RBTT Bank (SKN) Limited

Annual Report 2020

RBTT BANK (SKN) LIMITED

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Notice of Annual Meeting

NOTICE is hereby given that the Sixty-Fourth Annual Meeting of the Company will be held at the St. Paul's Anglican Church Conference Hall, Main Street, Charlestown, Nevis on Friday March 26, 2021 at 9.00 a.m. as well as virtually on an online platform for the following purposes:

ORDINARY BUSINESS

1. To review and consider the Audited Financial Statements for the year ended October 31, 2020 together with 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 consider and approve a resolution, ratifying and confirming all acts, transactions and proceedings of the Directors, Officers and Employees of the Company, which may be properly brought before the Meeting.
5. To transact any other business of the Company, which may be properly brought before the Meeting.

SPECIAL BUSINESS

ORDINARY RESOLUTIONS:

RESOLVED THAT:

6. To amend the By-laws of the Company by inserting immediately after clause 19 thereof the following new clauses numbered "19A" and "19B":

"19A. **MEETINGS OF DIRECTORS BY ELECTRONIC MEANS**

19.A.1. **Meeting by Electronic Communication or Other Means**

Notwithstanding any other provision in these By-laws, a director or the Board of Directors may, if majority of the directors consent, participate in a meeting of directors or of any committee of the directors by means of such telephone, internet, video-conferencing or other electronic or virtual communications facilities as permit all persons participating in the meeting to hear and communicate simultaneously with each other. A director or the Board of Directors participating in such a meeting by such means is deemed to be present at the meeting.

19B. MEETINGS OF SHAREHOLDERS BY ELECTRONIC MEANS

19.B.1. **Meeting by Electronic Communication or Other Means**

The Directors of the Company may opt to host an annual or special meeting of shareholders a) virtually or b) in hybrid form if it is necessary or reasonable to do so as a result of, including but not limited to, conditions of a pandemic, a state of emergency or following a natural disaster for instance a hurricane, earthquake, fire or flood).

19.B.2. **Virtual Meeting**

19.B.2.1 The annual or special meeting of shareholders may take place by means of video-conferencing or such other suitable electronic or virtual communication forms as may be available from time to time. The electronic or virtual communication forms should facilitate attendance, voting and participation of shareholders.

19.B.2.2. Registration or access details including instructions on joining, participating and voting during the virtual shareholders meeting shall be provided to shareholders no later than three (3) days before the virtual shareholders meeting.

19.B.3. **Hybrid Meeting**

19.B.3.1 This constitutes a combination of virtual and an “in person” annual or special meeting of shareholders.

19.B.3.2. Registration or access details including instructions on joining, participating and voting utilising the virtual aspect of the hybrid meeting shall be provided to shareholders no later than three (3) days before the hybrid shareholders meeting.

19.B.4 **Voting**

19.B.4.1. At every meeting at which he is entitled to vote, every shareholder, proxy holder or individual authorised to represent a shareholder who is present virtually shall have one vote on a show of hands.

19.B.4.2. A ballot may be electronic or virtual form.

19.B.5 **Quorum**

19.B.5.1. A shareholder present electronically or virtually, entitled to a vote thereat, or a duly appointed proxy holder or representative of a shareholder so present and entitled, shall be deemed to be included in determining whether there is a quorum of a meeting of shareholders.

19.B.6 **Precedence**

19.B.6.1 This By-law 19.B shall apply notwithstanding any other provision in these By-laws to the contrary".

7. To effect the change of the name of the Company:-

RECITAL:

A. RBC Royal Bank Holdings (EC) Limited, RBC Financial (Caribbean) Limited and Antigua Commercial Bank Ltd., National Bank of Dominica Ltd., Bank of Montserrat Limited, The Bank of Nevis Limited, 1st National Bank St. Lucia Limited (collectively, the "Buyers") and Johnathan Johannes, as buyer representative, entered into a share purchase agreement dated December 11, 2019 (as it may be amended from time to time) pursuant to which The Bank of Nevis Limited will purchase 100% of the issued and outstanding "A" ordinary shares in the capital of the Company and the Buyers will purchase 100% of the equity interests of RBTT Bank Caribbean Limited (the "Share Purchase Transaction").

B. RBTT Bank Caribbean Limited holds 4,790,361 ordinary shares in the capital of the Company, representing 95.78% of the issued and outstanding ordinary shares in the capital of the Company.

C. In connection with the Share Purchase Transaction, it is proposed that the name of the Company be changed from RBTT Bank (SKN) Limited to BON Bank Ltd.

D. The Eastern Caribbean Central Bank has no objection to the proposed name BON Bank Ltd.

SPECIAL RESOLUTION:

RESOLVED THAT:

i. The Articles of Continuance of the Company be amended to change the name of the Company from RBTT Bank (SKN) Limited to BON Bank Ltd.

ORDINARY RESOLUTION:

ii. The directors and officers of the Company be and are hereby authorised to do all acts and things necessary to execute all instruments and documents necessary or desirable to carry out the foregoing.

BY ORDER OF THE BOARD

BSeymour

Briony Cartwright-Seymour
Corporate Secretary
March 5, 2021

Notes:

1. No Service Contracts were entered into between the Company and any of its Directors.
2. In accordance with Section 108(2) of the Companies Act, 1994, the Directors of the Company have fixed Friday March 5, 2021, as the record date for the determination of Shareholders who are entitled to receive Notice of the Annual Meeting. Only Shareholders on record at the close of business on Friday, March 5, 2021, 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. In accordance with Section 108(2) of the Companies Ordinance, 1999, the Directors of the Company have fixed Friday March 5, 2021 as the record date for the determination of Shareholders who are entitled to receive Notice of the Annual Meeting. Only Shareholders on record at the close of business on Friday March 5, 2021 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.
4. 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
5. A Shareholder that is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its Directors or of its governing body to represent it at the Annual Meeting.

History and Ownership

RBTT Bank (SKN) Limited is a bank licensed under the Banking Act, 2015 of the Federation of St. Kitts & Nevis with its principal office situated at Chapel Street, Charlestown, Nevis. The Company is also a reporting issuer under the Securities Act, 2001 of the Federation of St. Kitts & Nevis.

The Company was incorporated as Nevis Co-Operative Banking Company Limited on March 16, 1955 under the Companies Ordinance of the Colony of St. Kitts Nevis and Anguilla. In April 1996, a 95% interest in the Company was acquired by the RBTT Financial Group, and in 2002 the Company's name was changed to RBTT Bank (SKN) Limited. Subsequently, in 2008, Royal Bank of Canada acquired the RBTT Financial Group and the Company became part of the RBC Caribbean Banking Group.

RBTT Bank Caribbean Limited, incorporated in St. Vincent and the Grenadines, holds approximately 96% interest in the Company. RBC Financial (Caribbean) Limited, which is incorporated in Trinidad and Tobago, is the indirect parent company of RBTT Bank Caribbean Limited, purchased 1,000 new A ordinary shares of RBTT Bank (SKN) Limited. However, the A Ordinary Shares carry no rights to receive dividends and will not generally be entitled to attend and vote at meetings of shareholders of the Company. RBC Financial (Caribbean) Limited and its subsidiaries ("RBC Caribbean Banking Group") are engaged in the business of banking and the provision of financial services.

Board of Directors

Ms. Rae Debbie Skinner
Exec. Chairman

Ms. Skinner has a background in accounting, business administration, sales and coaching and has over twenty years of experience in banking. She currently holdings the position of Senior Regional Enablement Coach Business and Corporate Banking - RBC Caribbean Banking. In her role she is responsible for growing and developing strong relationships with the Bank's business clients whilst providing sound financial advice and solutions to satisfy their needs and provide a high level of customer service.

Ms. Skinner holds an Associate Degree in Accounting and Business Administration from Manchester College, Manchester, United Kingdom, a Bachelor of Arts in Economics (Hons) from Yale University, Connecticut, USA and an Executive Masters of Business Administration from the University of the West Indies, Institute of Business, Trinidad & Tobago.

Mr. Tyrell has a background in accounting and business administration with over thirty years of experience in business. He is a well-known local businessman in Nevis and was a former Director of Trade, Nevis Island Administration, with responsibility for developing the International Trading Policy for the government. Mr. Tyrell holds a Master of Business Administration from the University of the Virgin Islands (2003) and a Master of Accounting from Florida International University (2002).

Mr. Morrice Tyrell
Non-Exec. Director

Mr. Chad Allen
Exec. Director

As Country Manager for RBC – St. Kitts and Nevis since August 2015, Mr. Allen is responsible for building marketplace recognition and strengthening RBC's competitive position by accelerating revenue growth. Mr. Allen currently leads a group of Retail Branches and Sales and Service Teams.

Born and raised in the island of Jamaica, Mr. Allen joined RBC in 2011 as the Branch Manager for RBC Mandeville Branch. He possesses 23 years of experience in banking, having commenced as a teller with the CIBC International Bank in 1997, where he spent two years, and thereafter transitioning to the Bank of Nova Scotia, where he held various roles over a period of 13 years.

Mr. Allen is focused on giving back to the community, both as the Country Manager for RBC in St. Kitts and Nevis as well as in his capacity as Past President of the Rotary Club.

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. Isaac Solomon
Exec. Director

Mr. Cartwright Farrell
Non-Exec. Director

Mr. Farrell has a background in electrical engineering with over twenty years of experience. He currently holds the positions of Chief Executive Officer of the St. Kitts Electricity Company Limited and that of General Manager of Nevis Electricity Company Limited. He is a senior engineer and consultant in GECS, a company specilising in energy and project management.

Mr. Farrell holds an Masters of Business Administration from Manchester Business School, Manchester University, United Kingdom (2008) and a Bachelor of Electrical and Electronics Engineering, Staffordshire University (1991).

Corporate Information

BOARD OF DIRECTORS
Ms. Rae Debbie Skinner, Chairman
Mr. Chad Allen
Mr. Morrice Tyrell
Mr. Isaac Solomon
Mr. Cartwright Farrell

REGISTERED OFFICE
Chapel Street
Charlestown
Nevis, W.I.
Tel: (869) 469-5277
Fax: (869) 469-1493

CORPORATE SECRETARY
Mrs. Briony Cartwright-Seymour
RBC RBC Royal Bank (Bahamas) Limited
101 East Hill Street
Royal Bank House
Nassau, N.P.
The Bahamas

AUDITORS
PricewaterhouseCoopers East Caribbean
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P.O. Box BW 304
Gros Islet
St. Lucia, W.I.

ATTORNEYS
Myrna Walwyn & Associates
Chambers, Suites 16 & 17
Temple Building, Main Street
Charlestown
Nevis

Gonsalves Parry
Chambers
P.O. Box 449
Suite C26 A&B
The Sands Complex
George Street
Basseterre
St. Kitts

Kelsick Wilkin & Ferdinand
Fred Kelsick Building
Independence Square South
Basseterre
St. Kitts

Chairman's Report

Ms. Rae Debbie Skinner
Chairman

On behalf of the Board, I hereby inform you of the progress made by RBTT Bank (SKN) Limited ("RBTT SKN") in 2020 as we continued to focus on our transition journey, while navigating through extraordinary times.

2020 was undoubtedly one of the most challenging years our society and global economy has faced in generations. At the beginning of the coronavirus pandemic last March, Governments around the world — as well as in St. Kitts and Nevis — took drastic measures, including closing borders, curfew and full lockdown periods. In alignment with our overall Enterprise strategy, RBTT SKN adopted modified business hours for clients and introduced early opening hours to serve the elderly and differently-abled clients exclusively.

