RBTT Bank Grenada Limited

Annual Report 2019

RBTT BANK GRENADA LIMITED

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Notice of Annual Meeting

NOTICE is hereby given that the Thirty-seventh Annual Meeting of RBTT Bank Grenada Limited (the Company) will be held at the Conference Room, Radisson Grenada Beach Resort, Grand Anse, St. George's, Grenada on Monday April 20, 2020 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, 2019 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

March 9, 2020

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 Wednesday April 8, 2020, 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 Wednesday April 8, 2020, 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, authorize 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 to 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$9 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
Chairman

Mr. Downie is the Regional Operating Officer for RBC's High Net-Worth (HNW) Clients and Trinidad & Tobago market. In this role, he has oversight of operational activities in Trinidad and Tobago and the HNW line of business across the Caribbean, supporting day-to-day activities, projects and initiatives, with a particular focus on building mutually beneficial relations with all partners and supporting revenue growth. Additionally, he works with the managing director in ensuring compliance and regulatory requirements are adhered to and safeguarding relationships with key stakeholders. Mr. Downie joined RBC in 1988 and has held senior roles in Technology, Bank Operations and Service Delivery. He has been involved in many major system implementations and changes during his tenure at the Bank.

Mr. Downie holds an Executive Masters in Business Administration from the Institute of Business (UWI) St. Augustine (2000); a Masters of Science, Computer Science from the University of the West Indies, St. Augustine (1995) and a Bachelor of Science, Computer Science & Mathematics from the University of the West Indies, St. Augustine (1987).

Mr. Jasat has broad experience in Banking operations including risk management, people development, change management and branch operations. He also has experience in finance management and vast knowledge of the Grenada and Eastern Caribbean business markets. Mr. Jasat currently holds the position of Manager, Sales Incentive Programmes: Monitoring, Reporting & Insights for RBC Caribbean Banking. In this role, he oversees the effectiveness of programmes for RBC Caribbean Banking geared towards enhancing employee sales performance. Mr. Jasat previously held senior leadership positons in RBTT Bank Grenada Limited and was the Country Manager of the Bank from 2015 to 2019. He also held the position of Manager, Financial & Regulatory Reporting for the EC Region from 2005 to 2015.

Mr. Jasat has a Bachelor's Degree in Business Administration with a major in Accounting from Midwestern State University (TX) / St George's University (2003) and attained a Letter of Accomplishment with Honors from Institute of Canadian Bankers (1998).

Mr. Musa Jasat
Exec Director/
Former Country Manager

Mr. Isaac Solomon
Exec Director

Mr. Solomon has a background in finance with over fifteen years of experience in banking. He currently holds the position of Managing Director (MD) - Eastern Caribbean, RBC Caribbean Banking. As the MD, Mr. Solomon serves as the senior leader in the Eastern Caribbean (EC) market and as steward of RBC Caribbean Banking clients, lines of business and functions, employees and communities. As MD, Mr. Solomon also manages the Personal Banking business for the EC market.

Mr. Solomon is a Certified Fraud Examiner with the Association of Certified Fraud Examiners (2008) and a Certified Public Accountant (CPA) with the New York State Education Department (2002). He holds a Master of Science in Financial Management from the University of London (1996) and a Bachelor of Science degree in Management Studies from the University of the West Indies (1988). Mr. Solomon also attained a Chartered Director designation from the Caribbean Governance Training Institute in 2019.

Mr. Peters is currently the Associate Professor, School of Arts & Science, St. Georges University, Grenada. Mr. Peters is a Chartered Accountant by profession and has served as an Accountant and Financial Controller for several organisations in a career spanning over forty years.

Mr. Peters gained his ACCA qualification in 1982 with the Chartered Association of Certified Accountants at the London School of Accountancy (England) and was later admitted as a Fellow of the Chartered Association of Certified Accountants (FCCA) in 1986. He also attained a Masters in Business Administration in 1991 from Warwick Business School Warwick, England.

Mr. Ronald Peters
Non-Exec Director

Mr. Ashton Frame
Non-Exec Director

Mr. Frame's career highlights include appointments at Manufacturers Hanover Trust/Chase Manhattan Bank, Wall Street, New York (1980–1984) and the National Insurance Scheme (NIS), Grenada during the period 1984–2008. He also served on the Board of the NIS from 1998–2008.

Mr. Frame holds a Certificate in Executive Development and Management Planning from the Waterloo Lutheran University, Canada as well as a Diploma from the American Institute of Banking, U.S.A.

Mr. Frame is the appointed Corporate Representative for the NIS. The NIS currently holds 20% of the issued share capital of the Bank.

Mr. Ron Antoine
Non-Exec Director

Mr. Antoine currently holds the position of Managing Director/ CEO of Grenada Breweries Ltd. in Grenada. Over his twenty-four year business career, he also garnered extensive experience in financial management, having held several senior positions in the area of finance and business management and in the area of engineering.

Mr. Antoine holds a Bachelor of Science in Mechanical Engineering, Honors Degree (1996) from the University of the West Indies, St. Augustine, and a Masters in Business Administration (2001) from the Johnson Graduate School of Management. He attained the designation of Fellow from the Organization of American States for Corporate Finance in 2001.

Mr. Antoine is the appointed Corporate Representative for the Grenada Ports Authority, which currently holds 5.5% of the issued share capital of the Bank.

Ms. Warner was recently appointed as Country Manager, RBTT Bank Grenada Limited. She is a career banker with eighteen years of experience. In her role, Ms. Warner has responsibility for the Bank's risk management, business opportunity assessment, relationship building & client retention, credit assessment, cash management, team leader and recruitment of staff. She leads a team that is comprised of sales and service employees and she contributes towards establishing and achieving sales objectives and related activities to achieve superior client experience, optimal business retention, profitable growth and productivity.

Ms. Warner holds a Bachelor of Science Degree in Management Studies from the University of The West Indies, Barbados, 2008.

Ms. Kara Warner
Exec Director/Country Manager

Ms. Karlene Thompson Bishop
Former Exec Director

Ms. Thompson Bishop is the Senior Manager Service Delivery Operations Support, Personal & Commercial Banking Operations, RBC Royal Bank (Trinidad & Tobago) Limited, and joined RBC in 1987. Ms. Thompson Bishop has extensive knowledge of bank operations and she has held several progressive leadership positions within the Bank. In her current role, she provides leadership and management oversight for the implementation of processes, procedures and delivery system changes to Service Delivery Centres, safeguarding service quality while ensuring changes are seamlessly integrated into Centre Operations Identification of continuous improvement opportunities, action plans, and solutions, by monitoring service quality and performance.

Ms. Thompson Bishop has a Diploma in Business Administration from Wilfrid Laurier University, Roytec Campus, Trinidad (1994).

Corporate Information

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

*Ms. Karlene Thompson Bishop resigned as an Executive Director on October 23, 2019 and was replaced by Ms. Kara Warner, Executive Director.

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
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Port of Spain
Trinidad, W.I.

AUDITORS
PricewaterhouseCoopers East Caribbean
Unit 111 Johnsons Centre
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P.O. Box BW 304
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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
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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

On behalf of the Board of Directors, I am pleased to report on the progress made by RBTT Bank Grenada Limited ("RBTT Grenada") in 2019 as we continued to focus on our transformational journey.

During 2019, the Bank continued to be guided by one of our key strategic priorities of building a strong company by maintaining focus on our higher purpose of helping clients thrive and communities prosper. The financial Industry globally is rapidly evolving, shaped by increasingly advanced technology, corresponding changes in client needs and expectations, competitors emerging from diverse and often unrelated sectors, in addition to environmental changes not limited to natural disasters. The Caribbean region is no exception and to remain at the forefront of our field, the Bank continued its focus on reimagining what a bank can be, committed to innovating to deliver better and more value to clients through digital convenience, effective solutions and expert financial advice. We must continue to leverage on technological advancements in an effort to neutralize some of the aforementioned headwinds. RBTT Grenada continued to be aligned to our overall Enterprise strategy of establishing a premier digitally-enabled relationship bank. Our employees work diligently every day to provide expert financial advice to help our clients find the right solutions and as a result help them achieve their financial goals and dreams. Our clients' expectation of ease and convenience of doing their banking anywhere, anytime will be key to our success in better reaching and serving our clients. This focus on "clients first" ensures our resilience amidst economic challenges across the Caribbean.

As you would be aware, in December 2019 the Royal Bank of Canada (RBC) announced that it entered into a definitive agreement to sell its Eastern Caribbean operations to a consortium of indigenous banks and that the transaction is subject to regulatory approval and other closing conditions. As a consequence, RBC's shareholding in RBTT Bank Grenada Ltd will be transferred to the consortium of banks upon completion of the transaction.

Economic review up to June 2019

According to the Economic and Financial Review of June 2019 published by the Eastern Caribbean Central Bank (ECCB), the first half of 2019 indicated an improvement of economic activity within the Eastern Caribbean Currency Union (ECCU) relative to productivity levels in the corresponding period of 2018. The key drivers of the better performance in 2019 stemmed from a higher level of activity in the tourism and construction sectors across the ECCU. Inflationary pressures were subdued despite a marginal increase in consumer prices in five of the eight ECCU countries. The banking system remained adequately capitalized, with improved asset quality, in a relatively tight liquidity environment. Economic activity was forecasted to strengthen for the latter half of 2019 based on the momentum of the first half coupled with the expected boost from a number of key economic sectors in addition to increased inflows from the Citizenship by Investment Programmes.

The ECCU continues to be challenged by structural and other constraints to growth and competitiveness. Although efforts are on-going to address these challenges, the social costs continue to rise. Other risks include the adverse effects of global warming and climate change, which brings with it more powerful storms that cause substantial damage to agricultural crops, the housing stock and vital infrastructure in the ECCU. The region must closely monitor the on-going geo-political tension and the tariff war between the USA and China. Social ills like increasing rates of crime, unemployment and poverty can also affect business activity and competitiveness.

Economic outlook for Grenada

The ECCB report highlighted that the pace of economic growth slowed in Grenada in the first half of 2019, compared to the corresponding period of 2018. Tourism activity was the main driver of economic activity moderated by reduced activity in the construction, manufacturing and agricultural sectors. Leveraging on the benefits from the implementation of the Fiscal Responsibility Act (FRA), the central government recorded a higher overall fiscal surplus.

