stage.

Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognized assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognized during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- Write-offs represent the closure / elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or cash equivalents for a loan balance previously written off.
- Other. This category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

Expressed in United States Dollars

4. Loans and advances to customers (Continued)

	For the year ended October 31, 2022			
	Total Provision for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	2,292,217	4,862,478	1,738,768	8,893,463
Allowance for credit losses				
Model changes	(396,264)	257,620	-	(138,644)
Transfers in (out) to Stage 1	3,447,172	(3,443,749)	(3,423)	-
Transfers in (out) to Stage 2	(77,356)	446,186	(368,830)	-
Transfers in (out) to Stage 3	(12,589)	(243,852)	256,441	-
Purchases and originations	255,845	-	-	255,845
Derecognitions and maturities	(219,522)	(221,600)	(430,661)	(871,783)
Remeasurements	(3,557,610)	(599,800)	916,366	(3,241,044)
Write-offs			(605,651)	(605,651)
Recoveries			255,435	255,435
Other			(46,835)	(46,835)
Balance at end of period	**1,731,893**	**1,057,283**	**1,711,610**	**4,500,786**

	For the year ended October 31, 2021			
	Total Provision for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	2,659,055	9,118,035	1,715,043	13,492,133
Allowance for credit losses	-	-	-	
Transfers in (out) to Stage 1	4,404,481	(3,993,530)	(410,951)	-
Transfers in (out) to Stage 2	(36,754)	84,639	(47,885)	-
Transfers in (out) to Stage 3	(15,807)	(384,666)	400,473	-
Purchases and originations	407,817	-	-	407,817
Derecognitions and maturities	(263,408)	(367,370)	(570,798)	(1,201,576)
Remeasurements	(4,863,167)	405,370	279,177	(4,178,620)
Write-offs	-	-	(362,454)	(362,454)
Recoveries	-	-	604,198	604,198
Other	-	-	131,965	131,965
Balance at end of period	**2,292,217**	**4,862,478**	**1,738,768**	**8,893,463**

Expressed in United States Dollars

4. Loans and advances to customers (Continued)

Based on our collections policies, substantially all of the amounts written off during the period are still subject to enforcement activities at year end.

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected credit losses under the IFRS 9 model include our internal historical default rates, changes in credit quality and real GDP growth rates. Prior year's key drivers included the Bank's internal historical default rates, transition matrices, unemployment rates, real GDP growth rates and inflation rates.

The global economic outlook is volatile, evidenced by higher interest rates and inflation levels in developed economies and expected recessions in North America, Europe and the UK. Also, inflation rates in the Caribbean have increased. Our base scenario considers the ongoing recovery of 2022 in the Caribbean with an expected slowdown of the growth momentum in the last quarter of 2022 and 2023-2025. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

In arriving at the real GDP growth rates, we incorporate external agencies such as IMF and Central Banks projections as well as the actual historic results of GDP growth in the Caribbean.

To assess the reasonableness of our GDP rates, if we amended Year 1 of the calendar quarter forecast of GDP growth rates used in the base case model to estimate the allowance for credit losses, the base case allowance for credit losses will move as follows:

- A 100 basis points increase will lower the allowance for credit losses by $145,947.
- A 100 basis points decrease will increase the allowance for credit losses by $190,429.

Further details on the key inputs and assumptions used as at October 31, 2022 and 2021 are provided in Note 2.

The following table compares the Bank's probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenarios. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	As at October 31	
	2022	2021
	$	$
ACL on performing loans (1)		
Carrying Value	2,789,176	7,154,695
Base Scenario	2,311,523	6,919,922

(1) Represents Stage 1 and Stage 2 ACL on loans, acceptances, and commitments.

Expressed in United States Dollars

4. Loans and advances to customers (Continued)

Key inputs and assumptions (Continued)

Transfers between stages
The following table illustrates the impact of staging on our ACL by comparing our allowance if all performing loans were in Stage 1 to the actual ACL recorded on these assets.

	As at October 31	
	Performing loans [1]	
	2022	**2021**
	$	**$**
ACL - all performing loans in Stage 1	1,776,780	2,362,462
Impact of staging	1,012,396	4,792,233
Stage 1 and 2 ACL	2,789,176	7,154,695

(1) Represents loans, acceptances and commitments in Stage 1 and Stage 2.

In the prior year stage 2 was determined based on 30 days past due, centrally managed accounts and retail loans receiving business as usual deferrals granted by the Collections team. Also, as part of our COVID overlay, we qualitatively increased the transfers from stage 1 to 2 to reflect the challenging macroeconomic environment. This qualitative adjustment was informed by economic projections and historical behavior of our portfolio. In this year, staging is based on 30 days past due, centrally managed accounts, retail loans receiving business as usual deferrals granted by the collections team, loans of clients who had a prior default during the last three years and increases in probability of default at the loan level. The new approach used to identify stage 2 exposures is more granular, informed by a larger number of credit risk metrics.

Loan modifications

All formal relief programs established to help clients manage through challenges of the COVID-19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring were completed in late 2020, any relief provided to clients since then has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2022, the amortized cost of all loans whose contractual terms were modified before the modification was $131,721,145 (2021: $93,739,928), resulting in no material modification gains or losses.

5. Investments

Carrying value of securities
The following table presents the carrying value of securities at the end of the period, which are measured at amortised cost net of allowance for credit losses. All the investments have fixed rates ranging from 0.185% to 3.615% (2021: 0.04% to 1.66%).

Expressed in United States Dollars

5. Investments (Continued)

Investment Securities at amortised cost

	2022	2021
Government bonds	$ 131,860,100	$ 25,545,519
US Govt. Treasury bills	89,541,515	4,999,050
	221,401,615	30,544,569
Allowance for credit losses	(533)	(78)
	$ 221,401,082	$ 30,544,491

Movement in Investments:

	2022	2021
Balance, beginning of year	$ 30,544,569	$ 25,153,398
Purchases	349,602,466	76,786,702
Maturity	(158,690,000)	(71,000,000)
Amortization of premium or discount (net)	(55,420)	(395,531)
	$ 221,401,615	$ 30,544,569

The following table represents the contractual maturities of the carrying values of investment securities held at the end of the year.

