Financial Statements 2022

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Financial
Caribbean

Consolidated Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

Chief Executive Officer's Report

For the fiscal year ended October 31, 2022, RBC Financial (Caribbean) Limited ("the Company") reported an after tax net income from continuing operations of $907.8 million compared to the prior year's $496.1 million, driven by improvements in total revenue and the release of provisions associated with the COVID-19 pandemic partly offset by higher operating expenses.

Fiscal 2022 saw a resurgence of business activities as countries around the world relaxed remaining restrictions implemented to deal with the impacts of the COVID-19 pandemic. Whilst this was happening, the emergence of potential recessionary forces in several larger economies created a somewhat challenging global and macroeconomic environment defined by higher inflation rates, rising interest rates in developed markets as well as global energy and market volatility partly fuelled by the war in Ukraine. Closer to home, our clients and communities also struggled with the impacts of rising inflation, energy prices and the impacts of global warming on our communities.

Despite these challenges, the rising interest rate environment in developed economies and the recovery of client and business activity this past year has led to strong revenue growth increasing by $258.9 million compared to the prior year. This year we also updated our model for credit loss assumptions and inputs that resulted in a release of loan provisions as well as release of the remaining COVID-19 loan provisions taken in 2020, contributing $387.9 million to the year on year increase in profitability. The increase in revenue was accompanied by an increase in costs directly linked to revenue generating activities, as well as costs related to our continued support of our employees to aid in countering inflationary pressures. These added costs did not dampen our efficiency ratio, which improved year-on-year.

The Company's total assets grew by $2.9 billion with loans up $1.3 billion or 5.3% and deposits increasing by $0.8 billion year-over-year. The Company's regulatory capital ratio at year end stood at 24.98%, which is well above regulatory thresholds.

In 2022, our clients continued to leverage and grow demand for our digital banking offerings, while employees focused on delivering exceptional client experiences and proved their resilience and adaptability by returning to offices in a new hybrid work environment. This year we continued to effectively support our clients leveraging our digital channels, 24-7 advice centre and our highly capable mobile sales force, staying true to our commitment to help our clients thrive and communities prosper.

On behalf of the Board of Directors and executive of RBC, I would like to thank our clients for their confidence and their loyalty. I would also like to thank our employees, who continue to be the driving force behind all of our achievements. We remain committed to serving the Caribbean region and steadfast in delivering excellence as we help our clients thrive and our communities prosper.

Darryl White
Chief Executive Officer, RBCFCL
January 25, 2023

Statement of Management's Responsibilities

The Financial Institutions Act, 2008 (The Act), requires that management acknowledges responsibility for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of RBC Financial (Caribbean) Limited and its subsidiaries (The Group) which comprise the consolidated statement of financial position as at October 31, 2022 and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, estimates and judgements and other explanatory information;
- Ensuring that The Group 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 Group's assets, detection/prevention of fraud, and the achievement of Group 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 and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

Darryl White
Chief Executive Officer,
RBCFCL
January 25, 2023

Sham Singh
Chief Financial Officer,
RBCFCL
January 25, 2023

Independent Auditor's Report

To the shareholder of RBC Financial (Caribbean) Limited

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises the Chief Executive Officer's report (but does not include the consolidated financial statements and our auditor's report thereon).

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

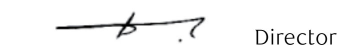
PricewaterhouseCoopers
Port of Spain,
Trinidad, West Indies
27 January, 2023

Consolidated Statement of Financial Position

	Note	October 31, 2022 ($'000)	October 31, 2021 ($'000)
Assets			
Cash and short term instruments	3	7,603,464	8,303,855
Balances with central banks	4	9,969,652	9,064,554
Loans	6	25,857,723	24,565,793
Securities	7	14,697,560	13,559,131
Investment in associate companies and joint venture	8	276,393	260,769
Due from associates and affiliated companies	35	1,040,026	397,988
Intangible assets	9	208,872	273,357
Goodwill	10	4,361,852	4,361,852
Premises and equipment	11	797,978	872,092
Corporation tax recoverable		138,676	173,455
Deferred tax assets	12	201,165	291,239
Other assets	13	507,891	549,280
Assets classified as held for sale	14	3,897	5,787
Total assets		65,665,149	62,679,152
Liabilities			
Due to banks		468,202	389,362
Customers' deposits	15	45,691,119	44,898,413
Other funding instruments	16	19,550	29,195
Other borrowed funds	17	731	1,245
Debt securities in issue	18	300,000	300,000
Due to associates and affiliated companies	35	4,014,491	2,629,313
Derivative financial liabilities		92	1,343
Post-retirement benefit obligations	19	381,374	374,800
Current income tax liabilities		89,386	60,118
Deferred tax liabilities	12	42,490	15,684
Other liabilities	20	1,433,622	1,535,109
Total liabilities		52,441,057	50,234,582
Equity			
Stated capital	21	12,065,350	12,065,350
Statutory reserves	22	1,297,189	780,015
Other components of equity	23	339,605	218,685
Accumulated deficit		(478,052)	(619,480)
Equity attributable to parent company		13,224,092	12,444,570
Total equity and liabilities		65,665,149	62,679,152

The accompanying notes form an integral part of these Consolidated Financial Statements.