Since the earliest days of the pandemic, client habits in St. Kitts and Nevis have changed and we managed to continue our digital path. We demonstrated that we can work in an agile, innovative and flexible manner, while still supporting our clients and be there for them during what might be the most challenging time for their personal and financial lives. Throughout this time, the Bank made the COVID-19 Client Relief Program available to clients, a deferral program to protect their livelihood. Though the formal program came to an end on September 30, 2020, we continued to work closely with our clients to assist them with financial support. Amidst this unique environment, RBTT SKN continued to be guided by our Purpose to help clients thrive and communities prosper. Aligned with our overall Enterprise strategy, the Bank led with a heightened sense of focus on delivering long-term value for our employees, clients, communities and shareholders.

Subsequent to the announcement made by Royal Bank of Canada (RBC) in December 2019, RBC and the consortium buyers received approval from the Eastern Caribbean Central Bank at the end of December 2020 to move forward with the sale of our Eastern Caribbean banking operations. Subject to the receipt of final Government approvals, we will be working closely with The Bank of Nevis towards a smooth transfer of RBTT Bank (SKN) Limited ("RBTT SKN") for our clients, employees and shareholders.

Eastern Caribbean Currency Union (ECCU): Economic Review and Outlook

The Eastern Caribbean Central Bank (ECCB) estimates a 2020 real GDP contraction of 16.18% for the bloc. The COVID-19 pandemic put a pause on economic activities within the region, resulting in significant unemployment, lower government revenues and rising debt levels. At the end of 2019, the region's public debt to GDP ratio stood at 65%. The ECCB anticipates total debt of the region to have risen in both nominal terms and as a percentage of GDP during 2020. Convergence to the debt to GDP target of 60% by 2030 will require substantial acceleration of growth and/or the generation of sustainable primary surpluses in the medium to long term.

Among the largest income producing sectors of the Eastern Caribbean Currency Union (ECCU), Construction and Tourism have been severely impacted by the pandemic. Global supply chain challenges negatively impacted the region's construction industry, causing an over 20% contraction for the year while second waves of infections in major tourism source markets drove a 67% contraction in the hotels and restaurants sector. Stopover arrivals for the bloc as at September 2020 were down 83% y/y. The ECCB projects a moderate rebound of 5% for the bloc in 2021, led by a recovery of tourism travel. This outlook remains uncertain given the protraction of virus containment measures and the pace of vaccine rollouts across the globe.

St. Kitts and Nevis Economic Review and Outlook

According to the 2021 Budget Address, the Government estimates a 12.5% real GDP contraction for 2020. A projected 2021 rebound to +5% is expected to be driven by a partial recovery of key sectors: Construction, Wholesale and Retail, Transport, Storage and Communications, and Real Estate, Renting and Business Activities. The suspension of international and regional travel coupled with the precautionary border closures resulted in a contraction of economic activity in the tourism sector by an estimated 35.4% in 2020 compared with growth of 7.9% in 2019. The closure of hotels and tourism support services accounted for approximately 11.6% of the workforce being laid off while others experienced underemployment due to reduced hours. The reopening of borders in the last quarter of 2020 is expected to have little impact on the recovery of the tourism sector, given the continued prevalence of the virus within major tourism source markets. The government expects tourism to record a moderate recovery in 2021 on the back of anticipated largescale vaccine roll outs globally. The Yachting sector is expected to be among the first segments to resume travel. Local authorities have therefore intensified efforts through digital and print advertising to promote the Federation as a 'must see' or 'return to' destination for yachters.

ECCB data shows a deflationary trend throughout 2020. For the third quarter of 2020, average price levels deflated by 0.64%. Some recovery in demand is expected following the reopening of borders and resumption of commercial flights. The government has estimated for 2020, fiscal and primary deficits of 2.9% of GDP and 2.1% of GDP, respectively. For 2021, both deficits are projected to improve marginally to 2.7% of GDP and 2% of GDP, respectively. Total public debt to GDP ratio is estimated to have risen to 69.7% in 2020 and is forecasted to decline thereafter to 65.4% in 2021, 61.7% in 2022 and 60% in 2023. Short and medium term downside risks stem from continued uncertainties related to the COVID-19 pandemic and inherent potential natural disaster shocks.

Financial Highlights

For the financial year ended October 31 2020, RBTT Bank (SKN) Limited (the Bank) reported a net loss of $1.0 million representing an improvement of $0.5 million compared to the prior year loss of $1.5 million, driven by credit loss recoveries and deferred tax credit both in the current year. These were partially offset by lower revenue, from declines in loan interest income due to lower loan volumes and interest on non-performing loans last year, decline in fees and commissions, lower unrealised gains on changes in fair value of securities and foreign exchange earnings. Operating expenses increased year-on-year mostly related to card costs and staff costs from prior year severance accrual reversal partly offset by lower management fees.

Total assets were relatively flat year-over-year as the increase in cash and equivalents was offset by declines in loans and advances to customers, investment securities and other assets. On the funding side customer deposits increased by $2.5 million offsetting declines in other liabilities. Gross loans totalled $33.9 million at the end of 2020, $5.1 million or 13.1% below the prior period. Mortgages amounted to $26.7 million, down $3.5 million or 11.6% with Commercial/Corporate and Retail loans both declining by $0.8 million to $5.3 million and $1.9 million respectively.

The Bank's regulatory capital ratio is 108.6% (2019: 92.65%) well in excess of required regulatory thresholds.

Our Community

In our communities, many vulnerable citizens were at risk and we quickly stepped in to help. We have made significant donations to COVID-19 relief across the Caribbean. Even as the pandemic continues to challenge our communities, we recognise 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. Despite the unique circumstances, we continued to bring our purpose to life through local community organisations and causes.

Acknowledgements

To close, I would like to extend my sincerest thanks to our employees for their continued hard work and commitment in support of our clients — not just through these unprecedented times — but always. Also, I would like to recognise my fellow Board members and express a sincere word of thanks for your continued dedication, support and leadership. Looking ahead, we remain committed to ensuring a smooth transitioning of our RBTT SKN operations to The Bank of Nevis and will provide the relevant support in that regard. You, our valued shareholders, have placed your confidence and trust in us. I thank you for your commitment and hope that you will continue this transition journey with the Bank in this upcoming year.

Rae D Skinner

Rae Debbie Skinner
Chairman

Management's Discussion and Analysis of Financial Conditions

OVERVIEW

The following discussion is provided to enable a reader to assess the Bank's financial statements and its general operations for the year ended October 31, 2020, compared to the preceding year.

RBTT Bank (SKN) Limited ("the Bank") was incorporated in Nevis. Its principal activities are commercial and retail banking operations conducted from a sole branch situated in Charlestown, Nevis. The address of its registered office is Chapel Street, Charlestown, Nevis.

The Bank is a 96% subsidiary of RBTT Bank Caribbean Limited, 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.

On December 12, 2019, the Board of Directors of RBC Financial (Caribbean) Limited announced they 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. Included in the sale transaction is the RBC Financial (Caribbean) Limited 96% shareholding in RBTT Bank (SKN) Limited.

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

ECCU

The Eastern Caribbean Central Bank (ECCB) estimates a 2020 real GDP contraction of 16.18% for the bloc. The COVID-19 pandemic put a pause on economic activities within the region, resulting in significant unemployment, lower government revenues and rising debt levels. At the end of 2019, the region's public debt to GDP ratio stood at 65%. The ECCB anticipates total debt of the region to have risen in both nominal terms and as a percentage of GDP during 2020.

Convergence to the debt to GDP target of 60% by 2030 will require substantial acceleration of growth and/or the generation of sustainable primary surpluses in the medium to long term.

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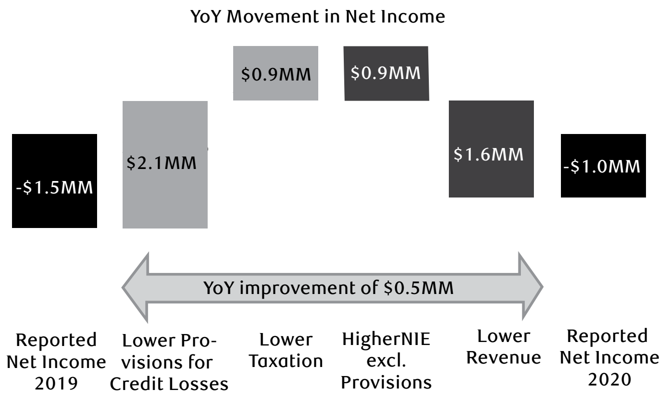
CRITICAL ACCOUNTING POLICIES

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

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

FINANCIAL PERFORMANCE



For the financial year ended October 31 2020, RBTT Bank (SKN) Limited (the Bank) reported a net loss of $1.0 million representing an improvement of $0.5 million compared to the prior year loss of $1.5 million, driven by credit loss recoveries and deferred tax credit both in the current year. These were partially offset by lower revenue, from declines in loan interest income due to lower loan volumes and interest on non-performing loans last year, decline in fees and commissions, lower unrealised gains on changes in fair value of securities and foreign exchange earnings. Operating expenses increased year-on-year mostly related to card costs and staff costs from prior year severance accrual reversal partly offset by lower management fees.

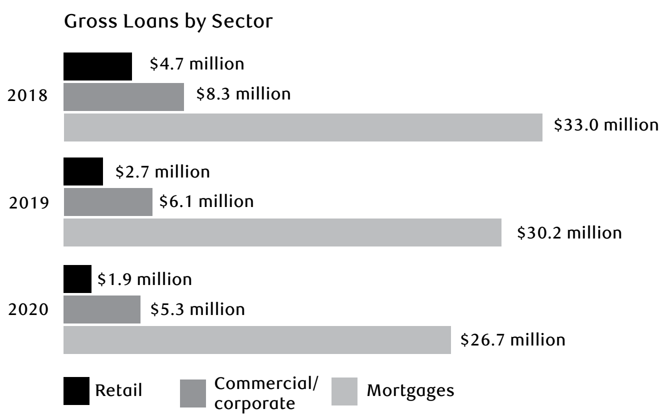
Total assets were relatively flat year-over-year as the increase in cash and equivalents was offset by declines in loans and advances to customers, investment securities and other assets. On the funding side customer deposits increased by $2.5 million offsetting declines in other liabilities with retained earnings lower by $1.0 million representing the current year's net loss.

BALANCE SHEET REVIEW

Total Assets & Liabilities

As at the end of 2020 the bank reported total assets of $71.6 million, largely on par with the 2019 year-end balance. Cash & equivalents were $7.0 million higher compared to the prior year driven by increases in deposits held at Central Bank of $5.0 million (not including statutory deposits), amounts due from other banks of $1.4 million and deposits with affiliated banks of $0.8 million with cash on hand declining by $0.2 million. These were offset by declines in loans and advances to customers of $3.9 million, investment securities of $2.6 million and other assets of $0.6 million.

Total liabilities amounted to $46.9 million, up $1.1 million or 2.3% from the prior year driven by increases in customer deposits of $2.5 million offsetting declines in amounts due to affiliated companies and other liabilities of $0.3 million and $1.1 million respectively.



Loan Portfolio

Gross loans totalled $33.9 million at the end of 2020, $5.1 million or 13.1% below the prior period. Mortgages amounted to $26.7 million, down $3.5 million or 11.6% with Commercial/

Corporate and Retail loans both declining by $0.8 million to $5.3 million and $1.9 million respectively.