	As of October 31, 2022						
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years	With no specific maturity	Total
Amortized cost							
Amortized cost	69,797,208	109,472,661	42,131,746	-	-	-	221,401,615
Fair value	69,665,000	108,508,800	40,904,000	-	-	-	219,077,800
Total carrying value of investments	69,797,208	109,472,661	42,131,746	-	-	-	221,401,615

	As of October 31, 2021						
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years	With no specific maturity	Total
Amortized cost							
Amortized cost	10,009,869	4,999,050	15,535,650	-	-	-	30,544,569
Fair value	10,041,000	4,998,500	15,498,000	-	-	-	30,537,500
Total carrying value of investments	10,009,869	4,999,050	15,535,650	-	-	-	30,544,569

Allowance for credit losses on securities

The following tables reconcile the opening and closing allowance for debt securities at amortized cost by stage. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period.

Expressed in United States Dollars

5. Investments (Continued)

Allowance for credit losses (Continued)

- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/elimination of a security balance when there is no realistic prospect of recovery.

Significant changes in the gross carrying amount of securities at amortized cost that contributed to changes in the allowance include the following:

Allowance for credit losses – securities at amortized cost

	For the year ended October 31, 2022			
	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	70	8	-	78
Allowance for credit losses				
Model changes	(12)	-	-	(12)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Purchases and originations	724	-	-	724
Derecognitions and maturities	(37)	-	-	(37)
Remeasurements	(233)	-	-	(233)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Others	13	-	-	13
Balance at end of period	**525**	**8**	**-**	**533**

	For the year ended October 31, 2021			
	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	1,287	8	-	1,295
Allowance for credit losses				
Model changes	(612)	-	-	(612)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Purchases and originations	277	-	-	277
Derecognitions and maturities	(53)	-	-	(53)
Remeasurements	(829)	-	-	(829)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Balance at end of period	**70**	**8**	**-**	**78**

Allowance for credit losses for securities at FVOCI was $30 as of October 31, 2022 (2021: $115).

Expressed in United States Dollars

6. Premises and Equipment

		2022		2021
Premises and equipment owned	$	3,293,177	$	3,944,400
Right-of-use leased leased assets		4,967,053		1,964,151
	$	**8,260,230**	**$**	**5,908,551**

Premises and equipment consists of owned assets and right-of-use leased assets.

	Land	Automobiles	Leasehold Improve-ments	Furniture & Other Equipment	Computer Equipment & Software	Capital work in progess	Total
Year Ended							
October 31, 2022							
Opening net book value	$ 1,181,400	$ 29,918	$ 1,956,843	$ 374,800	$ 401,439	$ -	$ 3,944,400
Additions	-	-	41,800	-	183,534	811,776	1,037,110
Transfers	-	-	-	-	-	-	-
Disposal	(1,181,400)	(11,584)	-	(14,360)	(416)	-	(1,207,760)
Depreciation charge	-	(20,000)	(178,280)	(101,739)	(180,554)	-	(480,573)
Closing net book value	**$ -**	**$ (1,666)**	**$ 1,820,363**	**$ 258,701**	**$ 404,003**	**$ 811,776**	**$ 3,293,177**
At October 31, 2022							
Cost	$ -	$ 35,812	$ 4,013,603	$ 681,169	$ 1,296,387	$ 811,776	$ 6,838,747
Accumulated depreciation	-	(37,478)	(2,193,240)	(422,468)	(892,384)	-	(3,545,570)
Net book value	**$ -**	**$ (1,666)**	**$ 1,820,363**	**$ 258,701**	**$ 404,003**	**$ 811,776**	**$ 3,293,177**

	Land	Automobiles	Leasehold Improve-ments	Furniture & Other Equipment	Computer Equipment & Software	Capital work in progess	Total
Year Ended							
October 31, 2021							
Opening net book value	$ 1,181,400	$ 49,918	$ 656,490	$ 66,529	$ 385,127	$ 3,749,047	$ 6,088,511
Additions	-	-	32,541	-	216,056	72,459	321,056
Transfers	-	-	1,473,105	461,609	-	(1,934,714)	-
Disposal	-	-	-	-	(21,600)	(1,886,792)	(1,908,392)
Depreciation charge	-	(20,000)	(205,293)	(153,338)	(178,144)	-	(556,775)
Closing net book value	**$ 1,181,400**	**$ 29,918**	**$ 1,956,843**	**$ 374,800**	**$ 401,439**	**$ -**	**$ 3,944,400**
At October 31, 2021							
Cost	$ 1,181,400	$ 110,452	$ 3,971,802	$ 947,330	$ 1,463,181	$ -	$ 7,674,165
Accumulated depreciation	-	(80,534)	(2,014,959)	(572,530)	(1,061,742)	-	(3,729,765)
Net book value	**$ 1,181,400**	**$ 29,918**	**$ 1,956,843**	**$ 374,800**	**$ 401,439**	**$ -**	**$ 3,944,400**

Expressed in United States Dollars

6. Premises and Equipment (Continued)

Right-of-use leased assets

	Properties $	Equipment $	Total $
Year ended October 31, 2022			
Opening net book value	1,964,151	-	1,964,151
Additions	3,499,761	-	3,499,761
Disposals	-	-	-
Depreciation charge	(496,861)	-	(496,861)
Closing net book value	4,967,051	-	4,967,051
At October 31, 2022			
Total cost	6,051,060		6,051,060
Accumulated depreciations	(1,084,007)		(1,084,007)
	4,967,053	-	4,967,053

	Properties $	Equipment $	Total $
Year ended October 31, 2021			
Opening net book value	1,723,841	-	1,723,841
Additions	533,460	-	533,460
Disposals	-	-	-
Depreciation charge	(293,150)		(293,150)
Closing net book value	1,964,151	-	1,964,151
At October 31, 2021			
Total cost	2,551,299		2,551,299
Accumulated depreciations	(587,148)		(587,148)
	1,964,151	-	1,964,151

Leased assets

The Bank leases various office, branches and other premises. These leases have various terms, escalation and renewal rights and are negotiated on an individual basis. These lease agreements do not include any clauses that impose restrictions on the Bank's ability to pay dividends, engage in debt financing transactions, or enter into further lease agreements.