On January 25, 2023, the Board of Directors of RBC Financial (Caribbean) Limited authorised these Consolidated Financial Statements for issue.


____________________ Director

____________________ Director

Consolidated Statement of Income

	Note	Year ended October 31 2022 ($'000)	2021 ($'000)
Continuing operations			
Interest income	25	1,562,663	1,427,383
Interest expense	26	(148,782)	(134,687)
Net interest income		1,413,881	1,292,696
Non-interest income	27	1,007,452	869,759
Total revenue		2,421,333	2,162,455
Non-interest expenses	28	(1,782,059)	(1,705,046)
Release of/(provision for) credit losses on off balance sheet items		10,134	(241)
Release of credit losses on loans	6.1	501,854	113,973
Release of credit losses on securities		37,393	67,100
Total non-interest expenses		(1,232,678)	(1,524,214)
Share of profit of associate companies	8.1	10,715	12,397
Share of profit of joint venture	8.3	9,611	7,414
Net income before taxation from continuing operations		1,208,981	658,052
Taxation expense	30	(301,155)	(161,913)
Net income after taxation from continuing operations		907,826	496,139
Discontinued operations			
Net loss from discontinued operations	39.1	-	(11,110)
Loss on disposal of subsidiaries	39.1	-	(90,446)
Total loss arising from discontinued operations		-	(101,556)
Net income		907,826	394,583
Net income for the year attributable to:			
Parent company		907,826	396,107
Non-controlling interests	24	-	(1,524)
		907,826	394,583

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Other Comprehensive Income

	Note	Year ended October 31 2022 ($'000)	2021 ($'000)
Net income		907,826	394,583
Other comprehensive loss, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised losses on securities at fair value through other comprehensive income		(128,831)	(44,290)
Tax impact		2,889	1,312
		(125,942)	(42,978)
Exchange differences on translating foreign operations	23.2	(15,077)	1,800
		(141,019)	(41,178)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	19.4	(7,424)	44,232
Net change in unrealised gains/(losses) on equity securities at fair value through other comprehensive income		18,373	(4,439)
Tax impact		1,570	(7,083)
		12,519	32,710
Other comprehensive loss for the year, net of taxes		(128,500)	(8,468)
Total comprehensive income for the year		779,326	386,115
Total comprehensive income attributable to:			
Parent company		779,326	387,639
Non-controlling interests		-	(1,524)
		779,326	386,115

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Note	Stated capital ($'000) (Note 21)	Statutory reserves ($'000) (Note 22)	Other components of equity ($'000) (Note 23)	Accumulated deficit/ Retained earnings ($'000)	Attributable to parent company ($'000)	Non-controlling interests ($'000) (Note 24)	Total ($'000)
Balance at October 31, 2021		12,065,350	780,015	218,685	(619,480)	12,444,570	-	12,444,570
Other comprehensive loss		-	-	(122,429)	(6,071)	(128,500)	-	(128,500)
Net income attributable to shareholders		-	-	-	907,826	907,826	-	907,826
Total comprehensive (loss)/income		-	-	(122,429)	901,755	779,326	-	779,326
Transfer to statutory reserves	22	-	517,174	-	(517,174)	-	-	-
Transfer from general banking risks reserve	23.4	-	-	12,822	(12,822)	-	-	-
Other reserve movements	23.2	-	-	230,527	(230,331)	196	-	196
Balance at October 31, 2022		12,065,350	1,297,189	339,605	(478,052)	13,224,092	-	13,224,092
Balance at October 31, 2020		12,065,350	691,018	268,427	(967,864)	12,056,931	54,163	12,111,094
Other comprehensive loss		-	-	(41,178)	32,710	(8,468)	-	(8,468)
Net income/(loss) attributable to shareholders		-	-	-	396,107	396,107	(1,524)	394,583
Total comprehensive (loss)/income		-	-	(41,178)	428,817	387,639	(1,524)	386,115
Transfer to statutory reserves	22	-	121,666	-	(121,666)	-	-	-
Transfer to general banking risks reserve	23.4	-	-	(3,456)	3,456	-	-	-
Transfer upon disposal of subsidiaries		-	(32,669)	(5,108)	37,777	-	-	-
Disposal of subsidiaries	39.1	-	-	-	-	-	(52,639)	(52,639)
Balance at October 31, 2021		12,065,350	780,015	218,685	(619,480)	12,444,570	-	12,444,570

