RBTT BANK GRENADA LIMITED

Annual Report 2018

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Notice of Annual Meeting

NOTICE is hereby given that the Thirty-sixth Annual Meeting of RBTT Bank Grenada Limited (the Company) will be held at the St. Andrews Suite, Spice Island Beach Resort, Grand Anse Beach, Grenada on Thursday June 27, 2019 at 1:30 p.m. for the following purposes:

Ordinary business

1. To review and consider the Audited Financial Statements for the year ended October 31, 2018 and the Reports of the Directors and the Auditors thereon.
2. To re-elect Directors.
3. To appoint Auditors and empower the Directors to determine their remuneration for the ensuing year.
4. To transact any other business of the Company, which may be properly brought before the Meeting.

By Order of The Board

Sharon Keshwah-Charles

Corporate Secretary

April 30, 2019

Notes:

1. No Service Contracts were entered into between the Company and any of its Directors.
2. In accordance with Section 108(2) of the Companies Act, 1994, the Directors of the Company have fixed Friday May 31, 2019, as the record date for the determination of Shareholders who are entitled to receive Notice of the Annual Meeting. Only Shareholders on record at the close of business on Friday May 31, 2019, are therefore entitled to receive Notice of the Annual Meeting. A list of such Shareholders will be available for examination by Shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
3. A Shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder. Attached is a Proxy Form for your convenience which must be completed and signed in accordance with the Notes on the Proxy Form and then deposited with the Secretary at the Registered Office of the Company at least 48 hours before the time appointed for the meeting.
4. A Shareholder that is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its Directors or of its governing body to represent it at the Annual Meeting.

History and Ownership

RBTT Bank Grenada Limited was incorporated on January 19, 1983 as the Grenada Bank of Commerce Limited with the Government of Grenada being the sole beneficial owner of the issued shares up to December 1996, when 15% was sold to the National Insurance Scheme. On June 5, 1997 the RBTT Financial Group purchased a 50% shareholding in the Bank.

On January 7, 1999, consequent on a corporate restructuring of the Group, RBTT Bank Grenada Limited became a subsidiary of RBTT Bank Caribbean Limited. The parent company of the Group is RBC Financial (Caribbean) Limited, one of the region's largest and most successful financial institutions with consolidated assets of over US$13 billion. The ultimate parent of RBTT Bank Grenada Limited is Royal Bank of Canada.

The issued share capital is now held as follows: RBTT Bank Caribbean Limited 62%, of which 10% is earmarked for an Employee Stock Ownership Plan (ESOP), National Insurance Scheme 20%, Ports Authority Grenada 5.5% and the public of Grenada 12.5%, held by over 1,300 shareholders.

The Bank has two (2) branches, one in Grand Anse, St. George's, and the other on the St. George's University Campus, True Blue and offers a comprehensive range of modern financial services to individuals and institutions.

Board of Directors

MR. RICHARD DOWNIE
EXEC CHAIRMAN

MR. MUSA JASAT
COUNTRY MANAGER / EXEC DIRECTOR

MR. ISAAC SOLOMON
EXEC DIRECTOR

MR. ASHTON FRAME
NON-EXEC DIRECTOR

MRS. WINNIFRED DUNCAN-PHILLIP
FORMER NON-EXEC DIRECTOR

MR. RONALD PETERS
NON-EXEC DIRECTOR

MR. RON ANTOINE
NON-EXEC DIRECTOR

MS. KARLENE THOMPSON BISHOP
EXEC DIRECTOR

Mr. Ron Antoine was appointed a Director on April 17, 2019,
replacing Mrs. Winnifred Duncan-Phillip who resigned as a Director on October 23, 2018.

Corporate Information

BOARD OF DIRECTORS
Mr. Richard Downie, Chairman
Mr. Isaac Solomon
Mr. Musa Jasat
Ms. Karlene Thompson Bishop
Mr. Ronald Peters
Mr. Ashton Frame
Mr. Ron Antoine*

* Mr. Ron Antoine was appointed a Director on April 17, 2019, replacing Mrs. Winnifred Duncan-Phillip who resigned as a Director on October 23, 2018.

REGISTERED OFFICE
Grand Anse
St. George's
Grenada, W.I.
Tel: (473) 444-4919
Fax: (473) 444-2807

CORPORATE SECRETARY
Ms. Sharon Keshwah-Charles
St. Clair Place
7-9 St. Clair Avenue
Port of Spain
Trinidad, W.I.

AUDITORS
PricewaterhouseCoopers East Caribbean
Unit 111 Johnsons Centre
No 2 Bella Road
P.O. Box BW 304
Gros Islet
St. Lucia, W.I.

ATTORNEYS-AT-LAW
Grant, Joseph and Co.
Lucas Street
St. George's
Grenada, W.I.

Seon & Associates
St. Martin's
Lucas Street
St. George's
Grenada, W.I.

Wilkinson, Wilkinson & Wilkinson
Lucas Street
St George's
Grenada, W.I.

BRANCH INFORMATION
GRAND ANSE BRANCH
Grand Anse
St. George
Grenada, W.I.
Tel: (473) 444-4919
Fax: (473) 444-2807

ST. GEORGE'S UNIVERSITY BRANCH
St. George's University
True Blue, St. George
Grenada, W.I.
Tel: (473) 440-3521
Fax: (473) 444-3915

Chairman's Report

MR. RICHARD DOWNIE
CHAIRMAN

I am pleased to report on behalf of the Board, on the progress made in 2018 in our transformational journey of re-imagining banking for RBTT Bank Grenada Limited.

In 2018, RBTT Bank Grenada Limited continued to focus on building a strong company committed to helping our clients thrive and communities prosper. Aligned with our overall Enterprise strategy, to be the premier digitally-enabled relationship bank, we have made significant strides in transforming our organisation. Our employees work diligently every day to provide expert financial advice to help our clients find the right solutions to help them achieve their financial goals and dreams. This focus on "clients first" ensures our resilience amidst economic challenges across the Caribbean, disruptive changes in the financial industry, the impact of natural disasters and increasing competitive pressures.

The future of banking requires us to continue to evolve our bank to better reach and serve our clients today — and tomorrow. This means we must be more agile, more innovative, less complex, and work collaboratively across the Caribbean and globally. We continue to seek ways to innovate and improve how we support and interact with our clients and communities, offering enhanced solutions for our clients and providing the choices and support they value. We remain committed to our communities, serving our clients effectively and supporting key stakeholders across Grenada, and we are moving forward on our transformational journey with great enthusiasm and eagerness.

Economic review up to July 2018

In the Eastern Caribbean Central Bank's Economic and Financial Review of June 2018, an improvement in overall economic activity in the Eastern Caribbean Currency Union (ECCU) was reported for the first half of the year. An increase in overall consumer prices was also noted in the Currency Union, as mild inflationary pressures were reported in five countries. Macroeconomic conditions were expected to improve in the latter half of 2018 as positive developments were projected in the member territories, with the exception of Anguilla, Antigua and Barbuda, and Dominica, all of which were impacted by hurricanes in 2017.

The ECCU continues to be challenged by structural obstacles that restrain growth and competitiveness. Risks to the economic outlook include the negative effects of global warming and climate change, and associated devastation by adverse weather, geo-political tension, commodity price developments and the slow-down in Citizenship by Investment inflows.

Increasing crime levels, unemployment, poverty and debt, could adversely impact business activity and competitiveness in the ECCU.

Economic outlook for Grenada

In Grenada, according to the Eastern Caribbean Central Bank positive developments were reported in the economy in the first six months of 2018. Preliminary reports indicate GDP growth of 3.3% in 2018, mainly driven by robust activity in the construction and tourism sector, along with wholesale and retail trade, and transport, storage and communications.

Grenada's current economic outlook is generally optimistic, however several unforeseen risks and challenges, including a slowdown in the global economy, continued Brexit uncertainty, and adverse weather could impact these expectations. To better protect the gains from the recently concluded Home Grown Structural Adjustment Programme, reforms to the education system along with efficient fiscal and debt management are suggested by the ECCB to overcome the indicated challenges and risks.

Financial highlights

For the financial year ended October 31 2018, RBTT Bank Grenada Limited reported net loss after taxation of $0.7 million representing a $4.3 million decline compared to the previous year. Revenue declined by $7.6 million due to unrealized losses of $5.3 million, from mark to market movement on a Government of Grenada bond, along with a smaller loan portfolio and lower yields which fueled a decline in net interest income of $1.9 million. This was accompanied by an increase in non-interest expenses excluding impairment of $2.4 million year over year, mainly attributable to higher intergroup costs, the associated business taxes (included in other expenses) and an impairment on assets held for sale. Taxes decreased year over year by $2.8 million due to under-provisions of prior year deferred tax within the 2017 fiscal year.

While the Grenadian economy maintained its growth trajectory, the Bank's pursuit of high quality loan growth remained constrained, resulting in further declines in the loan portfolio as mentioned above. The Bank reported a PCL credit of $4.3 million in the current fiscal primarily related to stage 3 remeasurements. This represents an increase compared to the prior year credit of $1.3 million. The Bank continues to be strong and well capitalised with a capital adequacy ratio of 27.9% compared to the minimum 8% requirement by the Eastern Caribbean Central Bank.

Our community

We recognize our bottom-line success depends on the wellbeing and prosperity of our clients and employees, and of the communities and environment in which we live and work. This belief is fundamental to our business philosophy and is at the very heart of our corporate citizenship approach. As a purpose-driven organisation, creating a positive social impact, not just an economic one, it is integral to everything we do. In 2018, we continued to bring our purpose to life through our investment in youth, education and community initiatives, as these are key elements to build a successful economy. Throughout the year we supported a number of initiatives in Grenada through charitable donations, including the RBC/RBTT Young Leaders programme.

Acknowledgements

To close, I would like to recognise my fellow Board members and express a sincere word of thanks for your continued dedication, support and leadership. Also, I would like to thank our employees, who continue to be the driving force behind all our achievements. Looking ahead, as a company, we remain steadfast in our commitment to delivering excellence as we help our clients thrive and communities prosper. You, our valued shareholders, have placed your confidence and trust in us. Thank you for your commitment and I hope that you will continue this transformational journey with the Bank in this year.

Richard Downie

Richard Downie
Chairman

Management's Discussion and Analysis of Financial Conditions

Overview

The following discussion is provided to enable a reader to assess the Bank's financial statements and its general operations for the year ended October 31, 2018, compared to the preceding year.

RBTT Bank Grenada Limited (the "Bank") was incorporated on January 19, 1983, under the laws of Grenada and is engaged in the business of commercial banking. The registered office is situated at Grand Anse, St. George. It is a 62% subsidiary of RBTT Bank Caribbean Limited, a company incorporated in St Vincent and the Grenadines, with the indirect parent company being RBC Financial (Caribbean) Limited (formerly RBTT Financial Holdings Limited) which is incorporated in Trinidad and Tobago. On June 16, 2008 RBTT Financial Holdings Limited was amalgamated with RBC Holdings (Trinidad and Tobago) Limited to form the new entity RBC Financial (Caribbean) Limited. RBC Financial (Caribbean) Limited and its subsidiaries ("the Group") are engaged in the business of banking and the provision of financial services. Royal Bank of Canada, a Canadian chartered bank is the ultimate parent of the Group.

This discussion should be read in conjunction with the financial statements and other financial information presented in the audited financial statements.

All amounts are stated in Eastern Caribbean Dollars unless otherwise indicated.

Economic Review

According to the Eastern Caribbean Central Bank (ECCB), preliminary projections for Grenada point to GDP growth of 3.3% in 2018. In its June 2018 economic update, the ECCB indicated that provisional data on real sector development in Grenada, showed that the economy expanded in the first half of 2018, primarily driven by strong activity in the construction and tourism sectors, against the backdrop of a largely supportive global economic environment.

According to the Caribbean Tourism Organisation, stopover visitors to the Caribbean declined by 2.3% in 2018, the first decline in nine years. However, this was less severe than initial projections of a 3% to 4% contraction for the region, amidst post-hurricane recovery and the ongoing Venezuelan crisis. Grenada was among six Caribbean destinations to record double digit growth in 2018 with stopover visitors increasing by 10.0% with the expectation of further growth heading in to 2019.

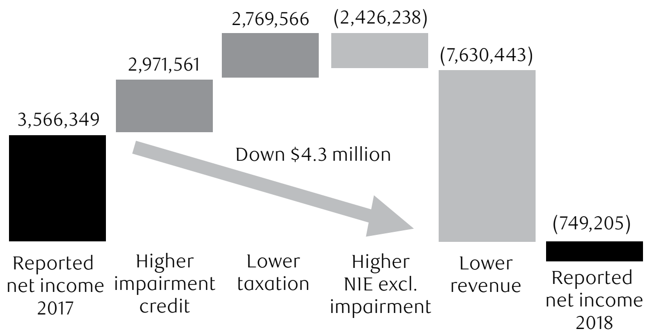
Despite this broadly positive outlook for Grenada, it should be noted that vulnerability to adverse weather patterns such as floods and storms, together with persistent uncertainty surrounding Brexit, protectionist trade policies led by the United Stated, and any unforeseen global economic shocks have the potential to damper on growth.

Critical Accounting Policies

The accounting and reporting policies of the Bank conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and disclosure is provided in accordance with global industry best practice.

For further details refer to note 2 of audited financial statements.

Financial Performance



For the financial year ended October 31, 2018, RBTT Bank Grenada Limited reported net loss after taxation of $0.7 million, representing a $4.3 million decline compared to the previous year. Revenue declined by $7.6 million due to unrealised losses of $5.3 million from mark-to-market movement on a Government of Grenada bond along with a smaller loan portfolio and lower yields, which fuelled a decline in net interest income of $1.9 million. This was accompanied by an increase in non-interest expenses excluding impairment of $2.4 million year-over-year, mainly attributable to increases in management fees, associated business taxes included in other expenses and an impairment on premises held-for-sale. Taxes decreased year-over-year by $2.8 million due to under-provisions of prior year deferred tax within the 2017 fiscal year.

Total assets at the end of 2018 amounted to $366.3 million, an increase of $3.0 million compared to the prior year. On the funding side, gross deposits grew by $8.8 million or 2.9% to $313.8 million.

Balance Sheet Review

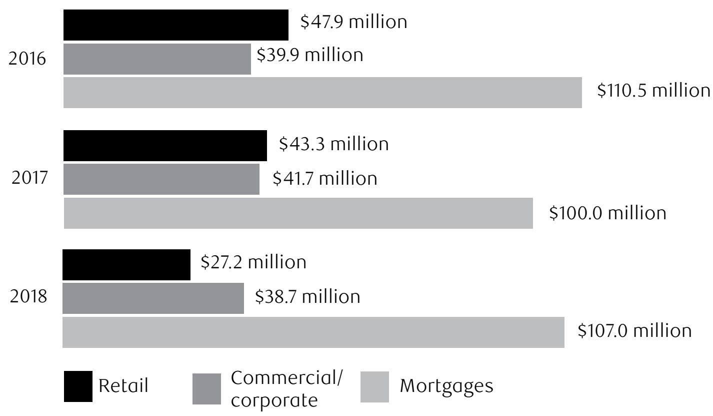
Total Assets & Liabilities

As at the end of 2018, the Bank reported total assets of $366.3 million, $3.0 million or 0.8% higher than the previous year, primarily due to increases in cash and cash equivalents of $6.8 million, due from associates and affiliate companies of $6.4 million, statutory deposits held at Central Bank of $6.0 million, assets classified as held for sale of $5.3 million and a deferred tax asset of $2.2 million. This offset declines in investment securities of $8.6 million, premises and equipment of $7.6 million largely due to reclassification as held for sale, and loans and advances of $7.0 million.

Total liabilities amounted to $325.1 million, up $1.3 million or 0.4% from the prior year, as customer deposit balances rose to $313.8 million, an increase of $8.8 million year-over-year.