Some lease contracts provide the Bank with the option to terminate after payment of a predetermined amount, allowing us to exit the contracts prior to expiration. Extension options at the discretion of RBC are also made available to lengthen existing lease terms. The Bank is reasonably certain to exercise extension options for certain retail locations and leases of automated teller machines (ATMs). Extension options for real estate leases tend to be at market rates and subject to negotiation prior to expiration of the initial lease term and therefore are not included in the measurement of lease liabilities at the commencement of the lease.

The total cash outflow for leases for the year ended October 31, 2022 was $511,634 (2021: $318,327)

Expressed in United States Dollars

7. Other assets

	2022	2021
Accounts receivable	$ 272,481	$ 233,070
Accrued interest receivable	1,352,622	1,657,723
In-transit items	7,494,346	2,929,703
Other	15,851	66
	$ 9,135,300	**$ 4,820,562**

All other assets are due within one year.

8. Customer deposits

	2022	2021
Demand deposits	$ 578,507,817	$ 582,605,236
Savings deposits	175,148,802	176,100,800
Term deposits	159,083,878	87,853,660
	$ 912,740,497	$ 846,559,696

Sectoral Analysis

	2022	2021
Personal	$ 248,475,299	$ 252,402,199
Non-Personal	308,547,079	279,992,617
State Sector	355,718,119	314,164,880
	$ 912,740,497	$ 846,559,696

Deposits categorized by maturity are as follows:

Current (due within one year)	$ 912,681,026	$ 846,559,696
Non-current (due after one year)	59,471	-
	$ 912,740,497	$ 846,559,696

Expressed in United States Dollars

9. Other liabilities

		2022		2021
Accruals and payables	$	534,181	$	249,693
Employee related costs		860,907		568,418
Deferred income		1,020,054		898,249
Interest payable		549,733		127,652
Lease liabilities		5,056,419		2,000,741
Allowance for credit losses		7,732		13,795
In-transit items		10,456,639		16,365,553
Other		8,762		86,014
	$	18,494,427	$	20,310,115

The Bank presents its lease liabilities within other liabilities on the Statement of Financial Position. The Bank made an election to measure its right-of-use assets at an amount equal to the value of its lease liabilities. Under IFRS 16-Leases, lease liabilities represent the present value of the lease payments not paid on the date the contact starts over its lease term. This amount is computed using the incremental borrowing rate.

10. Pension plans

Certain of the Bank's employees participate in a defined benefit pension plan of Royal Bank of Canada (the Plan). The defined benefit pension plan is a global scheme, the full disclosure of which are included in the financial statements of the ultimate parent at Note 16. Employees joining the Bank subsequent to January 1, 1998 are not eligible for membership in the Plan. The Plan provides pensions based on years of service, contribution to the Plan and average earnings at retirement. The Plan is funded in accordance with actuarially determined amounts required to satisfy employee benefit entitlements under current pension regulations. The most recent actuarial valuation performed was completed on January 1, 2022 at which time the actuarial present valued accrued pension benefits exceeded the actuarial valuation of net assets.

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2022	2021
Discount rate	4.55%	4.10%
Expected return on plan assets	5.10%	4.67%
Rate of increase in future compensation	1.00% - 6.50%	1.00% - 9.00%

Employees of the bank also participate in a defined contribution plan. Under the defined contribution plan, an employee contributes 4% of their salary and the Bank contributes 6% of the employee's salary. The employee and employer are required to make basic contributions that, when combined, equal 10% of the employee's earnings (up to the year's maximum pensionable earnings of CI$87,000). However, the employee can make additional voluntary contributions. These contributions over and above the required basic contributions made to the defined contribution plan.

During the year, the Bank's pension expenses arising from the Plan was $348,901 (2021: $557,173) and the defined contribution plan was $63,822 (2021: $60,548).

Expressed in United States Dollars

11. Share capital

	Number of Ordinary Shares	Par Value	Share Capital	Share Premium
Balance at beginning of year	16,486,373	$ 1.00	$ 16,486,373	$ 98,406,628
Shares issued	-		-	-
Balance as of October 31, 2022	16,486,373		$ 16,486,373	$ 98,406,628

The total authorized number of ordinary shares is 500,000,000 shares at US$1.00 par value each share carries one vote and a right to dividend. All issued shares are fully paid.

12. Interest income

	2022	2021
Loans and advances to customers	$ 24,193,917	$ 18,969,420
Investment securities and treasury bills	2,926,983	463,767
Due from affiliates	644	28
Due from banks	288,792	(3,743)
	$ 27,410,336	$ 19,429,472

Included in interest income is interest attributable to the time value of money component of non-performing loans of $171,427 (2021: $172,886).

13. Interest expense

	2022	2021
Customer deposits	$ 957,486	$ 407,691
Lease liabilities	109,480	41,925
Due to banks	27,185	31,512
Due to affiliates	657,558	1,255,317
Other	2,266	(11,991)
	$ 1,753,975	$ 1,724,454

Expressed in United States Dollars

14. Non-interest income

		2022		2021
Non-interest income over time:				
Service charges on deposit accounts	$	1,999,166	$	1,879,249
Non-interest income at a point in time:				
Foreign exchange earnings		4,293,439		3,375,327
Credit related fees and commissions		1,907,872		1,315,311
Other service charges and fees		1,241,113		416,267
	$	9,441,590	$	6,986,154

15. Non-interest expenses

		2022		2021
Salaries and staff benefits	$	6,722,480	$	5,606,326
Depreciation and amortization		977,434		849,925
Equipment		822,215		608,354
Occupancy costs		1,179,797		2,210,502
Professional fees		815,742		690,013
Business and miscellaneous taxes		1,304,440		1,226,200
Communication and marketing		460,138		654,218
Group Management and other service fees		4,232,567		4,810,996
Other operating expenses		1,834,398		1,230,412
	$	18,349,211	$	17,886,946

16. Contingent liabilities

a) Legal proceedings

Various legal proceedings are pending that challenge certain practices or actions of the Bank. Many of these proceedings are loan-related and are in reaction to steps taken by the Bank to collect delinquent loans and enforce rights in collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material.