The economy was expected to maintain the growth momentum observed in the first half of the year though at a slower pace. On the upside, a sustained global economic expansion provides the backdrop for positive domestic developments in relation to further strengthening of activities in the tourism industry and some recovery in construction activities. Inflationary pressures are likely to emerge, reversing the deflationary pressures registered in the first half of the year. Despite the cautiously optimistic economic outlook for Grenada, there are internal vulnerabilities as well as external downside risks. In spite of the progress to date with economic reforms, the country remains exposed to the vagaries of economic, financial and environmental shocks. An inherent challenge for the domestic economy remains securing balanced and robust growth.

Financial highlights

For the financial year ended October 31 2019, RBTT Bank Grenada Limited reported a net income after tax of $10.5 million compared to a net loss after taxation of $0.7 million in the prior year driven by better total revenue as well as lower non-interest expenses.

Total revenue for the year of $24.9 million was driven by non- interest income of $10.9 million and net interest income of $14.1 million which both compares favorably to prior year. Non-interest income was better by $7.3 million, mainly due to fair value gains of $2.3 million in 2019 versus losses of $5.3 million in 2018. Operating expenses were lower in the current year by $7.3 million primarily due to the booking of an impairment cost of $1.9 million on the St George's property in 2018 as well as reduction in intergroup costs of $2.0 million in the current year and associated business taxes. Provision for credit losses recorded a credit of $1.7 million driven by recoveries of loans previously written off as well as lower loan loss provisioning requirement given reduction in the non-performing portfolio. Taxes totaled $3.2 million for the year and showed an increase from prior year consistent with increased profit before tax in the current year.

While the Grenadian economy continued on a growth path and improved economic activity, the Bank's pursuit of high quality loan growth remained constrained, resulting in further declines in the loan portfolio. The Bank continues to be strong and well capitalised with a capital adequacy ratio of 36.3% compared to the minimum 8% requirement by the Eastern Caribbean Central Bank.

Our community

We recognize that our success in building a strong organisation 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 2019, 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.

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 committed to ensuring a smooth transitioning of our business to the consortium of banks within the second half of 2020 and will provide the relevant support in that regard. 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

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.

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

In its quarterly economic review, the Eastern Caribbean Central Bank (ECCB) reported that the pace of economic growth slowed in Grenada in the first half of 2019, relative to the corresponding period of 2018. Gains in the tourism industry provided the major impetus for overall growth, albeit moderated by declines in activity in the construction, manufacturing and agriculture sectors. The consumer price index fell by 0.3 per cent, on an end of period basis. Anchored by the continued implementation of the Fiscal Responsibility Act (FRA), the central government recorded a higher overall fiscal surplus. The total outstanding public sector debt fell at the end of June 2019, relative to the level at the end of December 2018. Banking sector developments included increases in net foreign assets, liquidity and monetary liabilities, while domestic credit declined further.

Total visitor arrivals across the Eastern Caribbean region rose by 8.2%, compared with growth of 4.2% in the corresponding period last year. The increase in total visitor arrivals was the result of an improvement in all subcategories of visitors, particularly cruise and stay-overs. The number of cruise-ship visitors, which accounted for 71.1% of total visitor arrivals, rose by 5.1%, a deceleration compared with growth of 7.8% recorded one year ago. Grenada was among the five countries in the region that contributed to the improved performance in the cruise category.

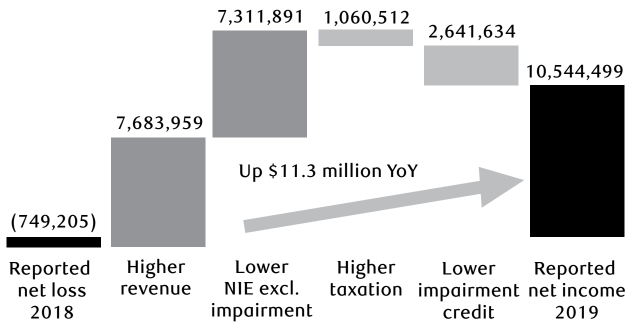
Critical Accounting Policies

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

RBTT Bank Grenada recorded a year-over-year improvement in Net Income after tax of $11.3 million which was primarily driven by mark-to-market gains on Government of Grenada Bonds, lower staff costs and management fees both this year, and property impairment in the prior year. These were partially offset by lower provision releases and higher taxes from improved profitability.



The Bank's asset base increased by $4.6 million year-on-year with higher cash & cash equivalents and securities investments being offset by a decline in loans and advances to customers, disposal of assets previously classified as held for sale and lower amounts due from associated and affiliated companies.

Retained Earnings increased by $8.4 million representing the current year's after tax profit net of amounts transferred to the statutory reserve of $2.1 million.

Balance Sheet Review

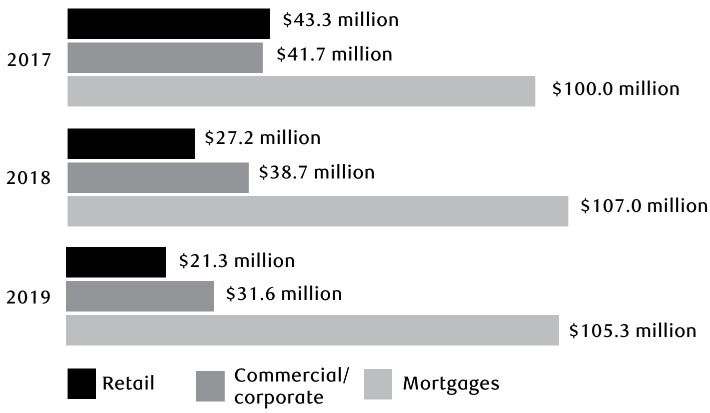
Total Assets & Liabilities

As at the end of 2019, the Bank's asset base stood at $370.9 million, $4.6 million or 1.3% higher than the previous year, mostly attributable to cash & equivalents which increased by $24.8 million, primarily representing higher deposits with the Central Bank. The investment securities portfolio increased by $2.9 million driven by gains from asset accretion and changes in fair value. These were partially offset by a lower loan book, disposal of assets previously classified as held for sale in the prior year and lower amounts due from associated and affiliated companies which represents a decline in card settlement accounts.

Total liabilities amounted to $318.6 million, down $6.4 million or 2.0% from the prior year, as customer deposit balances declined by $4.0 million to $309.7 million and the current income tax liability was $1.8 million lower year-on-year due to timing of payment.

Loan Portfolio

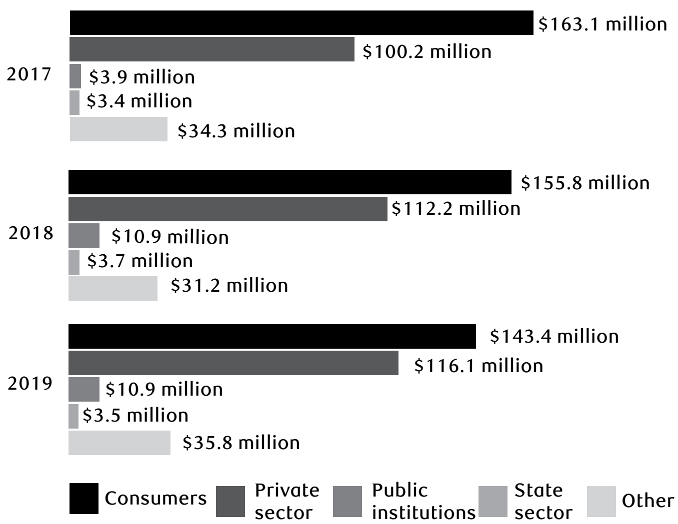
Gross loans totalled $158.3 million at the end of 2019, $14.6 million or 8.5% below the prior period. Balances across all segments declined led by Commercial/Corporate loans at $7.0 million followed by Retail facilities at $5.9 million with mortgage balances declining by $1.7 million.



Deposits Portfolio

Gross deposits declined by $4.0 million or 1.3% to $309.7 million in 2019 from $313.8 million in 2018, largely due to lower consumer balances; down $12.4 million and a decline in State sector deposits of $0.2 million. These were partially offset by increases in Private sector and other deposits.

Concentration of deposit portfolios (EC$ millions)

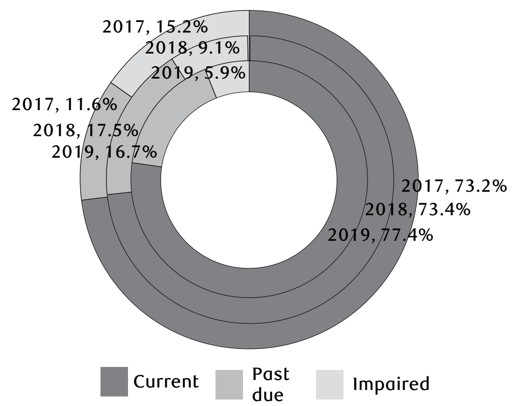


Credit Quality

Impaired loans and advances declined by $6.3 million to $9.4 million by the end of 2019, ~5.9% of total gross loans, from $15.7 million or ~9.1% of total gross loans in 2018.

Allowance for impairment losses was $11.9 million at the end of 2019, $1.4 million lower than 2018, with declines in the Commercial/Corporate sector and Retail sector. Stage 3 impairment declined by $1.6 million or 22.1% from write-offs and remeasurements while Stage 1 & 2 increased by $0.2 million or 3.0%.

Gross loans - Credit quality



Investment Portfolio

Investment securities totalled $26.4 million as at the end of 2019, up from $23.5 million in 2018 driven by unrealised gains on changes in fair value mostly related to changes in fair value and accretion of Government of Grenada Bonds.

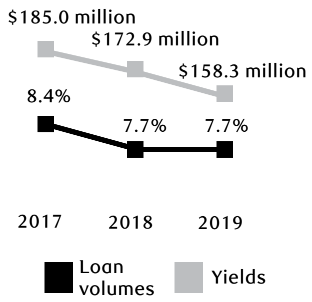
Income Statement Review

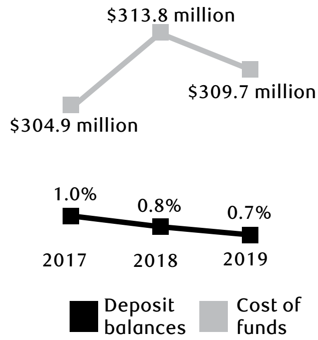
Revenue

Total reported revenue for 2019 was $25.0 million, representing an increase of $7.7 million compared to the previous year.