Loan Portfolio

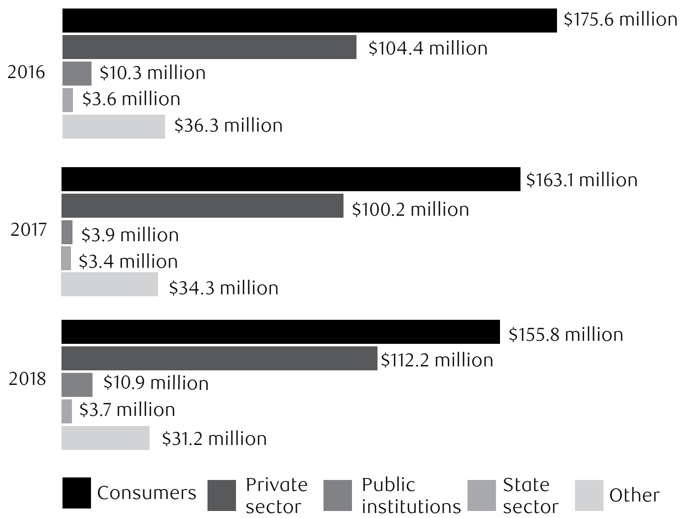
Gross loans totalled $172.9 million at the end of 2018, $12.1 million or 6.5% below the prior period. Retail loans declined by $16.1 million or 37.2% to $27.2 million, Commercial/Corporate loans decreased by $3.1 million or 7.3% to $38.7 million, while Mortgages were up $7.0 million or 7.0% to $107.0 million.



Deposits Portfolio

Deposits increased by $8.8 million or 2.9% to $313.8 million in 2018 from $304.9 million in 2017, with growth in private sector of $12.1 million, public institutions at $7.0 million and state sector of $0.3 million partially offset by declines in consumer and other deposits of $7.3 million $3.1 million respectively.

Concentration of deposit portfolios (EC$ millions)



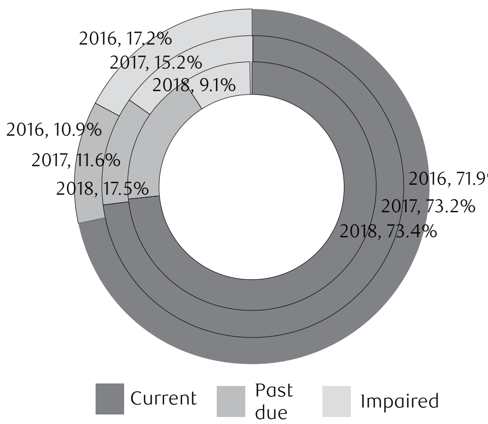
Credit Quality

Impaired loans and advances fell to $15.7 million by the end of 2018, 9.1% of total gross loans, an improvement from $28.2 million or 15.2% of total gross loans in 2017.

The ratio of non-accrual loans to gross loans also improved by 610bps to 9.1%.

The transition to IFRS 9 in the current fiscal resulted in a decline in the opening Allowance for impairment losses of $1.8 million. In the current period stage 1&2 allowances increased by $2.7 million, from remeasurements, whilst stage 3 allowances were $5.8 million lower driven by remeasurements, write-offs, the impact of exchange rate movements and other, net of recoveries.

Gross loans - Credit quality



Investment Portfolio

Investment securities totalled $23.5 million as at the end of 2018, down from $32.1 million in 2017, primarily related to losses on fair value changes on securities.

Income Statement Review

Revenue

Total reported revenue for 2018 was $17.3 million, representing a decrease of $7.6 million compared to the previous year.

Net interest income declined by $1.9 million to $13.7 million in 2018, compared to $15.6 million last year, driven by lower interest income, primarily related to lower volumes and yield contraction, partially offset by a decline in interest expense from lower consumer and other deposit balances.

Non-interest income for 2018 came in at $3.6 million, $5.8 million or 61.9% below the prior year, driven by an unrealised loss on fair value through profit and loss on securities, decline in fees and commissions partially offset by a marginal increase on foreign exchange earnings.

Non-Interest Expense

Total reported non-interest expense (excluding impairment losses on loans and advances) for 2018 was $20.2 million, representing an increase of $2.4 million compared to $17.7 million in 2017. The increase was mainly attributable to increases in management fees payable to RBCFCL, associated business taxes included in other expenses and an impairment on assets held for sale.

The Reported Efficiency ratio was 116.6% for fiscal 2018, an increase over the prior year's 71.2%.

Impairment Losses on Loans and Advances

Total impairment losses were $4.3 million for 2018, representing an increase of $3.0 million compared to 2017 due in part to the adoption of IFRS 9.

Financial Risk Management

Liquidity

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

The Bank's liquidity management process is carried out by the Treasury department and monitored by the Bank's Asset Liability Company (ALCO). The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short-term requirements.

For further details refer to note 21 of the audited financial statements.

Capital Management

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 and non-banking regulators in which the Bank operates. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

The Bank is governed by the risk based capital targets set by the Eastern Caribbean Central Bank (ECCB), and is required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the ECCB. Under the local guidelines, adjusted qualifying capital includes core capital and supplementary capital. Core capital mainly consists of fully paid and issued share capital, audited retained earnings, statutory reserve fund, capital reserves excluding asset revaluation reserves less goodwill. Supplementary capital includes subordinated debt, asset revaluation reserves and unaudited profits. Regulatory capital ratios are calculated by dividing core capital by risk-weighted assets and qualifying capital by risk adjusted assets. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

The Bank's total regulatory capital to risk adjusted assets increased to 27.9% (2017: 21.6%).

For further details refer to note 21 of audited financial statements.

Material Transactions

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

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

For further details refer to note 20 of audited financial statements.

Corporate Governance Report

Introduction

RBTT Bank Grenada Limited (the "Bank") is committed to maintaining the highest standards of corporate governance. Our Board champions the strong corporate values that are entrenched in our culture. We recognise that integrity and accountability are the foundation for the Bank's strong reputation and brand. We establish standards of integrity designed to promote ethical behaviour throughout the organisation, and foster a business approach in which we work to make a positive impact on society, the environment and the economy.

Beyond the setting of prudent structures and strong policies, corporate governance for the Bank is a matter of board culture where active engagement and open and productive debate are not only encouraged but expected. Directors must be dedicated to the needs of the Bank, appropriately challenge the status quo, exhibit sound business judgment and uphold RBC values.

We continuously monitor and update as necessary our internal systems in order to ensure our standards reflect the requirements of our regulators, the Eastern Caribbean Central Bank and the Eastern Caribbean Regulatory Commission and best international practices tailored to the specific needs of the Bank. The Board acts in the best interest of the Bank and its stakeholders, and adhere to the principles of good corporate governance.

Board Responsibilities

The Board is responsible for the overall stewardship of the Bank. Directors are elected by the shareholders to supervise management of the business and affairs of the Bank. The Board's role consists of two fundamental elements: decision-making and oversight. Through its collective expertise, skills, experiences and competencies, the Board provides objective and thoughtful guidance to, and oversight of, senior management by the demonstration of sound judgment, initiative, responsiveness and operational excellence.

Directors' Independence

The Bank is subject to the requirements related to director independence set by applicable laws and regulations. Regulatory guidelines prescribe that the Bank must maintain at least a 20% ratio of independent directors to non-independent directors on the Board. The Board is compliant with these independence requirements. Three directors on the Board are independent of the Bank as determined pursuant to the prescribed regulations.

Independence from management is essential to the Board's effective oversight and mechanisms are in place to support its independence. All direct and indirect material relationships with RBC are considered in determining whether a member of the Board is independent. No one individual has unrestricted powers of decision making.

Board Size and Composition

The Articles of Continuance of the Bank provide that the Board of Directors shall have a minimum of five (5) Directors and a maximum of nine (9) directors.

Board size and composition are determined by the regulatory requirements, in accordance with applicable law in the jurisdiction, as well as best practices, taking into consideration the skills, diversity, geographies and areas of expertise already represented on the board. From a strategic perspective, the Board composition includes representation from key management within the platform or business to ensure that information flows and accountability is maintained.

In keeping with our business imperative to attract and retain the best talent, the Board recognises the benefits of promoting diversity, both within RBC and at the board level.

The optimal size of the Board represents a balance between two opposing needs: a business need to appoint a sufficient number of Directors to ensure appropriate representation for effective performance and a need to be small enough to facilitate open and effective dialogue and the full participation and contribution of each director. Collectively, members of the board demonstrate a broad range of complementary skills and expertise, industry and regulatory knowledge and diversity of perspectives, which has made for a responsive and effective board.

Committee of the Board of Directors

To assist in exercising its responsibilities, the Board has established an Audit Committee. The Audit Committee has a written mandate that sets out its responsibilities and qualifications for committee membership under the applicable laws and regulations. The Committee is chaired by an independent director who is responsible for the effective operation of the Committee and the fulfillment of the Committee's mandate.

Management is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles, policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditor is responsible for obtaining 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 their opinion.

The Audit Committee is responsible for the oversight of the financial reporting and internal controls of the Bank, which includes the review and evaluation of the appropriate accounting principles and practices to be observed in the preparation of the Bank's accounts. The Audit Committee is responsible for the initial review of the Bank's annual audited financial statements prior to consideration thereof by the Board of Directors. It approves the scope of the audit activities proposed each year to be conducted by the independent Auditors. It also recommends the appointment and approves the terms of engagement of the independent Auditors.

Code of Conduct

RBC's Code of Conduct seeks to ensure that a culture of integrity is maintained throughout the organisation. The Code establishes written standards designed to promote integrity and ethical behavior that apply to the Chair and members of the Board, senior management and all employees of RBTT Bank Grenada Limited. The Code sets out fundamental principles that guide the Bank in its activities.

The Code requires that directors, officers and employees of the Bank, promptly report suspected irregularities or dishonesty. It creates a frame of reference for dealing with sensitive and complex issues and provides for accountability if standards of conduct are not upheld. Directors, officers and employees also have an ongoing responsibility to identify potential and perceived conflicts of interest in relation to RBC, its clients and its suppliers.

Based on the spirit and intent of the Code and the importance of maintaining the highest standards of honest and ethical behavior, RBC has also adopted a policy establishing mechanisms for directors, officers, employees and third parties to report, on a confidential and anonymous basis, allegations of wrongdoing relating to accounting, auditing or internal accounting controls. Supplementing the Code are a global compliance program and enterprise wide policies establishing minimum standards for anti-money laundering, terrorist financing and economic sanctions, and client due diligence activities.

Enterprise Risk Management

Under the oversight of the Board of Directors and senior management, the RBC Enterprise Risk Management Framework provides an overview of enterprise-wide programs for managing risk, including identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks that face the Bank.

Risk Governance

The risk governance model is well-established. The Board of Directors oversees the implementation of the Bank's risk management framework, while employees at all levels of the organisation are responsible for managing the day-to-day risks that arise in the context of their mandate. As shown opposite, the Bank uses a 'three lines of defence' governance model to manage risks.

BOARD OF DIRECTORS

The Board of Directors establishes the tone from the top, approves the Bank's risk appetite, provides oversight and carries out its risk management mandate primarily through its Audit Committee, which is charged with reviewing and approving the Bank's credit risk and operational risk reports. The Audit Committee also meets with management to discuss the effectiveness of steps taken by management to implement adequate controls to mitigate the risk of fraud.

The Board ensures that appropriate systems are in place, and that the Bank respects and complies with applicable regulatory, corporate, securities and other legal requirements, while remaining current with new/increasing risks applicable to the Bank's business environment. From an operational risk perspective the Board monitors the integrity and effectiveness of the Bank's internal controls and management information systems.

RBC Caribbean Banking Senior Executives and Senior Management of the Bank

- Actively shape RBC Caribbean Banking's risk appetite
- Establish the tone from the top and visibly support and communicate enterprise risk appetite, ensuring that sufficient resources and expertise are in place to help provide effective oversight of adherence to the enterprise risk appetite
- Ensure alignment of strategic planning, financial planning, capital planning and risk appetite

First line of defence

Risk Owners

- Business and Support Functions embedded in the business
- Accountable for:
- Identification
- Assessment
- Mitigation
- Monitoring and
- Reporting of risk against approved policies and appetite

SECOND line of defence

Risk Oversight

- Establishes risk management practices and provides risk guidance
- Provides oversight of the effectiveness of First Line risk management practices
- Monitors and independently reports on the level of risk against established appetite

Third line of defence

Independent Assurance

- Internal and External Audit
- Independent assurance to management and the Board of Directors on the effectiveness of risk management practices

Risk Appetite

The Bank's risk appetite is the amount and type of risk that the Bank is able and willing to accept in the pursuit of its business objectives. The goal in managing risk is to protect the Bank from an unacceptable loss or an undesirable outcome with respect to earnings volatility, capital adequacy or liquidity, while supporting and enabling its overall business strategy (see diagram opposite).

Internal Audit

RBC Internal Audit (IA) provides independent, objective risk assessment and evaluation of risk management practices, internal controls and governance processes, to provide assurance on the adequacy and effectiveness, for all areas of RBC including the Bank. While remaining independent and objective, IA works with management in achieving business objectives by ensuring appropriate remedial action takes place to improve operations in areas with identified weaknesses. Key stakeholders include the board of directors, shareholders' auditors, regulators and senior management. IA has a risk-based audit approach to assess the different corporate governance and risk governance activities across RBC. The audit approach to address these topics gives consideration to the implementation at the different enterprise, business segment, and subsidiary levels. As well, IA assesses the design and operations of RBC practices consistent with regulatory expectations. Specific local regulatory expectations are incorporated in the evaluation where applicable.

Compliance

From an enterprise wide perspective, RBC has a comprehensive Regulatory Compliance Management Framework, designed to promote the proactive, risk-based management of compliance and regulatory risk and applies to all of our businesses and operations, legal entities and employees globally, including the Bank. Compliance confirms the shared accountability of all employees by ensuring it maintains robust and effective compliance and regulatory risk controls.

RBC Global Compliance provides independent control and oversight of the management of RBC's regulatory and compliance risks and controls as they relate to laws, regulations and regulatory expectations relevant to the activities of RBC and subsidiaries in the jurisdictions in which they operate. Global Compliance works with Senior Management and employees throughout RBC to drive a culture of ethics, compliance and integrity and ensure the quality and consistency of RBC's compliance performance globally.

Global Compliance does this through:

- **Compliance Programmes** – develop, maintain and communicate policies, processes and controls at enterprise and business levels
- **Oversight and Monitoring** – oversee and monitor compliance processes within the enterprise to ensure effectiveness, achieve compliance and manage regulatory risk; monitor review findings and resolution

- **Reporting** – provide reporting to enable senior management and boards/committees to effectively perform their management and oversight responsibilities
- **Working Relationships** – develop and maintain good working relationships with stakeholders including regulators.

Major Shareholdings and Voting Rights

Name & Address of Shareholder	Class	No. of Units	Value	Percentage
RBTT Bank Caribbean Limited 81 South River Road, Kingstown, St. Vincent	Ordinary	12,526,771	EC$25,583,274	62.1%
National Insurance Scheme Melville Street, St. George's, Grenada	Ordinary	4,035,915	EC$8,242,501	20.0%
Grenada Port Authority c/o The Minister of Finance, Ministry of Finance, St. George's, Grenada	Ordinary	1,110,121	EC$2,267,187	5.5%

Report of the Directors

The Directors have pleasure in submitting their Report for the year ended October 31, 2018.

FINANCIAL RESULTS

(Expressed in Eastern Caribbean Dollars)

Net income for the year	($749,205)
Retained earnings at beginning of year	$ 2,723,000
Transition adjustment	$8,230,261
Retained earnings at end of year	$10,204,056
Total shareholders' equity	$41,211,319

DIRECTORS

In accordance with paragraph 4.5.1(a) of By-law No. 3 of the Company, it is proposed that Messrs. Aston Frame, Ronald Peters, Richard Downie and Ms. Karlene Thompson Bishop be and are hereby re-elected Directors of the Company for a term from the date of their election until the close of the second Annual Meeting following their re-election.