Deposits Portfolio

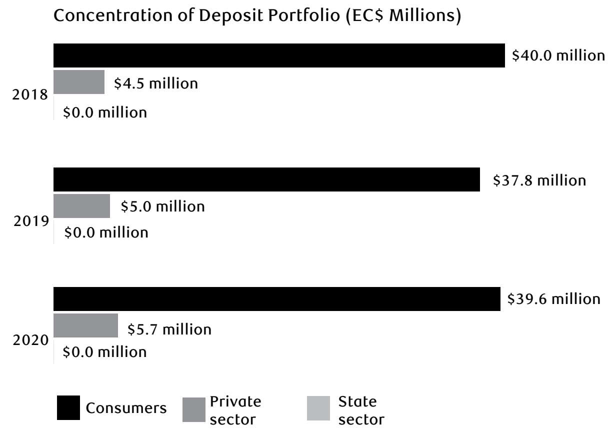
Gross deposits increased by $2.5 million or 5.7% to $45.4 million in 2020 from $42.9 million in 2019 from increases across all sectors.

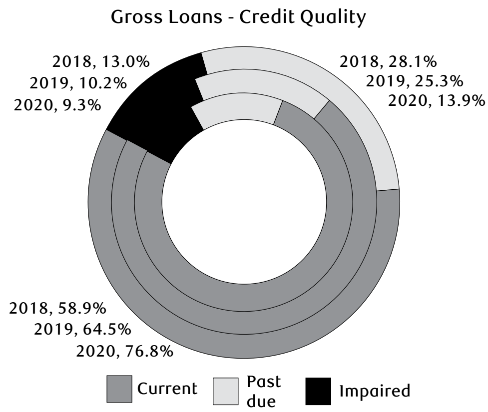
Credit Quality

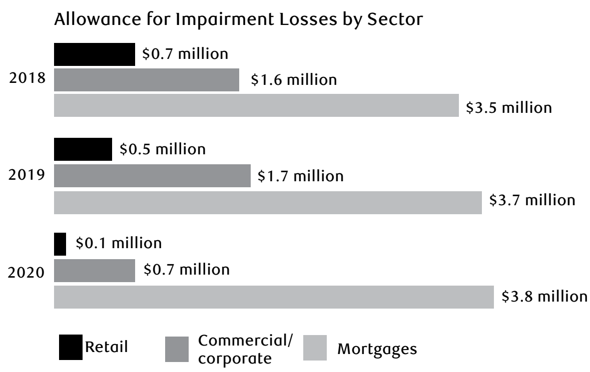
Impaired loans and advances fell to $3.2 million by the end of 2020, 9.3% of total gross loans, from $4.0 million or 10.2% of total gross loans in 2019.

Allowance for impairment losses totalled $4.6 million at the end of 2020, $1.3 million below the previous year, as provisions on commercial/corporate and retail credit facilities were lower by $0.9 million and $0.4 million respectively. Stage 3 provisions declined by $1.6 million, largely attributable to re-measurements and write-offs net of recoveries. Stage 1&2 provisions were $0.3 million higher mostly related to COVID-19, as the pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio, as it was not originally designed with events of this magnitude in mind. Consequently, a model overlay was used.

Coverage on impaired loans and advances (allowance for impairment/impaired loans) was 1.47, a decline from 1.49 in the previous year.







Investment Portfolio

Investment securities totalled $0.9 million as at the end of 2020, down from $3.5 million in 2019 mostly driven by disposals.

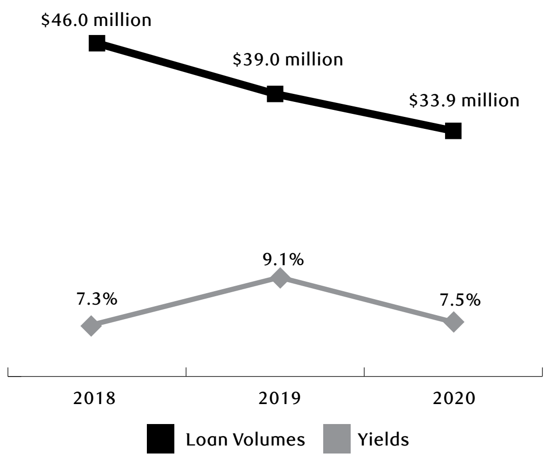
INCOME STATEMENT REVIEW

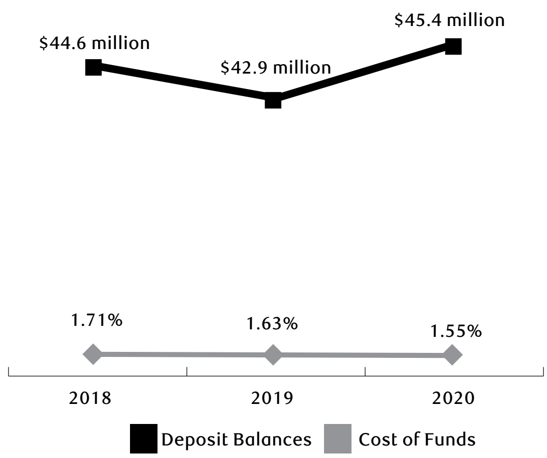
Revenue

Total reported revenue for 2020 was $2.4 million, representing a decline of $1.6 million compared to the previous year, driven by declines in both net interest income and non-interest income.

Net interest income was $1.0 million lower year-on-year, driven by lower interest income from recognition of interest on previously non-performing loans in the prior year, and lower volumes. Deposits costs were relatively flat year-over-year as higher deposit balances were offset by lower cost of funds.

Non-interest income for 2020 came in at $0.5 million a decline of $0.6 million compared to the previous year driven by lower fees and commissions, related to recognition of late fees last year and lower unrealised gains on changes in fair value of securities.





Non-Interest Expense

Total reported non-interest expense (excluding provisions for credit losses) was $5.3 million for 2020. This represents an increase of $0.9 million or 19.4% compared to 2019, mainly due to higher card related costs, business taxes and staff costs. These were partially offset by lower management fees payable to affiliated companies.

The Reported Efficiency ratio was 224.6% for fiscal 2020, an increase from the prior year ratio of 111.8% due to higher non-interest expenses and lower revenue.

Provisions For Credit Losses

The Bank reported a net recovery on provision for credit losses of $1.9 million, an improvement compared to the net provisions of $0.2 million in the prior year, mostly related to Stage 3 re-measurements, and Stage 1&2 de-recognitions and maturities net of recoveries.

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 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 Bank's liquidity management process is carried out by the Group'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 20.3 of the audited financial statements.

CAPITAL MANAGEMENT

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 Bank's regulatory capital ratio is 108.59% (2019: 92.65%) well in excess of required regulatory thresholds.

For further details refer to note 20.7 of audited financial statements.

MATERIAL TRANSACTIONS

Related parties include the ultimate parent company, Royal Bank of Canada, associated companies, postemployment benefit plans for the benefit of our employees, key management personnel, the Board of Directors of RBC (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

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 19 of audited financial statements.

Corporate Governance Report

Introduction

RBTT Bank (SKN) 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. We regard certain characteristics and behaviours as essential for board members. Directors must be dedicated to the needs of the Bank, appropriately challenge the status quo, assess opportunities from a strategic context, 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. Two 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 three (3) Directors and a maximum of fourteen (14) directors of the Company. Board size and composition are determined by the regulatory requirements, in accordance with applicable law in the jurisdiction, as well as best practices, taking into consideration the skills, diversity, geographies and areas of expertise already represented on the Board. From a strategic perspective, the Board composition includes representation from key management within the platform or business to ensure that information flows and accountability is maintained.

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

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

Committee of the Board of Directors

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

Management is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles, policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditor is responsible for obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion.

The Audit Committee is responsible for the oversight of the financial reporting and internal controls of the 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 also recommends the appointment and approves the terms of engagement of the independent Auditors.

The Audit Committee has responsibility for reviewing practices and procedures with a view to ensuring compliance with reporting and disclosure requirements of applicable laws related to financial performance and material undertakings and activities of the Company.

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 behaviour that apply to the Chair and members of the Board, senior management and all employees of RBTT Bank (SKN) 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 behaviour, 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 below, 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.

Credit Risk

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill its contractual obligations. Credit risk may arise directly from the risk of default of a primary obligor (e.g., issuer, debtor, counterparty, borrower or policyholder), or indirectly from a secondary obligor (e.g., guarantor or reinsurer). Credit risk includes counterparty credit risk from both trading and non-trading activities. The failure to effectively manage credit risk across all of the Bank's products, services and activities can have a direct, immediate and material impact on its earnings and reputation.

The responsibility for managing credit risk is shared broadly following the three lines of defence governance model.

The Enterprise Credit Risk Framework and supporting policies are designed to clearly define roles and responsibilities, acceptable practices, limits and key controls. The Credit Risk Framework describes the principles, methodologies, systems, roles and responsibilities, reports and controls that exist for managing credit risk within RBC.

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.

Report of the Directors

The Directors take pleasure in submitting their Report for the year ended October 31, 2020.

FINANCIAL RESULTS

(Expressed in Eastern Caribbean dollars)

	$
Net loss after tax for the year	(1,041,540)
Transfer to Statutory Reserve	Nil
Dividends paid	Nil
Accumulated deficit at beginning of year	(2,127,771)
Transition adjustment	Nil
Accumulated deficit at end of year	(3,169,311)

DIRECTORS

In accordance with Paragraph 4.5.1(a) of By-Law No. 1 of the Company, Ms. Rae Debbie Skinner and Messrs. Isaac Solomon, Chad Allen, Cartwright Farrell and Morrice Tyrell be and they are hereby re-elected as Directors of the Company for a term from the date of their re-election until the close of the next Annual Meeting following this re-election.

AUDITORS

The Directors have agreed to recommend the re-appointment of PricewaterhouseCoopers as Auditors of the Company. In accordance with Section 162(1) of the Companies Ordinance 1999, the term of the appointment will extend from the close of the Sixty-Third Annual Meeting until the next Annual Meeting of the Company.

BY ORDER OF THE BOARD

BSeymour

Briony Cartwright-Seymour
Corporate Secretary

March 5, 2021

Statement of Management Responsibilities

The Banking Act requires management to be responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RBTT Bank (SKN) Limited ("the Bank") which comprise the statement of financial position as at October 31, 2020 and the statements of income or loss and other comprehensive income or loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of Bank operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

The financial statements and accompanying notes to the financial statements were prepared using the going concern basis of accounting, however the Bank is scheduled to be sold within the next twelve months.

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

Country Manager	Senior Manager – Finance
January 22, 2021	January 22, 2021

pwc

Independent auditors' report

To the Shareholders of RBTT Bank (SKN) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBTT Bank (SKN) Limited (the Bank) as at October 31, 2020, 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, 2020;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

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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

22 January 2021

Statement of Financial Position

As at October 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2020 $	October 31, 2019 $
Assets			
Cash and cash equivalents	3	35,006,455	27,970,257
Statutory deposit with Central Bank	3	3,447,025	3,282,025
Loans	4	29,232,424	33,093,855
Securities	5	899,591	3,465,528
Due from associates and affiliated companies	19	-	129,743
Intangible assets	6	48,943	82,376
Premises and equipment	7	1,374,871	1,430,620
Deferred tax asset	17	932,900	797,151
Income tax recoverable	17	192,073	207,813
Other assets	8	447,904	1,074,044
Total assets		71,582,186	71,533,412
Liabilities			
Customers' deposits	9	45,375,367	42,918,959
Due to associates and affiliated companies	19	1,346	303,138
Other liabilities	10	1,476,161	2,565,441
Total liabilities		46,852,874	45,787,538
Equity			
Share capital	11	20,001,222	20,001,222
Share premium		1,941,734	1,941,734
Statutory reserve	12	5,644,965	5,644,965
Revaluation reserve		310,702	285,724
Accumulated deficit		(3,169,311)	(2,127,771)
Total equity		24,729,312	25,745,874
Total equity and liabilities		71,582,186	71,533,412

On January 22, 2021, the Board of Directors of RBTT Bank (SKN) Limited authorised these financial statements for issue.