Net interest income increased by $0.4 million to $14.1 million in 2019 compared to $13.7 million last year driven by higher income from securities and deposits with banks together with lower deposit costs. These were partially offset by lower interest income from loans and advances from lower loan volumes with yields relatively flat.

Non-interest income for 2019 came in at $10.9 million, $7.3 million above the prior year driven by unrealised gains from changes in fair value of securities compared to unrealised losses in the prior year and higher foreign exchange earnings, partly offset by lower fees and commissions.





Non-Interest Expense

Total reported non-interest expense (excluding impairment losses on loans and advances) for 2019 was $12.9 million, representing a decline of $7.3 million compared to $20.2 million in 2018. The decline was mainly attributable to decreases in management fees payable to RBC Financial Caribbean Ltd and the associated business taxes included in other expenses this year, and an impairment on premises held for sale in the prior year.

The Reported Efficiency ratio was 51.5% for fiscal 2019, a notable improvement compared to the prior year's ratio of 116.6%.

Impairment Losses on Loans and Advances

The Bank recorded a net recovery on loan loss provisions of $1.7 million a deterioration compared to the net recovery of $4.3 million in the prior year due to lower recoveries and higher write-offs.

Financial Risk Management

Liquidity

Liquidity and funding risk (Liquidity risk) is the risk that the Bank may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Bank's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions.

The Bank's liquidity management process is carried out by the Bank's Treasury department of each business unit and monitored by Caribbean Treasury and Group Asset Liability Company (ALCO). The Bank's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities. To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans.

For further details refer to note 21.3 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 quarterly basis as prescribed by the regulator.

The Bank's regulatory capital ratio is 36.3% (2018: 27.0%) well in excess of required regulatory thresholds.

For further details refer to note 21.7 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. However the balances for Due from associates and affiliated companies are as a result of internal transactions and have no fixed repayment terms.

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 planning and carrying out, in accordance with professional standards, an audit of the annual financial statements and an audit of internal control over financial reporting.

The Audit Committee is responsible for the oversight of the financial reporting and internal controls of the Company, 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 Company'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.

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.

Shareholdings of Directors

Name of Shareholder	Class	No. of Units	Values	Percentage
Director Ashton Frame jointly with Margaret Frame	Ordinary	4,149	$11,134	0.002%

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	12,528,831	EC$33,622,800	62.08%
National Insurance Scheme Melville Street, St. George's, Grenada	Ordinary	4,035,915	EC$10,830,920	20%
Grenada Port Authority c/o The Minister of Finance, Ministry of Finance, St. George's, Grenada	Ordinary	1,110,121	EC$2,979,159	5.5%

Report of the Directors

The Directors have pleasure in submitting their Report for the year ended October 31, 2019.

FINANCIAL RESULTS

(Expressed in Eastern Caribbean Dollars)

Net income for the year	$ 10,544,499
Retained earnings at beginning of year	$ 10,204,056
Transition adjustment	($25,253)
Transfer to statutory reserves	($2,108,900)
Retained earnings at end of year	$18,614,402
Total shareholders' equity	$52,242,208

DIRECTORS

In accordance with paragraph 4.5.1(a) of By-law No. 3 of the Company, it is proposed that Messrs. Isaac Solomon, Ron Antoine and Musa Jasat 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 Ms. Kara Warner who was appointed to the Board to fill the vacancy created by the resignation of Ms. Karlene Thompson Bishop, be and is hereby re-elected as a Director of the Company for a term from the date of her 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-seventh Annual Meeting until the next Annual Meeting of the Company.

BY ORDER OF THE BOARD

Sharon Keshwah-Charles
Corporate Secretary
March 9, 2020

Statement of Management Responsibilites

The Banking Act requires management to be 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, 2019 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 utilized 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 authorized for issue, if later.

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

____
Country Manager
January 27, 2020

____
Senior Manager – Finance
January 27, 2020

pwc

Independent auditors' report

To the shareholders of RBTT Bank Grenada Limited

Our opinion

In our opinion, the RBTT Bank Grenada Limited financial statements present fairly, in all material respects, the financial position of RBTT Bank Grenada Limited (the Bank) as at October 31, 2019, 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, 2019;
- 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.

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

Castries, St. Lucia
January 31, 2020

Statement of Financial Position

As at October 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2019 $	October 31, 2018 $
Assets			
Cash and cash equivalents	3	106,915,630	82,121,925
Statutory deposit with Central Bank	3	24,322,994	24,853,994
Loans	4	146,090,295	159,112,735
Securities	5	26,397,611	23,518,676
Due from associates and affiliated companies	20	50,805,627	54,818,661
Premises and equipment	6	6,338,315	6,344,433
Deferred tax asset	18	1,384,304	2,213,921
Income tax recoverable		-	266,655
Other assets	7	8,627,034	7,782,176
Assets held for sale	8	-	5,265,000
Total assets		370,881,810	366,298,176
Liabilities			
Due to banks	26	82,816	60,045
Customers' deposits	9	309,746,401	313,753,063
Due to associates and affiliated companies	20	1,647,591	1,299,996
Other liabilities	10	5,390,036	5,820,543
Current income tax liabilities		49,758	1,869,210
Post-retirement benefit obligations	24	1,723,000	2,284,000
Total liabilities		318,639,602	325,086,857
Equity			
Share capital	11	20,178,995	20,178,995
Statutory reserve	12	13,909,691	11,800,791
Other reserves	13	(460,880)	(972,523)
Retained earnings		18,614,402	10,204,056
Total equity		52,242,208	41,211,319
Total equity and liabilities		370,881,810	366,298,176

On January 27, 2020, the Board of Directors of RBTT Bank Grenada Limited authorized these financial statements for issue.

____________________ Director
Ronald Peters

____________________ Director
Musa Jasat

The notes on pages 31 to 96 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, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2019 $	October 31, 2018 $
Interest income	14	16,257,764	16,300,193
Interest expense	15	(2,180,282)	(2,568,430)
Net interest income		14,077,482	13,731,763
Non-interest income	16	10,904,310	3,566,070
Total revenue		24,981,792	17,297,833
Provision for credit losses		1,658,865	4,300,499
Other operating expenses	17	(12,857,496)	(20,169,387)
Total non-interest expenses		(11,198,631)	(15,868,888)
Income before taxation		13,783,161	1,428,945
Taxation charge	18	(3,238,662)	(2,178,150)
Net income/(loss) after taxation		10,544,499	(749,205)
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net change in unrealized gains on securities at fair value through other comprehensive income			
Gain/(loss) on treasury bills		26	(811)
Tax impact		(19)	244
		7	(567)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gain on post-retirement benefit liability	24.2	337,000	153,000
Remeasurement gain/(loss) on pension liability	24.2	195,000	(530,000)
Net change in unrealized gains/(losses) on equity securities at fair value through other comprehensive income		216,294	(22,181)
Tax impact		(236,658)	119,748
		511,636	(279,433)
Other comprehensive income/(loss) for the year, net of taxes		511,643	(280,000)
Total comprehensive income/(loss) for the year		11,056,142	(1,029,205)
Basic and diluted earnings per share	19	0.52	(0.04)

The notes on pages 31 to 96 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Note	Share capital $	Statutory reserve $	Other reserves $	Retained earnings $	Total equity $
Balance at October 31, 2018		20,178,995	11,800,791	(972,523)	10,204,056	41,211,319
Transition adjustment	2	-	-	-	(25,253)	(25,253)
Balance as at November 1, 2018		20,178,995	11,800,791	(972,523)	10,178,803	41,186,066
Net income after taxation		-	-	-	10,544,499	10,544,499
Other comprehensive income:						
- Changes in fair value		-	-	168,392	-	168,392
- Remeasurement of post-retirement benefit obligation		-	-	225,992	-	225,992
- Remeasurement of pension benefit liability		-	-	117,259	-	117,259
Total comprehensive income		-	-	511,643	10,544,499	11,056,142
Transfer to statutory reserve		-	2,108,900	-	(2,108,900)	-
Balance at October 31, 2019		20,178,995	13,909,691	(460,880)	18,614,402	52,242,208
Balance at October 31, 2017		20,178,995	11,800,791	4,814,688	2,723,000	39,517,474
Transition adjustment		-	-	(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 loss after taxation		-	-	-	(749,205)	(749,205)
Other comprehensive income:						
- Changes in fair value		-	-	(16,099)	-	(16,099)
- Remeasurement of post-retirement benefit obligation		-	-	107,100	-	107,100
- Remeasurement of pension benefit liability		-	-	(371,001)	-	(371,001)
Total comprehensive loss		-	-	(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

The notes on pages 31 to 96 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

	October 31, 2019 $	October 31, 2018 $
Operating activities		
Net income before taxation	13,783,161	1,428,945
Adjustments for:		
Provision for credit losses	(1,493,286)	(3,164,554)
Depreciation	391,789	427,351
(Gains)/losses on securities	(2,278,172)	5,310,346
Gains on treasury bills	26	-
Accretion on securities	(1,808,210)	-
Impairment of premises and equipment	-	1,978,915
Losses on disposals of premises and equipment	-	40,743
Loss on sale of asset held for sale	65,225	-
Retirement benefit expense	378,000	304,000
Operating income before changes in operating assets and liabilities	9,038,533	6,325,746
(Increase)/decrease in operating assets		
Loans	14,452,912	11,779,914
Statutory deposit with Central Bank	531,000	(5,954,994)
Due from associates and affiliated companies	4,013,034	(6,392,955)
Other assets	(844,830)	435,091
(Decrease)/increase in operating liabilities		
Customers' deposits	(4,006,662)	8,829,792
Due to associates and affiliated companies	347,595	1,037,075
Due to banks	22,771	(220,566)
Other liabilities	(566,554)	(5,057,195)
Taxes paid	(4,188,699)	(4,340,338)
Contributions paid	(407,000)	(261,000)
Cash from operating activities	18,392,100	6,180,570
Investing activities		
Purchase, sales and redemption of securities	1,587,501	646,351
Additions to premises and equipment	(385,671)	(65,598)
Proceeds from sale of asset held for sale	5,199,775	-
Cash provided by investing activities	6,401,605	580,753
Net increase in cash and cash equivalents	24,793,705	6,761,323
Cash and cash equivalents at beginning of year	82,121,925	75,360,602
Cash and cash equivalents at end of year	106,915,630	82,121,925
Interest received	15,027,698	16,541,208
Interest paid	(2,530,913)	(2,572,268)

The notes on pages 31 to 96 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended October 31, 2019
(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

The significant accounting policies used in the preparation of these financial statements are summarized below. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

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 areas of estimation uncertainty include: determination of fair value of financial instruments, 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 recognized 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:

Notes to the Financial Statements

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

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

Significant judgments (continued)

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

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 15 Revenue from Contracts with Customers (IFRS 15). As a result of the application of IFRS 15, the Bank changed the accounting policies outlined below whereby revenue is recognized when control of a service transfers to a customer, and these new policies were applied retrospectively from November 1, 2018. In completing its assessment of revenue recognition under IFRS 15, the following factors are taken into consideration sequentially, which individually will vary based on the facts and circumstances present in a contract with a customer and will require the exercise of management judgement:

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

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

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

To facilitate the operational aspects of applying IFRS 15 the Bank has elected, as an accounting policy choice, to expense rather than capitalize incremental costs to obtain a contract if the expected amortization period of the asset the Bank otherwise would have recognized is 12 months or less. Anticipated contract renewals and amendments with the same customer must be considered when determining whether the period of benefit, and therefore the period of amortization, is 12 months or less.