In accordance with paragraph 4.3.3 of By-law No. 3 of the Company Mr. Ron Antoine who was appointed to the Board to fill the vacancy created by resignation of Mrs. Winnifred Duncan Phillip, be and is hereby re-elected as a Director of the Company for a term from the date of his re-election until the close of the next Annual Meeting.

AUDITORS

The External Auditors, PricewaterhouseCoopers, East Caribbean, retire and being eligible offer themselves for re-appointment. The Directors have agreed to recommend the re-appointment of PricewaterhouseCoopers, East Caribbean as Auditors of the Company. In accordance with section 162(1) of the Companies Act, 1994, the term of the appointment will extend from the close of the Thirty-sixth Annual Meeting until the next Annual Meeting of the Company.

BY ORDER OF THE BOARD

Sharon Keshwah-Charles
Corporate Secretary
April 30, 2019

Statement of Management Responsibilites

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RBTT Bank Grenada Limited which comprise the statement of financial position as at October 31st, 2018 and the statements of income or loss and other comprehensive income or loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of Bank operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board. Where International Financial Reporting Standards allows alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Country Manager	Senior Manager – Finance
April 25, 2019	April 25, 2019

pwc

Independent auditors' report

To the shareholders of RBTT Bank Grenada Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of RBTT Bank Grenada Limited (the Bank) as at October 31, 2018, 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 Bank's financial statements comprise:

- the statement of financial position as at October 31, 2018;
- the statement of income or loss and other comprehensive income or loss 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 a summary of significant accounting policies.

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 *Auditors' 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after this auditors' report date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

PricewaterhouseCoopers East Caribbean, Unit 111 Johnsons Centre, No 2 Bella Rosa Road, P.O. Box BW 304, Gros Islet, St. Lucia, West Indies
T: +758-727-6700, www.pwc.com/bb

pwc

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 skepticism 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank 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.

PricewaterhouseCoopers

Chartered Accountants
Castries, St. Lucia
April 18, 2019

Statement of Financial Position

As at October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2018 $	October 31, 2017 $
Assets			
Cash and cash equivalents	3	82,121,925	75,360,602
Statutory deposit with Central Bank	3	24,853,994	18,899,000
Loans	4	159,112,735	166,063,074
Securities	5	23,518,676	32,080,302
Due from associates and affiliated companies	20	54,818,661	48,425,706
Premises and equipment	6	6,344,433	13,990,844
Deferred tax asset	18	2,213,921	—
Income tax recoverable		266,655	266,655
Other assets	7	7,782,176	8,217,267
Assets held for sale	8	5,265,000	—
Total assets		366,298,176	363,303,450
Liabilities			
Due to banks	26	60,045	280,611
Customers' deposits	9	313,753,063	304,923,271
Due to associates and affiliated companies	20	1,299,996	262,921
Other liabilities	10	5,820,543	15,776,951
Current income tax liabilities		1,869,210	—
Deferred tax liability		—	678,222
Post-retirement benefit obligations	24	2,284,000	1,864,000
Total liabilities		325,086,857	323,785,976
Equity			
Share capital	11	20,178,995	20,178,995
Statutory reserve	12	11,800,791	11,800,791
Other reserves	13	(972,523)	4,814,688
Retained earnings		10,204,056	2,723,000
Total equity		41,211,319	39,517,474
Total equity and liabilities		366,298,176	363,303,450

On April 17, 2019, the Board of Directors of RBTT Bank Grenada Limited authorised these financial statements for issue.

____________________ Director
Ronald Peters

____________________ Director
Richard Downie

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

Statement of Income or Loss and Other Comprehensive Income or Loss

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2018 $	October 31, 2017 $
Interest income	14	16,300,193	18,506,890
Interest expense	15	(2,568,430)	(2,922,832)
Net interest income		13,731,763	15,584,058
Non-interest income	16	3,566,070	9,344,218
Total revenue		17,297,833	24,928,276
Provision for credit losses		4,300,499	1,328,938
Other operating expenses	17	(20,169,387)	(17,743,149)
Total non-interest expenses		(15,868,888)	(16,414,211)
Income before taxation		1,428,945	8,514,065
Taxation charge	18	(2,178,150)	(4,947,716)
Net (loss)/income after taxation		(749,205)	3,566,349
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net change in unrealised gains (losses) on available for sale securities			
Net gains on available-for-sale financial assets		—	5,394,585
Net change in unrealised gains on securities at fair value through other comprehensive income			
Net loss on treasury bills		(811)	—
Tax impact		244	(425,612)
		(567)	4,968,973
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement loss on post-retirement benefit liability	24.2	153,000	(287,000)
Re-measurement gain on pension liability	24.2	(530,000)	214,000
Net change in unrealised gains (losses) on equity securities at fair value through other comprehensive income		(22,181)	—
Tax impact		119,748	21,900
		(279,433)	(51,100)
Other comprehensive (loss)/income for the year, net of taxes	13	(280,000)	4,917,873
Total comprehensive (loss)/income for the year		(1,029,205)	8,484,222
Basic and diluted earnings per share	19	(0.04)	0.21

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

Statement of Changes in Equity

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Note	Share capital $	Statutory reserve $	Other reserves $	Retained earnings $	Total equity $
Balance at October 31, 2017		20,178,995	11,800,791	4,814,688	2,723,000	39,517,474
Transition adjustment	2	—	—	(5,507,211)	8,230,261	2,723,050
Balance as at November 1, 2017		20,178,995	11,800,791	(692,523)	10,953,261	42,240,524
Net income after taxation		—	—	—	(749,205)	(749,205)
Other comprehensive income:						
- Changes in fair value		—	—	(16,099)	—	(16,099)
- Re-measurement of post-retirement benefit obligation		—	—	107,100	—	107,100
- Re-measurement of pension benefit liability		—	—	(371,001)	—	(371,001)
Total comprehensive income		—	—	(280,000)	(749,205)	(1,029,205)
Transfer to statutory reserve		—	—	—	—	—
Balance at October 31, 2018		20,178,995	11,800,791	(972,523)	10,204,056	41,211,319
Balance at November 1, 2016		11,087,521	11,087,521	(506,048)	9,364,551	31,033,545
Net income after taxation		—	—	—	3,566,349	3,566,349
Other comprehensive income:						
- Changes in fair value		—	—	3,846,088	—	3,846,088
- Re-measurement of post-retirement benefit obligation		—	—	141,100	—	141,100
- Re-measurement of pension benefit liability		—	—	930,685	—	930,685
Total comprehensive income		—	—	4,917,873	3,566,349	8,484,222
Transfer of IAS19R reserves		—	—	402,863	(402,863)	—
Stock dividend		9,091,474	—	—	(9,091,474)	—
Transfer to statutory reserve		—	713,270	—	(713,270)	—
Cash dividend		—	—	—	(293)	(293)
Balance at October 31, 2017		20,178,995	11,800,791	4,814,688	2,723,000	39,517,474

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

Statement of Cash Flows

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	October 31, 2018 $	October 31, 2017 $
Operating activities		
Net income before taxation	1,428,945	8,514,065
Adjustments for:		
Provision for credit losses	(3,164,554)	(1,328,938)
Depreciation	427,351	706,709
Losses on securities	5,310,346	—
Impairment of premises and equipment	1,978,915	—
Disposals of premises and equipment	40,743	—
Retirement benefit expense	304,000	281,000
Operating income before changes in operating assets and liabilities	6,325,746	8,172,836
Decrease / (increase) in operating assets		
Loans	11,779,914	9,260,589
Statutory deposit with Central Bank	(5,954,994)	1,027,000
Due from associates and affiliated companies	(6,392,955)	(20,418,515)
Other assets	435,091	2,056,423
Increase / (decrease) in operating liabilities		
Customers' deposits	8,829,792	(25,244,717)
Due to associates and affiliated companies	1,037,075	(333,396)
Due to banks	(220,566)	181,789
Other liabilities	(5,057,195)	4,112,665
Taxes paid	(4,340,338)	(2,570,001)
Contributions paid	(261,000)	(587,459)
Cash from / (used in) operating activities	6,180,570	(24,342,786)
Investing activities		
Purchase, sales and redemption of securities	646,351	1,632,650
Additions to premises and equipment	(65,598)	(430,698)
Cash provided by investing activities	580,753	1,201,952
Financing activities		
Dividend paid	—	(293)
Cash from (used in) financing activities	—	(293)
Net increase / (decrease) in cash and cash equivalents	6,761,323	(23,141,127)
Cash and cash equivalents at beginning of year	75,360,602	98,501,729
Cash and cash equivalents at end of year	82,121,925	75,360,602
Interest received	16,541,208	18,914,178
Interest paid	(2,572,268)	(3,193,488)

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

Notes to the Financial Statements

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

1. Incorporation and business activities

RBTT Bank Grenada Limited ("the Bank") was incorporated on January 19, 1983, under the laws of Grenada. Its principal activities are commercial and retail banking operations. The address of its registered office is Grand Anse, St. George, Grenada.

The Bank is a 62% subsidiary of RBTT Bank Caribbean Limited ("parent company"), a company incorporated in St Vincent and the Grenadines, with the parent company being RBC Financial (Caribbean) Limited (formerly RBTT Financial Holdings Limited) which is incorporated in Trinidad and Tobago. On June 16, 2008 RBTT Financial Holdings Limited was amalgamated with RBC Holdings (Trinidad and Tobago) Limited to form the new entity RBC Financial (Caribbean) Limited. RBC Financial (Caribbean) Limited and its subsidiaries ("the Group") are engaged in the business of banking and the provision of financial services. Royal Bank of Canada ("RBC"), a Canadian chartered bank is the ultimate parent of the Group.

The Bank is licensed under the Grenada Banking Act No. 20 of 2015 (the "Banking Act") and regulated by the Eastern Caribbean Central Bank (ECCB).

2. Summary of significant accounting policies, estimates and judgements

Basis of preparation

Statement of compliance

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

Basis of measurement

The financial statements are prepared in Eastern Caribbean dollars.

Use of estimates and assumptions

The preparation of these Financial Statements requires the use of certain critical accounting estimates that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of securities, the allowance for credit losses, pensions and other post-employment benefits, income taxes and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgments

Management also exercises judgement in the process of applying the Bank's accounting policies. Certain aspects of these policies, as well as estimates made by management in applying such policies, are recognised as critical because they require us to make particularly subjective or complex judgements about matters that are inherently uncertain and because of the likelihood that significantly different amounts could be reported under different conditions or using different assumptions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Critical accounting judgements, estimates and assumptions have been made in the following areas and discussed as noted in the Financial Statements:

- Fair value of financial instruments
- Allowance for credit losses
- Employee benefits
- Income taxes
- Provisions

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Significant judgments (continued)

Our critical accounting policies and estimates have been reviewed and approved by management.

Changes in accounting policies

During the current year the Bank adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9 the Bank changed the accounting policies outlined below, and these new policies were applied from November 1, 2017. As permitted by the transition provisions of IFRS 9, the Bank elected not to restate the comparative period results; accordingly, all comparative information is presented in accordance with the Bank's previous accounting policies as indicated below. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (November 1, 2017) were recognised in opening Retained Earnings and Other components of equity in the current year. New or amended disclosures have been provided for the current year, where applicable and comparative period disclosures are consistent with those made in the prior year.

Classification 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 amortised 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 amortised 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.

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 the Bank 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 businesses 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 businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 21, and the activities taken to manage those risks;

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Classification of financial assets (continued)

Business model assessment (continued)

- Historical and future expectations of sales of the loans and securities 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 loans and securities 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;
- 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 an 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.

Securities

As at November 1, 2017 the Statement of Financial Position item investment securities was renamed to securities. Securities represent investment securities and trading securities under IFRS 9.

Trading securities include all securities that are classified at FVTPL, by nature and securities designated at FVTPL. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realised and unrealised gains and losses on these securities are generally recorded as trading revenue in non-interest income. Dividends and interest income accruing on trading securities are recorded in interest income.

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to the adoption of IFRS 9, investment securities were comprised of available-for-sale securities.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Securities (continued)

Investment securities carried at amortised cost are measured using the effective interest rate method, and are presented net of any allowance for credit losses, calculated in accordance with the Group's policy for allowance for credit losses, as described below. Interest income, including the amortisation of premiums and discounts on securities measured at amortised cost are recorded in net interest income. Impairment gains or losses recognised on amortised cost securities are recorded in provision for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised 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 unrealised 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. Unrealised gains and losses arising from changes in fair value are recorded in other components of equity and not subsequently reclassified to profit or loss when realised. Dividends from FVOCI securities are recognised 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 date are recorded in OCI, except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.

Fair value option

A financial instrument with a reliably measurable fair value 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 recognising 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.

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

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Fair value option (continued)

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognised 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 recognised 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

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the Classification of financial assets policy provided above. The majority of our loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognised 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 recognised 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 recognised 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 amortised 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 recognised in interest income at the prepayment date.

For loans carried at amortised cost or FVOCI, impairment losses are recognised at each balance sheet date in accordance with the three-stage impairment model outlined below.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in 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 impairment assessment. Assets subject to impairment assessment include certain loans, 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. Financial assets carried at amortised cost are presented net of ACL on our Statement of Financial Position.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For these products, ACL is disclosed in the notes to the financial statements.

We measure the ACL on each balance sheet 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 recognised equal to the credit losses expected to result from defaults occurring over the 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 recognised 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 recognised 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, 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 allowance for credit losses.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet 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 affect the results of operations.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Allowance for credit losses (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 internal and external ratings, 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 for each portfolio segment. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of 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.

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

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses 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) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our 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 our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Assessment of significant increase in credit risk

The assessment of 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 recognised. For the purposes of this assessment, credit risk is based on the delinquency status. The assessment is performed at the instrument level.

The assessment of significant increase in credit risk requires 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 recognised.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Assessment of significant increase in credit risk (continued)

Our assessment of significant increases in credit risk is based on delinquency status, watch-list reports and whether or not the account is being managed by the special loans group. If any of the following conditions is met, the instrument is moved from Stage 1 to Stage 2:

1) The instrument is 30 days past due.
2) The account is included in the watch-list reporting process. The watch-list process is considered fundamental in identifying early signs of deterioration on existing accounts.
3) The account is managed by the Regional Special Loan Unit (RSLU). The RSLU 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 specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.

In addition to the approach described previously there is also an overlay process that analyses significant events in the Caribbean and its impact on staging and expected credit losses.

Use of forward-looking information

The PD and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period, subsequently reverting to long-run averages. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rate, GDP and inflation rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the Group 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 the Group to have a consistent view of macroeconomic scenarios across business lines and legal entities. In addition to this enterprise level process there is also an overlay process that analyses significant events in the Caribbean and its impact on expected credit losses.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of 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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our 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 past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, 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 balance sheet 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 reorganisation, 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 recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. 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 loans in Stage 3 are established at the loan level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, we reduce the carrying value of the loans to their estimated realisable 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 realisable 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 realisable 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.

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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Write-off of loans

Loans are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable 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, with continued efforts to realise on the underlying collateral held following write off.

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 which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset which can be tracked through the original asset or via establishment of a new financial asset. Modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset.

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 recognised. 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 days past due and other qualitative considerations.

If a modification of terms results in derecognition of the original financial asset and recognition of a 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.

Total allowance for credit losses

Based on the procedures discussed above, management believes that the total allowance for credit losses of $14,812,286 is adequate to absorb estimated credit losses as at October 31.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Impact of adoption of IFRS 9

Classification and measurement of financial assets

The application of the classification and measurement requirements of IFRS 9 resulted in the following classification of financial assets on adoption:

	As at November 1, 2017		As at October 31, 2017	
	Measurement category under IFRS 9	Carrying amount under IAS 39 $	Measurement category	Carrying amount $
Financial assets:				
Cash and cash equivalents	Amortised cost	67,254,601	Loans and receivables	67,254,601
Cash and cash equivalents	FVOCI	8,106,001	Loans and receivables	8,106,001
Statutory deposit with Central Bank	Amortised cost	18,899,000	Loans and receivables	18,899,000
Loans	Amortised cost	167,838,512	Loans and receivables	166,063,074
Securities (1)	FVOCI (designated)	1,035,220	Available-for-sale	1,035,220
	FVTPL	23,971,773	Available-for-sale	23,971,773
	Amortised cost	4,410,543	Available-for-sale	7,073,309
Due from associates and affiliated companies	Amortised cost	48,425,706	Loans and receivables	48,425,706
Other assets	Amortised cost	1,639,962	Loans and receivables	1,639,962

(1) - Securities whose cash flows are not solely payments of principal or interest were reclassified to FVTPL.