____________________ Director
Isaac Solomon

____________________ Director
Cartwright Farrell

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

Statement of Income or Loss and Other Comprehensive Income or Loss

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2020 $	October 31, 2019 $
Interest income	13	2,559,951	3,598,763
Interest expense	14	(704,186)	(698,854)
Net interest income		1,855,765	2,899,909
Non-interest income	15	510,688	1,079,500
Total revenue		2,366,453	3,979,409
Provision for credit losses		1,854,699	(234,323)
Other operating expenses	16	(5,315,018)	(4,450,920)
Total non-interest expenses		(3,460,319)	(4,685,243)
Loss before taxation		(1,093,866)	(705,834)
Taxation credit/(charge)	17	52,326	(818,199)
Loss after taxation		(1,041,540)	(1,524,033)
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss:			
Net change in unrealised gains/(losses) on equity securities at fair value through other comprehensive income		37,289	102,544
Tax impact		(12,311)	(33,839)
		24,978	68,705
Other comprehensive profit for the year, net of taxes		24,978	68,705
Total comprehensive loss for the year		(1,016,562)	(1,455,328)
Basic and diluted loss per share	18	(0.21)	(0.30)

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

Statement of Changes in Equity

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Share capital $	Share premium $	Statutory reserve $	Revaluation reserve $	Accumulated (deficit)/ retained earnings $	Total equity $
Balance at October 31, 2019	20,001,222	1,941,734	5,644,965	285,724	(2,127,771)	25,745,874
Net loss after taxation	-	-	-	-	(1,041,540)	(1,041,540)
Other comprehensive income:						
- Changes in fair value	-	-	-	24,978	-	24,978
Total comprehensive loss	-	-	-	24,978	(1,041,540)	(1,016,562)
Balance at October 31, 2020	20,001,222	1,941,734	5,644,965	310,702	(3,169,311)	24,729,312
Balance at October 31, 2018	20,001,222	1,941,734	5,644,965	217,019	(598,764)	27,206,176
Transition adjustment	-	-	-	-	(4,974)	(4,974)
Balance as at November 1, 2018	20,001,222	1,941,734	5,644,965	217,019	(603,738)	27,201,202
Net loss after taxation	-	-	-	-	(1,524,033)	(1,524,033)
Other comprehensive income:						
- Changes in fair value	-	-	-	68,705	-	68,705
Total comprehensive loss	-	-	-	68,705	(1,524,033)	(1,455,328)
Balance at October 31, 2019	20,001,222	1,941,734	5,644,965	285,724	(2,127,771)	25,745,874

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

Statement of Cash Flows

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

	October 31, 2020 $	October 31, 2019 $
Operating activities		
Loss before taxation	(1,093,866)	(705,834)
Adjustments for:		
Provision for credit losses	(1,288,495)	195,967
Depreciation and amortisation	161,982	160,887
Disposals of premises and equipment	4,053	-
Gains on securities	(48,098)	(227,471)
Operating loss before changes in operating assets and liabilities	(2,264,424)	(576,451)
Increase/(decrease) in operating assets		
Loans	5,128,701	6,944,538
Statutory deposit with Central Bank	(165,000)	196,850
Due from associates and affiliated companies	129,743	(129,743)
Other assets	626,140	(369,689)
Increase/(decrease) in operating liabilities		
Customers' deposits	2,456,408	(1,685,822)
Due to associates and affiliated companies	(301,792)	(3,094,790)
Other liabilities	(1,142,510)	(870,150)
Taxes paid	(26,757)	-
Cash from operating activities	4,440,509	414,743
Investing activities		
Purchases, sales and redemption of securities	2,672,542	12,057
Purchase premises, equipment and computer software	(76,853)	(65,166)
Cash from investing activities	2,595,689	(53,109)
Net increase in cash and cash equivalents	7,036,198	361,634
Cash and cash equivalents at beginning of year	27,970,257	27,608,623
Cash and cash equivalents at end of year	35,006,455	27,970,257
Interest received	2,698,730	3,588,396
Interest paid	(689,055)	(697,849)

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

1. Incorporation and business activities

RBTT Bank (SKN) Limited ("the Bank") was incorporated in Nevis. Its principal activities are commercial and retail banking operations conducted from a sole branch situated in Charlestown, Nevis. The address of its registered office is Chapel Street, Charlestown, Nevis.

The Bank is a 96% subsidiary of RBTT Bank Caribbean Limited, 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 St Christopher and Nevis Banking Act No. 1 of 2015 (the "Banking Act") and regulated by the Eastern Caribbean Central Bank (ECCB).

The financial statements of RBTT Bank (SKN) Limited were prepared using the going concern basis of accounting, however, subject to regulatory approvals and other customary closing conditions, the banking operations is scheduled to be sold within the next twelve months. On December 12, 2019, the Board of Directors of RBC Financial (Caribbean) Limited announced they 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.

Included in the sale transaction is the RBC Financial (Caribbean) Limited 96% shareholding in RBTT Bank (SKN) Limited.

2. Summary of significant accounting policies, estimates and judgements

The significant accounting policies used in the preparation of these financial statements are summarised 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 presented 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, 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Significant judgments

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

• Leases	Note 2
• Revenue recognition	Note 2, Note 15
• Fair value of financial instruments	Note 2, Note 24
• Allowance for credit losses	Note 2, Note 4, Note 5
• Income taxes	Note 2, Note 17
• Provisions	Note 2

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

Changes in accounting policies

Leases

At the start of the financial year, the Bank adopted IFRS 16 Leases (IFRS 16), which sets out principles for the recognition, measurement, presentation and disclosure of leases. As a result of the application of IFRS 16, the Bank changed the accounting policies for leasing as outlined below, and these new policies were applied retrospectively from November 1, 2019. As permitted by the transition provisions of IFRS 16, the Bank elected not to restate comparative period results; accordingly, all comparative information is presented in accordance with the previous accounting policies, as described in the Bank's 2019 Annual Financial Statements.

The adoption of IFRS 16, had no impact on the Bank total assets, total liabilities and retained earnings as at November 1, 2019 (the date of initial application).

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

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

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Changes in accounting policies (continued)

Leases (continued)

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for lease payments made on or before the commencement date, initial direct costs incurred, and an estimate of costs to dismantle, remove, or restore the asset, less any lease incentives received.

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

Impact of adoption of IFRS 16

The following practical expedients were adopted when applying IFRS 16 to leases previously classified as operating leases:

- Election to not separate lease and non-lease components, to be applied to our real estate leases; and
- Exemption from recognition for short-term leases.

The Bank leases fall within the exemption from recognition for short-term leases category.

IFRS Interpretations Committee Interpretation 23 Uncertainties over income tax treatments (IFRIC 23)

During the year, the Bank adopted IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. The Bank is subject to income tax laws in St Kitts and Nevis, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authority. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Bank’s tax positions, which includes the Bank’s best estimate of tax positions that are under audit or appeal by relevant taxation authority. The Bank performs a review on a monthly basis to incorporate management’s best assessment based on information available, but additional liability and income tax expense could result based on the acceptance of the Bank’s tax positions by the relevant taxation authority. The adoption of IFRIC 23 had no impact to the Bank’s Financial Statements.

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Classification of financial assets (continued)

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 20, 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Classification of financial assets (continued)

SPPI assessment

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

Securities

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

Investment securities include all securities classified as FVOCI and amortised cost.

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

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

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

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Fair value option

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

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

Loans

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

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

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include certain loans, debt securities, interest-bearing deposits with banks, accounts and accrued interest receivable. ACL on financial assets is disclosed in the notes to the financial statements. ACL on debt securities measured at FVOCI is presented in other components of equity. Financial assets carried at amortised cost are presented net of ACL on our Statement of Financial Position. Provision for credit losses (PCL) on amortised cost instruments are recognised directly to the Statement of Income or Loss and Other Comprehensive Income or Loss,

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

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

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

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Measurement of expected credit losses

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

An expected credit loss estimate is produced for each portfolio segment. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment is exercised in determining the final expected credit losses using a range of possible outcomes.

The IFRS 9 model is not calibrated for unprecedented events such as the COVID-19 pandemic. In order to appropriately reflect the impact of the COVID-19 pandemic on future credit losses in the portfolio, we applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the estimated credit losses at the portfolio level to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge. We have internal governance in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections. In our analysis we also considered tourism projections, vulnerable sectors affected by COVID-19, levels of multilateral support and the effects of bank and government led payment support programs.

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 are credit cards balances. 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Assessment of significant increase in credit risk

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

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

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 watch-listed and managed by the Regional Special Loan Unit (RSLU). The RSLU portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.

To support our clients during the COVID-19 pandemic, we launched a hardship relief program. Utilisation of a payment deferral program does not, all else being equal, automatically trigger a significant increase in credit risk. Our assessment of significant increases in credit risk is primarily based on the approach described above and our projections of an increase in probability of default (PD) in the portfolio. Additional qualitative reviews and a 30 days past due backstop are also applied. The broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of COVID-19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made as necessary.

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on 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.

The emergence of the COVID-19 global pandemic significantly impacted our economic outlook. We closely tracked economic growth projections and set an allowance that reflected the underlying economic conditions. In our analysis we also considered tourism projections, vulnerable sectors affected by COVID-19, levels of multilateral support and the effects of bank and government led payment support programs.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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 (continued)

The environment, including government support measures introduced, is rapidly evolving and as a result, our macroeconomic outlook had a higher than usual degree of uncertainty and was inherently subject to change, which materially changed our credit loss allowance. We closely monitored changes in conditions and their impact on our expected credit losses, and updated our macroeconomic variables as the impact of COVID-19 progressed.

Further details on our forward looking assumptions and scenarios are provided in Note 4.1.1.

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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

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 reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

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

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. 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.

Individually assessed loans (Stage 3)

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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)

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.

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 realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances are generally written off when payment is 180 days past due. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

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 recognised. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in days past due and other qualitative considerations.

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

RBC Client relief programs

We established a relief program to help personal and business banking clients in good standing manage the challenges of the COVID-19 pandemic through payment deferrals over a moratorium period, which resulted in the original maturity of the financial asset postponed by the moratorium period with no other substantial change to the contractual terms of the financial asset resulting in no material modification losses. The modification of the original terms of a financial asset arising under the relief program arrangement, does not give rise to derecognition of the original financial asset and recognition of the new financial asset. The relief program focused mainly on loans within Stage 1.

Determination of fair value

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

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Determination of fair value (continued)

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

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

The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances. Refer to Note 20.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Interest

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

Transaction costs

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

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset on the Statement of Financial Position when there exists both a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and cash equivalents

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

Derecognition of financial assets

Financial assets are derecognised 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 derecognised 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 derecognise the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognise 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Derecognition of financial assets (continued)

We derecognise 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 recognised in Other assets in our Statement of Financial Position. When the benefits of servicing are less than fair market value, a servicing liability is recognised in Other liabilities in our Statement of Financial Position.