As permitted by the transition provisions of IFRS 15, the Bank elected not to restate comparative period results; accordingly, all comparative information is presented in accordance with the Bank's previous accounting policies as indicated below. As a result of the adoption of IFRS 15, we reduced our opening retained earnings by $25,253, on an after tax basis as at November 1, 2018 (the date of initial application), to align the recognition of certain fees with the transfer of the performance obligations. Income

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

Changes in accounting policies (continued)

which falls under the scope of IFRS 15 are not netted off against related expenses. The Bank does not incur material costs to obtain contracts with customers such as sales commissions.

Commissions and fees

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

Commissions related to securities brokerage services and transaction service fees/ commissions related to the provision of specific transaction type services are both recognized when the service is fulfilled. Where services are provided over time, revenue is recognized as the services are provided.

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

Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided.

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

Notes to the Financial Statements

For the year ended October 31, 2019
(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 15

The table below provides the Bank's Statement of Financial Position, showing the impacts of adopting the IFRS 15 requirements.

Assets	As at October 31, 2018 ($)	Impact of IFRS 15 ($)	As at November 1, 2018 ($)
Cash and cash equivalents	82,121,925	-	82,121,925
Statutory deposit with Central Bank	24,853,994	-	24,853,994
Loans	159,112,735	-	159,112,735
Securities	23,518,676	-	23,518,676
Due from associates and affiliated companies	54,818,661	-	54,818,661
Premises and equipment	6,344,433	-	6,344,433
Deferred tax asset	2,213,921	9,820	2,223,741
Income tax recoverable	266,655	-	266,655
Other assets	7,782,176	-	7,782,176
Assets held for sale	5,265,000	-	5,265,000
Total assets	366,298,176	9,820	366,307,996
Liabilities			
Due to banks	60,045	-	60,045
Customers' deposits	313,753,063	-	313,753,063
Due to associates and affiliated companies	1,299,996	-	1,299,996
Other liabilities	5,820,543	35,073	5,855,616
Current income tax liabilities	1,869,210	-	1,869,210
Post-retirement benefit obligations	2,284,000	-	2,284,000
Total liabilities	325,086,857	35,073	325,121,930
Equity			
Share capital	20,178,995	-	20,178,995
Statutory reserve	11,800,791	-	11,800,791
Other reserves	(972,523)	-	(972,523)
Retained earnings	10,204,056	(25,253)	10,178,803
Total equity	4 1,211,319	(25,253)	41,186,066
Total equity and liabilities	366,298,176	9,820	366,307,996

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

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 amortized cost based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

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

Other significant accounting policies (continued)

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

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

All other debt instruments are measured at FVTPL.

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;
- 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

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Classification of financial assets (continued)

SPPI assessment (continued)

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

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. Realized and unrealized 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 amortized cost.

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

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

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

The Bank accounts for all securities using settlement date accounting and changes in fair value between trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in fair value of securities measured at FVOCI between trade date and settlement 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

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

<u>Other significant accounting policies (continued)</u>

Fair value option (continued)

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

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

Loans

Loans are debt instruments recognized 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 amortized cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

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

For loans carried at amortized cost or FVOCI, impairment losses are recognized at each Statement of Financial Position date in accordance with the three-stage impairment model outlined below.

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 amortized cost are presented net of ACL on our Statement of Financial Position. Provision for credit losses (PCL) on amortized cost instruments are recognized directly in the Statement of Income or Loss and Other Comprehensive Income or Loss.

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Allowance for credit losses (continued)

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

We measure the ACL at each Statement of Financial Position date according to a three-stage expected credit loss impairment model:

- Performing financial assets
  - Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months or shorter if remaining term is less than 12 months following the reporting date.
  - Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.
- Impaired financial assets
  - Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset.

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

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, 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 Statement of Financial Position date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affect the results of operations.

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.

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

<u>Other significant accounting policies (continued)</u>

Allowance for credit losses (continued)

Measurement of expected credit losses (continued)

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 recognized. The assessment is performed at the instrument level.

Our assessment of significant increases in credit risk is based on factors such as 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 specialized management team due to circumstances other than delinquency which marks the account as having a higher risk component.

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

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.

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.

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

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for 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 Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate

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

<u>Other significant accounting policies (continued)</u>

Allowance for credit losses (continued)

Individually assessed loans (Stage 3)

back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

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

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

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

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

Individually-assessed allowances are established in consideration of a range of possible outcomes, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

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.

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed loans (Stage 3) (continued)

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.

Write-off of loans

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

Modifications

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

A modified financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in days past due and other qualitative considerations.

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Modifications (continued)

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.

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 in 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 prioritizes the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that 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 inputs that are unobservable. Unobservable inputs

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Determination of fair value (continued)

are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques.

The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances. Refer to Note 21.

Interest

Interest is recognized 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 capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost, capitalized transaction costs are amortized 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 Statement of Financial Position when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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.

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

Other significant accounting policies (continued)

Derecognition of financial assets

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

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

Derecognition of financial liabilities

We derecognize a financial liability from our Statement of Financial Position when our obligation specified in the contract expires, or is discharged or cancelled. We recognize the difference between the carrying amount of a financial liability transferred and the consideration paid in our Statement of Income and Other Comprehensive Income.

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.

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. Remeasurements 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 recognized immediately in the Statement of Income or Loss and Other Comprehensive Income or Loss in the period in which they occur.

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Employee benefits (continued)

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 recognize 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 remeasurements that we recognize.

Income taxes

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

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 realized 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 and Other Comprehensive Income or Loss because of items of income or expense that are taxable or deductible in

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

Other significant accounting policies (continued)

Income taxes (continued)

(i) Current tax (continued)

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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 realized, 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.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars at rates prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized 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

Notes to the Financial Statements

For the year ended October 31, 2019
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2. Summary of significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Premises and equipment (continued)

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 amortization 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.

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 recognized 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, 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

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

Other significant accounting policies (continued)

Provisions (continued)

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 recognized.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

Dividend income

Dividend income is recognized 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.

Non-interest income

The Bank includes in non-interest income amounts relating to commissions and fees (refer to page 11) and foreign exchange trading and non-trading gains. 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 15 accounting policy

The following policy is applicable for comparative period results as at and for the year ended October 31, 2018:

Non-interest income

The Bank includes in non-interest income amounts relating to service charges. Service charges are related to the provision of specific transaction type services and are recorded when the service has been completed.

Notes to the Financial Statements

For the year ended October 31, 2019
(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 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 removes 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 Statement of Financial Position for most leases. Lessees will also recognize 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.

We will adopt IFRS 16 using the modified retrospective approach by adjusting our Statement of Financial Position as at November 1, 2019, the date of initial application, with no restatement of comparative periods. The adoption of IFRS 16 as at November 1, 2019 is expected to result in an increase to total assets of approximately $1 million, primarily representing leased premises and equipment and an increase in lease liabilities of approximately $1 million.

3. Cash and cash equivalents

	October 31, 2019 $	October 31, 2018 $
Cash on hand	5,753,326	6,391,065
Deposits with affiliated banks	498,829	711,330
Due from other banks	5,855,122	1,673,978
Other deposits held at Central Bank	88,060,378	65,249,602
Treasury bills	6,747,975	8,095,950
Cash and cash equivalents	106,915,630	82,121,925
Statutory deposit with Central Bank	24,322,994	24,853,994

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, 2019 the balance was $18,954,000 (2018 - $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, 2019 the balance was $5,368,994 (2018 - $5,368,994).

4. Loans

	October 31, 2019 $	October 31, 2018 $
Retail	21,325,245	27,202,566
Commercial/corporate	31,646,062	38,675,650
Mortgages	105,305,956	107,016,453
Gross loans	158,277,263	172,894,669
Unearned interest	(253,274)	(417,768)
	158,023,989	172,476,901
Allowance for credit losses (Note 4.1)	(11,933,694)	(13,364,166)
	146,090,295	159,112,735
Stage 1	122,499,761	126,932,937
Stage 2	26,365,327	30,233,879
Stage 3	9,412,175	15,727,853
Gross loans	158,277,263	172,894,669
Current	12,070,575	14,297,119
Non-current	146,206,688	158,597,550
Gross loans	158,277,263	172,894,669

4.1 Allowance for credit losses

	Balance at beginning of period $	Provision for credit losses $	Net write-offs $	Exchange rate and other $	Balance at end of period $
For the year ended October 31, 2019					
Retail	3,687,739	635,919	(570,629)	(921,272)	2,831,757
Commercial/ corporate	4,970,382	(2,095,138)	-	820,758	3,696,002
Mortgages	4,706,045	(136,832)	(34,961)	871,683	5,405,935
	13,364,166	(1,596,051)	(605,590)	771,169	11,933,694
Undrawn loan commitments	594,528	85,470	-	-	679,998
For the year ended October 31, 2018					
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

Notes to the Financial Statements

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

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

Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognized assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognized during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.