- $1,035,220 of equity securities previously classified as available-for-sale were elected to designate to FVOCI. This designation applies to equity securities not held for trading.

- Debt securities managed within an HTC business model were reclassified from available-for-sale to amortised cost. As at October 31, 2018, the fair value of these securities was $7,924,905. For the year ended October 31, 2018, $2,047,412 of gains would have been recognised in OCI if the securities had not been reclassified.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Impact of adoption of IFRS 9 (continued)

Balance sheet presentation

On November 1, 2017, the balance sheet item investment securities was renamed to securities. All securities, regardless of accounting classification, are presented on the Securities line

Allowance for credit losses

The following table is a comparison of impairment losses determined in accordance with IAS 39 and IAS 37 to the corresponding impairment allowance determined in accordance with IFRS 9 as at November 1, 2017.

	IAS 39/IAS 37 as at October 31, 2017				IFRS 9 as at November 1, 2017			
	Collectively assessed $	Individually assessed $	Total $	Transition adjustments $	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Debt securities at fair value through other comprehensive income	—	—	—	—	—	—	—	—
Debt securities at amortised cost	—	—	—	1,466,950	1,466,950	—	—	1,466,950
Loans at amortised cost	4,556,075	13,637,666	18,193,741	(1,775,438)	1,578,289	1,786,438	13,053,576	16,418,303
Other assets at amortised cost	—	—	—	—	—	—	—	—
Off balance sheet customers' liability under acceptances, guarantees, indemnities and letters of credit	—	—	—	48,963	48,963	—	—	48,963
	4,556,075	13,637,666	18,193,741	(259,525)	3,094,202	1,786,438	13,053,576	17,934,216

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Changes in accounting policies (continued)

Impact of adoption of IFRS 9 (continued)

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Bank's Statement of Financial Position, showing the impacts of adopting the IFRS 9 impairment, and classification and measurement, requirements.

	As at October 31, 2017 IAS 39 $	Impact of classification and measurement $	Impact of impairment $	As at November 1, 2017 IFRS 9 $
Assets				
Cash and ash equivalents	75,360,602	—	—	75,360,602
Statutory deposit with Central Bank	18,899,000	—	—	18,899,000
Loans	166,063,074	—	1,775,438	167,838,512
Securities	32,080,302	(1,195,816)	(1,466,950)	29,417,536
Due from associates and affiliated companies	48,425,706	—	—	48,425,706
Premises and equipment	13,990,844	—	—	13,990,844
Deferred tax asset	—	—	—	—
Income tax recoverable	266,655	—	141,171	407,826
Other assets	8,217,267	—	—	8,217,267
Total assets	363,303,450	(1,195,816)	449,659	362,557,293
Liabilities				
Due to banks	280,611	—	—	280,611
Customers' deposits	304,923,271	—	—	304,923,271
Due to associates and affiliated companies	262,921	—	—	262,921
Other liabilities (1)	15,776,951	(4,948,176)	48,963	10,877,738
Current income tax liabilities	—	1,484,453	432,224	1,916,677
Deferred tax liability	678,222	(358,747)	(127,924)	191,551
Post-retirement benefit obligations	1,864,000	—	—	1,864,000
Total liabilities	323,785,976	(3,822,470)	353,263	320,316,769
Equity				
Share capital	20,178,995	—	—	20,178,995
Statutory reserve	11,800,791	—	—	11,800,791
Other reserves	4,814,688	(5,507,211)	—	(692,523)
Retained earnings	2,723,000	8,133,865	96,396	10,953,261
Total equity	39,517,474	2,626,654	96,396	42,240,524
Total equity and liabilities	363,303,450	(1,195,816)	449,659	362,557,293

(1) - $23,971,773 of debt securities previously classified as available-for-sale were reclassified to FVTPL. This resulted in the release of $4,948,176 deferred income from other liabilities to retained earnings.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

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. We determine fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

The Board of Directors provides oversight on valuation of financial instruments, primarily through the Audit Committee and Risk Committee. The Audit Committee reviews the presentation and disclosure of financial instruments that are measured at fair value, while the Risk Committee assesses adequacy of governance structures and control processes for valuation of these instruments.

We have 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, 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. We give 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. We have a systematic and consistent approach to control model use. Valuation models are approved for use within our 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.

In determining fair value, a hierarchy is used which prioritises 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 we have 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 one or more inputs that are unobservable and significant to the fair value of the asset or liability. 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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Determination of fair value (continued)

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.

Interest

Interest is recognised in Interest income and Interest expense in the Statement of Income or Loss and Other Comprehensive Income or Loss 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. Significant 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 capitalised on initial recognition. For financial assets and financial liabilities measured at amortised cost, capitalised transaction costs are amortised through Net 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 balance sheet when there exists both a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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.

Guarantees

Financial guarantee contracts are contracts that contingently require us to make specified payments (in cash, other assets or provision of services) 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. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Employee benefits

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current years' service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Statement of Income or Loss and Other Comprehensive Income or Loss in the period in which they occur.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

For each defined benefit plan, we recognise the present value of our defined benefit obligations less the fair value of the plan assets, as a defined benefit asset/liability reported in Employee benefit assets/liabilities on our Statement of Financial Position.

The calculation of defined benefit expenses and obligations requires significant judgement as the recognition is dependent on discount rates and various actuarial assumptions such as healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For our pension and other post-employment plans, the discount rate is determined by reference to market yields on high quality government bonds. Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. Actuarial assumptions, set in accordance with current practices in the respective countries of our plans, may differ from actual experience as country specific statistics is only an estimate for future employee behavior. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations, expenses and re-measurements that we recognise.

Income taxes

Income tax comprises current tax and deferred tax and is recognised in our Statement of Income or Loss and Other Comprehensive Income or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Bank is subject to income tax in Grenada and the complex tax laws are potentially subject to different interpretations by the relevant taxation authority and the Bank. Significant judgement is required in the interpretation of the relevant tax laws, and the determination of our tax provision, which includes our best estimate of tax positions that are under audit or appeal by the relevant tax authorities. We perform a review on a quarterly basis to incorporate our best assessment based on information available, but additional liability and income tax expense could result based on decisions made by the relevant tax authorities.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Income taxes (continued)

The determination of our deferred tax asset or liability also requires significant management judgement as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realised or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Statement of Financial Position, and also deferred tax expense in our Statement of Income or Loss and Other Comprehensive Income or Loss.

(i) Current tax

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

(ii) Deferred tax

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

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

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

Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars at rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in Non-interest income in the Statement of Income or Loss and Other Comprehensive Income or Loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Eastern Caribbean Dollars at historical rates. Non-monetary financial assets classified as FVOCI securities, such as equity instruments, that are measured at fair value are translated into Eastern Caribbean Dollars at rates prevailing at the Statement of Financial Position date, and the resulting foreign exchange gains and losses are recorded in Other comprehensive income until the asset is sold or becomes impaired.

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight–line basis over the estimated useful lives of the assets, which are 25 to 50 years for freehold properties, 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. The amortisation period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years. Land and capital work in progress are not depreciated. Gains and losses on disposal are recorded in Non–interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset’s carrying amount to its recoverable amount. An impairment charge is recorded to the extent the recoverable amount of an asset, which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of future cash flows expected to be derived from the asset. Fair value less costs of disposal is the amount obtainable from the sale of the asset, in an orderly transaction between market participants, less costs of disposal.

After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset’s revised carrying amount. If an impairment is later reversed, the carrying amount of the asset is revised to the lower of the asset’s recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss. The depreciation charge in future periods is adjusted to reflect the revised carrying amount.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on our Statement of Financial Position.

Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. We record provisions related to litigation, asset retirement obligations, and the allowance for off-balance sheet and other items. Provisions are recorded under Other liabilities on our Statement of Financial Position.

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgement in projecting the timing and amount of future cash flows. We record our provisions based on all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognised.

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 recognised if it is virtually certain that reimbursement will be received.

Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed upon period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee, where title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Operating leases

When we are the lessee in an operating lease, we record rental payments on a straight-line basis over the lease term in Non-interest expense.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Non-interest income

The Bank includes in non-interest income amounts relating to service charges and foreign exchange trading gains. Service charges are related to the provision of specific transaction type services and are recorded when the service has been completed. Foreign exchange trading gains result from spreads earned between the buying and selling of foreign currency and is also booked upon completion of transactions.

Share capital

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

Financial instruments issued by us 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 a deduction from the proceeds, net of tax.

Pre-IFRS 9 accounting policies

The following policies are applicable for comparative period results as at the year ended October 31, 2017:

Financial instruments – Recognition and measurement

Securities

Securities are classified at inception, based on management's intention, as available-for-sale (AFS). Certain debt securities with fixed or determinable payments and which are not quoted in an active market may be classified as loans and receivables.

AFS securities include securities, which may be sold to meet liquidity needs, in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in foreign currency risk and changes in funding sources or terms. AFS securities are measured at fair value. Unrealised gains and losses arising from changes in fair value are included in other comprehensive income. Changes in foreign exchange rates for AFS securities are recognised in other comprehensive income. When the security is sold, the cumulative gain or loss recorded in other reserves is included as Net gain (loss) on AFS securities in Non-interest income. Purchase premiums or discounts on AFS debt securities are amortised over the life of the security using the effective interest method and are recognised in Net interest income. Dividends and interest income accruing on AFS securities are recorded in Interest income.

At each reporting date, and more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment. Such evidence includes: for debt instruments, when an adverse effect on future cash flows from the asset or group of assets can be reliably estimated; for equity securities, when there is a significant or prolonged decline in the fair value of the investment below its carrying value.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Pre-IFRS 9 accounting policies (continued)

Financial instruments – Recognition and measurement (continued)

Securities (continued)

When assessing impairment for debt instruments we primarily consider counterparty ratings and security-specific factors, including subordination, external ratings, and the value of any collateral held, for which there may not be a readily accessible market. Significant judgement is required in assessing impairment, as management is required to consider all available evidence in determining whether objective evidence of impairment exists and whether the principal and interest on the AFS debt security can be fully recovered. For complex debt instruments, we use cash flow projection models, which incorporate actual and projected cash flows for each security based on security specific factors using a number of assumptions, and inputs that involve management judgement, such as default, prepayment and recovery rates. Due to the subjective nature of choosing these inputs and assumptions, the actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause a different conclusion as to the recognition of impairment or measurement of impairment loss.

In assessing whether there is any objective evidence that suggests that equity securities are impaired, we consider factors, which include the length of time, and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment but to the extent that management judgement may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, the conclusion for the impairment of the equity securities may differ.

If an AFS security is impaired, the cumulative unrealised loss previously recognised in other comprehensive income is removed from equity and recognised in Net gain (loss) on AFS securities under Non-interest income. This amount is determined as the difference between the carrying value and current fair value of the security less any impairment loss previously recognised. Subsequent to impairment, further declines in fair value are recorded in Non-interest income, while increases in fair value are recognised in other comprehensive income or loss until sold. For AFS debt securities, reversal of previously recognised impairment losses is recognised in our Statement of Income or Loss and Other comprehensive Income or Loss if the recovery is objectively related to a specific event occurring after recognition of the impairment loss. We account for all of our securities using settlement date accounting and changes in the fair value of AFS securities between the trade and settlement dates are recorded in other comprehensive income.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. Loans are initially recognised at fair value. When loans are issued at a market rate, fair value is represented by the cash advanced to the borrowers. Loans are subsequently measured at amortised cost using the effective interest method less impairment, unless we intend to sell them in the near future upon origination or they have been designated as at FVTPL, in which case they are carried at fair value.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Pre-IFRS 9 accounting policies (continued)

Loans (continued)

We assess at each reporting date whether there is objective evidence that the loans are impaired. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, 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. Whenever a payment is 90 days past due, loans other than credit card balances are classified as impaired. Credit card balances are written off when a payment is 180 days in arrears.

Interest on loans is recognised in Interest income – Loans and advances to customers using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset, all fees that are considered to be integral to the effective interest rate, transaction costs and all other premium or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as Interest income over the expected term of such loans using the effective interest method. Prepayment fees on mortgage loans are not included as part of the effective interest rate at origination, as the amounts are not reliably measurable. 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 recognised in interest income at the prepayment date.

Allowance for credit losses

An allowance for credit losses is established if there is objective evidence that we will be unable to collect all amounts due on our loans portfolio according to the original contractual terms or the equivalent value.

The allowance for credit losses is increased by the impairment losses recognised and decreased by the amount of write-offs, net of recoveries. The allowance for credit losses is included as a reduction to Loans and advances to customers, net. We assess whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

Allowance for credit losses represent management’s best estimates of losses incurred in our loan portfolio at the Statement of Financial Position date. Management’s judgement is required in making assumptions and estimations when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect our results of operations.

Impaired loans

Loans, which are individually significant, defined by management as loans greater than USD $500,000, are assessed individually for object indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Pre-IFRS 9 accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed impaired loans

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realisable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realisation of collateral less costs to sell. Individually assessed impairment losses reduce the carrying amount of the loan through the use of an allowance account and the amount of the loss is recognised in Impairment losses on loans and advances in our Statement of Income or Loss and Other Comprehensive Income or Loss. Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment.

Significant judgement is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining the impairment loss. When assessing objective evidence of impairment we primarily consider specific factors such as the financial condition of the borrower, borrower's default or delinquency in interest or principal payments, local economic conditions and other observable data. In determining the estimated recoverable amount, we consider discounted expected future cash flows at the effective interest rate using a number of assumptions and inputs. Management judgement is involved when choosing these inputs and assumptions used such as the expected amount of the loan that will not be recovered and the cost of time delays in collecting principal and/or interest, and when estimating the value of any collateral held for which there may not be a readily accessible market.

Changes in the amount expected to be recovered would have a direct impact on the Impairment losses on loans and advances and may result in a change in the Allowance for credit losses.

Collectively assessed impaired loans

Impaired loans which are individually insignificant are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped by type and management judgement is applied to estimate losses based on historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics.

Future cash flows in each group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. As we have determined that the Bank has insufficient loss experience, we use peer group experience for comparable groups of financial assets held by an affiliated bank. A 10% increase in the loss coverage assumptions applied would increase the allowance for impairment losses by $2,850,650.

The estimated recoverable amount is measured as the present value of expected future cash flows discounted at an estimated average yield, over an assumed workout period.

Collectively-assessed impairment losses reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognised in Impairment losses on loans and advances. Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Pre-IFRS 9 accounting policies (continued)

Allowance for credit losses (continued)

Collectively assessed impaired loans (continued)

The methodology and assumptions used to calculate collective impairment allowances are subject to significant uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio, and significant management judgement applied. Changes in these assumptions would have a direct impact on the Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

General impairment

Loans which are not impaired are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, the collective impairment allowance is determined by reviewing factors including (i) historical loss experience of the Bank in recent years, and (ii) management's judgement on the level of impairment losses based on historical experience relative to the actual level as reported at the Statement of Financial Position date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Portfolio level historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed annually to reduce any differences between loss estimates and actual loss experience. General impairment losses on loans not yet identified as impaired reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognised in Impairment losses on loans and advances. Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment. The methodology and assumptions used to calculate general impairment allowances are subject to uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio. Significant judgement is required in assessing historical loss experience, the loss identification period and its relationship to current portfolios including delinquency, and loan balances; and current business, economic and credit conditions including industry specific performance, unemployment and country risks. Changes in these assumptions would have a direct impact on the Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

Write-off of loans

Loans and the related impairment allowance for credit losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of the collateral. In circumstances where the net realisable 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 and related allowance for credit losses are written off when payment is 180 days in arrears.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

2. Summary of significant accounting policies, estimates and judgements (continued)

Future changes in accounting policy and disclosure

We are currently assessing the impact of adopting the following standards on our financial statements:

IFRS 15 Revenue from Contracts with Customers (IFRS 15)
In May 2014, the IASB issued IFRS 15, which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In April 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 and its amendments will be effective for us on November 1, 2018.