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

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

		2022		2021
Guarantees and letters of credit	$	3,322,189	$	3,343,155

Expressed in United States Dollars

17. Commitments

Credit commitments

As at the date of the statement of financial position, the Bank is committed to extending credit of $62,865,369 (2021: $31,660,468) in undrawn credit facilities.

18. Related party balances and transactions

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Bank in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii).

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. They include the senior executives called the Operating Committee (OC) and Executive Management Committee (EMC). The OC and EMC are comprised of the Head Caribbean Banking and those individuals that report directly to him, including the Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business and functional units. The OC is ultimately responsible for all material decisions. The OC is also responsible for establishing the overall strategic direction of the Royal Bank of Canada Group (the Group) and, in that regard, sets global parameters for the Bank within which the board of directors exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management. The Directors of RBC Financial (Caribbean) Limited do not plan, direct, or control the activities of the Bank; they oversee the management of the business and provide stewardship.

Expressed in United States Dollars

18. Related party balances and transactions (Continued)

The following table shows balances and transactions with related parties not disclosed elsewhere in these financial statements:

		2022		2021
Statement of financial position				
Assets				
Loans and advances to customers:				
Key management personnel	$	-	$	1,030,151
Due from affiliated companies:				
Due from ultimate parent	$	3,179,030	$	3,486,739
Liabilities				
Customers' deposits:				
Directors and key management personnel	$	133,675	$	60,647
Due to affiliated companies:				
Due to ultimate parent	$	369,107	$	505,642
Other affiliated entities	$	86,091,617	$	135,822,954
Statement of comprehensive income				
Non-interest expense				
Ulitimate parent				
Infrastructure and system development	$	135,848	$	111,332
Other technical services		955,103		854,942
Human resource related expense		348,901		557,173
Other affiliated entities				
Group management fee	$	2,402,773	$	2,922,572
Operational services		660,790		600,518
Rent expense		634,907		1,314,921
Directors and key management personnel	$	523,867	$	375,823

Included in due to affiliated companies is $Nil (2021: $80 million) under a revolving operating facility. The interest repricing and drawdown periods under the facility are for terms of either 1, 2 or 3 months (as agreed with the Bank and the affiliate at the time of repricing) and is based on the associated LIBOR rate plus a spread. The facility expires on November 1, 2023. All other balances in due to affiliates bear no interest and have no fixed terms of repayment.

Expressed in United States Dollars

19. Categorization of financial assets and liabilities

	2022	2021
Assets		
Financial assets at fair value through other comprehensive income:		
Cash and cash equivalents	$ 101,067,153	$ 264,997,375
Financial assets at amortized cost:		
Cash and cash equivalents	90,140,883	118,555,626
Loans and advances to customers	809,893,390	755,499,224
Due from affiliated companies	3,179,030	3,486,739
Investment securities	221,401,082	30,544,491
Other assets	8,900,746	4,820,562
Total financial assets	1,234,582,284	1,177,904,017
Non-financial assets	8,494,784	5,908,551
Total Assets	$ 1,243,077,068	$ 1,183,812,568
Liabilities		
Financial liabilities at amortized cost:		
Due to banks	$ 56,248,126	$ 32,182,387
Customer deposits	912,740,497	846,559,696
Due to affiliated companies	86,460,724	136,328,596
Other liabilities	17,474,373	19,411,866
Total financial liabilities	1,072,923,720	1,034,482,545
Non- financial liabilities	1,020,054	898,249
Total Liabilities	1,073,943,774	1,035,380,794
Total equity	169,133,294	148,431,774
Total Liabilities and Equity	$ 1,243,077,068	$ 1,183,812,568

20. Financial risk management

Risk management of financial instruments

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and no-trading risks.

Expressed in United States Dollars

20. Financial risk management (Continued)

Risk management structure

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

Operating Committee (OC)

The OC is responsible for the overall risk management approach and for approving the risk strategies and principles. The main risks arising from the Bank's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk.

Risk Limit Control and Mitigation Policies

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

Risk Management Unit

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

Group Asset/Liability Committee (ALCO)

The Group ALCO provides oversight and monitoring of the financial resources of operating entities. The committee's mandate includes the recommendation of policies covering investments, capital, funding and liquidity and market risk to the Operating Committee and the Board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

Group Investment and Capital Committee (GICC)

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

20. Financial risk management (Continued)

Internal Audit

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

Risk Measurement and Reporting Systems

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

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

Information compiled from all of the affiliate companies is examined and processed in order to analyze, control and identify risks early. This information, which consists of several reports, is presented and explained to the Bank's managing director and the ALCO. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

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

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

The Bank actively uses collateral to reduce its credit risks.

(a) Credit risk

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

20. Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Business Management Operating Committee.

For debt securities and other instruments, external ratings such as Standard & Poor's ratings or their equivalents are used by the Bank's risk management unit for managing credit risk exposure.

Collateral

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

The principal collateral types for loans and advances to customers are:

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

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

Credit-related commitments

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

Expected credit loss (ECL) measurement

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition.

Expressed in United States Dollars

20. Financial risk management (Continued)

(a) Credit risk (Continued)

A financial instrument that is not credit impaired on initial recognition is classified as stage 1. Stage 1 financial instruments have an ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Expected credit loss (ECL) measurement (Continued)

If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet determined to be credit impaired. If the financial instrument is impaired, the financial instrument is moved to Stage 3 [Refer to Note 2(b) for how the Bank determines when a significant increase in credit risk and default has occurred]. Financial instruments in Stage 2 and 3 have their ECL measured based on expected losses on a lifetime basis. Notes 4 and 5 detail the inputs, assumptions and estimation techniques used in measuring the ECL.

The maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

		2022		2021
On Balance Sheet				
Due from banks	$	82,460,721	$	109,348,425
Treasury bills		101,067,153		264,997,375
Loans and advances to customers		814,979,935		765,119,439
Investment securities		221,401,615		30,544,569
Due from affiliate companies		3,179,030		3,486,739
Other assets		8,900,746		4,820,562
	$	1,231,989,200	$	1,178,317,109
Off Balance Sheet				
Contingent liabilities (letter of credit & financial guarantees)	$	3,322,189	$	3,343,155
Credit commitments		62,865,369		31,660,468
	$	66,187,558	$	35,003,623
Total credit risk exposure	$	1,298,176,758	$	1,213,320,732

Expressed in United States Dollars

20. Financial risk management (Continued)

(a) Credit risk (Continued)

The following table shows the Bank's main credit exposure of loans and advances categorized by industry sectors:

		2022		2021
Consumer	$	275,884,159	$	312,447,630
Government		250,386,480		181,256,207
Real Estate		231,266,910		91,486,027
Tourism		41,375,551		27,162,730
Professional Services		3,279,758		4,518,214
Financial Services		424,790		29,862,616
Other		12,362,287		118,386,015
	$	**814,979,935**	**$**	**765,119,439**

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2022 was $200,242,098 (2021: $179,897,581) before taking account of collateral or other credit enhancements.

Credit quality by class of financial assets

As at October 31, 2022

	Stage 1	Stage 2	Stage 3	Total
Treasury bills	101,067,153	-	-	101,067,153
Due from Banks	82,460,721	-	-	82,460,721
	183,527,874	-	-	183,527,874
Loans:				
Retail	31,230,903	1,531,228	320,101	33,082,232
Commercial	533,435,509	-	387,289	533,822,798
Mortgages	230,384,627	13,525,388	4,164,890	248,074,905
Loans (gross)	795,051,039	15,056,616	4,872,280	814,979,935
Securities:				
Amortised cost:				
Government	221,401,615	-	-	221,401,615
Corporate	-	-	-	-
Securities (gross)	221,401,615	-	-	221,401,615
Total	1,199,980,528	15,056,616	4,872,280	1,219,909,424

Expressed in United States Dollars

20. Financial risk management (Continued)

(a) Credit risk (Continued)

Credit quality by class of financial assets (continued)

As at October 31, 2021

	Stage 1	Stage 2	Stage 3	Total
Treasury bills	264,997,375	-	-	264,997,375
Due from Banks	109,348,425	-	-	109,348,425
	374,345,800	-	-	374,345,800
Loans:				
Retail	32,276,934	1,048,998	778,998	34,104,930
Commercial	497,970,984	8,959,982	116,000	507,046,966
Mortgages	211,331,569	8,362,983	4,272,991	223,967,543
Loans (gross)	741,579,487	18,371,963	5,167,989	765,119,439
Securities:				
Amortised cost:				
Government	30,544,569	-	-	30,544,569
Corporate	-	-	-	-
Securities (gross)	30,544,569	-	-	30,544,569
Total	1,146,469,856	18,371,963	5,167,989	1,170,009,808

Credit risk exposure on due from banks, treasury bills, and debt securities.

The Bank's due from banks, treasury bills and debt securities of $404,929,489 had S&P equivalent ratings of BBB to AAA (2021: $404,890,369 and ratings of BBB+ to AAA).

20. Financial risk management (Continued)

(b) Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that the Bank may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Bank's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. To achieve this goal, the Bank operates under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events. These policies are supported by management limits and authorities that govern the measurement and management of liquidity.

The Bank's liquidity management process is carried out by the Treasury department and monitored by Caribbean Treasury and Group ALCO. Liquidity risk is measured monthly via internally defined Net Cash Flow. For example, within the time buckets over 30 and 60 days assets and liabilities are accounted for as follows: assets are haircut as per enterprise haircut grid whilst liabilities are run off within the specific time bucket. Liabilities are assigned run-off rates based on the results of the core assumptions methodology. For example, government bonds generally can be quickly and easily converted to cash without significant loss of value regardless of their contractual maturity. Similarly, while relationship-based deposits contractually can be withdrawn immediately, in practice, these balances can be relatively stable sources of funding depending on several factors, such as the nature of the client and their intended use. Risk methodologies and underlying assumptions are periodically reviewed and validated to ensure their alignment with the Bank's operating environment, expected economic and market conditions, regulatory requirements and generally accepted industry practices. To manage liquidity risk within the Bank's liquidity risk appetite, limits are set in addition to monthly stress under idiosyncratic, systemic and combined scenarios.

Stress tests, which include scenario analysis, measure the Bank's prospective exposure to idiosyncratic, systemic and combined stress events over a period of several weeks. The contingency liquidity risk planning process identifies contingent funding needs and sources, and as a result, informs requirements for the Bank's pool of unencumbered liquid asset portfolios. The Bank's unencumbered liquid asset portfolios consist of diversified, highly rated and liquid marketable securities and unencumbered cash held at central bank's and deposits held with other financial institutions. These portfolios are subject to minimum asset quality levels and, as appropriate, other eligibility guidelines (e.g., maturity, and eligibility for central bank advances) to maximize ready access to additional cash should it be required, when added to other unencumbered liquid assets that the Bank holds contribute to our liquidity reserve.

The Bank's liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk
To guide the Bank's secured and unsecured wholesale term funding activities, it employs an Internal Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Expressed in United States Dollars

20. Financial risk management (Continued)

(b) Liquidity risk (Continued)

Tactical (shorter-term) liquidity risk
To address potential immediate cash flows risks in times of stress, the Bank uses short-term net cash flow limits to control risk of material units, subsidiaries and currencies and perform stress testing assessments. Net cash flow positions are determined by applying results of core assumptions methodology i.e. internally-derived risk assumptions and parameters to known and anticipated cash flows for all material unencumbered assets, liabilities and off-balance sheet activities. Encumbered assets are not considered a source of available liquidity.

Contingency liquidity risk
Contingency liquidity risk planning assesses the impact of sudden stress events, and the Bank's planned responses. The Bank's Liquidity Contingency Plan (LCP) maintained and administered by Caribbean Treasury, has been developed to guide its potential responses to liquidity crises. The contingency liquidity risk planning process identifies contingent funding needs and sources under various stress scenarios, and as result informs requirements for our earmarked unencumbered liquid asset portfolios.