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Note	Year ended October 31 2022 ($'000)	Restated 2021 ($'000)
Net income before taxation from continuing operations		1,208,981	658,052
Adjustments for:			
Release of credit losses		(549,381)	(180,832)
Post-retirement benefit expense		28,541	8,428
Net investment trading loss / (income)		5,670	(3,584)
Depreciation and amortisation of premises and equipment and intangible assets		194,910	190,353
(Gain)/loss on disposal of premises and equipment and intangible assets		(4,893)	1,975
Share of profit of associate companies and joint venture		(20,326)	(19,811)
Unrealised gains on securities		(35)	(188)
Accretion on securities		38,822	25,611
Operating income before changes in operating assets and liabilities for continuing operations		902,289	680,004
(Increase)/decrease in operating assets:			
Balances with central banks		(549,262)	(110,820)
Loans		(790,076)	(1,435,340)
Due from associates and affiliated companies		(642,038)	662,273
Other assets		43,279	(290,141)
Increase/(decrease) in operating liabilities:			
Due to banks		78,840	116,840
Customers' deposits		792,706	1,529,588
Other funding instruments		(9,645)	(139)
Due to associates and affiliated companies		1,385,178	531,720
Other liabilities		(114,025)	22,819
Pension contributions paid		(734)	(749)
Taxes paid		(110,718)	(91,893)
Cash generated from operating activities for continuing operations		985,794	1,614,162

	Note	Year ended October 31 2022 ($'000)	Restated 2021 ($'000)
Investing activities			
Purchase of securities		(13,472,170)	(15,590,116)
Proceeds from sale and redemption of securities		12,221,447	9,744,548
Dividends received from associate companies and joint venture		1,350	4,926
Additions to premises and equipment and intangible assets		(54,584)	(95,578)
Proceeds from sale of premises and equipment		24,672	46,890
Proceeds from sale of subsidiaries		-	65,863
Proceeds from sale of premises included in assets held for sale		-	27,517
Cash used in investing activities for continuing operations		(1,279,285)	(5,795,950)
Financing activities			
Payments on other borrowed funds		(514)	(520)
Principal elements of lease payments		(59,431)	(56,523)
Cash used in financing activities for continuing operations		(59,945)	(57,043)
Net decrease in cash and cash equivalents for continuing operations		(353,436)	(4,238,831)
Net increase in cash and cash equivalents for discontinued operations		-	112,829
Cash and cash equivalents at beginning of year		13,600,095	17,744,050
Effects of exchange rate changes on cash and cash equivalents		8,881	(17,953)
Cash and cash equivalents at end of year	5	13,255,540	13,600,095
Interest received		1,566,988	1,442,638
Interest paid		(142,908)	(146,007)

The accompanying notes form an integral part of these Consolidated Financial Statements.

1 Incorporation and business activities of the Group

RBC Financial (Caribbean) Limited (the "Company") is incorporated in Trinidad and Tobago. It is a wholly owned subsidiary of RBC Holdings (Barbados) Limited which is incorporated in Barbados. The ultimate parent company is the Royal Bank of Canada, which is incorporated and domiciled in Canada. The Royal Bank of Canada's common shares are listed on the Toronto Stock Exchange and New York Stock Exchange with the ticker symbol RY.

RBC Financial (Caribbean) Limited and its subsidiaries and associate companies (the "Group") provide diversified financial services including personal and commercial banking, wealth management, financial intermediation services, stock-broking services and property development. Details of the principal subsidiaries are set out in Note 38. The address of the Company's registered office is 7-9 St. Clair Avenue, St. Clair, Port-of-Spain, Trinidad.

2 Summary of significant accounting policies, estimates and judgements

The significant accounting policies used in the preparation of these Consolidated Financial Statements are summarised below. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

Basis of preparation

Statement of compliance

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

Basis of measurement

The Consolidated Financial Statements are prepared in Trinidad and Tobago dollars.

These Consolidated Financial Statements include the assets and liabilities and results of operations of the parent company, RBC Financial (Caribbean) Limited and its subsidiaries and associate companies after elimination of intercompany transactions, balances, revenue and expenses.

Use of estimates and assumptions

The preparation of these Consolidated 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, derecognition of financial assets, pensions and other post-employment benefits, income taxes, carrying value of goodwill and other intangible assets and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Consolidated Financial Statements. Management do not believe there to be a material gap between the estimates used in these Consolidated Financial Statements and actual results based on historic performance. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgments

In preparation of these Consolidated Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period.

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

Significant judgements have been made in the following areas and discussed as noted in the Consolidated Financial Statements:

- Leases — Note 2
- Revenue recognition — Note 2, Note 27
- Fair value of financial instruments — Note 2, Note 37
- Allowance for credit losses — Note 2, Note 6, Note 7
- Employee benefits — Note 2, Note 19
- Share–based compensation — Note 2, Note 29
- Goodwill and other intangibles — Note 2, Note 9, Note 10
- Application of the effective interest method — Note 2
- Derecognition of financial assets — Note 2
- Income taxes — Note 2, Note 12
- Litigation provisions — Note 2, Note 32

Basis of consolidation

Our Consolidated Financial Statements include the assets and liabilities and results of operations of the parent company, RBC Financial (Caribbean) Limited and its subsidiaries and associate companies after elimination of intercompany transactions, balances, revenues and expenses.

Consolidation

Subsidiaries are those entities over which we have control. We control an entity when we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power over the investee. We have power over an entity when we have existing rights that give us the current ability to direct the activities that most significantly affect the entity's returns (relevant activities). Power may be determined based on voting rights or, in the case of structured entities, other contractual arrangements.