Derecognition of financial liabilities

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

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

The Bank operates a defined contribution plan, the assets of which are managed by the fund manager appointed by the trustees of the plan. The pension plans is generally funded by payments by the Bank taking account of the recommendations of the trustees and the fund managers. The employees can opt to make voluntary contributions to the plan. The Bank's contributions to the defined contribution pension plan are charged to the Statement of Income or Loss and Other Comprehensive Income or Loss in the year to which they relate. The Bank has no further obligations after the contributions are made.

Income taxes

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

The Bank is subject to income tax in St Kitts and Nevis 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 in assessing the probability of acceptance of our tax positions to determine our tax provision, which includes our best estimate of tax positions that are under audit or appeal by relevant taxation authorities. We perform a review on a quarterly basis to incorporate

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Income taxes (continued)

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 realised or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Statement of Financial Position, and also deferred tax expense in our Statement of Income or Loss and Other Comprehensive Income or Loss.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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 realised, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite-life are amortised on a straight-line basis over their estimated useful lives as follows: computer software – 4 to 10 years. We do not have any intangible assets with indefinite lives.

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 recognised in non-interest income in the Statement of Income or Loss and Other Comprehensive Income or Loss.

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

Premises and equipment

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

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. An impairment charge is recorded to the extent the recoverable amount of an asset, which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Premises and equipment (continued)

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.

Provisions

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

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

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

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.

Dividend income

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Non-interest income

The Bank includes in non-interest income amounts relating to commissions and fees (refer to page 26) 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.

Revenue recognition

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

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

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

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

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

Income which falls under the scope of revenue recognition is not netted off against related expense. 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, advisory fees, card service fees and are recognised based on the applicable service contracts with customers.

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Other significant accounting policies (continued)

Commissions and fees (continued)

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

Pre-IFRS 16 accounting policy

The following policy is applicable for comparative period results as at and for the year ended October 31, 2019:

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.

3. Cash and cash equivalents

	October 31, 2020 $	October 31, 2019 $
Cash on hand	513,775	667,649
Deposits with affiliated banks (Note 19)	1,972,270	1,192,128
Due from other banks	5,228,141	3,841,069
Other deposits held at Central Bank	27,292,269	22,269,411
Cash and cash equivalents	35,006,455	27,970,257
Statutory deposit with Central Bank	3,447,025	3,282,025

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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

3. Cash and cash equivalents (continued)

Deposits with affiliated banks are non-interest bearing deposits held with other RBTT/RBC affiliates on demand or for fixed periods not exceeding 90 days. Due from other banks are non-interest bearing 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, 2020 the balance was $2,767,000 (2019 $2,606,000).

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, 2020 the balance was $676,025 (2019 – $676,025).

4. Loans

	October 31, 2020 $	October 31, 2019 $
Retail	1,872,342	2,697,285
Commercial/corporate	5,271,135	6,064,337
Mortgages	26,737,463	30,248,019
Gross loans	33,880,940	39,009,641
Allowance for credit losses (Note 4.1)	(4,648,516)	(5,915,786)
	29,232,424	33,093,855
Stage 1	26,024,303	25,147,476
Stage 2	4,700,522	9,879,203
Stage 3	3,156,115	3,982,962
Gross loans	33,880,940	39,009,641
Current	1,023,885	549,070
Non-current	32,857,055	38,460,571
Gross loans	33,880,940	39,009,641

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

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, 2020					
Retail	531,911	(226,903)	(164,883)	-	140,125
Commercial/ corporate	1,670,920	(1,241,878)	296,374	(2)	725,414
Mortgages	3,712,955	(364,691)	434,713	-	3,782,977
	5,915,786	(1,833,472)	566,204	(2)	4,648,516
Undrawn loan commitments	90,467	(72,243)	-	-	18,224
For the year ended October 31, 2019					
Retail	654,069	(147,638)	25,480	-	531,911
Commercial/ corporate	1,560,743	268,736	(158,559)	-	1,670,920
Mortgages	3,505,007	113,216	94,728	4	3,712,955
	5,719,819	234,314	(38,351)	4	5,915,786
Undrawn loan commitments	142,715	(52,248)	-	-	90,467

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 recognised assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognised during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or cash equivalents for a loan balance previously written-off.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
For the year ended October 31, 2020				
Balance at beginning of period	1,374,820	1,053,686	3,487,280	5,915,786
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	186,308	(133,749)	(52,559)	-
Transfers in (out) to Stage 2	(175,916)	175,916	-	-
Transfers in (out) to Stage 3	(15)	(491,066)	491,081	-
Purchases and originations	25,728	-	-	25,728
Derecognitions and maturities	(100,917)	(7,694)	-	(108,611)
Remeasurements	(691,606)	1,514,526	(2,573,509)	(1,750,589)
Write-offs	-	-	(746,088)	(746,088)
Recoveries	-	-	1,312,292	1,312,292
Exchange rate and other	-	-	(2)	(2)
Balance at end of period	618,402	2,111,619	1,918,495	4,648,516
For the year ended October 31, 2019				
Balance at beginning of period	1,338,993	1,870,532	2,510,294	5,719,819
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	843,206	(631,544)	(211,662)	-
Transfers in (out) to Stage 2	(70,710)	120,025	(49,315)	-
Transfers in (out) to Stage 3	(3,826)	(1,103,538)	1,107,364	-
Purchases and originations	100,312	491	-	100,803
Derecognitions and maturities	(118,198)	(49,100)	-	(167,298)
Remeasurements	(714,957)	846,817	168,949	300,809
Write-offs	-	-	(268,541)	(268,541)
Recoveries	-	-	230,190	230,190
Exchange rate and other	-	3	1	4
Balance at end of period	1,374,820	1,053,686	3,487,280	5,915,786

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected credit losses under the IFRS 9 model include our internal historical default rates, 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, 2020 are provided in Note 2 and Note 4.1.1.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

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, 2020		
ACL on performing loans[(1)]	2,730,021	2,622,772
As at October 31, 2019		
ACL on performing loans [(1)]	2,428,506	2,427,200

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

Transfers between stages

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

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

	Performing loans [(1)]
As at October 31, 2020	
ACL - all performing loans in Stage 1	720,410
Impact of staging	2,009,611
Stage 1 and 2 ACL	2,730,021
As at October 31, 2019	
ACL - all performing loans in Stage 1	1,549,143
Impact of staging	879,363
Stage 1 and 2 ACL	2,428,506

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

4.1.1 COVID-19 pandemic

The COVID-19 global pandemic significantly impacted our determination of allowance for credit losses and required the application of heightened judgement. Following the announcement of COVID-19 as a global pandemic on March 11, 2020 by the World Health Organisation (WHO), there was a significant downturn in the level of economic activity across the globe. The significant decline in economic activity has been accompanied by unprecedented levels of government support and central bank policies that resulted in low interest rates and the roll out or strengthening of programs that supported companies, payroll and the unemployed.

In the case of the Caribbean, the level of economic contraction has been severe as a result of the reduction of tourist inflows to the region. The adverse impact on our retail and wholesale clients has been partially mitigated through government support programs, multilateral and other external support (including the IMF, WB, IDB, CDB and the Government of the Netherlands) and the rollout of payment deferral programs by the banking sector.

The recent resurgence of virus spread and re-imposition of containment measures to varying degrees, along with the announcement of effective vaccines, has raised further uncertainty with regards to the timing and extent of the economic recovery and resulting expected credit losses. As there is uncertainty on how tourism, economic activity and the portfolio will react to these conditions, our allowances have a higher than usual degree of uncertainty. The inputs used in the calculation of the allowance are inherently subject to change, which may materially impact our estimate of the allowance for expected credit losses.

The Bank allowance for credit losses on the loan portfolios as at October 31, 2020 include a significant increase year over year as a result of the COVID-19 pandemic. The pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio as it was not originally designed with events of this magnitude in mind. As a consequence, a model overlay was used to account for incremental expected losses not solely captured by the IFRS 9 model.

To address the uncertainties inherent in the current environment and to reflect all relevant risk factors not captured in our model, we applied expert credit judgement in the design of the overlay and the determination of inputs used in the calculation of the allowance. In light of the significant uncertainty, the impact of expert credit judgement on our allowances increased as compared to the previous year. We applied qualitative adjustments to macroeconomic projections, the assumed credit response of the portfolio to the macroeconomic conditions, levels of loss severity and the determination of significant increase in credit risk.

Key inputs and assumptions

The measurement of expected credit losses is a complex calculation that involves a large number of inputs and assumptions. The key drivers of changes in expected losses include the following:

- Forward looking macroeconomic projections;
- Internal assessment on the level of resilience of large wholesale clients to the COVID-19 pandemic;
- Scenario design and the weights associated with each scenario; and
- Transfers between stages, which can result from changes in any of the above inputs.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

4.1.1 COVID-19 pandemic (continued)

Key inputs and assumptions (continued)

Forward looking macroeconomic projections

The PD and LGD inputs used to predict expected credit losses are primarily based on GDP growth projections. The assumed level of response of the PD to the level of economic contraction was informed by historical events and expert judgement. The LGDs used in the calculation of our allowance were qualitatively adjusted upwards to reflect higher expected time to resolution for future defaults secured with real estate collateral. Our allowance for credit losses reflect our economic outlook as at October 31, 2020. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Our base scenario assumes the current low levels of economic activity and tourist inflows remain throughout the winter with a recovery that starts gradually around the spring of 2021.

Our downside scenario considers a higher than expected level of economic contraction in the Caribbean as a result of global and local measures to contain the pandemic. Our upside scenario considers a marginal improvement on base conditions resulting from a higher and faster than expected economic recovery. The forecasts of GDP growth rates were informed by external benchmarks and our own internal views which reflect the opinion and feedback from our economist, management and the business.

Internal assessment of the level of resilience of large wholesale clients

The PD used for the wholesale portfolio was qualitatively adjusted to account for large obligors that were deemed low risk during the COVID-19 pandemic. This adjustment leveraged the expertise of our credit adjudication teams, and was mainly focused on government-related facilities and the essential sector of the economy such as supermarkets and hospitals.

Changes in scenario design and the weights associated to each scenario

Our approach to set scenarios and scenario weights is described in Note 2. All scenarios considered in our analysis include the impact of the pandemic as at October 31, 2020; reflective of current economic conditions. In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weigh the best case scenario relative to October 31, 2019. Since the onset of the global spread of the COVID-19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios. The possibility of a more prolonged recovery period has been reflected in our scenario design and weights.

The impact of weighting multiple scenarios on our final allowance was illustrated in section 4.1; where we compare the final allowance versus expected credit loss predictions under the base scenario.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

4. Loans (continued)

4.1 Allowance for credit losses (continued)

4.1.1 COVID-19 pandemic (continued)

Key inputs and assumptions (continued)

Transfers between stages

Further to our current policy for transfers between stages as described in Note 2, as part of our overlay, we qualitatively increased the transfers from stage 1 to stage 2 to reflect the current challenging economic environment. This qualitative adjustment was informed by economic projections, scenario weights and historical behavior of our portfolio. The impact of staging on our allowance was illustrated in section 4.1; where we compared the final allowance versus an expected credit loss calculated under the assumption that all loans are in stage 1.