IFRS 16 Leases (IFRS 16)
In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the Statement of Income or Loss and Other Comprehensive Income or Loss. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will be effective for us on November 1, 2019.

IAS 19 Employee Benefits (IAS 19)
In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement. The amendments clarify the accounting treatment on defined benefit plans for current service cost and interest income using update assumptions, reduction in surplus and changes in the asset ceiling. Amendments in IAS 19 will be effective for us, November 1, 2018. The adoption of these amendments does not have an impact on our financial statements.

3. Cash and cash equivalents

	October 31, 2018 $	October 31, 2017 $
Cash on hand	6,391,065	5,004,904
Deposits with affiliated banks	711,330	1,201,710
Due from other banks	1,673,978	2,232,764
Other deposits held at Central Bank	65,249,602	58,815,223
Treasury bills	8,095,950	8,106,001
Cash and cash equivalents	82,121,925	75,360,602
Statutory deposit with Central Bank	24,853,994	18,899,000

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

3. Cash and cash equivalents (continued)

Cash on hand and balances with Central Bank are non-interest bearing.

Cash on hand represents cash in tellers' tills, the vault and cash dispensing machines.

Deposits with affiliated banks are deposits held with other RBTT/RBC affiliates on demand or for fixed periods not exceeding 90 days. Due from other banks are deposits held with other banks on demand or for fixed periods not exceeding 90 days. Due from other banks also includes items due from other banks in the process of clearing.

In accordance with Article 33 of the Eastern Caribbean Central Bank ("ECCB") Agreement 1983, the Bank is required to maintain reserves of cash and other deposits with ECCB of 6% of the average of the last four weeks customer deposits and other similar liabilities. As at October 31, 2018 the balance was $19,485,000.

In accordance with sections 28 and 29 of the Payment Systems Act the Bank entered into a Participant Collateral and Settlement Agreement and is required to maintain collateral with the ECCB to use the Eastern Caribbean Automatic Clearing House ("ECACH"). The collateral is calculated annually by ECCB based on a multiple of the average daily gross obligations over a period predetermined by the ECCB in consultation with the ECACH and the Bank. The Bank is required to maintain the collateral with the ECCB. As at October 31, 2018 the balance was $5,368,994.

4. Loans

	October 31, 2018 $	October 31, 2017 $
Retail	27,202,566	43,295,874
Commercial/corporate	38,675,650	41,726,362
Mortgages	107,016,453	99,974,921
Gross loans and advances	172,894,669	184,997,157
Unearned interest	(417,768)	(740,342)
	172,476,901	184,256,815
Allowance for credit losses (Note 4.1)	(13,364,166)	(18,193,741)
	159,112,735	166,063,074
Neither past due nor impaired loans and advances	126,932,937	135,454,251
Past due but not impaired loans and advances	30,233,879	21,373,448
Impaired loans and advances	15,727,853	28,169,458
	172,894,669	184,997,157
Current	14,297,119	11,982,824
Non-Current	158,597,550	173,014,333
Gross Loans	172,894,669	184,997,157

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses

	IFRS 9				
	For the year ended October 31, 2018				
	Balance at beginning of period $	Provision for credit losses $	Net write-offs $	Exchange rate and other $	Balance at end of period $
Retail	3,729,181	(2,016,145)	2,201,774	(227,071)	3,687,739
Commercial/ corporate	2,114,751	3,225,454	—	(369,823)	4,970,382
Mortgages	10,574,371	(5,442,052)	—	(426,274)	4,706,045
	16,418,303	(4,232,743)	2,201,774	(1,023,168)	13,364,166
Undrawn loan commitments	105,920	488,608	—	—	594,528

The following tables reconcile the opening and closing allowance for credit losses and gross carrying amounts for loans and commitments, by stage, for each major product category.

Reconciling items include the following:

- Model changes, which comprise the impact of significant changes to the quantitative models used to estimate expected credit losses.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognised assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognised 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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

	IFRS 9			
	For the year ended October 31, 2018			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Balance at beginning of period	1,578,289	1,786,438	13,053,576	16,418,303
Provision for credit losses				
Model changes	—	—	—	—
Transfers in (out) to Stage 1	14,415	(3,642)	(10,773)	—
Transfers in (out) to Stage 2	(74,376)	89,197	(14,821)	—
Transfers in (out) to Stage 3	(117,719)	(23,594)	141,313	—
Purchases and originations	359,763	93,289	—	453,052
Derecognitions and maturities	(309,303)	—	—	(309,303)
Remeasurements	1,380,344	1,303,325	(7,060,161)	(4,376,492)
Write-offs	—	—	(2,823,437)	(2,823,437)
Recoveries	—	—	5,025,211	5,025,211
Exchange rate and other	(333)	(1,376)	(1,021,459)	(1,023,168)
Balance at end of period	**2,831,080**	**3,243,637**	**7,289,449**	**13,364,166**

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 include our internal historical default rates, transition matrices, unemployment rate, GDP, inflation rate, industry non-performing loans and interest rates.

Further details on the key inputs and assumptions used as at October 31, 2018 are provided below.

Forward looking macroeconomic variables

The PD and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period, subsequently reverting to long-run averages. Depending on their usage in the models, macroeconomic variables are projected at a more granular level.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

Key inputs and assumptions (continued):

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the Group 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 the Group to have a consistent view of macroeconomic scenarios across business lines and legal entities. In addition to this enterprise level process there is also an overlay process that analyses significant events in the Caribbean and its impact on expected credit losses.

The forward-looking nature of expected credit loss projections requires the use of judgement in projecting the timing and amount of future cash flows. Coverage ratios were adjusted upwards to account for the possibility that a hurricane could impact our operations in the Eastern Caribbean. The coverage ratios are weighted based on the probability of a hurricane making landfall in any given year. The probability-weighted coverage ratios are applied independently and consistently to the three economic scenarios (base case, optimistic, and pessimistic).

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses. Loan performance metrics such as delinquency and projected loss given default rates have the most significant impact on the allowance. The primary economic factors used in our calculation include unemployment, GDP growth and inflation rates along with the likelihood making landfall as noted above.

	As at October 31, 2018	
	IFRS 9	Base Scenario
ACL on performing loans[1]	6,074,717	6,136,969

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

Transfers between stages

Transfers between Stage 1 and Stage 2 are based on the assessment of significant increases in credit risk relative to initial recognition. Refer to Note 2 for further details on our policy for assessing for significant increase in credit risk. The impact of moving from 12 months expected losses to lifetime credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses.

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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

Key inputs and assumptions (continued):

	As at October 31, 2018 Performing loans[1]
ACL - all performing loans in Stage 1	2,924,379
Impact of staging	3,150,338
Stage 1 and 2 ACL	6,074,717

[1] Represents loans, acceptances and commitments in Stage 1 and Stage 2.

	IAS 39				
	For the year ended October 31, 2017				
	Balance as at November 1, 2016	Provision for credit losses	Write-offs	Recoveries	Balance as at October 31, 2017
	$	$	$	$	$
Retail	863,082	(90,470)	(1,917,021)	1,650,346	505,937
Commercial/corporate	17,510,945	(1,807,715)	(2,387,212)	—	13,316,018
Mortgages	4,466,581	(1,380,892)	1,286,097	—	4,371,786
Total allowance for credit losses	22,840,608	(3,279,077)	(3,018,136)	1,650,346	18,193,741
Individually assessed	15,662,877				13,637,666
Collectively assessed	7,177,731				4,556,075
Total allowance for credit losses	22,840,608				18,193,741

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

5. Securities

Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period. Effective November 1, 2017, we adopted IFRS 9. Amounts from periods prior to November 1, 2017 are reported in accordance with IAS 39.

	As at October 31, 2018						
	Term to maturity [(1)]						
	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 $
Fair value through profit or loss							
Government and state-owned enterprises debt	—	—	—	—	12,811,133	—	12,811,133
Money market instruments	—	—	—	—	—	5,203,943	5,203,943
	—	—	—	—	12,811,133	5,203,943	18,015,076
Fair value through other comprehensive income [(2)]							
Equities							
Cost	—	—	—	—	—	380,380	380,380
Fair value[(3)]	—	—	—	—	—	1,013,039	1,013,039
	—	—	—	—	—	1,013,039	1,013,039
Amortised Cost							
Amortised cost[(2)]	—	—	—	4,490,561	—	—	4,490,561
Fair value	—	—	—	7,924,905	—	—	7,924,905
	—	—	—	4,490,561	—	—	4,490,561
Total carrying value of securities [(2)]	—	—	—	4,490,561	12,811,133	6,216,982	23,518,676

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

Carrying value of securities (continued)

	As at October 31, 2017						
	Term to maturity[1]						
	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 $
Available-for-sale [4]							
Money market instruments							
Amortised cost	—	—	—	—	—	5,429,692	5,429,692
Fair value	—	—	—	—	—	5,527,858	5,527,858
	—	—	—	—	—	5,527,858	5,527,858
Government and state-owned enterprises debt							
Amortised cost	—	—	—	5,877,493	11,870,449	—	17,747,942
Fair value	—	—	—	7,073,221	18,444,003	—	25,517,224
	—	—	—	7,073,221	18,444,003	—	25,517,224
Equities							
Cost	—	—	—	—	—	380,380	380,380
Fair value[4]	—	—	—	—	—	1,035,220	1,035,220
	—	—	—	—	—	1,035,220	1,035,220
Total carrying value of securities	—	—	—	7,073,221	18,444,003	6,563,078	32,080,302

(1) Actual maturities may differ from contractual maturities shown above since borrowers may have the right to extend or prepay obligations with or without penalties.

(2) Effective November 1, 2017, debt securities carried at amortised cost are presented net of allowance for credit losses.

(3) We hold equity securities designated as FVOCI as the investments are not held-for-trading purposes.

(4) Available for sale securities are recorded at fair value.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

5.1 Unrealised gains and losses on securities at fair value through other comprehensive income

The following tables present unrealised gains and losses on securities at fair value through other comprehensive income as at the end of the period. Effective November 1, 2017, we adopted IFRS 9. Amounts from periods prior to November 1, 2017 are reported in accordance with IAS 39.

	IFRS 9			
	As at October 31, 2018			
	Cost/ Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
	$	$	$	$
Equities	380,380	662,485	(29,826)	1,013,039
	380,380	662,485	(29,826)	1,013,039

	IAS 39			
	As at October 31, 2017			
	Cost/ Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
	$	$	$	$
Government and state owned enterprises debt	17,747,942	7,769,282	—	25,517,224
Equities	380,380	654,840	—	1,035,220
Money market instruments	5,429,692	98,166	—	5,527,858
	23,558,014	8,522,288	—	32,080,302

5.2 Allowance for credit losses on securities

The following tables reconcile the opening and closing allowance for debt securities at amortised cost and FVOCI 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 recognised during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognised during the period without a credit loss being incurred.
- 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.
- During the twelve months ended October 31, 2018, there were no significant changes to the models used to estimate expected credit losses.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

5.2 Allowance for credit losses on securities (continued)

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

Allowance for credit losses – securities at amortised cost

	IFRS 9			
	For the year ended October 31, 2018			
	Performing		Impaired	Total
	Stage 1 $	Stage 2 $	Stage 3 $	$
Balance at beginning of period	1,466,950	—	—	1,466,950
Provision for credit losses				
Model changes	—	—	—	—
Transfers in (out) to Stage 1	—	—	—	—
Transfers in (out) to Stage 2	—	—	—	—
Transfers in (out) to Stage 3	—	—	—	—
Purchases and originations	—	—	—	—
Derecognitions and maturities	—	—	—	—
Remeasurements	(79,981)	—	—	(79,981)
Write-offs	—	—	—	—
Recoveries	—	—	—	—
Exchange rate and other	(37)	—	—	(37)
Balance at end of period	1,386,932	—	—	1,386,932

Impairment of AFS securities (IAS 39)

Available-for-sale securities were assessed for objective evidence of impairment at each reporting date and more frequently when conditions warrant. Depending on the nature of the securities under review, we applied specific methodologies to assess whether the cost/amortised cost of the security would be recovered. There were no unrealised losses on AFS securities as at October 31, 2017

	October 31, 2018 $	October 31, 2017 $
5.3 Securities FVTPL classified		
Government and state-owned enterprises debt	12,811,133	—
Money market instruments	5,203,943	—
	18,015,076	—
5.4 Securities at FVOCI		
Securities FVOCI designated		
Equity	1,013,039	—
	1,013,039	—

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

	October 31, 2018 $	October 31, 2017 $
5.5 Available for sale securities		
Government and state owned enterprises debt	—	25,517,224
Money market instruments	—	5,527,858
Equity	—	1,035,220
	—	32,080,302
5.6 Securities at amortised cost		
Government and state-owned enterprises debt	4,490,561	—
	4,490,561	—
Current	6,216,982	6,563,078
Non-current	17,301,694	25,517,224
	23,518,676	32,080,302

5.7 Movement in securities

	FVTPL $	FVOCI $	Amortised Cost $	Total $
As at November 1, 2017 (Note 2)	23,971,773	1,035,220	4,410,543	29,417,536
Disposal (sale and redemption)	(646,351)	—	—	(646,351)
Losses from changes in fair value	(5,310,346)	(22,181)	—	(5,332,527)
Allowance for credit losses	—	—	80,018	80,018
As at October 31, 2018	18,015,076	1,013,039	4,490,561	23,518,676

	Available-for-sale $	Total $
As at November 1, 2016	28,318,367	28,318,367
Additions	99,420	99,420
Disposal (sale and redemption)	(1,732,070)	(1,732,070)
Gains from changes in fair value	5,394,585	5,394,585
As at October 31, 2017	32,080,302	32,080,302

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

6. Premises and equipment

	Freehold Land and Building $	Leasehold Building $	Furniture and Equipment $	Capital Work in Progress $	Total $
Year Ended: October 31, 2018					
Opening net book value	12,796,178	—	725,097	469,569	13,990,844
Additions	—	—	211	65,387	65,598
Impairment	(1,978,915)	—	—	—	(1,978,915)
Disposals	—	—	—	(40,743)	(40,743)
Transfers	—	—	390,922	(390,922)	—
Reclassified to held for sale (Note 8)	(5,265,000)	—	—	—	(5,265,000)
Depreciation charge	(55,852)	—	(371,499)	—	(427,351)
Closing net book value	5,496,411	—	744,731	103,291	6,344,433
At October 31, 2018					
Cost	7,023,632	223,024	11,583,865	103,291	18,933,812
Accumulated depreciation	(1,527,221)	(223,024)	(10,839,134)	—	(12,589,379)
Net book value	5,496,411	—	744,731	103,291	6,344,433
Year Ended: October 31, 2017					
Opening net book value	13,106,811	11,151	1,110,022	38,871	14,266,855
Additions	—	—	—	430,698	430,698
Depreciation charge	(310,633)	(11,151)	(384,925)	—	(706,709)
Closing net book value	12,796,178	—	725,097	469,569	13,990,844
At October 31, 2017					
Cost	16,507,790	223,024	11,192,732	469,569	28,393,115
Accumulated depreciation	(3,711,612)	(223,024)	(10,467,635)	—	(14,402,271)
Net book value	12,796,178	—	725,097	469,569	13,990,844

7. Other assets

	October 31, 2018 $	October 31, 2017 $
Interest receivable	1,398,947	1,639,962
Other	6,383,321	6,577,305
	7,782,268	8,217,267
Allowance for credit losses	(92)	—
	7,782,176	8,217,267
Current	6,792,310	7,995,223
Non-current	989,866	222,044
	7,782,176	8,217,267

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

8. Assets held for sale

As at October 31, 2018 the disposal group is classified as held for sale and is measured at the lower of its previous carrying amount and fair value less costs to sell and comprised the following assets and liabilities:

Assets classified as held for sale

	October 31, 2018 $	October 31, 2017 $
Land		
Cost	824,736	–
Net book value transferred from premises and equipment	824,736	–
Buildings		
Cost	8,659,422	–
Impairment	(1,978,915)	–
Accumulated depreciation	(2,240,243)	–
Net book value transferred from premises and equipment	4,440,264	–
Closing balance	5,265,000	–

The Bank intends to dispose of the property that is no longer in use within the branch network in the next financial year. At year end an offer was received from a buyer for the property. As at year end the criteria to classify as held for sale was met therefore this was reclassified from Premises and equipment to Assets held for sale.