We are not deemed to control an entity when we exercise power over an entity in an agency capacity. In determining whether we are acting as an agent, we consider the overall relationship between us, the investee and other parties to the arrangement with respect to the following factors: (i) the scope of our decision making power; (ii) the rights held by other parties; (iii) the remuneration to which we are entitled; and (iv) our exposure to variability of returns.

The determination of control is based on the current facts and circumstances and is continuously assessed. In some circumstances, different factors and conditions may indicate that various parties control an entity depending on whether those factors and conditions are assessed in isolation or in totality. Significant judgement is applied in assessing the relevant factors and conditions in totality when determining whether we control an entity. Specifically, judgement is applied in assessing whether we have substantive decision-making rights over the relevant activities and whether we are exercising our power as a principal or an agent.

We consolidate all subsidiaries from the date control is transferred to us, and cease consolidation when an entity is no longer controlled by us. Our consolidation conclusions affect the classification and amount of assets, liabilities, revenues and expenses reported in our Consolidated Statement of Financial Position.

Non-controlling interests in subsidiaries that we consolidate are shown on our Consolidated Statement of Financial Position as a separate component of equity, which is distinct from our shareholders' equity. The net income attributable to non-controlling interests is separately disclosed in our Consolidated Statement of Income and Other Comprehensive Income.

Investments in associates and joint ventures

Our investments in associated corporations and limited partnerships over which we have significant influence are accounted for using the equity method. The equity method is also applied to our interests in joint ventures over which we have joint control. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognise our share of the investee's net profit or loss, including net profit or loss recognised in other comprehensive income, subsequent to the date of acquisition.

Non-current assets held for sale and discontinued operations

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

A disposal group is classified as a discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of our operations, and (ii) it represents either a separate major line of business or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Disposal groups classified as discontinued operations are presented separately from our continuing operations on our Consolidated Statement of Income and Other Comprehensive Income.

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

Restatement

A restatement has been made to the Statement of Cash Flows to include cash balances with Central Banks that are non-monetary reserves in cash and cash equivalents. It was also decided to present the Statement of Cash Flows using net income before taxation from continuing operations as the starting point instead of net income.

	Note	Year ended October 31 2021 ($'000)	Change ($'000)	Restated 2021 ($'000)
Net income before taxation from continuing operations		394,583	263,469	658,052
Adjustments for:				
Net loss from discontinuing operations		11,110	(11,110)	-
Loss on disposal of subsidiaries		90,446	(90,446)	-
Operating income before changes in operating assets and liabilities for continuing operations		518,091	161,913	680,004
(Increase)/decrease in operating assets:				
Balances with central banks		2,017,773	(2,128,593)	(110,820)
Other assets		(241,174)	(48,967)	(290,141)
Other liabilities		135,765	(112,946)	22,819
Cash generated from operating activities for continuing operations		3,742,755	(2,128,593)	1,614,162
Net decrease in cash and cash equivalents for continuing operations		(2,110,238)	(2,128,593)	(4,238,831)
Cash and cash equivalents at beginning of year		10,319,217	7,424,833	17,744,050
Cash and cash equivalents at end of year	5	8,303,855	5,296,240	13,600,095

Changes in accounting policies

Interest Rate Benchmark Reform

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

- For modifications of financial instruments carried at amortised cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss. The interest rate benchmark reform has not impacted The Group's measurement of leases and hedging instruments.

Progress in and risks arising from the transition to ABRs

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

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

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

	As at October 31, 2022 ($'000)	As at November 1, 2021 ($'000)
Non-derivative financial assets [(1)]		
USD LIBOR	376,616	1,092,268

(1) Non-derivative assets represent the drawn outstanding balance of Loans.

There were no undrawn balances of loan commitments referencing benchmark interest rates subject to the Reform as at October 31, 2022 (2021: nil).

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 Group's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

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

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

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

Business model assessment

The Group determines the business models at the level that best reflects how The Group 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 35, 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 Group, to the extent that these are directly linked to the economic performance of the business model.

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

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

SPPI assessment

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

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.

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

Other significant accounting policies (continued)

Securities (continued)

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 Group 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.

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

Assets purchased under reverse repurchase agreements

We purchase securities under agreements to resell (reverse repurchase agreements) and take possession of these securities. The market value of the securities purchased and additional collateral is monitored and obtained when appropriate. We have the right to liquidate the collateral held in the event of counterparty default. Reverse repurchase agreements are treated as collateralised lending transactions. The securities received under reverse repurchase agreements are not recognised on the Consolidated Statement of Financial Position, unless the risks and rewards of ownership are obtained. Reverse repurchase agreements are carried on the Consolidated Statement of Financial Position at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in interest income, in the Consolidated Statement of Income.

Fair value option

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

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

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

To determine the fair value adjustments on our financial liabilities designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Derivatives

Derivatives are primarily used in trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and forward rate agreements, equity swaps and credit derivatives. All derivative instruments are initially recorded on our Consolidated Statement of Financial Position at fair value.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of Note 2. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to apply the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in Non-interest income. Derivatives with positive fair values are presented as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are part of Derivative assets and Derivative liabilities, respectively.