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, 2020 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							
Money market instruments	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Fair value through other comprehensive income							
Equities							
Cost	-	-	-	-	-	297,620	297,620
Fair value(2)	-	-	-	-	-	761,355	761,355
	-	-	-	-	-	761,355	761,355
Amortised Cost							
Amortised cost(3)	-	-	-	-	138,236	-	138,236
Fair value	-	-	-	-	141,417	-	141,417
	-	-	-	-	138,236	-	138,236
Total carrying value of securities	-	-	-	-	138,236	761,355	899,591

Notes to the Financial Statements

For the year ended October 31, 2020
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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 $
Fair value through profit or loss							
Money market instruments	-	-	-	-	-	2,612,016	2,612,016
	-	-	-	-	-	2,612,016	2,612,016
Fair value through other comprehensive income							
Equities							
Cost	-	-	-	-	-	297,620	297,620
Fair value [2]	-	-	-	-	-	724,073	724,073
	-	-	-	-	-	724,073	724,073
Amortised Cost							
Amortised cost [3]	-	-	-	-	129,439	-	129,439
Fair value	-	-	-	-	150,023	-	150,023
	-	-	-	-	129,439	-	129,439
Total carrying value of securities	-	-	-	-	129,439	3,336,089	3,465,528

(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) *Amortised cost securities, included in securities are recorded at amortised cost, and are presented net of allowance for credit losses.*

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

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

	Cost/ Amortised cost $	Gross unrealised gains $	Gross unrealised losses $	Fair value $
As at October 31, 2020				
Equities	297,620	463,735	-	761,355
	297,620	463,735	-	761,355
As at October 31, 2019				
Equities	297,620	463,735	(37,282)	724,073
	297,620	463,735	(37,282)	724,073

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

Carrying value of securities (continued)

5.2 Allowance for credit losses on securities

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

	2020 ($)	2019 ($)
Gross exposures		
Stage 1	173,199	185,627
Total securities	173,199	185,627
Less: allowance for credit losses	(34,963)	(56,188)
Securities net of expected credit losses	138,236	129,439

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

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognised during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognised during the period without a credit loss being incurred.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- During the twelve months ended October 31, 2020, there were no significant changes to the models used to estimate expected credit losses (2019 – NIL).

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

5.2 Allowance for credit losses on securities (continued)

Allowance for credit losses – securities at amortised cost

	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	$	$	$	$
For the year ended October 31, 2020				
Balance at beginning of period	56,188	-	-	56,188
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	(21,225)	-	-	(21,225)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	34,963	-	-	34,963
For the year ended October 31, 2019				
Balance at beginning of period	56,188	-	-	56,188
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	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	56,188	-	-	56,188

5.2.1 COVID-19 pandemic

The Bank allowance for credit losses on the securities portfolios as at October 31, 2020 included expected credit losses related to the impact of the COVID-19 global pandemic (“COVID-19”). The pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio because it was not designed with events of this magnitude in mind; which include a very severe economic contraction and support programs from governments, multilateral institutions and the banking sector. As a consequence, a model overlay was recorded to account for the impact on expected credit losses not captured by the IFRS 9 model.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

5.2 Allowance for credit losses on securities (continued)

5.2.1 COVID-19 pandemic (continued)

In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weight the base case scenario relative to October 31, 2019. Since the onset of the global spread of the COVID-19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios. The possibility of a more prolonged recovery period has been reflected in our scenario design and weights.

The use of management overlays requires the application of significant judgment that impacts the amount of ECL allowances recognised. Actual credit losses could differ materially from those reflected in our estimates.

5.3 Securities FVTPL classified

	October 31, 2020 $	October 31, 2019 $
Money market instruments	-	2,612,016
	-	2,612,016
5.4 Securities at FVOCI		
Securities FVOCI designated		
Equity	761,355	724,073
	761,355	724,073
5.5 Securities at amortised cost		
Government and state owned enterprises debt	138,236	129,439
	138,236	129,439
Current	-	2,612,016
Non-current	899,591	853,512
	899,591	3,465,528

5.6 Movement in securities

	FVTPL $	FVOCI $	Amortised Cost $	Total $
As at October 31, 2019	2,612,016	724,073	129,439	3,465,528
Disposal (sale and redemption)	(2,660,114)	-	(12,428)	(2,672,542)
Gains from changes in fair value	48,098	37,282	-	85,380
Allowance for credit losses	-	-	21,225	21,225
As at October 31, 2020	-	761,355	138,236	899,591

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

5. Securities (continued)

5.6 Movement in securities (continued)

	FVTPL $	FVOCI $	Amortised Cost $	Total $
As at October 31, 2018	2,384,545	621,529	141,496	3,147,570
Disposal (sale and redemption)	-	-	(12,057)	(12,057)
Gains from changes in fair value	227,471	102,544	-	330,015
Allowance for credit losses	-	-	-	-
As at October 31, 2019	2,612,016	724,073	129,439	3,465,528

6. Intangible assets

	Software October 31, 2020 $	 October 31, 2019 $
Opening net carrying value	82,376	154,727
Additions	38,545	-
Amortisation	(71,978)	(72,351)
Closing net carrying value	48,943	82,376
Cost	1,254,823	1,254,880
Accumulated amortisation	(1,205,880)	(1,172,504)
Net book value	48,943	82,376

7. Premises and equipment

	Freehold Land $	Freehold Building $	Furniture and Equipment $	Computer Equipment $	Capital Work in Progress $	Total $
Year Ended: October 31, 2020						
Opening net book value	157,000	1,095,479	97,659	80,482	-	1,430,620
Additions	-	-	11,737	26,571	-	38,308
Disposals	-	-	-	(4,053)	-	(4,053)
Depreciation charge	-	(39,559)	(12,827)	(37,618)	-	(90,004)
Closing net book value	157,000	1,055,920	96,569	65,382	-	1,374,871
At October 31, 2020						
Cost	157,000	1,997,716	965,211	498,380	-	3,618,307
Accumulated depreciation	-	(941,796)	(868,642)	(432,998)	-	(2,243,436)
Net book value	157,000	1,055,920	96,569	65,382	-	1,374,871

Notes to the Financial Statements

For the year ended October 31, 2020
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7. Premises and equipment (continued)

	Freehold Land $	Freehold Building $	Furniture and Equipment $	Computer Equipment $	Capital Work in Progress $	Total $
Year Ended: October 31, 2019						
Opening net book value	157,000	1,135,038	60,616	101,337	-	1,453,991
Transfers	-	-	45,280	19,886	-	65,166
Disposals	-	-	-	-	-	-
Depreciation charge	-	(39,559)	(8,237)	(40,741)	-	(88,537)
Closing net book value	157,000	1,095,479	97,659	80,482	-	1,430,620
At October 31, 2019						
Cost	157,000	1,997,716	958,882	822,705	-	3,936,303
Accumulated depreciation	-	(902,237)	(861,223)	(742,223)	-	(2,505,683)
Net book value	157,000	1,095,479	97,659	80,482	-	1,430,620

Assets pledged as security

There were no assets pledged to secure borrowings of the Bank in 2020 or 2019.

8. Other assets

	October 31, 2020 $	October 31, 2019 $
Accounts receivable	13,333	13,333
Interest receivable	35,666	174,445
Other	398,912	886,275
	447,911	1,074,053
Allowance for credit losses	(7)	(9)
	447,904	1,074,044
Current	391,346	695,013
Non-current	56,558	379,031
	447,904	1,074,044

During the year, provision for credit losses for accounts receivable was a credit of $2 (2019 – $9 debit).

Notes to the Financial Statements

For the year ended October 31, 2020
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9. Customers' deposits

	October 31, 2020 $	October 31, 2019 $
Sectoral analysis of customers' deposits		
Consumers	39,621,042	37,845,067
Private sector	5,718,289	5,040,902
State sector	36,036	32,990
	45,375,367	42,918,959
Product type		
Savings	35,792,153	33,151,877
Term deposits	4,272,656	4,269,142
Current accounts	5,310,558	5,497,940
	45,375,367	42,918,959
Current	45,153,126	42,370,401
Non-current	222,241	548,558
	45,375,367	42,918,959

10. Other liabilities

	October 31, 2020 $	October 31, 2019 $
Accruals and payables	222,620	231,552
Accrued interest	138,434	123,303
Deferred income	231,721	275,208
Contract liabilities[1]	7,833	9,217
Business taxes	16,399	217,086
Unclaimed balances	352,333	394,155
Other	506,821	1,314,920
	1,476,161	2,565,441
Current	1,244,440	2,290,233
Non-current	231,721	275,208
	1,476,161	2,565,441

(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 recognised 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.

Notes to the Financial Statements

For the year ended October 31, 2020
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11. Share capital

	October 31, 2020 $	October 31, 2019 $
The Bank is authorised to issue an unlimited number of ordinary shares of no par value and Class A ordinary shares of no par value		
Ordinary shares - 5,001,222 shares	5,001,222	5,001,222
Class A ordinary shares – 1,000 shares	15,000,000	15,000,000
	20,001,222	20,001,222

The Class A ordinary shares does not carry any rights to receive dividends, and are not entitled to attend and vote at meetings of shareholders of the Company. The class of shares ranks in priority to the Ordinary shares of the Bank on the return of capital in the event of a winding up of the Bank. The Bank is also authorised to issue an unlimited number of preference shares of no par value which rank in priority to the Ordinary shares and Class A ordinary shares of the Bank on the return of capital in the event of a winding up of the Bank.

After the issue of the Class A ordinary shares, the control of the Bank continues to be vested in the Ordinary shareholders.

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. Interest income

	October 31, 2020 $	October 31, 2019 $
Loans	2,524,291	3,505,861
Securities (Note 13.1)	29,984	41,512
Due from other banks	5,676	51,390
	2,559,951	3,598,763
13.1 Securities		
FVTPL	24,594	35,764
Amortised cost	5,390	5,748
	29,984	41,512

Notes to the Financial Statements

For the year ended October 31, 2020
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14. Interest expense

	October 31, 2020 $	October 31, 2019 $
Customers' deposits	704,186	698,854
	704,186	698,854

15. Non-interest income

	October 31, 2020 $	October 31, 2019 $
Fee and commission income	378,373	705,895
Foreign exchange earnings	73,147	129,529
Unrealised gains on FVTPL	48,098	227,471
Dividend income	11,070	16,605
	510,688	1,079,500

16. Other operating expenses

	October 31, 2020 $	October 31, 2019 $
Staff costs	600,315	369,269
Premises and equipment costs, excluding depreciation	327,292	297,723
Advertising	13,191	19,010
Depreciation and amortisation	161,982	160,887
Directors' fees	18,500	18,000
Credit card handling	638,518	5,589
Auditors' remuneration	182,471	159,204
Business taxes	379,659	37,952
Management fees to affiliated companies (Note 19)	1,430,119	1,778,813
Other operating expenses	1,562,971	1,604,473
	5,315,018	4,450,920

Notes to the Financial Statements

For the year ended October 31, 2020
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17. Taxation

	October 31, 2020 $	October 31, 2019 $
Current tax expense/(credit)	95,727	(35,039)
Deferred tax (credit)/expense	(148,053)	853,238
Total tax (credit)/expense	(52,326)	818,199
The tax on operating profit differs from the theoretical amount that would arise using the nominal tax rate as follows:		
Loss before taxation	(1,093,866)	(705,834)
Prima facie tax calculated at corporation tax rate of 33% (2019: 33%)	(360,976)	(232,925)
Income not subject to tax	(13,544)	(13,376)
Expenses not deductible for tax purposes	423,119	517,162
Prior year (over)/under provision of deferred tax	(100,835)	547,338
	(52,236)	818,199

During 2019, the amount written off was deferred tax asset in the amount of $609,873 as we do not anticipate utilisation prior to expiry.