9. Customers' deposits

	October 31, 2018 $	October 31, 2017 $
Sectoral analysis of customers' deposits		
Consumers	155,793,222	163,129,414
Private sector	112,221,052	100,168,535
State sector	3,667,658	3,410,416
Public institutions	10,867,571	3,888,334
Other	31,203,560	34,326,572
	313,753,063	304,923,271
Product type		
Savings	149,645,884	144,325,584
Term deposits	67,171,776	73,854,913
Current accounts	96,935,403	86,742,774
	313,753,063	304,923,271
Current	313,721,044	304,915,654
Non-current	32,019	7,617
	313,753,063	304,923,271

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

10. Other liabilities

	October 31, 2018 $	October 31, 2017 $
Accruals and payables	425,180	3,142,410
Accrued interest	429,794	433,632
Deferred income	1,982,870	7,136,926
Other	2,982,699	5,063,983
	5,820,543	15,776,951
Current	5,769,861	8,535,916
Non-current	50,682	7,241,035
	5,820,543	15,776,951

11. Share capital

	October 31, 2018 $	October 31, 2017 $
Issued and outstanding:		
Balance at the beginning of the period	20,178,995	11,087,521
Issue of shares – stock dividend	—	9,091,474
Balance at the end of the period	20,178,995	20,178,995

Authorised:
50,000,000 ordinary shares of no par value

On February 22, 2017 the Board of Directors of the Bank declared a stock dividend payment out of the retained earnings of the Bank to all shareholders on record as at February 22, 2017. This represented issuance of 9,091,474 ordinary shares in proportions per shareholder as at record date. There were no dividend payments during the year ended October 31, 2018.

12. Statutory reserve

This fund is required to be maintained under the provisions of the new Banking Act No. 20 of 2015, at a maximum amount equal to that of the Bank's paid up share capital.

Where the reserve is less than the share capital, the Bank is required to transfer to the reserve, a minimum of 20% of profit for the year. This reserve is not available for distribution as dividend or any form of distribution.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

13. Other reserves

	October 31, 2018 $	October 31, 2017 $
Securities revaluation reserve, net of tax	442,319	5,965,629
Other post-employment plans reserve	(604,900)	(712,000)
Pension reserve	(809,942)	(438,941)
	(972,523)	4,814,688

An appropriation of Retained Earnings to a reserve for loan loss is only done where the ECCB provision exceeds the IFRS 9 (2017 - IAS 39) provision. Accordingly, where the IFRS 9 (2017 – IAS 39) loan loss provision exceeds the ECCB provision, no appropriation is required.

Securities revaluation reserve represents mark-to-market adjustments on securities fair value through other comprehensive income (2017 – securities available for sale).

14. Interest income

	October 31, 2018 $	October 31, 2017 $
Loans	13,399,241	15,599,913
Securities	2,802,263	2,841,196
Due from other banks	98,689	65,781
	16,300,193	18,506,890

15. Interest expense

	October 31, 2018 $	October 31, 2017 $
Customers’ deposits	2,568,430	2,922,832
	2,568,430	2,922,832

16. Non-interest income

	October 31, 2018 $	October 31, 2017 $
Fee and commission income	5,858,371	6,509,308
Foreign exchange earnings	3,018,045	2,834,910
Unrealised losses on FVTPL	(5,310,346)	—
	3,566,070	9,344,218

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

17. Other operating expenses

	October 31, 2018 $	October 31, 2017 $
Staff costs	4,586,353	5,488,904
Premises and equipment costs, excluding depreciation	1,098,818	1,048,620
Impairment of fixed assets	1,978,915	—
Advertising	88,161	178,879
Depreciation	427,351	706,709
Operating lease rentals	118,982	118,982
Pension expense	124,000	172,707
Post-retirement benefit expense	194,000	863,798
Directors' fees	28,000	17,000
Auditors' remuneration	305,963	300,722
Management fees to affiliated companies	4,184,429	1,814,717
Regulatory charge	25,000	2,971,203
Other operating expenses	7,009,415	4,060,908
	20,169,387	17,743,149

18. Taxation

	October 31, 2018 $	October 31, 2017 $
Current tax expense	4,434,042	2,120,544
Deferred tax (credit)/ expense	(2,255,892)	2,827,172
Total tax expense	2,178,150	4,947,716

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

	October 31, 2018 $	October 31, 2017 $
Income before taxation	1,428,945	8,514,065
Prima facie tax calculated at corporation tax rate of 30% (2017: 30%)	428,684	2,554,220
Income not subject to tax	(1,022,207)	(1,901,610)
Expenses not deductible for tax purposes	2,737,529	1,665,428
Depreciation on assets not qualifying for capital allowances	34,144	46,544
Prior year under provision of current tax	—	520,226
Prior year under provision of deferred tax	—	2,062,908
	2,178,150	4,947,716

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

18. Taxation (continued)

18.1 Schedule of tax losses

At October 31, 2018, tax losses available for utilisation were Nil (2017 - Nil).

18.2. The deferred tax asset results from differences between the tax value and book value of the following items:

	October 31, 2018 $	October 31, 2017 $
Deferred tax asset		
Premises and equipment	162,874	128,730
Allowance for credit losses	2,257,900	1,366,823
Post-retirement benefit obligations	458,823	382,923
	2,879,597	1,878,476
Deferred tax liability		
Securities revaluation reserve	665,676	2,556,698
Balance at end of year	665,676	2,556,698
Deferred tax asset	2,879,597	1,878,476
Deferred tax liability	(665,676)	(2,556,698)
	2,213,921	(678,222)
The movement on the deferred tax account is as follows:		
As at October 31	(678,222)	2,622,641
Transition adjustment (Note 2)	486,671	—
As at November 1	(191,551)	2,622,641
Statement of income or loss and other comprehensive income or loss	707,668	(1,898,960)
Premises and equipment	34,144	(78,276)
Allowance for credit losses	84,931	(158,153)
Post-retirement benefit obligations	75,900	382,923
Securities revaluation reserve:		
Fair value gains/(losses)	1,502,829	(1,548,397)
At end of year	2,213,921	(678,222)

19. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of Ordinary shares (Note 11) in issue during the year.

	October 31, 2018 $	October 31, 2017 $
Income attributable to shareholders of the Bank	(749,205)	3,566,349
Weighted average number of ordinary shares in issue	20,178,995	17,364,275
Basic earnings per share	(0.04)	0.21

The Bank has no potential ordinary shares which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be the same as basic earnings per share.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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20. Related party transactions

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

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates. However the balances for Due from associates and affiliated companies are as a result of internal transactions and have no fixed repayment terms.

The Bank applied the low credit risk exemption on all balances due from associates and affiliated companies, as they demonstrate a low risk of default and the related entity has a strong capacity to meet its contractual cash flow obligations. As a result, any IFRS 9 estimated credit losses relevant to Due from associates and affiliated companies is deemed to be insignificant.

The outstanding balances at the end of the year and amounts for the year resulting from related party transactions are shown below.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBTT Bank Grenada Limited, directly or indirectly. The Directors of RBTT Bank Grenada Limited do not plan, direct, or control the activities of the Bank; they oversee the management of the business and provide stewardship.

	October 31, 2018 $	October 31, 2017 $
Cash and cash equivalents		
Deposits with affiliated banks	711,330	1,201,710
Loans and securities		
Directors and key management personnel	437,393	403,172
Due from associates and affiliated companies(1)	54,818,661	48,425,706
Deposits and other liabilities		
Directors and key management personnel	385,855	1,551,078
Due to associates and affiliated companies	1,299,996	262,921
National Insurance scheme	230,765	405,514
	1,916,616	2,219,513
Interest income		
Directors and key management personnel	15,570	18,904
Interest expense		
Directors and key management personnel	5,587	5,207
National Insurance scheme	—	1,587
	5,587	6,794
Other operating expenses		
Management fees paid to affiliated companies	4,184,429	1,814,717
Directors' fees	28,000	17,000
	4,212,429	1,831,717

(1) Due from associates and affiliated companies represents credit card settlement accounts with RBC Eastern Caribbean Card Centre.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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21. Financial risk management

21.1 Risk management

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

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

Risk management structure

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

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Group Risk Management Unit

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

Group Asset/Liability Committee (ALCO)

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

Group Investment and Capital Committee

The Bank uses the Group's established 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.

Internal audit

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

Risk measurement and reporting systems

The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The methods make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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21. Financial risk management (continued)

21.1 Risk management (continued)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries and geographies. Information compiled from all the business units is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Board Committees, and the head of each business division. The report includes aggregate credit exposure, open currency positions, VaR, liquidity ratios and risk profile changes. On a quarterly basis senior management assesses the appropriateness of the allowance for credit losses.

21.2 Statement of Financial Position – Categorisation

	October 31, 2018 $	October 31, 2017 $
Assets		
Financial assets at fair value through profit or loss		
Securities	18,015,076	—
Securities at fair value through comprehensive income	1,013,039	—
Available for sale securities	—	32,080,302
Financial assets at amortised cost		
Cash and cash equivalents	82,121,925	75,360,602
Statutory deposit with Central Bank	24,853,994	18,899,000
Loans	159,112,735	166,063,074
Securities	4,490,561	—
Due from associates and affiliated companies	54,818,661	48,425,706
Interest receivable	1,398,947	1,639,962
	326,796,823	310,388,344
Total financial assets	345,824,938	342,468,646
Non-financial assets	20,473,238	20,834,804
Total assets	366,298,176	363,303,450
Liabilities		
Financial liabilities at amortised cost		
Due to banks	60,045	280,611
Customers' deposits	313,753,063	304,923,271
Due to associates and affiliated companies	1,299,996	262,921
Accrued interest	429,794	433,632
Total financial liabilities	315,542,898	305,900,435
Non-financial liabilities	8,048,030	17,885,541
Total liabilities	323,590,928	323,785,976
Total equity	42,707,248	39,517,474
Total equity and liabilities	366,298,176	363,303,450

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.3 Liquidity risk

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

The Bank's liquidity management process is carried out by the Treasury Department and monitored by the Bank's ALCO. The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short-term requirements. Fallback techniques include access to local inter-group and institutional markets, call features on selected advances and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Bank has sufficient funds to meet its obligations. The buffer incorporates both business-as-usual assumptions for daily liquidity management purposes as well as stress scenarios based on the annual contingency plan. The results are instrumental in developing the liquidity risk tolerance, funding strategy, and contingency funding plan.

21.3.1 Cash flows

The table below presents the cash flows of the Bank under non-derivative financial liabilities by the remaining contractual maturities at the Statement of Financial Position date.

	Up to 1 year $	1 – 5 years $	Over 5 years $	Total $
As at October 31, 2018				
Liabilities				
Due to banks	60,045	—	—	60,045
Customers' deposits	313,721,044	32,019	—	313,753,063
Due to associates and affiliated companies	1,299,996	—	—	1,299,996
Accrued interest	429,794	—	—	429,794
Total financial liabilities	315,510,879	32,019	—	315,542,898
As at October 31, 2017				
Liabilities				
Due to banks	280,611	—	—	280,611
Customers' deposits	304,915,654	7,617	—	304,923,271
Due to associates and affiliated companies	262,921	—	—	262,921
Accrued interest	433,632	—	—	433,632
Total financial liabilities	305,892,818	7,617	—	305,900,435

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.1 Cash flows (continued)

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

	Up to 1 year $	1 - 5 years $	Over 5 years $	Total $
As at October 31, 2018				
Guarantees, acceptances and letters of credit	7,117,912	—	—	7,117,912
Loan	29,478,892	—	—	29,478,892
Operating lease commitments	124,932	114,519	—	239,451
Total credit commitments	36,721,736	114,519	—	36,836,255

	Up to 1 year $	1 - 5 years $	Over 5 years $	Total $
As at October 31, 2017				
Guarantees, acceptances and letters of credit	6,517,912	—	—	6,517,912
Loan	23,086,641	—	—	23,086,641
Operating lease commitments	119,476	239,451	—	358,927
Total credit commitments	29,724,029	239,451	—	29,963,480

21.4 Market risk

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

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Department. Reports are submitted to the Group Asset/Liability Committee on a regular basis.

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

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.4 Market risk (continued)

21.4.1 Interest rate risk

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

Exposure to interest rate risk on financial assets and liabilities is summarised below:

The following table demonstrates the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, of the Bank's statement of income or loss and other comprehensive income or loss.

	Effect on net interest income 2018 $	Effect on net interest income 2017 $
Change in interest rate		
1%	1,246,011	1,194,317
-1%	(1,246,011)	(1,194,317)

21.4.2 Maturity and rate sensitivity

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

	Up to 1 year $	1 – 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at October 31, 2018					
Assets					
Statutory deposit with Central Bank	—	—	—	24,853,994	24,853,994
Cash and cash equivalents	—	—	—	82,121,925	82,121,925
Loans	159,112,735	—	—	—	159,112,735
Securities	—	—	17,301,694	6,216,982	23,518,676
Due from associates and affiliated companies	—	—	—	54,818,661	54,818,661
Interest receivable	—	—	—	1,398,947	1,398,947
Total financial assets	159,112,735	—	17,301,694	169,410,509	345,824,938

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.4 Market risk (continued)

21.4.2 Maturity and rate sensitivity (continued)

	Up to 1 year $	1 – 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Liabilities					
Due to banks	—	—	—	60,045	60,045
Customers' deposits	216,785,641	32,019	—	96,935,403	313,753,063
Due to associates and affiliated companies	—	—	—	1,299,996	1,299,996
Accrued interest	—	—	—	429,794	429,794
Total financial liabilities	216,785,641	32,019	—	98,725,238	315,542,898
Total interest repricing gap	(57,672,906)	(32,019)	17,301,694	70,685,271	30,282,040

	Up to 1 year $	1 – 5 years $	Over 5 years $	Non—Interest bearing $	Total $
As at October 31, 2017					
Assets					
Statutory deposit with Central Bank	—	—	—	18,899,000	18,899,000
Cash and cash equivalents	—	—	—	75,360,602	75,360,602
Loans	166,063,074	—	—	—	166,063,074
Securities	—	—	25,517,224	6,563,078	32,080,302
Due from associates and affiliated companies	—	—	—	48,425,706	48,425,706
Interest receivable	—	—	—	1,639,962	1,639,962
Total financial assets	166,063,074	—	25,517,224	150,888,348	342,468,646
Liabilities					
Due to banks	—	—	—	280,611	280,611
Customers' deposits	218,172,880	7,617	—	86,742,774	304,923,271
Due to associates and affiliated companies	—	—	—	262,921	262,921
Accrued interest	—	—	—	433,632	433,632
Total financial liabilities	218,172,880	7,617	—	87,719,938	305,900,435
Total interest repricing gap	(52,109,806)	(7,617)	25,517,224	63,168,410	36,568,211

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.4 Market risk (continued)

21.4.2 Maturity and rate sensitivity (continued)

The table below summarises the Bank's lending portfolio by interest rate sensitivity.