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities and excludes any projected interest on loans, securities or deposits.

	Less than three months	Three to six months	Six to twelve months	One to five years	Over 5 years	Total
At October 31, 2022						
Assets:						
Cash and cash equivalents	$ 191,208,036	$ -	$ -	$ -	$ -	$ 191,208,036
Gross loans	272,075,262	11,641,284	23,701,575	172,286,724	334,689,331	814,394,176
Allowance for credit losses	-	-	-	-	-	(4,500,786)
Due from affiliated companies	3,179,030	-	-	-	-	3,179,030
Investment securities	69,796,675	99,533,709	9,938,951	42,131,746	-	221,401,082
Other assets	8,900,746	-	-	-	-	8,900,746
Total assets	545,159,749	111,174,993	33,640,526	214,418,470	334,689,331	1,234,582,284
Liabilities:						
Due to banks	$ 56,248,126	$ -	$ -	$ -	$ -	$ 56,248,126
Customers' deposits	881,470,937	14,493,750	16,716,339	59,471	-	912,740,497
Due to affiliated companies	86,460,724		-	-	-	86,460,724
Other liabilities	12,555,859	138,848	280,557	2,315,970	2,183,139	17,474,373
Total liabilities	1,036,735,645	14,632,598	16,996,896	2,375,441	2,183,139	1,072,923,720
Liquidity gap	(491,575,896)	96,542,396	16,643,631	212,043,029	332,506,192	161,658,564
Cummulative gap	(491,575,896)	(395,033,500)	(378,389,870)	(166,346,841)	166,159,351	

Expressed in United States Dollars

20. Financial risk management (Continued)

(b) Liquidity risk (Continued)

	Less than three months	Three to six months	Six to twelve months	One to five years	Over 5 years	Total
At October 31, 2021						
Assets:						
Cash and cash equivalents	$ 383,553,001	$ -	$ -	$ -	$ -	$ 383,553,001
Loans and advances to customers	246,718,651	24,397,552	13,686,657	38,067,582	432,628,782	755,499,224
Due from affiliated companies	3,486,739	-	-	-	-	3,486,739
Investment securities	10,009,791	4,999,050	-	15,535,650	-	30,544,491
Other assets	4,820,562	-	-	-	-	4,820,562
Total assets	648,588,744	29,396,602	13,686,657	53,603,232	432,628,782	1,177,904,017
Liabilities:						
Due to banks	$ 25,853,696	$ -	$ 6,328,691	$ -	$ -	$ 32,182,387
Customers' deposits	802,510,926	15,172,717	28,876,053	-	-	846,559,696
Due to affiliated companies	136,328,596	-	-	-	-	136,328,596
Other liabilities	17,460,269	69,953	140,900	1,152,783	567,481	19,391,386
Total liabilities	982,153,487	15,242,670	35,345,644	1,152,783	567,481	1,034,462,065
Liquidity gap	(333,564,743)	14,153,932	(21,658,987)	52,450,449	432,061,301	143,441,952
Cummulative gap	(333,564,743)	(319,410,811)	(341,069,798)	(288,619,349)	143,441,952	

The following table presents the Bank’s cash flow from contingent liabilities and commitments by remaining period to contractual maturity from the date of the statement of financial position:

	Less than three months	Three to six months	Six to twelve months	One to five years	Over 5 years	Total
At October 31, 2022						
Contingent liabilities and commitments:						
Guarantees, acceptances, indemnities and letters of credit	$ 218,319	$ 218,870	$ 1,936,083	$ 948,918	$ -	$ 3,322,190
Credit commitments	37,753,661	327,000	3,570,000	15,801,036	5,413,671	62,865,368
Total liabilities	$ 37,971,980	$ 545,870	$ 5,506,083	$ 16,749,954	$ 5,413,671	$ 66,187,558

	Less than three months	Three to six months	Six to twelve months	One to five years	Over 5 years	Total
At October 31, 2021						
Contingent liabilities and commitments:						
Guarantees, acceptances, indemnities and letters of credit	$ 763,682	$ 389,689	$ 1,240,866	$ 948,918	$ -	$ 3,343,155
Credit commitments	16,026,989	2,858,170	84,000	12,691,309	-	31,660,468
Total liabilities	$ 16,790,671	$ 3,247,859	$ 1,324,866	$ 13,640,227	$ -	$ 35,003,623

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank does not hold financial assets and liabilities sensitive to changes in market variables aside from foreign exchange and interest rates. As such, the Bank is not deemed to have significant other price risk exposures.

Expressed in United States Dollars

20. Financial risk management (Continued)

(d) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Limits are set on the level of exposure by currency and in total for both overnight positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk as of the statement of financial positions date.

Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

	Cayman Islands Dollar	Canadian Dollar	United States Dollar	British Pound	Other	Totals
At October 31, 2022						
Assets:						
Cash and cash equivalents	$ 7,125,654	$ 9,288,001	$ 160,003,744	$ 11,220,560	$ 3,570,077	$ 191,208,036
Loans and advances	414,821,702	(45)	395,071,848	(30)	(85)	809,893,390
Investment securities	-	-	221,401,082	-	-	221,401,082
Due from affiliated companies	-	2,922,509	256,369	151	-	3,179,030
Other assets	6,608,694	5,658	2,285,409	985	-	8,900,746
Total financial assets	$ 428,556,050	$ 12,216,124	$ 779,018,452	$ 11,221,667	$ 3,569,992	$ 1,234,582,284
Liabilities:						
Due to banks	$ 3,936,362	$ -	$ 52,248,362	$ 63,401	$ -	$ 56,248,126
Customer deposits	464,541,605	5,451,483	429,252,760	10,602,908	2,891,741	912,740,497
Due to affiliated companies	47,249,497	6,330,368	32,857,139	-	23,720	86,460,724
Other liabilities	9,014,612	92,920	7,244,092	510,871	611,878	17,474,373
Total financial liabilities	$ 524,742,076	$ 11,874,771	$ 521,602,354	$ 11,177,180	$ 3,527,338	$ 1,072,923,719
Net statement of financial position	$ (96,186,027)	$ 341,352	$ 257,416,098	$ 44,487	$ 42,654	$ 161,658,564
Credit commitments & guarantees	$ 8,608,258	$ -	$ 57,579,300	$ -	$ -	$ 66,187,558