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.

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 loans, securities, interest-bearing deposits with banks and accounts receivable. ACL on financial assets is disclosed in the notes to the consolidated financial statements. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the Consolidated Statement of Other Comprehensive Income and the ACL on debt securities measured at FVOCI is presented in other components of equity on the Consolidated Statement of Financial Position. Financial assets carried at amortised cost are presented net of ACL on the Consolidated Statement of Financial Position. Provision for credit losses (PCL) on amortised cost instruments are recognised directly in the Consolidated Statement of Income.

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 consolidated 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

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

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 affects the results of operations.

Measurement of expected credit losses

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

An expected credit loss estimate is produced at the loan level. The estimate is based on an IFRS 9 model that takes into account different segments of our portfolio and forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment can be exercised in determining the final expected credit losses using a range of possible outcomes.

In the previous year, an expected credit loss estimate was produced at the portfolio segment level. Relevant parameters were modeled on a collective basis using portfolio segmentation that allowed for appropriate incorporation of forward looking information. The IFRS 9 model was not calibrated for unprecedented events such as the COVID 19 pandemic, so 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 estimate credit losses at the portfolio level to account for late breaking events, model limitations and expert credit judgement applied following management review and challenge. Internal governance was in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

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

Expected life

For instruments in Stage 2 or Stage 3, 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.

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 remains largely the same and 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. Prior year assessment is based on the first three conditions only:

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

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

Use of forward-looking information

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

Further details on our forward looking assumptions and scenarios as at October 31, 2022 are provided in Note 6.1.

Scenario design

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

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 or more past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. For certain credit card balances, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by the performance experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial 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

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) (continued)

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 Consolidated 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 asset are identified on individually significant financial asset, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.

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.

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

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

Collectively assessed loans (Stage 3)

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

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

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

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.

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 does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognised only if material. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

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

Client relief programs under COVID 19

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

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

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

Determination of fair value

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

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, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed for trading portfolios. 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.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amount of expected derivative related assets

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

Other significant accounting policies (continued)

Determination of fair value (continued)

and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty or derived from internal estimates when market data is unavailable. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated and changes are recorded in non-interest income.

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.

Interest

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

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 Group 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 Group 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 Group'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 Group's current revenue streams.

In addition, The Group 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 Group expenses incremental costs to obtain a contract if the expected amortisation period of the asset The Group 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 with the exception of credit card fees and commisions. The Group 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, credit related commissions and fees and trust and investment management related fees and are recognised based on the applicable service contracts with customers.

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

Credit related commissions and fees include credit fees and commissions related to securities brokerage services. 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. Commissions related to securities brokerage services relate to the provision of specific transaction type services and are recognised when the service is fulfilled. Where services are provided over time, revenue is recognised as the services are provided.

Trust and investment management related fees, which includes custodial fees and mutual fund revenue, are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Investment management and custodial fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager or from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Mutual fund revenue is derived as a percentage of the daily net asset value (NAV) of the mutual funds under management with each mutual fund having a management fee rate based on an approved fee structure. Investment management and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

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.

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 Consolidated 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 short term instruments

Cash and short term instruments 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. Cash and short term instruments with central banks is included within balances with central banks.

Derecognition of financial assets

Financial assets are derecognised from our Consolidated 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 Consolidated 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. 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 Consolidated Statement of Financial Position. When the benefits of servicing are less than fair market

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

Other significant accounting policies (continued)

Derecognition of financial assets (continued)

value, a servicing liability is recognised in Other liabilities in our Consolidated Statement of Financial Position.

Derecognition of financial liabilities

We derecognise a financial liability from our Consolidated 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 Consolidated Statement of Income and Other Comprehensive Income.

Guarantees

Financial guarantee contracts are contracts that contingently require us to make specified payments (in cash, other assets or provision of services) to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has equal and offsetting claims against its customers in the event of a call on these commitments.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current years' service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

Share-based compensation

The Group offers share-based compensation plans (the "Plans") to certain key employees, by utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

For cash-settled awards, The Group's accrued obligations are adjusted to their fair value at each balance sheet date. Changes in obligations, are recorded as Non-interest expense in the Consolidated Statements of Income with a corresponding change in Other liabilities. Compensation expense is recognised in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

Green fund levy

Green fund levy is a tax imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Consolidated Statement of Income.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Consolidated Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our subsidiaries, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Consolidated Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carryforwards are included on the Consolidated Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by the relevant taxation authorities and The Group. 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 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 income 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 Consolidated Statement of Financial Position, and also deferred tax expense in our Consolidated Statements of Income and Other Comprehensive Income.

The Group complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 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 Group is subject to income tax laws in various jurisdictions where The Group operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of The Group's tax positions, which includes The Group's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Group performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of The Group's tax positions by the relevant taxation authorities.