	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
For the year ended October 31, 2019				
Balance at beginning of period	2,831,080	3,243,637	7,289,449	13,364,166
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	1,259,031	(608,899)	(650,132)	-
Transfers in (out) to Stage 2	(56,489)	140,914	(84,425)	-
Transfers in (out) to Stage 3	(27,253)	(1,064,498)	1,091,751	-
Purchases and originations	374,583	136	-	374,719
Derecognitions and maturities	(302,190)	(66,363)	-	(368,553)
Remeasurements	(1,214,781)	1,747,116	(2,134,552)	(1,602,217)
Write-offs	-	-	(4,005,815)	(4,005,815)
Recoveries	-	-	3,400,225	3,400,225
Exchange rate and other	(1,008)	1	772,176	771,169
Balance at end of period	2,862,973	3,392,044	5,678,677	11,933,694
For the year ended October 31, 2018				
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

4. Loans (continued)

4.1 Allowance for credit losses (continued)

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected credit losses 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, 2019 are provided in Note 2.

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 of a hurricane making landfall as noted above.

	Carrying value	Base Scenario
As at October 31, 2019		
ACL on performing loans(1)	6,255,017	6,252,251

	Carrying value	Base Scenario
As at October 31, 2018		
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.

Notes to the Financial Statements

For the year ended October 31, 2019
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4. Loans (continued)

4.1 Allowance for credit losses (continued)

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

	As at October 31, 2019 Performing loans[1]
ACL - all performing loans in Stage 1	3,084,188
Impact of staging	3,170,829
Stage 1 and 2 ACL	6,255,017

	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.

5. Securities

Carrying value of securities

The following tables present the contractual maturities of the carrying values of financial instruments held at the end of the period.

As at October 31, 2019
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	-	-	-	-	13,005,487	-	13,005,487
Money market instruments	-	-	-	-	-	5,700,260	5,700,260
	-	-	-	-	13,005,487	5,700,260	18,705,747
Fair value through other comprehensive income							
Equities							
Cost	-	-	-	-	-	380,380	380,380
Fair value[2]	-	-	-	-	-	1,229,333	1,229,333
	-	-	-	-	-	1,229,333	1,229,333

5. Securities (continued)

Carrying value of securities (continued)

As at October 31, 2019
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 $
Amortized Cost							
Amortized cost (3)	-	-	6,462,531	-	-	-	6,462,531
Fair value	-	-	7,990,676	-	-	-	7,990,676
	-	-	6,462,531	-	-	-	6,462,531
Total carrying value of securities	-	-	6,462,531	-	13,005,487	6,929,593	26,397,611

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	-	-	-	-	-	5,429,692	5,429,692
Money market instruments	-	-	-	-	-	5,203,943	5,203,943
	-	-	-	-	12,811,133	5,203,943	18,015,076
Fair value through other comprehensive income							
Equities							
Cost	-	-	-	-	-	380,380	380,380
Fair value (2)	-	-	-	-	-	1,013,039	1,013,039
	-	-	-	-	-	1,013,039	1,013,039
Amortized Cost							
Amortized Cost	-	-	-	4,490,561	-	-	4,490,561
Fair value (2)	-	-	-	7,924,905	-	-	7,924,905
	-	-	-	4,490,561	-	-	4,490,561
Total carrying value of securities	-	-	-	4,490,561	12,811,133	6,216,982	23,518,676

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

(3) Amortized cost securities, included in securities are recorded at amortized cost, and are presented net of allowance for credit losses.

Notes to the Financial Statements

For the year ended October 31, 2019
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5. Securities (continued)

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

The following tables present unrealized gains and losses on securities at fair value through other comprehensive income as at the end of the period.

IFRS 9

	As at October 31, 2019			
	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	$	$	$	$
Equities	380,380	886,235	(37,282)	1,229,333
	380,380	886,235	(37,282)	1,229,333

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

5.2 Allowance for credit losses on securities

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

	2019 ($)	2018 ($)
Gross exposures		
Stage 1	7,685,703	5,877,493
Total securities	7,685,703	5,877,493
Less: allowance for credit losses	(1,223,172)	(1,386,932)
Securities net of expected credit losses	6,462,531	4,490,561

The following tables reconcile the opening and closing allowance for debt securities at amortized 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 recognized during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized 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, 2019, there were no significant changes to the models used to estimate expected credit losses (2018 – NIL).

5. Securities (continued)

5.2 Allowance for credit losses on securities (continued)

Allowance for credit losses – securities at amortized cost

	Performing		Impaired	Total
	Stage 1 $	Stage 2 $	Stage 3 $	$
For the year ended October 31, 2019				
Balance at beginning of period	1,386,932	-	-	1,386,932
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	76,045	-	-	76,045
Remeasurements	(239,805)	-	-	(239,805)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	1,223,172	-	-	1,223,172

	Performing		Impaired	Total
	Stage 1 $	Stage 2 $	Stage 3 $	$
For the year ended October 31, 2018				
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	(80,018)	-	-	(80,018)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	1,386,932	-	-	1,386,932

	October 31, 2019 $	October 31, 2018 $
5.3 Securities FVTPL classified		
Government and state-owned enterprises debt	13,005,487	12,811,133
Money market instruments	5,700,260	5,203,943
	18,705,747	18,015,076

Notes to the Financial Statements

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5. Securities (continued)

	October 31, 2019 $	October 31, 2018 $
5.4 Securities at FVOCI		
Securities FVOCI designated		
Equity	1,229,333	1,013,039
	1,229,333	1,013,039
5.5 Securities at amortized cost		
Government and state-owned enterprises debt	6,462,531	4,490,561
	6,462,531	4,490,561
Current	6,929,593	6,216,982
Non-current	19,468,018	17,301,694
	26,397,611	23,518,676

5.6 Movement in securities

	FVTPL $	FVOCI $	Amortized Cost $	Total $
As at November 1, 2018	18,015,076	1,013,039	4,490,561	23,518,676
Disposal (sale and redemption)	(1,587,501)	-	-	(1,587,501)
Accretion	-	-	1,808,210	1,808,210
Gains from changes in fair value	2,278,172	216,294	-	2,494,466
Allowance for credit losses	-	-	163,760	163,760
As at October 31, 2019	18,705,747	1,229,333	6,462,531	26,397,611

	FVTPL $	FVOCI $	Amortized Cost $	Total $
As at November 1, 2017	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

6. Premises and equipment

	Freehold Land and Building $	Leasehold Building $	Furniture and Equipment $	Capital Work in Progress $	Total $
Year Ended: October 31, 2019					
Opening net book value	5,496,411	-	744,731	103,291	6,344,433
Additions	-	-	114,971	270,700	385,671
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	17,465	(17,465)	-
Reclassified to held for sale (Note 8)	-	-	-	-	-
Depreciation charge	(107,986)	-	(283,803)	-	(391,789)
Closing net book value	5,388,425	-	593,364	356,526	6,338,315
At October 31, 2019					
Cost	7,023,632	223,024	11,242,068	356,526	18,845,250
Accumulated depreciation	(1,635,207)	(223,024)	(10,648,704)	-	(12,506,935)
Net book value	5,388,425	-	593,364	356,526	6,338,315
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

During the year, assets fully depreciated and retired amounted to $474,233 (2018 – NIL).

Impairment of Property

Property within the branch network was deemed impaired in 2018 as the valuation and the estimated cost of disposal was less than the carrying value of the asset.

Assets pledged as security

There were no assets pledged to secure borrowings of the Bank in 2019 or 2018.

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(Expressed in Eastern Caribbean Dollars)

7. Other assets

	October 31, 2019 $	October 31, 2018 $
Interest receivable	2,629,013	1,398,947
Other	5,998,085	6,383,321
	8,627,098	7,782,268
Allowance for credit losses	(64)	(92)
	8,627,034	7,782,176
Current	8,567,317	6,792,310
Non-current	59,717	989,866
	8,627,034	7,782,176

8. Assets held for sale

As at October 31, 2018 the disposal group was 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, 2019 $	October 31, 2018 $
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

As at October 31, 2018 the criteria to classify as held for sale was met therefore this was reclassified from premises and equipment to assets held for sale. During 2019 the Bank disposed of the property that is no longer in use within the branch network.

Notes to the Financial Statements

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9. Customers' deposits

	October 31, 2019 $	October 31, 2018 $
Sectoral analysis of customers' deposits		
Consumers	143,422,586	155,793,222
Private sector	116,103,307	112,221,052
State sector	3,450,967	3,667,658
Public institutions	10,923,295	10,867,571
Other	35,846,246	31,203,560
	309,746,401	313,753,063
Product type		
Savings	149,857,471	149,645,884
Term deposits	47,406,436	67,171,776
Current accounts	112,482,494	96,935,403
	309,746,401	313,753,063
Current	309,710,895	313,721,044
Non-current	35,506	32,019
	309,746,401	313,753,063

10. Other liabilities

	October 31, 2019 $	October 31, 2018 $
Accruals and payables	1,031,585	425,180
Accrued interest	79,163	429,794
Deferred income	1,714,151	1,982,870
Contract liabilities[1]	31,897	-
Unclaimed balances	1,464,506	800,856
Business taxes	27,486	33,702
Other	1,041,248	2,148,141
	5,390,036	5,820,543
Current	5,390,036	5,769,861
Non-current	-	50,682
	5,390,036	5,820,543

[1] *Contract liabilities*

The Bank derives revenue from contracts with customers in the form of annual credit cards fees, which are paid for upfront by cardholders for the right to use certain credit cards products. Under IFRS 15 – Revenue from contracts with customers, the one-time annual fee represents the transaction price received to transfer the performance obligation. However as the performance obligations will transpire over time, throughout the annual period, such revenues should be recognized over the applicable annual cycle. The above balance represents the portion of annual fee revenue which was deferred and remained outstanding as at the Statement of Financial Position date.

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11. Share capital

	October 31, 2019 $	October 31, 2018 $
Issued and outstanding:		
Issued and fully paid shares:		
20,178,995 (2018 – 20,178,995)	20,178,995	20,178,995

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

There were no dividend payments during the year ended October 31, 2019 (2018 - NIL).

12. Statutory reserve

This fund is required to be maintained under the provisions of the Banking Act defined in Note 1, 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.

13. Other reserves

	October 31, 2019 $	October 31, 2018 $
Securities revaluation reserve, net of tax	610,711	442,319
Other post-employment plans reserve	(1,203,795)	(604,900)
Pension reserve	132,204	(809,942)
	(460,880)	(972,523)

An appropriation of Retained Earnings to a reserve for loan loss is only done where the ECCB provision exceeds the Bank's allowance for credit losses for loans. Accordingly, where the allowance for credit losses for loans exceeds the ECCB provision, no appropriation is required.

Securities revaluation reserve represents mark-to-market adjustments on securities fair value through other comprehensive income.