17.1 Tax recoverable movement schedule

	October 31, 2020 $	October 31, 2019 $
Opening balance	207,813	159,017
Prior year over/(under) provision	(15,740)	48,796
Closing balance	192,073	207,813

17.2 Schedule of tax losses

At October 31, 2020, the unused tax losses amounted to $1,115,272 (2019- $1,357,655).

Tax year	Expiry year	Loss for the year	Losses utilised	Loss expired	Loss carried forward
2018	**2023**	1,357,655	(242,383)	-	1,115,272
2020		-	n/a	n/a	-
Total losses carried forward					1,115,272

Notes to the Financial Statements

For the year ended October 31, 2020
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17. Taxation (continued)

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

	October 31, 2020 $	October 31, 2019 $
Deferred tax asset		
Premises and equipment	171,039	152,160
Allowance for credit losses	912,445	819,966
Deferred income – annual credit card fees	2,449	2,449
Tax losses	-	-
	1,085,933	974,575
Deferred tax liability		
Securities revaluation reserve	153,033	140,729
Other	-	36,695
Balance at end of year	153,033	177,424
Deferred tax asset	1,085,933	974,575
Deferred tax liability	(153,033)	(177,424)
	932,900	797,151
The movement on the deferred tax account is as follows:		
As at October 31	797,151	1,693,691
Transition adjustment IFRS 15	-	2,449
As at November 1	797,151	1,696,140
Statement of Income or Loss and Other Comprehensive Income or Loss	148,060	(865,150)
Securities revaluation reserve:		
Fair value losses	(12,311)	(33,839)
At end of year	932,900	797,151

18. (Loss)/earnings per share

(Loss)/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, 2020 $	October 31, 2019 $
Loss attributable to shareholders of the Bank	(1,041,540)	(1,524,033)
Weighted average number of ordinary shares in issue	5,001,222	5,001,522
Basic loss per share	(0.21)	(0.30)

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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19. Related party transactions

Related parties include the ultimate parent company, Royal Bank of Canada, associated companies, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors of RBC (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

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.

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 (SKN) Limited, directly or indirectly. The Directors of RBTT Bank (SKN) Limited do not plan, direct, or control the activities of the Bank; they oversee the management of the business and provide stewardship.

	October 31, 2020 $	October 31, 2019 $
Cash and cash equivalents		
Deposits with affiliated banks	1,972,270	1,192,128
Loans and other assets		
Affiliates	-	129,743
Directors and key management personnel	35,514	56,508
	35,514	186,251
Deposits and other liabilities		
Affiliates	1,346	303,138
Directors and key management personnel	8,561	2,843
	9,907	305,981
Interest income		
Directors and key management personnel	100	4,101
Interest expense		
Directors and key management personnel	-	179
Other operating expenses		
Management fees to affiliated companies	1,430,119	1,778,813
Directors' fees	18,500	18,000
	1,448,619	1,796,813

Notes to the Financial Statements

For the year ended October 31, 2020
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20. Financial risk management

20.1 Statement of Financial Position – Categorisation

	October 31, 2020 $	October 31, 2019 $
Assets		
Financial assets at fair value through profit or loss		
Securities	-	2,612,016
Securities at fair value through comprehensive income(1)	761,355	724,073
Financial assets at amortised costs		
Cash and cash equivalents	35,006,455	27,970,257
Statutory deposit with Central Bank	3,447,025	3,282,025
Loans	29,232,424	33,093,855
Securities	138,236	129,439
Due from associates and affiliated companies	-	129,743
Interest receivable	35,666	174,445
	67,859,806	64,779,764
Total financial assets	68,621,161	68,115,853
Non-financial assets	2,961,025	3,417,559
Total assets	71,582,186	71,533,412
Liabilities		
Financial liabilities at amortised cost		
Customers' deposits	45,375,367	42,918,959
Due to associates and affiliated companies	1,346	303,138
Accrued interest	138,434	123,303
Total financial liabilities	45,515,147	43,345,400
Non-financial liabilities	1,337,727	2,442,138
Total liabilities	46,852,874	45,787,538
Total equity	24,729,312	25,745,874
Total equity and liabilities	71,582,186	71,533,412

(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 recognise the equity securities as FVOCI because the equity securities are held for the long term for strategic purposes.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.1 Statement of Financial Position – Categorisation (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[a]	Carrying value 2020 ($)	Carrying value 2019 ($)	Dividends received 2020 ($)	Dividends received 2019 ($)
Business category						
Economic development	1	1,107	226,935	226,935	11,070	16,605
Clearing house	2	9,992	534,420	497,138	-	-
Total			761,355	724,073	11,070	16,605

(a) During the year ended October 31, 2020 there were no disposals from the equity shares designated as FVOCI portfolio (2019 - NIL).

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.2 Risk management (continued)

Group Asset/Liability Committee (ALCO)

The Group ALCO provides oversight and monitoring of 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.

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.

20.3 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.3 Liquidity risk (continued)

The Bank'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:

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 flow 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 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, 2020						
Liabilities						
Customers' deposits	42,210,089	1,454,000	1,489,037	222,241	-	45,375,367
Due to associates and affiliated companies	1,346	-	-	-	-	1,346
Accrued interest	138,434	-	-	-	-	138,434
Total financial liabilities	42,349,869	1,454,000	1,489,037	222,241	-	45,515,147
As at October 31, 2019						
Liabilities						
Customers' deposits	39,729,008	1,457,711	1,183,682	548,558	-	42,918,959
Due to associates and affiliated companies	303,138	-	-	-	-	303,138
Accrued interest	123,303	-	-	-	-	123,303
Total financial liabilities	40,155,449	1,457,711	1,183,682	548,558	-	43,345,400

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

	Up to 1 year $	1 - 5 years $	Over 5 years $	Total $
As at October 31, 2020				
Loans	1,500,120	-	-	1,500,120
Total credit commitments	1,500,120	-	-	1,500,120
As at October 31, 2019				
Loans	1,487,172	-	-	1,487,172
Total credit commitments	1,487,172	-	-	1,487,172

Notes to the Financial Statements

For the year ended October 31, 2020
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20. Financial risk management (continued)

20.4 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 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 amortised cost securities.

20.4.1 Interest rate risk

To monitor and control structural interest rate risk (SIRR), the Bank assesses two primary metrics, Net Interest Income (NII) risk and Economic Value of Equity (EVE) risk, under a range of market shocks, scenarios, and time horizons. Market scenarios include currency-specific parallel and non-parallel yield curve changes and interest rate volatility shocks.

In measuring NII risk, detailed structural balance sheets are simulated to determine the impact of market stress scenarios on projected NII. Assets, liabilities and off-balance sheet positions are simulated over various time horizons. EVE risk captures the market value sensitivity of structural positions to changes in rates. In measuring EVE risk, scenario valuation techniques are applied to detailed spot position data. NII and EVE risks are measured for a range of market risk stress scenarios which include extreme but plausible changes in market rates and volatilities.

A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risk. All models and assumptions used to measure SIRR are subject to independent oversight by Group Risk Management Unit. The following table reflects the results before the impact of tax:

	NII Risk		EVE Risk	
	Local Currency ($)	Hard Currency ($)	Local Currency ($)	Hard Currency ($)
As at October 31, 2020				
Impact before tax				
100 bps increase in rates	235,134	53,630	811,865	80,722
100 bps decrease in rates	(235,134)	(53,630)	(844,083)	(83,613)
As at October 31, 2019				
Impact before tax				
100 bps increase in rates	227,779	11,541	744,974	(167,635)
100 bps decrease in rates	(227,779)	(11,541)	(774,967)	185,960

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Maturity and rate sensitivity

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

	Up to 1 year $	Over 5 years $	Non-Interest bearing $	Total $
As at October 31, 2020				
Assets				
Statutory deposit with Central Bank	-	-	3,447,025	3,447,025
Cash and cash equivalents	5,173,608	-	29,832,847	35,006,455
Loans	29,232,424	-	-	29,232,424
Securities	-	138,236	761,355	899,591
Due from associates and affiliated companies	-	-	-	-
Interest receivable	-	-	35,666	35,666
Total financial assets	34,406,032	138,236	34,076,893	68,621,161
Liabilities				
Customers' deposits	40,064,809	-	5,310,558	45,375,367
Due to associates and affiliated companies	-	-	1,346	1,346
Accrued interest	-	-	138,434	138,434
Total financial liabilities	40,064,809	-	5,450,338	45,515,147
Total interest repricing gap	(5,658,777)	138,236	28,626,555	23,106,014
As at October 31, 2019				
Assets				
Statutory deposit with Central Bank	-	-	3,282,025	3,282,025
Cash and cash equivalents	3,230,753	-	24,739,504	27,970,257
Loans	33,093,855	-	-	33,093,855
Securities	-	129,439	3,336,089	3,465,528
Due from associates and affiliated companies	129,743	-	-	129,743
Interest receivable	-	-	174,445	174,445
Total financial assets	36,454,351	129,439	31,532,063	68,115,853
Liabilities				
Customers' deposits	37,421,019	-	5,497,940	42,918,959
Due to associates and affiliated companies	-	-	303,138	303,138
Accrued interest	-	-	123,303	123,303
Total financial liabilities	37,421,019	-	5,924,381	43,345,400
Total interest repricing gap	(966,668)	129,439	25,607,682	24,770,453

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Maturity and rate sensitivity (continued)

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

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2020			
Loans:			
Retail	1,872,342	-	1,872,342
Commercial/corporate	5,271,135	-	5,271,135
Mortgages	26,737,463	-	26,737,463
Gross loans	33,880,940	-	33,880,940
As at October 31, 2019			
Loans:			
Retail	2,697,285	-	2,697,285
Commercial/corporate	6,064,337	-	6,064,337
Mortgages	30,248,019	-	30,248,019
Gross loans	39,009,641	-	39,009,641

20.5 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.

20.5.1 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 summarises the Bank's exposure to foreign currency exchange rate risk.

	EC $	US $	Other $	Total $
As at October 31, 2020				
Assets				
Statutory deposit with Central Bank	3,447,025	-	-	3,447,025
Cash and cash equivalents	29,266,816	5,423,063	316,576	35,006,455
Loans	28,788,369	444,055	-	29,232,424
Securities	761,355	138,236	-	899,591
Interest receivable	35,186	480	-	35,666
Total financial assets	62,298,751	6,005,834	316,576	68,621,161

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.5 Currency risk (continued)

20.5.1 Concentrations of currency risk – financial instruments on and off Statement of Financial Position (continued)

	EC $	US $	Other $	Total $
Liabilities				
Customers' deposits	42,204,762	3,170,605	-	45,375,367
Due to associates and affiliated companies	-	1,346	-	1,346
Accrued interest	134,699	3,735	-	138,434
Total financial liabilities	42,339,461	3,175,686	-	45,515,147
Net position	19,959,290	2,830,148	316,576	23,106,014
Credit commitments	79,192	1,420,928	-	1,500,120
As at October 31, 2019				
Total financial assets	60,326,201	7,507,221	282,431	68,115,853
Total financial liabilities	40,182,523	3,162,877	-	43,345,400
Net position	20,143,678	4,344,344	282,431	24,770,453
Credit commitments	87,797	1,399,375	-	1,487,172

20.5.2 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.