Business combinations

All business combinations are accounted for using the acquisition method. Non-controlling interests, if any, are recognised at their proportionate share of the fair value of identifiable assets and liabilities, unless otherwise indicated. Identifiable intangible assets are recognised separately from goodwill and included in Other intangibles. Goodwill represents the excess of the price paid for the business acquired over the fair value of the net identifiable assets acquired on the date of acquisition.

Goodwill

Goodwill is allocated to cash-generating units or groups of cash-generating units (CGU) for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of a CGU with its carrying amount. The recoverable amount of a CGU is the higher of its value in use and its fair value less costs of disposal. Value in use is the present value of the expected future cash flows from a CGU. Fair value less costs of disposal is the amount obtainable from the sale of a CGU in an orderly transaction between market participants, less disposal costs. The fair value of a CGU is estimated using valuation techniques such as a discounted cash flow method, adjusted to reflect the considerations of a prospective third-party buyer. External evidence such as binding sale agreements or recent transactions for similar businesses within the same industry is considered to the extent that it is available. Significant judgement is involved in estimating the model inputs used to determine the recoverable amount of our CGU, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on management's forecasts adjusted to approximate the considerations of a prospective third-party buyer. Discount rates are based on the bank-wide cost of capital, adjusted for CGU-specific risks and currency exposure as reflected

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

Other significant accounting policies (continued)

Goodwill (continued)

by differences in expected inflation. Bank-wide cost of capital is based on the Capital Asset Pricing Model. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation). Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Changes in these assumptions may affect the amount of impairment loss recognised in non-interest expense.

The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Upon disposal of a portion of a CGU, the carrying amount of goodwill relating to the portion of the CGU sold is included in the determination of gains or losses on disposal. The carrying amount is determined based on the relative fair value of the disposed portion to the total CGU.

Other intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. 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 – 3 to 10 years; and customer relationships – 7 years. We do not have any intangible assets with indefinite lives.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognised. If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives. Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in Non-interest expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statement of Income and Other Comprehensive Income in the period in which they are incurred.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at rates prevailing at the Consolidated 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 Consolidated Statement of Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets classified as securities, such as equity instruments, that are measured at fair value are translated into Trinidad and Tobago dollars at rates prevailing at the Consolidated 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.

Assets and liabilities of our foreign operations with functional currencies other than Trinidad and Tobago dollars are translated into Trinidad and Tobago dollars at rates prevailing at the Consolidated Statement of Financial Position date, and income and expenses of these foreign operations are translated at average rates of exchange for the reporting period.

Unrealised gains or losses arising as a result of the translation of our foreign operations are reported in other comprehensive income on an after-tax basis. Upon disposal or partial disposal of a foreign operation, a proportionate amount of the accumulated net translation gains or losses is included in Non-interest income.

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight–line basis over the estimated useful lives of the assets, which are 25 to 50 years for freehold properties, 5 to 50 years for leasehold 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 is 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. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), 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 (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Leases

At inception of a contract, The Group assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee 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 in the form a payment or series of payments.

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.

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. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalised.

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to The Group 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 Group applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the premises and equipment accounting policies in these Consolidated Financial Statements.

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

Other significant accounting policies (continued)

Provisions

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

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

Dividend income

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

Stated 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.

3 Cash and short term instruments

	2022 ($'000)	2021 ($'000)
Cash on hand	733,357	778,620
Treasury bills	4,055,164	4,672,016
Due from other banks	2,814,943	2,853,219
	7,603,464	8,303,855

Cash on hand represents cash held in tellers' tills, vaults and cash dispensing machines.

Due from other banks are deposits held with other banks on demand or for fixed periods up to three months. Treasury bills have original maturities up to three months.

4 Balances with central banks

	2022 ($'000)	2021 ($'000)
Monetary reserves	4,317,576	3,768,314
Cash balances	4,590,670	5,296,240
Certificates of deposit	1,061,406	-
	9,969,652	9,064,554

Balances with central banks include monetary reserves, which are deposits that are not available for use in The Group's daily operations, cash balances and certificates of deposits held with central banks. Refer to restatement of cash flows included in Note 2.

In accordance with the regulations governing banks in the region, The Group's banking subsidiaries in Trinidad and Tobago, Barbados, Dutch Caribbean and Grand Cayman are required to maintain monetary reserves with their respective central banks which are based on a ratio to customers' deposits and other specified liabilities.

5 Cash and cash equivalents

	2022 ($'000)	2021 ($'000)
Cash and short term instruments (Note 3)	7,603,464	8,303,855
Cash balances at Central Bank (Note 4)	4,590,670	5,296,240
Certificates of deposit at Central Bank (Note 4)	1,061,406	-
	13,255,540	13,600,095

Refer to restatement of cash flows included in Note 2.