14. Interest income

	October 31, 2019 $	October 31, 2018 $
Loans	12,253,810	13,399,241
Securities (Note 14.1)	3,624,488	2,802,263
Due from other banks	379,466	98,689
	16,257,764	16,300,193

Notes to the Financial Statements

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

14. Interest income (continued)

14.1 Securities

	October 31, 2019 $	October 31, 2018 $
FVTPL	1,293,655	2,398,101
FVOCI	236,663	117,408
Amortized cost	2,094,170	286,754
	3,624,488	2,802,263

15. Interest expense

	October 31, 2019 $	October 31, 2018 $
Customers' deposits	2,180,282	2,568,430
	2,180,282	2,568,430

16. Non-interest income

	October 31, 2019 $	October 31, 2018 $
Fee and commission income	5,489,818	5,858,372
Foreign exchange earnings	3,126,283	3,018,045
Unrealized gains on FVTPL	1,758,265	-
Realized gains on FVTPL	519,907	-
Dividend income	9,780	-
Unrealized losses on FVTPL	-	(5,310,346)
Other	257	(1)
	10,904,310	3,566,070

Notes to the Financial Statements

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17. Other operating expenses

	October 31, 2019 $	October 31, 2018 $
Staff costs	3,774,020	4,586,353
Premises and equipment costs, excluding depreciation	1,147,844	1,098,818
Impairment of fixed assets	-	1,978,915
Advertising	193,220	88,161
Depreciation	391,789	427,351
Operating lease rentals	287,214	118,982
Pension expense	112,000	124,000
Post-retirement benefit expense	279,000	194,000
Directors' fees	22,500	28,000
Auditors' remuneration	213,929	305,963
Management fees to affiliated companies	2,157,766	4,184,429
Regulatory charge	-	25,000
Other operating expenses	4,278,214	7,009,415
	12,857,496	20,169,387

18. Taxation

	October 31, 2019 $	October 31, 2018 $
Current tax expense	2,635,902	4,434,042
Deferred tax (credit)/expense	602,760	(2,255,892)
Total tax expense	3,238,662	2,178,150

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

	October 31, 2019 $	October 31, 2018 $
Income before taxation	13,783,161	1,428,945
Prima facie tax calculated at corporation tax rate of 28% (2018: 30%)	3,859,285	428,684
Income not subject to tax	(962,597)	(1,022,207)
Expenses not deductible for tax purposes	973,800	2,737,529
Depreciation on assets not qualifying for capital allowances	20,548	34,144
Prior year over provision of current tax	(753,517)	-
Prior year under provision of deferred tax	101,143	-
	3,238,662	2,178,150

18. Taxation (continued)

18.1 Schedule of tax losses

At October 31, 2019, tax losses available for utilization were Nil (2018 - Nil).

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

	October 31, 2019 $	October 31, 2018 $
Deferred tax asset		
Premises and equipment	172,563	162,874
Allowance for credit losses	2,139,268	2,257,900
Contract liabilities	9,820	-
Post-retirement benefit obligations	243,436	458,823
	2,565,087	2,879,597
Deferred tax liability		
Securities revaluation reserve	1,180,783	665,676
Balance at end of year	1,180,783	665,676
Deferred tax asset	2,565,087	2,879,597
Deferred tax liability	(1,180,783)	(665,676)
	1,384,304	2,213,921
The movement on the deferred tax account is as follows:		
As at October 31	2,213,921	(678,222)
Transition adjustment IFRS 15/IFRS 9	9,820	486,671
As at November 1	2,223,741	(191,551)
Statement of Income or Loss and Other Comprehensive Income or Loss	(467,179)	707,668
Premises and equipment	9,689	34,144
Allowance for credit losses	(118,632)	84,931
Post-retirement benefit obligations	(215,387)	75,900
Securities revaluation reserve:		
Fair value (losses) /gains	(47,928)	1,502,829
At end of year	1,384,304	2,213,921

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, 2019 $	October 31, 2018 $
Income/(loss) attributable to shareholders of the Bank	10,544,499	(749,205)
Weighted average number of ordinary shares in issue	20,178,995	20,178,995
Basic earnings per share	0.52	(0.04)

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

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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 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, 2019 $	October 31, 2018 $
Cash and cash equivalents		
Deposits with affiliated banks	498,829	711,330
Loans and securities		
Directors and key management personnel	2,361,692	437,393
Due from associates and affiliated companies[1]	50,805,627	54,818,661
Deposits and other liabilities		
Directors and key management personnel	462,436	385,855
Due to associates and affiliated companies	1,647,591	1,299,996
National Insurance scheme	-	230,765
	2,110,027	1,916,616
Interest income		
Directors and key management personnel	111,673	15,570
Interest expense		
Directors and key management personnel	6,076	5,587
Other operating expenses		
Management fees paid to affiliated companies	2,157,766	4,184,429
Directors' fees	22,500	28,000
	2,180,266	4,212,429

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

21. Financial risk management

21.1 Statement of Financial Position – Categorization

	October 31, 2019 $	October 31, 2018 $
Assets		
Financial assets at fair value through profit or loss		
Securities	18,705,747	18,015,076
Securities at fair value through comprehensive income[(1)]	1,229,333	1,013,039
Financial assets at amortized cost		
Cash and cash equivalents	106,915,630	82,121,925
Statutory deposit with Central Bank	24,322,994	24,853,994
Loans	146,090,295	159,112,735
Securities	6,462,531	4,490,561
Due from associates and affiliated companies	50,805,627	54,818,661
Interest receivable	2,629,013	1,398,947
	337,226,090	326,796,823
Total financial assets	357,161,170	345,824,938
Non-financial assets	13,720,640	20,473,238
Total assets	370,881,810	366,298,176
Liabilities		
Financial liabilities at amortized cost		
Due to banks	82,816	60,045
Customers' deposits	309,746,401	313,753,063
Due to associates and affiliated companies	1,647,591	1,299,996
Accrued interest	79,163	429,794
Total financial liabilities	311,555,971	315,542,898
Non-financial liabilities	7,083,631	9,543,959
Total liabilities	318,639,602	325,086,857
Total equity	52,242,208	41,211,319
Total equity and liabilities	370,881,810	366,298,176

(1) Securities at fair value through comprehensive income

The Bank designated certain equity securities which are not held for trading as FVOCI. The Bank irrevocably elected to recognize the equity securities as FVOCI because the equity securities are held for the long term for strategic purposes.

Notes to the Financial Statements

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21. Financial risk management (continued)

21. 1 Statement of Financial Position – Categorization (continued)

(1) Securities at fair value through comprehensive income (continued)

The following table presents the Bank's equity instruments designated as at FVOCI at the end of the period by business category.

	Number of companies	Number of shares/units	Carrying value 2019 ($)	Carrying value 2018 ($)	Dividends received 2019 ($)	Dividends received 2018 ($)
Business category						
Economic development	1	1,304	267,320	267,320	9,780	-
Stock exchange	1	2,500	29,875	26,125	-	-
Clearing house	2	10,042	932,138	719,594	-	-
Total			1,229,333	1,013,039	9,780	-

(a) During the year ended October 31, 2019 there were no disposals from the equity shares designated as FVOCI portfolio (2018 - NIL).

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

21. Financial risk management (continued)

21.2 Risk management (continued)

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's Audit Committee.

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.

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, and liquidity ratios and risk profile changes. On a quarterly basis senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

The Bank actively uses collateral to reduce its credit risks.

21.3 Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that the Bank may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Group's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions.

The Group's liquidity management process is carried out by the Group Treasury department of each business unit and monitored by Caribbean Treasury and Group ALCO. The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities. To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans. Our liquidity risk measurement and control activities are divided into three categories as follows:

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21. Financial risk management (continued)

21.3 Liquidity risk (continued)

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an internal metric to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquid risk

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

Contingency liquidity risk

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

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.

	Less than 3 months $	3 to 6 months $	6 to 12 months $	1 – 5 years $	Over 5 years $	Total $
As at October 31, 2019						
Liabilities						
Due to banks	82,816	-	-	-	-	82,816
Customers' deposits	281,153,827	7,941,066	20,616,002	35,506	-	309,746,401
Due to associates and affiliated companies	1,647,591	-	-	-	-	1,647,591
Accrued interest	79,163	-	-	-	-	79,163
Total financial liabilities	282,963,397	7,941,066	20,616,002	35,506	-	311,555,971

	Less than 3 months $	3 to 6 months $	6 to 12 months $	1 – 5 years $	Over 5 years $	Total $
As at October 31, 2018						
Liabilities						
Due to banks	60,045		-	-	-	60,045
Customers' deposits	270,620,147	11,438,998	31,661,899	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	11,438,998	31,661,899	32,019	-	315,542,898

21. Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.1 Cash flows (continued)

The table below summarizes 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, 2019				
Guarantees, acceptances and letters of credit	9,671,912	-	-	9,671,912
Loan	21,818,303	-	-	21,818,303
Operating lease commitments	186,410	664,141	-	850,551
Total credit commitments	31,676,625	664,141	-	32,340,766

	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

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 Risk Management Unit. Reports are submitted to the Group ALCO on a regular basis. Additionally, on a quarterly basis, Group Risk Management, Treasury and Finance departments review and approve the valuation of all securities and trading liabilities.

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 amortized cost securities.

Notes to the Financial Statements

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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 summarized 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 2019 $	Effect on net interest income 2018 $
Change in interest rate		
1%	886,691	1,246,011
-1%	(886,691)	(1,246,011)

21.4.2 Maturity and rate sensitivity

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

	Up to 1 year $	1 – 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at October 31, 2019					
Assets					
Statutory deposit with Central Bank	-	-	-	24,322,994	24,322,994
Cash and cash equivalents	6,747,975	-	-	100,167,655	106,915,630
Loans	146,090,295	-	-	-	146,090,295
Securities	-	6,462,531	13,005,487	6,929,593	26,397,611
Due from associates and affiliated companies	-	-	-	50,805,627	50,805,627
Interest receivable	-	-	-	2,629,013	2,629,013
Total financial assets	152,838,270	6,462,531	13,005,487	184,854,882	357,161,170

Notes to the Financial Statements

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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	-	-	-	82,816	82,816
Customers' deposits	197,228,401	35,506	-	112,482,494	309,746,401
Due to associates and affiliated companies	-	-	-	1,647,591	1,647,591
Accrued interest	-	-	-	79,163	79,163
Total financial liabilities	197,228,401	35,506	-	114,292,064	311,555,971
Total interest repricing gap	(44,390,131)	6,427,025	13,005,487	70,562,818	45,605,199

	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	8,095,950	-	-	74,025,975	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	167,208,685	-	17,301,694	161,314,559	345,824,938
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	(49,576,956)	(32,019)	17,301,694	62,589,321	30,282,040

Notes to the Financial Statements

For the year ended October 31, 2019
(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 summarizes the Bank's lending portfolio by interest rate sensitivity.