	Change in currency rate in %	Effect on profit before tax $
In 2020		
Currency		
USD	(10)	(283,015)
Other	(10)	(31,658)
In 2019		
Currency		
USD	(10)	(434,434)
Other	(10)	(28,243)

20.6 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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.6 Credit risk (continued)

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

20.6.1 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

20.6.2 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.

Notes to the Financial Statements

For the year ended October 31, 2020
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20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.2 Risk limit control and mitigation policies (continued)

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:

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

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

Credit-related commitments

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

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

	2020 $	2019 $
Credit risk exposure relating to on and off Statement of Financial Position assets are as follows:		
Cash and cash equivalents	34,492,680	27,302,608
Statutory deposit with Central Bank	3,447,025	3,282,025
Loans	33,880,940	39,009,641
Securities at amortised cost	173,199	185,627
Due from associates and affiliated companies	-	129,743
Interest receivable	35,666	174,445
Total	72,029,510	70,084,089
Credit commitments	1,500,120	1,487,172
Total credit risk exposure	73,529,630	71,571,261

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.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

20. Financial risk management (continued)

20.6 Credit risk (continued)

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

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

	Gross maximum exposure 2020 $	Gross maximum exposure 2019 $
Residential mortgages	26,737,463	30,248,019
Consumer	6,011,212	7,362,251
Distribution	1,050,341	534,398
Entertainment and catering	73,413	85,179
Tourism	8,511	699,993
Agriculture	-	79,801
	33,880,940	39,009,641

20.6.5 Aging analysis of gross loans not impaired by product

	Less than 1 mth $	1 – 3 mths $	Total $
As at October 31, 2020 (1)			
Loans			
Retail	1,680,279	18,167	1,698,446
Commercial/corporate	4,627,363	-	4,627,363
Mortgage	22,595,853	1,127,455	23,723,308
	28,903,495	1,145,622	30,049,117
As at October 31, 2019			
Loans			
Retail	2,346,531	102,585	2,449,116
Commercial/corporate	5,064,398	175	5,064,573
Mortgage	25,429,208	2,083,782	27,512,990
	32,840,137	2,186,542	35,026,679

(1) Loans in our payment deferral programs established to help clients manage through the challenges of the COVID-19 pandemic were current at the time of on boarding to the program with no further ageing occurring over the deferral period.

Notes to the Financial Statements

For the year ended October 31, 2020
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20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.6 Credit quality by class of financial assets

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
As at October 31, 2020				
Cash and cash equivalents	34,492,680	-	-	34,492,680
Securities:				
Amortised cost:				
Government	173,199	-	-	173,199
Securities – gross	173,199	-	-	173,199
Interest receivable	35,666	-	-	35,666
Loans:				
Retail	1,552,143	314,224	5,975	1,872,342
Commercial/corporate	4,235,466	335,247	700,422	5,271,135
Mortgages	20,236,694	4,051,051	2,449,718	26,737,463
Loans – gross	26,024,303	4,700,522	3,156,115	33,880,940
Total	60,725,848	4,700,522	3,156,115	68,582,485
As at October 31, 2019				
Cash and cash equivalents	27,302,608	-	-	27,302,608
Securities:				
Amortised cost:				
Government	185,627	-	-	185,627
Securities – gross	185,627	-	-	185,627
Interest receivable	174,445	-	-	174,445
Loans:				
Retail	2,017,863	431,253	248,169	2,697,285
Commercial/corporate	4,381,813	682,760	999,764	6,064,337
Mortgages	18,747,800	8,765,190	2,735,029	30,248,019
Loans – gross	25,147,476	9,879,203	3,982,962	39,009,641
Total	52,810,156	9,879,203	3,982,962	66,672,321

20.6.7 Repossessed collateral

Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Collateral is repossessed when the Bank enforces its rights of the sale agreements over the collateral as a result of the counterparties failure to honour their obligations to the Bank. The Bank's sales agreements enables the Bank to commence Power of Sale proceedings where sale of the collateral is attempted first by public auction, and if unsuccessful, then through private treaty as a second option. At the beginning of the Power of Sale proceedings the Bank obtains an appraisal of the collateral to certify the updated market value.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

20.6 Credit risk (continued)

20.6.7 Repossessed collateral (continued)

The following table represents the nature and value of repossessed collateral for overdue debts written off, as at the date of the Statement of Financial Position:

	October 31, 2020 $
Land	1,414,000
Buildings	6,519,988
	7,933,988

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

Notes to the Financial Statements

For the year ended October 31, 2020
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24. Fair value of financial assets and liabilities (continued)

20.7 Capital management (continued)

	October 31, 2020 $	October 31, 2019 $
Tier 1 Capital		
Share capital	20,001,222	20,001,222
Share premium	1,941,734	1,941,734
Statutory reserve	5,644,965	5,644,965
Revaluation reserve	310,702	285,724
Accumulated deficit	(3,169,311)	(2,127,771)
Total qualifying Tier 1 Capital	24,729,312	25,745,874
Tier 2 Capital		
Allowance for credit losses	342,861	422,428
Total qualifying Tier 2 Capital	342,861	422,428
Total regulatory capital	25,072,173	26,168,302
Risk-weighted assets		
On-statement of financial position	25,925,900	32,301,200
Off-statement of financial position	1,503,000	1,493,000
Total risk-weighted assets	27,428,900	33,794,200
Less: deduction for stage 3 allowance for credit losses	(1,918,495)	(3,487,280)
Less: deduction for stage 1 and stage 2 allowance for credit losses disallowed in tier 2 capital	(2,422,123)	(2,062,266)
Total adjusted risk-weighted assets	23,088,282	28,244,654
Total regulatory capital to adjusted risk-weighted assets	108.59%	92.65%

21. Contingent liabilities and commitments

21.1 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.

As at October 31, 2020 and October 31, 2019, there was no customers' liabilities under acceptances, guarantees and indemnities.

21.2 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, 2020 $	October 31, 2019 $
Credit commitments	1,500,120	1,487,172

As at October 31, 2020 allowance for credit losses for credit commitments amounted to $18,224 (2019 – $90,467).

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

21. Contingent liabilities and commitments (continued)

21.3 Legal proceedings

As at October 31, 2020 and October 31, 2019, 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.

21.4 Capital commitments

As at October 31, 2020 and October 31, 2019, there were no capital commitments.

22. Pension plan

The Bank's employees are members of its parent company's (RBTT Bank Caribbean Limited) RBTT Caribbean Pension Fund Plan, which is a defined contribution plan. The pension plan provides pension benefits based on the accumulated members' account balance made up of employer contributions, members' voluntary contributions (if applicable) plus interest. The employer contributions are based on a percentage of an employee's annual base earnings. The plan is governed by trust deed and rules.

For the year ended October 31, 2020, an expense of $37,732 (2019 - $35,299 expense) was recorded in the Statement of Income or Loss and Other Comprehensive Income or Loss representing the employer's impact for the defined contribution plan.

The Trustees of the plan appointed RBC Investment Management (Caribbean) Limited as the plan's investment manager and Eckler Ltd. as the plan's record-keeper. The investment manager is directed by the Investment Management Agreement and investments of the plan's assets are guided by the Statement of Investment Policies and Procedures.

As at October 31, 2020 the pension liability was nil (2019 - NIL).

23. Dividends

During the year no dividends were declared to shareholders (2019 – NIL). Dividends are accounted for as an appropriation of retained earnings.

24. Fair value of financial assets and liabilities

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

Assets

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

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

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

Assets (continued)

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.

Liabilities

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

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

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

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

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

Financial assets and liabilities for which fair value is disclosed are illustrated below:

	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, 2020							
Securities	-	141,417	141,417	-	141,417	-	141,417
Loans	-	29,232,424	29,232,424	-	-	29,232,424	29,232,424
Other assets	35,666	-	35,666	-	-	-	-
Customers' deposits	45,375,367	-	45,375,367	-	-	-	-
Other liabilities	138,434	-	138,434	-	-	-	-
As at October 31, 2019							
Securities	-	150,023	150,023	-	-	150,023	150,023
Loans	-	33,093,855	33,093,855	-	-	33,093,855	33,093,855
Other assets	174,445	-	174,445	-	-	-	-
Customers' deposits	42,918,959	-	42,918,959	-	-	-	-
Other liabilities	123,303	-	123,303	-	-	-	-

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

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

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.

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, 2020				
Securities at FVTPL				
Securities FVTPL classified				
Money market instruments	-	-	-	-
	-	-	-	-
Securities FVOCI designated				
Equity securities	-	-	761,355	761,355
	-	-	761,355	761,355

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
At October 31, 2019				
Securities at FVTPL				
Securities FVTPL classified				
Money market instruments	2,612,016	-	-	2,612,016
	2,612,016	-	-	2,612,016
Securities FVOCI designated				
Equity securities	-	-	724,073	724,073
	-	-	724,073	724,073

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.

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

	Level 3 Fair value $	Positive fair value movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2020			
Securities at FVOCI	761,355	317,110	(137,154)
	761,355	317,110	(137,154)
As at October 31, 2019			
Securities at FVOCI	724,073	97,505	(103,217)
	724,073	97,505	(103,217)

Sensitivity results

As at October 31, 2020, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $317,110 (2019: $97,505) and a reduction of $137,154 (2019: $103,217) in fair value which would be recorded in other components of equity.

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

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

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 are determined by adjusting the price multiples based on the range of multiples of comparable companies.

Reconciliation of Level 3 fair value measurements of financial assets

	FVOCI $	Total $
As at October 31, 2019	724,073	724,073
Gains from changes in fair value	37,282	37,282
As at October 31, 2020	761,355	761,355
As at October 31, 2018	621,529	621,529
Gains from changes in fair value	102,544	102,544
As at October 31, 2019	724,073	724,073

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, 2020, and cumulatively since initial recognition of the assets.

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

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

	For the year ended	
	October 31, 2020 $	October 31, 2019 $
Money market instruments	48,098	227,208
Net gains for financial instruments classified as fair value through profit or loss	48,098	227,208

For the year ended October 31, 2020, $48,098 of net fair value gains on financial assets classified as FVTPL, were included in non-interest income (2019 – $227,208).

Notes to the Financial Statements

For the year ended October 31, 2020
(Expressed in Eastern Caribbean Dollars)

25. Events after the reporting period

On December 22, 2020, RBC Financial (Caribbean) Limited received approval from the Eastern Caribbean Central Bank (E.C.C.B.) to proceed with the sale of all banking operations in the Eastern Caribbean to a Consortium of five indigenous banks. Refer to Note 1.

Management Proxy Circular

NEVIS
THE COMPANIES ORDINANCE, 1999
(Section 141)

1. **Name of Company:**
   RBTT Bank (SKN) Limited Company No. 66 of 2001

2. **Particulars of Meeting:**
   Sixty Fourth Annual Meeting of the Shareholders of the Company to be held on Friday March 26, 2021 at 9:00 a.m. at the St. Paul's Anglican Church Conference Hall, Main Street, Charlestown, Nevis as well as virtually on an online platform.

3. **Solicitation:**
   It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favor 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 Ordinance, 1999.

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 Ordinance, 1999.

6. **Any Shareholder's proposal submitted pursuant to Sections 114(a) and 115(2):**
   No proposal has been received from any Shareholder pursuant to Section 114(a) and 115(2) of the Companies Ordinance, 1999.

Date	Name and Title	Signature
March 5, 2021	Briony Cartwright-Seymour Corporate Secretary RBTT Bank (SKN) Limited	BSeymour