6 Loans

	2022 ($'000)	2021 ($'000)
Retail	2,941,556	2,941,951
Commercial/corporate	14,576,661	13,876,201
Mortgages	8,838,150	8,780,531
Gross loans	26,356,367	25,598,683
Unearned interest	(3,977)	(4,929)
	26,352,390	25,593,754
Allowance for credit losses (Note 6.1)	(494,667)	(1,027,961)
	25,857,723	24,565,793
Stage 1	24,532,262	23,116,815
Stage 2	995,197	1,494,982
Stage 3	828,908	986,886
Gross loans	26,356,367	25,598,683
Current	5,838,456	5,124,182
Non-current	20,517,911	20,474,501
	26,356,367	25,598,683

6.1 Allowance for credit losses

	Balance at beginning of period ($'000)	Provision for credit losses ($'000)	Net write-offs ($'000)	Exchange rate and other ($'000)	Balance at end of period ($'000)
For the year ended October 31, 2022					
Retail	133,136	(96,639)	1,557	7,417	45,471
Commercial/corporate	565,012	(218,736)	(7,552)	(10,019)	328,705
Mortgages	329,813	(186,479)	(11,798)	(11,045)	120,491
	1,027,961	(501,854)	(17,793)	(13,647)	494,667
Undrawn loan commitments	73,090	(53,846)	-	-	19,244
For the year ended October 31, 2021					
Retail	178,430	(45,022)	(4,758)	4,486	133,136
Commercial/corporate	589,477	(15,875)	2,987	(11,577)	565,012
Mortgages	398,010	(53,076)	(10,083)	(5,038)	329,813
	1,165,917	(113,973)	(11,854)	(12,129)	1,027,961
Undrawn loan commitments	74,406	(1,316)	-	-	73,090

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

Reconciling items include the following:

- Model Changes. During the year an update was made to the existing model used to derive an estimate of credit losses. Key data elements were updated to better reflect actual historical behaviours. The impact of this model update is disclosed as a model change in the reconciliation below. No changes were made to comparative information as this was a prospective change.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognised assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognised during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- 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.
- Exchange rate and other. This category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

6 Loans (continued)

6.1 Allowance for credit losses (continued)

	Allowance for Credit Losses ($'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
For the year ended October 31, 2022				
Balance at beginning of period	247,210	392,077	388,674	1,027,961
Provision for credit losses				
Model changes	(95,197)	(13,162)	-	(108,359)
Transfers in (out) to Stage 1	244,283	(241,723)	(2,560)	-
Transfers in (out) to Stage 2	(8,564)	37,235	(28,671)	-
Transfers in (out) to Stage 3	(1,457)	(26,636)	28,093	-
Purchases and originations	24,870	-	-	24,870
Derecognitions and maturities	(25,169)	(38,645)	(69,300)	(133,114)
Remeasurements	(278,398)	(47,709)	40,856	(285,251)
Write-offs	-	-	(56,651)	(56,651)
Recoveries	-	-	38,858	38,858
Exchange rate and other	143	199	(13,989)	(13,647)
Balance at end of period	107,721	61,636	325,310	494,667
For the year ended October 31, 2021				
Balance at beginning of period	254,586	543,495	367,836	1,165,917
Provision for credit losses				
Transfers in (out) to Stage 1	221,118	(193,534)	(27,584)	-
Transfers in (out) to Stage 2	(7,667)	14,912	(7,245)	-
Transfers in (out) to Stage 3	(4,241)	(59,943)	64,184	-
Purchases and originations	49,825	-	-	49,825
Derecognitions and maturities	(33,718)	(20,796)	(60,655)	(115,169)
Remeasurements	(232,208)	109,166	74,413	(48,629)
Write-offs	-	-	(60,862)	(60,862)
Recoveries	-	-	49,008	49,008
Exchange rate and other	(485)	(1,223)	(10,421)	(12,129)
Balance at end of period	247,210	392,077	388,674	1,027,961

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 losses under the IFRS 9 model include our internal historical default rates, changes in credit quality, real GDP growth rates and non-energy GDP (for Trinidad and Tobago entities). Prior year's key drivers included our internal historical default rates, transition matrices, unemployment rates, real GDP growth rates, inflation rates and non-energy GDP rates (for Trinidad and Tobago entities).

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

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

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

- A 100 basis points increase will lower the allowance for credit losses by $7.4 million.
- A 100 basis points decrease will increase the allowance for credit losses by $10.0 million.

Further details on the key inputs and assumptions used as at October 31, 2022 are provided in Note 2 and Note 6.2.

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.

	Carrying value ($'000)	Base Scenario ($'000)
As at October 31, 2022		
ACL on performing loans[1]	169,357	144,097
As at October 31, 2021		
ACL on performing loans[1]	639,287	609,788

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

Transfers between stages

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

	As at October 31, 2022 ($'000)	As at October 31, 2021 ($'000)
Performing loans [1]		
ACL - all performing loans in Stage 1	111,483	263,436
Impact of staging	57,874	375,851
Stage 1 and 2 ACL	169,357	639,287

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

In the prior year stage 2 was determined based on 30 days past due, centrally managed accounts and retail loans receiving business as usual deferrals granted by The Group. Also, as part of our COVID 19 overlay, we qualitatively increased the transfers from stage 1 to 2 to reflect the challenging macroeconomic environment. This qualitative adjustment was informed by economic projections and historical behavior of our portfolio. In this year, staging is based on 30 days past due, centrally managed accounts, retail loans receiving business as usual deferrals granted by The Group, loans of clients who had a prior default during the last three years and increases in probability of default at the loan level. The new approach used to identify stage 2 exposures is more granular, informed by a larger number of credit risk metrics, in addition to which we have released the COVID overlay in full in 2022.