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2018			
Loans:			
Retail	27,202,566	—	27,202,566
Commercial / corporate	38,675,650	—	38,675,650
Mortgages	107,016,453	—	107,016,453
Gross loans	172,894,669	—	172,894,669

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2017			
Loans and advances to customers:			
Retail	43,295,874	—	43,295,874
Commercial / corporate	41,726,362	—	41,726,362
Mortgages	99,974,921	—	99,974,921
Gross loans and advances	184,997,157	—	184,997,157

21.4.3 Other price risk

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

The Bank's exposure to equity price risk is principally related to changes in the fair value of the Roytrin Income Fund held as FVTPL securities. The effects on equity pre-tax as a result of reasonable possible changes in the price of this unit, with all other variables held constant are as follows:

	Change in price		Effect on equity	
	2018 (%)	2017 (%)	2018 $	2017 $
Roytrin Income Fund	10	10	520,394	552,786
	(10)	(10)	(520,394)	(552,786)

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.5. Currency risk

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

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

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

	EC $	US $	Other $	Total $
As at October 31, 2018				
Assets				
Statutory deposit with Central Bank	24,853,994	—	—	24,853,994
Cash and cash equivalents	64,955,254	16,672,691	493,980	82,121,925
Loans	157,350,394	1,762,341	—	159,112,735
Securities	14,808,736	8,709,940	—	23,518,676
Due from associates and affiliated companies	47,364,582	7,454,079	—	54,818,661
Interest receivable	1,228,653	170,294	—	1,398,947
Total financial assets	310,561,613	34,769,345	493,980	345,824,938
Liabilities				
Due to banks	60,045	—	—	60,045
Customers' deposits	278,158,271	35,590,930	3,862	313,753,063
Due to associates and affiliated companies	1,299,996	—	—	1,299,996
Accrued interest	429,331	463	—	429,794
Total financial liabilities	279,947,643	35,591,393	3,862	315,542,898
Net position	30,613,970	(822,048)	490,118	30,282,040
Credit commitments	30,632,785	5,964,019	—	36,596,804
As at October 31, 2017				
Total financial assets	309,041,078	33,193,294	234,274	342,468,646
Total financial liabilities	282,102,506	23,786,646	11,283	305,900,435
Net position	26,938,572	9,406,648	222,991	36,568,211
Credit commitments	21,541,584	8,062,969	—	29,604,553

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.5. Currency risk (continued)

21.5.2 Currency risk non-trading portfolio

The table below demonstrates the sensitivity to reasonable possible movement of select currencies against the Eastern Caribbean dollar to which the Bank had significant exposure at October 31, in respect of its non-trading financial assets and liabilities holding all other variables constant.

Currency	Change in currency rate in % in 2018	Effect on profit before tax $
USD	(10)	(108,717)
EUR	(10)	(17,440)
GBP	(10)	(11,811)
CAD	(10)	(9,473)
BBD	(10)	(9,233)

Currency	Change in currency rate in % in 2017	Effect on profit before tax $
USD	(10)	(237,332)
GBP	(10)	(10,348)
CAD	(10)	(3,323)
EUR	(10)	(4,057)

21.6 Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits 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. 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.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

21.6 Credit risk (continued)

21.6.1 Credit risk management

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into seven rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Internal ratings scale:

Bank's rating	Description of the grade	Credit quality	ECCB Credit Classification
1	Excellent	BB+	High Grade
2	Very Good	BB,BB-	High Grade
3	Good	B+,B	Standard Grade
4	Special Mention	B-,CCC+	Substandard Grade
5	Unacceptable	CCC,CCC-	Impaired
6	Bad and Doubtful	CC+,CC	Impaired
7	Virtual Certain Loss	CC-	Impaired

21.6.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

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.

Collateral

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

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.6 Credit risk (continued)

21.6.2 Risk limit control and mitigation policies (continued)

- 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.

Credit-related commitments

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

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

	Gross maximum exposure 2018 $	Gross maximum exposure 2017 $
Credit risk exposure relating to on and off balance sheet assets are as follows:		
Cash and cash equivalents	75,730,860	70,355,698
Statutory deposit with Central Bank	24,853,994	18,899,000
Loans	172,894,669	184,997,157
Securities at FVTPL	12,811,133	
Securities at amortised cost	5,877,493	—
Securities available-for-sale	—	25,517,224
Due from associates and affiliated companies	54,818,661	48,425,706
Interest receivable	1,398,947	1,639,962
Total	348,385,757	349,834,747
Contingent liabilities (letter of credit and financial guarantees)	7,117,912	6,517,912
Credit commitments	29,478,892	23,086,641
Total credit risk exposure	384,982,561	379,439,300

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.6 Credit risk (continued)

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

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

	Gross maximum exposure 2018 $	Gross maximum exposure 2017 $
Residential mortgages	107,016,453	108,331,238
Consumer	56,681,458	54,977,693
Distribution	10,198,585	14,028,113
Professional and other	16,586,395	16,170,983
Finance and insurance	147,308,245	139,680,404
Utilities	72,649	50,000
Manufacturing	828,229	540,290
Transport	1,283,691	1,560,241
Construction	2,102,731	4,110,989
Tourism/entertaining/catering	15,108,182	12,738,703
Public administration	26,785,026	26,811,192
Agriculture/fisheries	1,010,917	439,454
	384,982,561	379,439,300

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

	Less than 1 month $	1 – 3 months $	Total $
As at October 31, 2018			
Loans			
Retail	2,054,596	3,788,990	5,843,586
Commercial/corporate	1,798,696	2,616,350	4,415,046
Mortgage	8,315,253	11,659,994	19,975,247
	12,168,545	18,065,334	30,233,879

	Less than 1 month $	1 – 3 months $	Total $
As at October 31, 2017			
Loans			
Retail	2,909,646	607,015	3,516,661
Commercial/corporate	1,387,820	389,617	1,777,437
Mortgage	12,974,582	3,104,768	16,079,350
	17,272,048	4,101,400	21,373,448

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.6 Credit risk (continued)

21.6.6 Credit quality by class of financial assets

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
As at October 31, 2018				
Cash and cash equivalents	75,730,860	—	—	75,730,860
Securities:				
FVTPL:				
Government	12,811,133	—	—	12,811,133
Amortised cost:				
Government	5,877,493	—	—	5,877,493
Securities – gross	18,688,626	—	—	18,688,626
Interest receivable	1,398,947	—	—	1,398,947
Loans:				
Commercial/corporate	32,733,409	4,415,046	1,527,195	38,675,650
Mortgages	75,905,970	19,975,247	11,135,236	107,016,453
Retail	18,293,558	5,843,586	3,065,422	27,202,566
Loans – gross	126,932,937	30,233,879	15,727,853	172,894,669
Total	222,751,370	30,233,879	15,727,853	268,713,102

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
As at October 31, 2017				
Cash and cash equivalents	70,355,698	—	—	70,355,698
Securities:				
Available-for-sale:				
Government	25,517,224	—	—	25,517,224
Securities – gross	25,517,224	—	—	25,517,224
Interest receivable	1,639,962	—	—	1,639,962
Loans:				
Commercial/corporate	33,694,503	1,777,437	6,254,422	41,726,362
Mortgages	63,111,857	16,079,350	20,783,714	99,974,921
Retail	38,647,891	3,516,661	1,131,322	43,295,874
Loans – gross	135,454,251	21,373,448	28,169,458	184,997,157
Total	232,967,135	21,373,448	28,169,458	282,510,041

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

21. Financial risk management (continued)

21.7 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the Statement of Financial Position, are:

- To comply with the capital requirements set by the Eastern Caribbean Central Bank (ECCB);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The table below summarises the composition of regulatory capital and the ratios of the Bank as at October 31. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subjected.

	October 31, 2018 $	October 31, 2017 $
Tier 1 Capital		
Share capital	20,178,995	20,178,995
Statutory reserve	11,800,791	11,800,791
Retained earnings	11,699,985	2,723,000
Total qualifying Tier 1 Capital	43,679,771	34,702,786
Tier 2 Capital		
Other components of equity (reserves)	(972,523)	4,814,688
Allowance for credit losses	2,151,586	—
Total qualifying Tier 2 Capital	1,179,063	4,814,688
Total regulatory capital	44,858,834	39,517,474
Risk-weighted assets		
On-statement of financial position	140,351,300	186,538,500
Off-statement of financial position	31,775,600	14,457,600
Total risk-weighted assets	172,126,900	200,996,100
Less: deduction for allowance for credit losses individually assessed	—	(13,637,666)
Less: deduction for allowance for credit losses collectively assessed and disallowed in tier 2 capital	—	(4,556,075)
Less: deduction for stage 3 allowance for credit losses	(7,289,449)	—
Less: deduction for stage 1 and stage 2 allowance for credit losses disallowed in tier 2 capital	(3,923,131)	—
Total adjusted risk-weighted assets	160,914,320	182,802,359
Total regulatory capital to adjusted risk-weighted assets	27.88%	21.62%

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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22. Contingent liabilities and commitments

22.1 Customers' liability under acceptances, guarantees and indemnities

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.

	October 31, 2018 $	October 31, 2017 $
Bonds	5,049,989	4,449,989
Guarantees	2,067,923	2,067,923
	7,117,912	6,517,912

Our credit review process, our policy for requiring collateral security and the types of collateral security held are generally the same as required for loans. We believe that it is highly unlikely that all or substantially all of the guarantees and commitments will be drawn or settled within one year, and contracts may expire without being drawn or settled. Historically we have not made any significant payments under such indemnifications.

As at October 31, 2018 allowance for credit losses for customers' liabilities under acceptances, guarantees and indemnities amounted to $61,096 (2017 – Nil).

22.2 Credit commitments

Credit commitments refer to facilities that have been approved by the year-end but have either not been disbursed to the customer or are partially undrawn.

	October 31, 2018 $	October 31, 2017 $
Credit commitments	29,478,892	23,086,641

As at October 31, 2018 allowance for credit losses for credit commitments amounted to $594,528 (2017–Nil).

22.3 Legal proceedings

As at October 31, 2018 and October 31, 2017, there were legal proceedings outstanding against the Bank. Where professional advice indicates that it is likely that a significant loss will eventuate, the appropriate amounts have been included in these financial statements.

22.4 Capital commitments

As at October 31, 2018 and October 31, 2017, there were no capital commitments.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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23. Dividends

On February 22, 2017, the Board of Directors of the Bank declared a dividend payment out of retained earnings of the Bank to all shareholders on record as at February 22, 2017. The dividend comprised of an issuance of 9,091,474 ordinary class of shares and a cash dividend of $293 in proportions per shareholder as at record date.

24. Post-retirement benefit obligations

The Bank sponsors pension and post-employment benefits to permanent employees. The defined benefit pension plan provides pension benefits based on years of service, contributions and earnings at retirement. The pension fund was deposited with the Demerara Mutual Life Assurance Society Limited. During the year RBC Investment Management (Caribbean) Limited was appointed as the investment manager to the assets of the pension plan and Eckler Ltd as the record keeper of the membership records, effective June 1, 2018. However, although the agreement effective date was June 1, 2018, Demerara Mutual Life Assurance Society Limited continued to perform the investment manager role until October 31, 2018.

The other post-retirement benefit plan provides health and dental insurance coverage for permanent employees. These plans are funded by the Bank and valuations of the plans are performed at each fiscal year by an independent actuary.

24.1 Recognition of liability in the statement of financial position

The amounts recognised in the statement of financial position as at the valuation date are as follows:

October 31, 2018	Other post-employment plans $	Pension $	Total $
Fair value of plan assets	—	9,409,000	9,409,000
Present value of defined benefit obligation	(1,172,000)	(10,521,000)	(11,693,000)
Liability recognised in the statement of financial position	(1,172,000)	(1,112,000)	(2,284,000)

October 31, 2017	Other post-employment plans $	Pension $	Total $
Fair value of plan assets	—	9,292,000	9,292,000
Present value of defined benefit obligation	(1,215,000)	(9,941,000)	(11,156,000)
Liability recognised in the statement of financial position	(1,215,000)	(649,000)	(1,864,000)

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
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24. Post-retirement benefit obligations (continued)

24.2 The movements in the net liability recognised in the Statement of Financial Position

October 31, 2018	Other post-employment plans $	Pension $	Total $
At beginning of period	(1,215,000)	(649,000)	(1,864,000)
Employer contributions	—	261,000	261,000
Defined benefit cost included in income	(110,000)	(194,000)	(304,000)
Re-measurements included in Other comprehensive income	153,000	(530,000)	(377,000)
At end of year	(1,172,000)	(1,112,000)	(2,284,000)

October 31, 2017	Other post-employment plans $	Pension $	Total $
At beginning of period	(853,000)	(1,244,459)	(2,097,459)
Employer contributions	—	587,459	587,459
Defined benefit cost included in income	(75,000)	(206,000)	(281,000)
Re-measurements included in Other comprehensive income	(287,000)	214,000	(73,000)
At end of year	(1,215,000)	(649,000)	(1,864,000)

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

October 31, 2018	Other post-employment plans $	Pension $	Total $
At beginning of period	—	9,292,000	9,292,000
Interest income	—	430,000	430,000
Return on plan assets	—	(355,000)	(355,000)
Employer contributions	—	261,000	261,000
Employee contributions	—	118,000	118,000
Benefit payments	—	(323,000)	(323,000)
Administrative expenses	—	(14,000)	(14,000)
At end of year	—	9,409,000	9,409,000

October 31, 2017	Other post-employment plans $	Pension $	Total $
At beginning of period	—	8,469,000	8,469,000
Interest income	—	387,000	387,000
Return on plan assets	—	(283,000)	(283,000)
Employer contributions	—	587,000	587,000
Employee contributions	—	152,000	152,000
Benefit payments	—	(11,000)	(11,000)
Administrative expenses	—	(9,000)	(9,000)
At end of year	—	9,292,000	9,292,000

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.4 The amounts recognised in post-retirement obligations over the period are as follows:

October 31, 2018	Other post-employment plans $	Pension $	Total $
At beginning of period	(1,215,000)	(9,941,000)	(11,156,000)
Current service cost	(64,000)	(163,000)	(227,000)
Interest cost	(60,000)	(447,000)	(507,000)
Other comprehensive income/(loss) re-measurements:			
Effects of changes in financial assumptions	—	—	—
Effect of experience adjustments	144,000	(175,000)	(31,000)
Effect of changes in demographic adjustments	9,000	—	9,000
Benefit payments from employer	14,000	—	14,000
Participant contributions	—	(118,000)	(118,000)
Benefit payments from plan assets	—	323,000	323,000
At end of year	(1,172,000)	(10,521,000)	(11,693,000)

October 31, 2017	Other post-employment plans $	Pension $	Total $
At beginning of period	(853,000)	(9,713,000)	(10,566,000)
Current service cost	(47,000)	(148,000)	(195,000)
Interest cost	(42,000)	(436,000)	(478,000)
Other comprehensive income/(loss) measurements re-measurements:			
Effects of changes in financial assumptions	—	184,000	184,000
Effect of experience adjustments	(9,000)	313,000	304,000
Effect of changes in demographic adjustments	(278,000)	—	(278,000)
Benefit payments from employer	14,000	—	14,000
Participant contributions	—	(152,000)	(152,000)
Benefit payments from plan assets	—	11,000	11,000
At end of year	(1,215,000)	(9,941,000)	(11,156,000)

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.5 The amounts recognised in the statement of income or loss and other comprehensive income or loss are as follows:

October 31, 2018	Other post-employment plans $	Pension $	Total $
Defined benefit cost included in income:			
Current service cost	64,000	163,000	227,000
Interest income	—	(430,000)	(430,000)
Interest expense	60,000	447,000	507,000
Administrative expenses	—	14,000	14,000
Components of defined benefit costs recognised in income	124,000	194,000	318,000
Re-measurement recognised in other comprehensive income:			
Return on plan assets	—	355,000	355,000
Effect of changes in demographic assumptions	(9,000)	—	(9,000)
Effect of changes in financial assumptions	—	—	—
Effect of experience adjustments	(144,000)	175,000	31,000
Components of defined benefit costs recognised in other comprehensive income/(loss)	(153,000)	530,000	377,000

October 31, 2017	Other post-employment plans $	Pension $	Total $
Defined benefit cost included in income:			
Current service cost	47,000	148,000	195,000
Interest income	—	(387,000)	(387,000)
Interest expense	42,000	436,000	478,000
Administrative expenses	—	9,000	9,000
Components of defined benefit costs recognised in income	89,000	206,000	295,000
Re-measurement recognised in other comprehensive income:			
Return on plan assets	—	283,000	283,000
Effect of changes in demographic assumptions	278,000	—	278,000
Effect of changes in financial assumptions	—	(184,000)	(184,000)
Effect of experience adjustments	9,000	(313,000)	(304,000)
Components of defined benefit costs recognised in other comprehensive income/(loss)	287,000	(214,000)	73,000

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.6 Investment policy and strategies

Defined benefit pension plan assets are invested prudently in order to meet our long-term pension obligations at a reasonable cost. The asset mix policy was developed within an asset/liability framework. Factors taken into consideration in developing our asset allocation include but are not limited to the following:

(i) the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;

(ii) the member demographics, including normal retirements, terminations, and deaths;

(iii) the financial position of the pension plans;

(iv) the diversification benefits obtained by the inclusion of multiple asset classes; and

(v) expected asset returns, including assets and liability volatility and correlations.