Expressed in United States Dollars

20. Financial risk management (Continued)

(d) Currency risk (continued)

	Cayman Islands Dollar	Canadian Dollar	United States Dollar	British Pound	Other	Totals
At October 31, 2021						
Assets:						
Cash and cash equivalents	$ 10,030,064	$ 7,482,349	$ 338,337,133	$ 22,927,806	$ 4,775,649	$ 383,553,001
Loans and advances	384,871,690	428	370,625,676	522	908	755,499,224
Investment securities	-	-	30,544,491	-	-	30,544,491
Due from affiliated companies	-	2,871,007	615,642	90	-	3,486,739
Other assets	3,408,021	72	1,412,318	151	-	4,820,562
Total financial assets	$ 398,309,775	$ 10,353,856	$ 741,535,260	$ 22,928,569	$ 4,776,557	$ 1,177,904,017
Liabilities:						
Due to banks	$ 12,366,734	$ -	$ 19,739,977	$ 75,676	$ -	$ 32,182,387
Customer deposits	448,740,404	7,693,730	364,009,665	22,200,236	3,915,661	846,559,696
Due to affiliated companies	31,025,197	2,433,528	102,836,692	-	33,179	136,328,596
Other liabilities	3,811,565	226,598	14,007,479	652,657	713,567	19,411,866
Total financial liabilities	$ 495,943,900	$ 10,353,856	$ 500,593,813	$ 22,928,569	$ 4,662,407	$ 1,034,482,545
Net statement of financial position	$ (97,634,125)	$ -	$ 240,941,447	$ -	$ 114,150	$ 143,421,472
Credit commitments & guarantees	$ 2,264,078	$ -	$ 32,739,545	$ -	$ -	$ 35,003,623

The Bank transacts the majority of its business in its functional currency, Cayman Island dollar, and United States dollars. The Cayman Island dollar is pegged to the United States dollar and therefore, does not result in a foreign currency exchange risk in that regard.

(e) Interest rate risk

To monitor and control interest rate risk in the banking book (IRRBB), The Group assesses two primary metrics, Net Interest Income (NII) risk and Economic Value of Equity (EVE) risk, under a range of market shocks, scenarios, and time horizons. Market scenarios include currency-specific parallel and non-parallel yield curve changes and interest rate volatility shocks. IRRBB – as defined by the Basel Committee – is the "current or prospective risk to a bank's capital and earnings, arising from adverse movements in interest rates that affect the bank's banking book positions." Insufficient management, measurement and control of IRRBB can pose a significant threat to the Bank's capital base and/or its future earnings.

In measuring NII risk, detailed structural balance sheets are stressed to determine the impact of changes in interest rates on accrual or projected earnings. In accordance with generally accepted practice, NII risk is measured as the risk to net interest income over a 1 year-time horizon.

Value risk management focuses on managing the exposure of the institution's economic value of equity (EVE) to interest rate changes. EVE is measured as the difference in net present value of assets minus liabilities plus the net value of off-balance sheet items. In measuring EVE risk, scenario valuation techniques are applied to detailed spot position data.

Expressed in United States Dollars

20. Financial risk management (Continued)

(e) Interest rate risk (continued)

A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risk. All assumptions are derived empirically based on historical client behaviour and product pricing. All models and assumptions used to measure IRRBB are subject to independent oversight by Group Risk Management. The Board approves the risk appetite for IRRBB, and the Asset-Liability Committee (ALCO), along with Group Risk Management (GRM), provides ongoing governance of IRRBB measurement and management through risk policies, limits, operating standards and other controls. IRRBB reports are reviewed monthly by GRM, ALCO, and quarterly by the Board.

The following table reflects the results before the impact of tax of an immediate and sustained 100 bps increase or decrease in interest rates on projected 12-month NII and EVE, assuming no subsequent hedging. Rate floors are applied within the declining rates scenarios which prevent EVE valuation and NII simulation rate levels from falling below a minimum average level of negative 25 bps for hard currencies and 0 bps for local currencies:

	EVE Risk		NII Risk	
	Local Currency $'000s	Hard Currency $'000s	Local Currency $'000s	Hard Currency $'000s
At October 31, 2022				
Impact before tax				
100 bps increases in rates	(49)	(1,541)	(195)	(647)
100 bps decreases in rates	45	1,691	195	647

	EVE Risk		NII Risk	
	Local Currency	Hard Currency	Local Currency	Hard Currency
At October 31, 2021				
Impact before tax				
100 bps increases in rates	148	954	(10)	534
100 bps decreases in rates	(168)	(948)	10	(534)

Expressed in United States Dollars

20. Financial risk management (Continued)

(e) Interest rate risk (Continued)

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year	One to five years	Over five years	Non-Interest bearing	Total
At October 31, 2022					
Assets:					
Cash and cash equivalents	$ 135,451,061	$ -	$ -	$ 55,756,975	$ 191,208,036
Loans and advances	679,203,210	3,811,745	125,077,065	1,801,370	809,893,390
Investment securities	179,269,336	42,131,746	-	-	221,401,082
Due from affiliated companies	-	-	-	3,179,030	3,179,030
Other assets	-	-	-	8,900,746	8,900,746
Total financial assets	$ 993,923,607	$ 45,943,491	$ 125,077,065	$ 69,638,121	$ 1,234,582,284
Liabilities:					
Due to banks	-	-	-	56,248,126	56,248,126
Customer deposits	159,024,406	59,472	-	753,656,619	912,740,497
Due to affiliated companies	-	-	-	86,460,724	86,460,724
Other liabilities	-	-	-	17,474,373	17,474,373
Total financial liabilities	159,024,406	59,472	-	913,839,842	1,072,923,720
Interest sensitivity gap	$ 834,899,201	$ 45,884,019	$ 125,077,065	$ (844,201,721)	$ 161,658,564