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2019			
Loans:			
Retail	21,325,245	-	21,325,245
Commercial/corporate	31,646,062	-	31,646,062
Mortgages	105,305,956	-	105,305,956
Gross loans	158,277,263	-	158,277,263
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

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 recognized 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	
	2019 (%)	2018 (%)	2019 $	2018 $
Roytrin Income Fund	10	10	570,026	520,394
	(10)	(10)	(570,026)	(520,394)

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 – financial instruments on and off Statement of Financial Position

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk. The table below summarizes the Bank's exposure to foreign currency exchange rate risk.

	EC $	US $	Other $	Total $
As at October 31, 2019				
Assets				
Statutory deposit with Central Bank	24,322,994	-	-	24,322,994
Cash and cash equivalents	91,284,824	15,092,534	538,272	106,915,630
Loans	144,338,025	1,752,270	-	146,090,295
Securities	15,988,192	10,409,419	-	26,397,611
Due from associates and affiliated companies	42,663,460	8,142,167	-	50,805,627
Interest receivable	2,472,901	156,112	-	2,629,013
Total financial assets	321,070,396	35,552,502	538,272	357,161,170
Liabilities				
Due to banks	82,816	-	-	82,816
Customers' deposits	278,380,605	31,361,878	3,918	309,746,401
Due to associates and affiliated companies	787,328	860,263	-	1,647,591
Accrued interest	78,919	244	-	79,163
Total financial liabilities	279,329,668	32,222,385	3,918	311,555,971
Net position	41,740,728	3,330,117	534,354	45,605,199
Credit commitments	21,247,569	10,242,646	-	31,490,215
As at October 31, 2018				
Total financial assets	310,561,613	34,769,345	493,980	345,824,938
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

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For the year ended October 31, 2019
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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 2019	Effect on profit before tax $
USD	(10)	(333,012)
Other	(10)	(53,435)

Currency	Change in currency rate % in 2018	Effect on profit before tax $
USD	(10)	(82,205)
Other	(10)	(49,012)

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.

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 are:

Notes to the Financial Statements

For the year ended October 31, 2019
(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 authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

	2019 $	2018 $
Credit risk exposure relating to on and off balance sheet assets are as follows:		
Cash and cash equivalents	101,162,304	75,730,860
Statutory deposit with Central Bank	24,322,994	24,853,994
Loans	158,277,263	172,894,669
Securities at FVTPL	13,005,487	12,811,133
Securities at amortized cost	7,685,703	5,877,493
Due from associates and affiliated companies	50,805,627	54,818,661
Interest receivable	2,629,013	1,398,947
Total	357,888,391	348,385,757
Contingent liabilities (letter of credit and financial guarantees)	9,671,912	7,117,912
Credit commitments	21,818,303	29,478,892
Total credit risk exposure	389,378,606	384,982,561

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

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 maximum credit exposure, as categorized by industry sectors of counterparties.

	Gross maximum exposure	
	2019	2018
	$	$
Residential mortgages	105,305,956	107,016,453
Consumer	39,339,966	56,681,458
Distribution	19,575,482	10,198,585
Professional and other	14,141,451	16,586,395
Finance and insurance	172,126,543	147,308,245
Utilities	60,247	72,649
Manufacturing	773,527	828,229
Transport	97,621	1,283,691
Construction	1,652,070	2,102,731
Tourism/entertaining/catering	8,866,553	15,108,182
Public administration	27,439,165	26,785,026
Agriculture/fisheries	25	1,010,917
	389,378,606	384,982,561

21.6.5 Aging analysis of Stage 2 loans by class

	Less than 1 mth	1 – 3 mths	Total
	$	$	$
As at October 31, 2019			
Loans			
Retail	1,189,922	3,339,414	4,529,336
Commercial/corporate	1,265,176	2,573,901	3,839,077
Mortgage	8,046,566	9,950,348	17,996,914
	10,501,664	15,863,663	26,365,327

	Less than 1 mth	1 – 3 mths	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

Notes to the Financial Statements

For the year ended October 31, 2019
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21. Financial risk management (continued)

21.6 Credit risk (continued)

21.6.6 Credit quality by class of financial assets

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
As at October 31, 2019				
Cash and cash equivalents	101,162,304	-	-	101,162,304
Securities:				
FVTPL:				
Government	13,005,487	-	-	13,005,487
Amortized cost:				
Government	7,685,703	-	-	7,685,703
Securities – gross	20,691,190	-	-	20,691,190
Interest receivable	2,629,013	-	-	2,629,013
Loans:				
Retail	14,857,622	4,529,336	1,938,287	21,325,245
Commercial/corporate	25,819,095	3,839,077	1,987,890	31,646,062
Mortgages	81,823,044	17,996,914	5,485,998	105,305,956
Loans – gross	122,499,761	26,365,327	9,412,175	158,277,263
Total	246,982,268	26,365,327	9,412,175	282,759,770

	Stage 1 $	Stage 2 $	Stage 3 $	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
Amortized 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:				
Retail	18,293,558	5,843,586	3,065,422	27,202,566
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
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

21. Financial risk management (continued)

21.6 Credit risk (continued)

21.6.7 Repossessed collateral

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

21.7 Capital management

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

The Bank's 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.

In accordance with the Banking Act, the Bank is required to maintain a minimum paid up share capital of $20 million and a total regulatory capital to adjusted risk-weighted assets ratio of 8%.

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 summarizes 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, 2019 $	October 31, 2018 $
Tier 1 Capital		
Share capital	20,178,995	20,178,995
Statutory reserve	13,909,691	11,800,791
Other reserves	(460,880)	(972,523)
Retained earnings	18,614,402	10,204,056
Total qualifying Tier 1 Capital	52,242,208	41,211,319
Tier 2 Capital		
Allowance for credit losses	2,011,255	2,151,586
Total qualifying Tier 2 Capital	2,011,255	2,151,586
Total regulatory capital	54,253,463	43,362,905
Risk-weighted assets		
On-statement of financial position	135,742,900	140,351,300
Off-statement of financial position	25,157,500	31,775,600
Total risk-weighted assets	160,900,400	172,126,900

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For the year ended October 31, 2019
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21. Financial risk management (continued)

21.7 Capital management (continued)

	October 31, 2019 $	October 31, 2018 $
Less: deduction for stage 3 allowance for credit losses	(5,678,677)	(7,289,449)
Less: deduction for stage 1 and stage 2 allowance for credit losses disallowed in tier 2 capital	(5,629,004)	(3,923,131)
Total adjusted risk-weighted assets	149,592,719	160,914,320
Total regulatory capital to adjusted risk-weighted assets	36.27%	26.95%

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, 2019 $	October 31, 2018 $
Bonds	7,603,989	5,049,989
Guarantees	2,067,923	2,067,923
	9,671,912	7,117,912

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, 2019 allowance for credit losses for customers' liabilities under acceptances, guarantees and indemnities amounted to $162,070 (2018 – $61,096).

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, 2019 $	October 31, 2018 $
Credit commitments	21,818,303	29,478,892

As at October 31, 2019 allowance for credit losses for credit commitments amounted to $679,998 (2018–$594,528).

22. Contingent liabilities and commitments (continued)

22.3 Legal proceedings

As at October 31, 2019 and October 31, 2018, 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, 2019 and October 31, 2018, there were no capital commitments.

23. Dividends

During the year no dividends were declared to shareholders (2018 – NIL). Dividends are accounted for as an appropriation of retained earnings.

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 prior 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 continues to manage approximately $5.8 million of the pension plan’s assets, which is targeted to be transferred during the year 2020 to RBC Investment Management (Caribbean) Limited. A partial transfer of $3.2 million of the pension plan’s assets was transferred to RBC Investment Management (Caribbean) Limited during November 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 recognized in the statement of financial position as at the valuation date are as follows:

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
Fair value of plan assets	-	9,676,000	9,676,000
Present value of defined benefit obligation	(934,000)	(10,465,000)	(11,399,000)
Liability recognized in the statement of financial position	(934,000)	(789,000)	(1,723,000)

Notes to the Financial Statements

For the year ended October 31, 2019
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24. Post-retirement benefit obligations (continued)

24.1 Recognition of liability in the statement of financial position (continued)

	Other post-employment plans $	Pension $	Total $
October 31, 2018			
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 recognized in the statement of financial position	(1,172,000)	(1,112,000)	(2,284,000)

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

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
At beginning of period	(1,172,000)	(1,112,000)	(2,284,000)
Employer contributions	-	407,000	407,000
Defined benefit cost included in income	(99,000)	(279,000)	(378,000)
Remeasurements included in Other comprehensive income	337,000	195,000	532,000
At end of year	(934,000)	(789,000)	(1,723,000)
October 31, 2018			
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)
Remeasurements included in Other comprehensive income	153,000	(530,000)	(377,000)
At end of year	(1,172,000)	(1,112,000)	(2,284,000)

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

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
At beginning of period	-	9,409,000	9,409,000
Interest income	-	428,000	428,000
Return on plan assets	-	(480,000)	(480,000)
Employer contributions	-	407,000	407,000
Employee contributions	-	167,000	167,000
Benefit payments	-	(241,000)	(241,000)
Administrative expenses	-	(14,000)	(14,000)
At end of year	-	9,676,000	9,676,000

24. Post-retirement benefit obligations (continued)

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

	Other post-employment plans $	Pension $	Total $
October 31, 2018			
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

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

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
At beginning of period	(1,172,000)	(10,521,000)	(11,693,000)
Current service cost	(54,000)	(220,000)	(274,000)
Interest cost	(58,000)	(473,000)	(531,000)
Other comprehensive income/(loss) remeasurements:			
Effects of changes in financial assumptions	-	199,000	199,000
Effect of experience adjustments	261,000	476,000	737,000
Effect of changes in demographic adjustments	76,000	-	76,000
Benefit payments from employer	13,000	-	13,000
Participant contributions	-	(167,000)	(167,000)
Benefit payments from plan assets	-	323,000	323,000
At end of year	(934,000)	(10,465,000)	(11,399,000)