Plan assets as at October 31 are backed by:

	October 31, 2018		October 31, 2017	
	Fair value $'000	Percentage of total plan assets %	Fair value $'000	Percentage of total plan assets %
Debt securities				
Domestic government bonds	1,364	14.5	3,698	39.8
Corporate and other bonds	2,014	21.4	2,137	23.0
Alternative investments and other	6,031	64.1	3,457	37.2
Total	9,409	100	9,292	100

Significant assumptions

Our methodologies to determine significant assumptions used in calculating the defined benefit pension and other post-employment expense are as follows:

Overall expected long-term rate of return on assets

The assumed expected rate of return on assets is determined by considering long-term returns on fixed income securities combined with an estimated equity risk premium. The expected long-term return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Discount rate

All future expected benefit payments at each measurement date are discounted at spot rates based on local bond market derived yield curve. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This methodology does not rely on assumptions regarding reinvestment returns.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.6 Investment policy and strategies (continued)

Significant assumptions (continued)

	October 31, 2018	October 31, 2017
Discount rates – medical and life	5.00%	5.00%
Discount rates – pension	4.50%	4.50%
Health care costs trend	5.00%	5.00%
Salary increases – pension	3.00%	3.50%

24.7 Contributions for the year

Contributions to the retirement benefit plan for the 2019 financial year are estimated to be $136,000.

Maturity analysis of benefit payments

As at October 31, 2018	Less than 1 year	1 - 2 years	2 - 5 years	Next 5 years
Projected benefit payments	38,000	71,000	1,696,000	3,212,000

As at October 31, 2017	Less than 1 year	1 - 2 years	2 - 5 years	Next 5 years
Projected benefit payments	12,000	13,000	1,576,000	2,404,000

24.8 Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations and expense for defined benefit pension and post-employment benefit plans. The following table presents the sensitivity analysis of key assumptions holding all other factors constant.

	Benefit obligation 2018 $	Benefit obligation 2017 $
Pension Plan:		
Impact of 0.5% decrease in discount rate	11,231,000	10,635,000
Impact of 0.5% increase in discount rate	9,873,000	9,309,000
Impact of 0.5% decrease in rate of increase in future compensation	10,342,000	9,770,000
Impact of 0.5% increase in rate of increase in future compensation	10,713,000	10,125,000
Impact of 1 year increase in life expectancy	10,530,000	9,953,000

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.8 Sensitivity analysis (continued)

	Benefit obligation 2018 $	Benefit obligation 2017 $
Other post-employment plans:		
Impact of 0.5% decrease in discount rate	1,343,000	1,405,000
Impact of 0.5% increase in discount rate	1,028,000	1,057,000
Impact of 0.5% decrease in rate of increase in future compensation	1,172,000	1,215,000
Impact of 0.5% increase in rate of increase in future compensation	1,172,000	1,215,000
Impact of 1% decrease in health cost trend rate	906,000	924,000
Impact of 1% increase in health cost trend rate	1,541,000	1,625,000
Impact of 1 year increase in life expectancy	1,230,000	1,276,000

24.9 Mortality disclosures

The following table presents the life expectancy assumptions as at October 31, 2018 and October 31, 2017.

	Life expectancy at age 65 for a member currently (in years)			
	Age 65		Age 45	
	Male	Female	Male	Female
As at October 31, 2018	17.9	21.3	17.9	21.3
As at October 31, 2017	17.9	21.3	17.9	21.3

25. Fair value of financial assets and liabilities

The Bank's financial instruments include cash resources, investments, loans and advances, other assets, customer deposits and other liabilities. The fair values of financial instruments are considered to be approximate their book values with the exception of loans. The following comments are relevant to their fair value.

Assets

Cash on hand and due from banks and balances with Eastern Caribbean Central Bank

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

Securities

Fair value is based on quoted market values. The fair value of investment securities that do not have a quoted market price in an active market is determined by management using an appropriate valuation method.

Loans

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

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

25. Fair value of financial assets and liabilities (continued)

Liabilities

Due to banks, customers' deposits, due to associates and affiliated companies and other liabilities

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

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

Disclosures of fair value for financial instruments that are carried at amortised cost

The following fair value hierarchy table presents fair values of financial assets and liabilities that are carried at amortised cost, and therefore excludes financial instruments that are measured and disclosed at fair value on a recurring basis.

Financial assets and liabilities for which fair value are disclosed:

	As at October 31, 2018						
	Fair value always approximates carrying value $	Fair value may not approximate carrying value $	Total fair value $	Fair value hierarchy Level 1 $	Level 2 $	Level 3 $	Total $
	(IFRS 9)						
Securities	—	7,924,905	7,924,905	—	—	7,924,905	7,924,905
Loans	—	165,020,295	165,020,295	—	—	165,020,295	165,020,295
Other assets	1,398,947	—	1,398,947	—	—	—	—
Due to banks	60,045	—	60,045	—	—	—	—
Customers' deposits	313,753,063	—	313,753,063	—	—	—	—
Other liabilities	429,794	—	429,794	—	—	—	—

	As at October 31, 2017						
	Fair value always approximates carrying value $	Fair value may not approximate carrying value $	Total fair value $	Fair value hierarchy Level 1 $	Level 2 $	Level 3 $	Total $
	(IAS 39)						
Loans	—	159,420,551	159,420,551	—	—	159,420,551	159,420,551
Other assets	1,639,962	—	1,639,962	—	—	—	—
Due to banks	280,611	—	280,611	—	—	—	—
Customers' deposits	304,923,271	—	304,923,271	—	—	—	—
Other liabilities	433,632	—	433,632	—	—	—	—

Carrying amounts of certain financial instruments approximate their fair values due to the short-term nature: cash and cash equivalents, statutory deposits with Central Banks, securities fair value through profit or loss and fair value through other comprehensive income, interest receivable, customers' deposits and accrued interest.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

25. 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. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.

Disclosures of fair value for financial instruments that 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).

	Level 1	Level 2	Level 3	Total
At October 31, 2018	$	$	$	$
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt	—	—	12,811,133	12,811,133
Money market instruments	—	—	5,203,943	5,203,943
	—	—	18,015,076	18,015,076
Securities FVOCI				
Securities FVOCI designated				
Equity securities	—	—	1,013,039	1,013,039
	—	—	1,013,039	1,013,039
	—	—	19,028,115	19,028,115

	Level 1	Level 2	Level 3	Total
At October 31, 2017	$	$	$	$
Securities AFS at fair value				
Government and state-owned enterprises debt	—	—	25,517,224	25,517,224
Money market instruments	—	—	5,527,858	5,527,858
Equity securities	—	—	1,035,220	1,035,220
	—	—	32,080,302	32,080,302

There were no significant transfers between Level 1, 2 and 3 in the respective periods.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

25. Fair value of financial assets and liabilities (continued)

Positive and negative fair value movement of Level 3 financial instruments from using reasonably possible alternative assumptions

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of its fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgement. Due to the unobservable nature of the prices or rates, there may be uncertainty about valuation of these Level 3 financial instruments.

The following table summarises the impact to fair values of Level 3 financial instruments using reasonably possible alternative assumptions. This sensitivity disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of Level 3 financial instruments. In reporting the sensitivities below, we have considered offsetting balances in instances when: (i) the move in valuation factor caused an offsetting positive and negative fair value movement, (ii) both offsetting instruments are in Level 3, and (iii) when exposures are managed and reported on a net basis. With respect to overall sensitivity, it is unlikely in practice that all reasonably possible alternative assumptions would be simultaneously realised.

	(IFRS 9)		
	Level 3 Fair value $	Positive fair value movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2018			
Securities at FVTPL	18,015,076	—	—
Securities at FVOCI	1,013,039	225,038	(187,507)
	19,028,115	225,038	(187,507)

	(IAS 39)		
	Level 3 Fair value $	Positive fair value movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2017			
Securities available -for-sale	26,552,444	580,005	(541,903)
	26,552,444	580,005	(541,903)

Sensitivity results

As at October 31, 2018, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $225,038 (2017: $580,005) and a reduction of $187,507 (2017: $541,903) in fair value which would be recorded in Other components of equity.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

25. Fair value of financial assets and liabilities (continued)

Total gains or losses of level 3 securities recognised in non-interest income.

	For year ended October 31, 2018					
	Total realised / unrealised gains (losses) included in earnings			Changes in unrealised gains (losses) included in earnings for assets and liabilities for positions still held		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	$	$	$	$	$	$
Non-interest income						
Trading revenue	(5,310,346)	—	(5,310,346)	(5,310,346)	—	(5,310,346)
	(5,310,346)	—	(5,310,346)	(5,310,346)	—	(5,310,346)

Level 3 valuation inputs and approaches to developing reasonably possible alternative assumptions

The following is a summary of the unobservable inputs of the Level 3 instruments and our approaches to develop reasonably possible alternative assumptions used to determine sensitivity.

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus one standard deviation; the bid-offer spreads or input prices if a sufficient number of prices is received, or using high and low vendor prices as reasonably possible alternative assumptions.
	Sensitivities are determined based on adjusting, plus or minus 20bps shift in the yield curve.
Money market instruments – Roytrin	The Roytrin fund is independently verified to a NAV price. As there is no other reasonable alternative assumption, zero sensitivity is assigned.
Equities	Sensitivity of equity investments are determined by adjusting the price multiples based on the range of multiples of comparable companies.

Notes to the Financial Statements (continued)

For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

25. Fair value of financial assets and liabilities (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	FVTPL $	FVOCI $	Total $
As at November 1, 2017 (Note 2)	23,971,773	1,035,220	25,006,993
Disposal (sale and redemption)	(646,351)	—	(646,351)
Losses from changes in fair value	(5,310,346)	(22,181)	(5,332,527)
As at October 31, 2018	18,015,076	1,013,039	19,028,115

	AFS $	Total $
As at October 31, 2016	28,318,367	28,318,367
Additions	99,420	99,420
Disposal (sale and redemption)	(1,732,070)	(1,732,070)
Gains from changes in fair value	5,394,585	5,394,585
As at October 31, 2017	32,080,302	32,080,302

Financial assets classified as fair value through profit or loss

For our financial assets classified as FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves.

There were no significant changes in the fair value of the financial assets classified as FVTPL attributable to changes in credit risk during the year ended October 31, 2018, and cumulatively since initial recognition of the assets.

Net losses from financial instruments classified as fair value through profit or loss

Financial instruments classified as at FVTPL, are measured at fair value with realised and unrealised gains and losses recognised in non-interest income.

	For the year ended	
	October 31, 2018 $	October 31, 2017 $
Government and state-owned enterprises debt	(4,986,431)	—
Money market instruments	(323,915)	—
Net losses for financial instruments classified as fair value through profit or loss	(5,310,346)	—

For the year ended October 31, 2018, $5,310,346 of net fair value losses on financial assets classified as FVTPL, were included in non-interest income (2017 – NIL).

26. Due to banks

The amount due to banks represents deposits placed by other banks. Interest paid, where applicable, on these deposits are at fixed rates.

	October 31, 2018 $	October 31, 2017 $
Due to banks		
Other banks	60,045	280,611

Management Proxy Circular

GRENADA

THE COMPANIES ACT, 1994
(Section 142)

1. **Name of Company:**
   RBTT Bank Grenada Limited Company No. 2 of 1983-924

2. **Particulars of Meeting:**
   Thirty-sixth Annual Meeting of the Shareholders of the Company to be held at the St. Andrew's Suite, Spice Island Beach Resort, Grand Anse Beach, Grenada, on Thursday June 27, 2019 at 1:30 p.m.

3. **Solicitation:**
   It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and, in the absence of a specific direction, in the discretion of the Proxy-holder in respect of any other resolution.

4. **Any Director's statement submitted pursuant to section 74(2):**
   No statement has been received from any Director pursuant to Section 74(2) of the Companies Act, 1994.

5. **Any Auditor's statement submitted pursuant to Section 170(1):**
   No statement has been received from the Auditors of the Company pursuant to Section 170(1) of the Companies Act, 1994.

6. **Any Shareholder's proposal submitted pursuant to Sections 114(a) and 115(2):**
   No proposal has been received from any shareholder pursuant to Sections 114(a) and 115(2) of the Companies Act, 1994.

Date	Name and Title	Signature
April 30, 2019	Sharon Keshwah-Charles Corporate Secretary RBTT Bank Grenada Limited	

Form of Proxy

RBTT BANK GRENADA LIMITED

Company No. 2 of 1983-924

THIRTY-SIXTH ANNUAL MEETING scheduled for Thursday June 27, 2019 at 1:30 p.m. at the St. Andrew's Suite, Spice Island Beach Resort, Grand Anse Beach, Grenada.

I/We ____

(Name of Shareholder) (Block Letters)

of ____

(Address) (Block Letters)

being a member of RBTT BANK GRENADA LIMITED, hereby appoint the Chairman of the Meeting, or, failing him,

____

(Name of Proxy) (Block Letters)

of ____

(Address of Proxy) (Block Letters)

as my/our proxy to vote for me/us and on my/our behalf at the above meeting and any adjournment thereof in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Please indicate with an 'X' in the spaces below how you wish your Proxy to vote on the Resolutions referred to. If no such indication is given the Proxy will exercise his discretion as to how he votes or whether he abstains from voting.

BE IT RESOLVED THAT:	For	Against
1. The Audited Financial Statements for the year ended October 31, 2018 together with the Reports of the Directors and Auditors thereon be and are hereby received.	☐	☐
2. (a) In accordance with paragraph 4.5.1(a) of By-law No. 3 of the Company, Messrs. Ashton Frame, Ronald Peters, Richard Downie and Ms. Karlene Thompson Bishop be and are hereby re-elected Directors of the Company for a term from the date of their election until the close of the second Annual Meeting following their re-election; and	☐	☐
(b) In accordance with paragraph 4.3.3 of By-law No. 3 of the Company Mr. Ron Antoine who was appointed to the Board to fill the vacancy created by resignation of Mrs. Winnifred Duncan-Phillip, be and is hereby re-elected as a Director of the Company for a term from the date of his re-election until the close of the next Annual Meeting.	☐	☐
3. PricewaterhouseCoopers be re-appointed as Auditors of the Company and the Directors be authorised to fix their remuneration for the ensuing year.	☐	☐

Dated this ___________________ day of _______________________ 2019.

Signature of Member ____

Form of Proxy (continued)

NOTES:

1. If it is desired to appoint as a proxy a person other than named on the form, delete as necessary and insert the name and address of the person appointed.

2. If the shareholder is a corporation, this Proxy Form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

3. A shareholder that is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at this Annual Meeting.

4. In the case of a joint shareholder, the signature of one joint shareholder is sufficient but the names of all joint shareholders should be stated.

5. If the Proxy Form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

6. To be valid, this Proxy Form must be completed and deposited at the Registered Office of the Company, at the address below not less than 48 hours before the time for holding the Annual Meeting or adjourned Meeting.

Return to:

The Secretary
RBTT Bank Grenada Limited
Grand Anse
St. George's
Grenada, West Indies

FOR OFFICIAL USE

Folio Number	
No. of Shares	