	Up to one year	One to five years	Over five years	Non-Interest bearing	Total
At October 31, 2021					
Assets:					
Cash and cash equivalents	$ 349,313,519	$ -	$ -	$ 34,239,482	$ 383,553,001
Loans and advances	287,610,093	37,408,080	427,882,826	2,598,225	755,499,224
Investment securities	15,008,911	15,535,580	-	-	30,544,491
Due from affiliated companies	-	-	-	3,486,739	3,486,739
Other assets	-	-	-	4,820,562	4,820,562
Total financial assets	$ 651,932,523	$ 52,943,660	$ 427,882,826	$ 45,145,008	$ 1,177,904,017
Liabilities:					
Due to banks	6,328,691	-	-	25,853,696	32,182,387
Customer deposits	87,853,660	-	-	758,706,036	846,559,696
Due to affiliated companies	80,000,000	-	-	56,328,596	136,328,596
Other liabilities	-	-	-	19,411,866	19,411,866
Total financial liabilities	174,182,351	-	-	860,300,194	1,034,482,545
Interest sensitivity gap	$ 477,750,172	$ 52,943,660	$ 427,882,826	$ (815,155,186)	$ 143,421,472

20. Financial risk management (Continued)

(f) Capital management

Capital management is a proactive process that ensures that the Bank has and remains able to generate or raise sufficient capital on a timely and cost-effective basis to underpin its risks and ultimately protect depositors and other creditors from unexpected losses. The Bank's overall strategy for managing capital remains unchanged from 2021.

Capital adequacy is viewed in terms of both regulatory requirements: Tier 1 ratio, total capital ratio and single name credit exposure limits; as well as projected subsidiary capital levels based on anticipated business growth and earnings forecast and internal assessment of risk using a stress testing model. Bank Treasury prepares the annual capital plan incorporating the financial goals including the capital ratio targets in alignment with the operating business plan. The Bank is committed to maintaining a sound and prudent capital structure that:

- Exceeds, with an appropriate cushion, the minimum capital requirements for the level and quality of capital set by the regulator;
- Safeguards the Bank's ability to continue as a going concern by maintaining capital levels that are sufficient to support all material risks and also to support potential unexpected increases in risk;
- Promotes an integrated and streamlined approach to managing regulatory capital that is both reflective of the Bank's risk appetite and risk management practices and strongly supportive of growth strategies and performance management; and
- Reflects alignment with the Bank's risk management frameworks and policies.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking regulator in which the Bank operates. The required information is filed with the Cayman Islands Monetary Authority ("CIMA") on a quarterly basis as prescribed.

CIMA requires the Bank to maintain a minimum total capital ratio of 12%. As of the date of the statement of financial position, the Bank's regulatory capital ratio was 29.43% (2021: 26.57%).

Expressed in United States Dollars

21. Fair value of financial assets and liabilities

The following fair value hierarchy table presents fair values of financial assets and liabilities that are carried at amortized cost, and therefore excludes financial instruments that are measured and disclosed at fair value on a recurring basis. The carrying amounts of certain financial instruments approximate their fair values due to the short-term nature and generally insignificant credit risk of the instruments: (i) loans and deposits with original maturity of less than three months or payable on demand; and (ii) certain receivables and payables in other assets and other liabilities:

	Fair Value Approximate Carrying Value	Fair Value may not Approximate Carrying Value	Total Fair Value	Fair Value Hierarchy		
				Level 1	Level 2	Level 3
October 31, 2022						
Financial Assets						
Cash and cash equivalents	90,140,883	-	90,140,883	-	90,140,883	-
Loans and advances to customers	-	799,968,838	799,968,838	-	-	799,968,838
Investment securities	-	219,077,800	219,077,800	-	219,077,800	-
Due from affiliated companies	3,179,030	-	3,179,030	-	3,179,030	-
Other assets	9,135,300	-	9,135,300	-	9,135,300	-
Financial Liabilities						
Due to banks	56,248,126	-	56,248,126	-	56,248,126	-
Customer deposits	753,656,619	159,433,862	913,090,481	-	-	913,090,481
Due to affiliated companies	86,460,724	-	86,460,724	-	86,460,724	-
Other Liabilities	17,474,373	-	17,474,373	-	17,474,373	-

	Fair Value Approximate Carrying Value	Fair Value may not Approximate Carrying Value	Total Fair Value	Fair Value Hierarchy		
				Level 1	Level 2	Level 3
October 31, 2021						
Financial Assets						
Cash and cash equivalents	118,382,439	-	118,382,439	-	118,382,439	-
Loans and advances to customers	-	762,761,079	762,761,079	-	-	762,761,079
			-			
Investment securities	-	30,537,500	30,537,500	-	30,537,500	-
Due from affiliated companies	3,486,739	-	3,486,739	-	3,486,739	-
Other assets	4,820,562	-	4,820,562	-	4,820,562	-
Financial Liabilities			-			
Due to banks	25,853,696	6,328,691	32,182,387	-	25,853,696	6,328,691
Customer deposits	758,706,036	85,839,857	844,545,893	-	-	844,545,893
Due to affiliated companies	136,328,596	-	136,328,596	-	136,328,596	-
Other Liabilities	19,411,866	-	19,411,866	-	19,411,866	-

21. Fair value of financial assets and liabilities (Continued)

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Loans and advances to customers are similarly valued taking into account credit portfolio experience.
- Loans and advances to customers are similarly valued taking in to account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Disclosure of fair value for financial instruments are measured and disclosed at fair value

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

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

Expressed in United States Dollars

21. Fair value of financial assets and liabilities (Continued)

As at October 31, 2022	Level 1	Level 2	Level 3	Total
Cash and cash equivalents at FVOCI	101,067,153	-	-	101,067,153
	101,067,153	-	-	101,067,153

As at October 31, 2021	Level 1	Level 2	Level 3	Total
Cash and cash equivalents at FVOCI	264,997,375	-	-	264,997,375
	264,997,375	-	-	264,997,375