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For the year ended October 31, 2019
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24. Post-retirement benefit obligations (continued)

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

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
At beginning of period	(1,172,000)	(10,521,000)	(11,693,000)
Current service cost	(54,000)	(220,000)	(274,000)
Interest cost	(58,000)	(473,000)	(531,000)
Other comprehensive income/(loss) remeasurements:			
Effects of changes in financial assumptions	-	199,000	199,000
Effect of experience adjustments	261,000	476,000	737,000
Effect of changes in demographic adjustments	76,000	-	76,000
Benefit payments from employer	13,000	-	13,000
Participant contributions	-	(167,000)	(167,000)
Benefit payments from plan assets	-	241,000	241,000
At end of year	(934,000)	(10,465,000)	(11,399,000)

	Other post-employment plans $	Pension $	Total $
October 31, 2018			
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) remeasurements:			
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)

24. Post-retirement benefit obligations (continued)

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

	Other post-employment plans $	Pension $	Total $
October 31, 2019			
Defined benefit cost included in income:			
Current service cost	54,000	220,000	274,000
Interest income	-	(428,000)	(428,000)
Interest expense	58,000	473,000	531,000
Administrative expenses	-	14,000	14,000
Components of defined benefit costs recognized in income	112,000	279,000	391,000
Remeasurement recognized in other comprehensive income:			
Return on plan assets	-	480,000	480,000
Effect of changes in demographic assumptions	(76,000)	-	(76,000)
Effect of changes in financial assumptions	-	(199,000)	(199,000)
Effect of experience adjustment	(261,000)	(476,000)	(737,000)
Components of defined benefit costs recognized in other comprehensive income/(loss)	(337,000)	(195,000)	(532,000)
October 31, 2018			
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 recognized in income	124,000	194,000	318,000
Remeasurement recognized 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 recognized in other comprehensive income/(loss)	(153,000)	530,000	377,000

Notes to the Financial Statements

For the year ended October 31, 2019
(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 comprise:

	October 31, 2019		October 31, 2018	
	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
Corporate and other bonds	958	9.9	2,014	21.4
Alternative investments and other	8,718	90.1	6,031	64.1
Total	9,676	100	9,409	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.

24. Post-retirement benefit obligations (continued)

24.6 Investment policy and strategies (continued)

Significant assumptions (continued)

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.

	October 31, 2019	October 31, 2018
Discount rates – medical	5.00%	5.00%
Discount rates – pension	4.50%	4.50%
Health care costs trend	5.00%	5.00%
Salary increases – pension	2.25%	3.00%

24.7 Contributions for the year

Contributions to the retirement benefit plan for the 2020 financial year are estimated to be $360,000 (2019 - $136,000).

Maturity analysis of benefit payments

	Less than 1 year	1 - 2 years	2 - 5 years	Next 5 years
As at October 31, 2019				
Projected benefit payments	96,000	752,000	1,883,000	2,659,000

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

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 2019 $	Benefit obligation 2018 $
Pension Plan:		
Impact of 1% decrease in discount rate	11,797,000	-
Impact of 1% increase in discount rate	9,346,000	-
Impact of 0.5% decrease in discount rate	-	11,231,000
Impact of 0.5% increase in discount rate	-	9,873,000
Impact of 0.5% decrease in rate of increase in future compensation	10,343,000	10,342,000
Impact of 0.5% increase in rate of increase in future compensation	10,595,000	10,713,000
Impact of 1 year increase in life expectancy	10,472,000	10,530,000

Notes to the Financial Statements

For the year ended October 31, 2019
(Expressed in Eastern Caribbean Dollars)

24. Post-retirement benefit obligations (continued)

24.8 Sensitivity analysis (continued)

	Benefit obligation 2019 $	Benefit obligation 2018 $
Other post-employment plans:		
Impact of 1% decrease in discount rate	1,231,000	-
Impact of 1% increase in discount rate	723,000	-
Impact of 0.5% decrease in discount rate	-	1,343,000
Impact of 0.5% increase in discount rate	-	1,028,000
Impact of 0.5% decrease in rate of increase in future compensation	934,000	1,172,000
Impact of 0.5% increase in rate of increase in future compensation	934,000	1,172,000
Impact of 1% decrease in health cost trend rate	724,000	906,000
Impact of 1% increase in health cost trend rate	1,225,000	1,541,000
Impact of 1 year increase in life expectancy	981,000	1,230,000

24.9 Mortality disclosures

The following table presents the life expectancy assumptions as at October 31, 2019 and October 31, 2018.

	Life expectancy at age 65 for a member currently (in years)			
	Age 65		Age 45	
	Male	Female	Male	Female
As at October 31, 2019	17.9	21.3	17.9	21.3
As at October 31, 2018	17.9	21.3	17.9	21.3

25. Fair value of financial assets and liabilities

The Bank's financial instruments include cash resources, securities, loans, other assets, customer deposits and other liabilities.

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 realizable value.

Securities

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

Loans

Loans 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 represents the discounted amount of estimated future cash flows expected to be received.

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 amortized cost

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

Financial assets and liabilities for which fair values are disclosed:

	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
	$	$	$	$	$	$	$
As at October 31, 2019							
Securities	-	7,990,676	7,990,676	-	-	7,990,676	7,990,676
Loans	-	155,961,598	155,961,598	-	-	155,961,598	155,961,598
Other assets	2,629,013	-	2,629,013	-	-	-	-
Due to banks	82,816	-	82,816	-	-	-	-
Customers' deposits	309,746,401	-	309,746,401	-	-	-	-
Other liabilities	79,163	-	79,163	-	-	-	-

	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
	$	$	$	$	$	$	$
As at October 31, 2018							
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	-	-	-	-

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.

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 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 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, 2019	$	$	$	$
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt	-	13,005,487	-	13,005,487
Money market instruments	5,700,260	-	-	5,700,260
	5,700,260	13,005,487	-	18,705,747
Securities FVOCI				
Securities FVOCI designated				
Equity securities	-	-	1,229,333	1,229,333
	-	-	1,229,333	1,229,333
	5,700,260	13,005,487	1,229,333	19,935,080

Notes to the Financial Statements

For the year ended October 31, 2019
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25. Fair value of financial assets and liabilities (continued)

Disclosures of fair value for financial instruments that are measured and disclosed at fair value (continued)

At October 31, 2018	Level 1 $	Level 2 $	Level 3 $	Total $
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
	5,203,943	12,811,133	-	18,015,076
Securities FVOCI				
Securities FVOCI designated				
Equity securities	-	-	1,013,039	1,013,039
	-	-	1,013,039	1,013,039
	5,203,943	12,811,133	19,028,115	19,028,115

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

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.

Notes to the Financial Statements

For the year ended October 31, 2019
(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 (continued)

The following table summarizes 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 realized.

	Level 3 Fair value $	Positive fair movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2019			
Securities at FVOCI	1,229,333	189,526	(176,680)
	1,229,333	189,526	(176,680)

	Level 3 Fair value $	Positive fair movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2018			
Securities at FVOCI	1,013,039	225,038	(187,507)
	1,013,039	225,038	(187,507)

Sensitivity results

As at October 31, 2019, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $189,526 (2018: $225,038) and a reduction of $176,680 (2018: $187,507) in fair value which would be recorded in other components of equity.

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
Equities	Sensitivity of equity investments is determined by adjusting the price multiples based on the range of multiples of comparable companies.

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

Reconciliation of Level 3 fair value measurements of financial assets

	FVOCI $	Total $
As at November 1, 2018	1,013,039	1,013,039
Losses from changes in fair value	216,294	216,294
As at October 31, 2019	1,229,333	1,229,333

	FVOCI $	Total $
As at November 1, 2017	1,035,220	1,035,220
Losses from changes in fair value	(22,181)	(22,181)
As at October 31, 2018	1,013,039	1,013,039

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, 2019, 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 realized and unrealized gains and losses recognized in non-interest income.

	For the year ended October 31,	
	2019 $	2018 $
Government and state-owned enterprises debt	1,781,855	(4,986,431)
Money market instruments	496,317	(323,915)
Net losses for financial instruments classified as fair value through profit or loss	2,278,172	(5,310,346)

For the year ended October 31, 2019, $2,278,172 of net fair value gains on financial assets classified as FVTPL, were included in non-interest income (2018 – $5,310,346 losses).

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, 2019 $	October 31, 2018 $
Due to banks		
Other banks	82,816	60,045

Notes to the Financial Statements

For the year ended October 31, 2019
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27. Events after the reporting date

The following non adjusting event occurred after the Statement of Financial Position date and before the date of approval of the financial statements by the Board of Directors.

On December 12, 2019, the Board of Directors of RBC Financial (Caribbean) Limited announced they have entered into an agreement to sell all banking operations in the Eastern Caribbean to a consortium of five indigenous banks in the region via a Share Purchase Agreement for the subsidiaries and Asset Purchase Agreements for the Branches. Subject to regulatory approvals and other customary closing conditions, the Group expects this transaction to be completed within nine months of the date of the announcement.

Included in the sale transaction is the RBC Financial (Caribbean) Limited 62% shareholding in RBTT Bank Grenada Limited.

Management Proxy Circular

GRENADA

THE COMPANIES ACT, 1994
(Section 142)

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

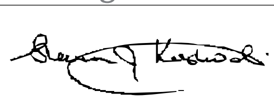
2. **Particulars of Meeting:**
   Thirty-seventh Annual Meeting of the Shareholders of the Company to be held at the Conference Room, Radisson Grenada Beach Resort, Grand Anse, St. George's, Grenada on Monday April 20, 2020 at 1:30 p.m.

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
March 9, 2020	Sharon Keshwah-Charles Corporate Secretary RBTT Bank Grenada Limited	

Form of Proxy

RBTT BANK GRENADA LIMITED

Company No. 2 of 1983-924

THIRTY-SEVENTH ANNUAL MEETING scheduled for Monday April 20, 2020 at 1:30 p.m. Radisson Grenada Beach Resort, Grand Anse, St. George's, 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, 2019 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. Isaac Solomon, Ron Antoine and Musa Jasat retire from office and being eligible 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.	☐	☐
(b) In accordance with paragraph 4.3.3 of By-law No. 3 of the Company Ms. Kara Warner who was appointed to the Board to fill the vacancy created by the resignation of Ms. Karlene Thompson Bishop, being eligible be and is hereby re-elected as a Director of the Company for a term from the date of her 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 ____________________ 2020.

Signature of Member ____________________ 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	