6.2 Loan modifications

All formal relief programs established to help clients manage through challenges of the COVID 19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring were completed in late 2020, any relief provided to clients since then has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2022, the amortised cost of all loans whose contractual terms were modified before the modification was $1,781 million (2021:$2,377 million), resulting in no material modification gains or losses.

7 Securities

Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period.

	Term to maturity [1]						
	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 years to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
As at October 31, 2022							
Fair value through profit or loss[2]							
Government and state-owned enterprises debt	-	-	-	5,127	-	-	5,127
Money market funds	-	-	-	-	-	78,830	78,830
	-	-	-	5,127	-	78,830	83 957

7 Securities (continued)

Carrying value of securities (continued)

Term to maturity [1]

	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 years to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
As at October 31, 2022 (continued)							
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortised cost	848,157	86,322	-	-	-	-	934,479
Fair value	847,989	86,168	-	-	-	-	934,157
Government and state-owned enterprises debt[3]							
Amortised cost	-	57,502	284,742	279,492	20,411	-	642,147
Fair value	-	69,399	337,980	320,800	20,886	-	749,065
Equities[4]							
Cost	-	-	-	-	-	4,368	4,368
Fair value	-	-	-	-	-	31,468	31,468
	847,989	155,567	337,980	320,800	20,886	31,468	1,714,690
Amortised cost[5]							
Amortised cost	2,826,317	7,804,984	2,258,872	8,740	-	-	12,898,913
Fair value	2,827,640	7,720,921	2,200,498	9,673	-	-	12,758,732
	2,826,317	7,804,984	2,258,872	8,740	-	-	12,898,913
Total carrying value of securities[1]	3,674,306	7,960,551	2,596,852	334,667	20,886	110,298	14,697,560
As at October 31, 2021							
Fair value through profit or loss[2]							
Government and state-owned enterprises debt	-	-	6,609	-	-	-	6,609
Money market funds	-	-	-	-	-	94,059	94,059
	-	-	6,609	-	-	94,059	100,668
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortised cost	167,619	491,124	-	-	-	-	658,743
Fair value	167,668	491,045	-	-	-	-	658,713
Government and state-owned enterprises debt[3]							
Amortised cost	-	504	228,801	281,460	131,375	-	642,140
Fair value	-	505	285,460	361,814	171,417	-	819,196
Equities[4]							
Cost	-	-	-	-	-	4,375	4,375
Fair value	-	-	-	-	-	30,006	30,006
	167,668	491,550	285,460	361,814	171,417	30,006	1,507,915
Amortised cost[5]							
Amortised cost	3,282,111	3,206,545	5,451,551	10,341	-	-	11,950,548
Fair value	3,290,387	3,219,809	5,452,739	11,419	-	-	11,974,354
	3,282,111	3,206,545	5,451,551	10,341	-	-	11,950,548
Total carrying value of securities[1]	3,449,779	3,698,095	5,743,620	372,155	171,417	124,065	13,559,131

(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) Trading securities are recorded at fair value.

(3) Debt securities carried at fair value through other comprehensive income are presented net of allowance for credit losses. The fair value of the Government and state-owned enterprises debt include POCI securities where balances reflect changes in the credit risk.

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

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

Purchased Originally as Credit Impaired (POCI) Securities

During 2018, the Government of Barbados (GoB) as part of its debt restructuring program offered to exchange The Group's portfolio of existing debt securities for new instruments. As a result, The Group had its treasury bills of $1,043 million and bonds of $64 million converted into Liquidity Reserve Fund Treasury Bills (15%) and Series B bond strips (85%) respectively. There was also a government loan of $37 million that was exchanged for Series D bond strips.

The debt instruments received during 2018 comprise Treasury Bills of $165 million, Series B bonds of $941 million, and Series D bonds of $37 million, at notional value. The classification and measurement of these new securities were assessed under IFRS 9 and evidence of credit impairment was observed. The bonds were considered to be "Purchased Originally as Credit Impaired" (POCI). The Treasury bills and bonds, were classified as "Held to Collect and Sell" (HTC&S) and measured at FVOCI.

The fair value of the securities received in the exchange was based on valuation techniques determined by management using significant judgements and assumptions as follows:

- Discount rate of 3.5% for treasury bills based on the assumption that the notional value will be repaid by the issuer after ninety days.
- Discount rates for series B (7.6%) and series D (8.4%) based on the BVAL US Corp B yield curve.

At the date of exchange the difference between the notional value and the fair value of the bonds was $343 million. As at October 31, 2022 the life to date change in fair value due to risk free interest rate is $37 million (2021 - $78 million). The life to date movement attributed to accrued interest was $31 million (2021 - $34 million). For the year ended October 31 2022, $112 million was recorded as the change in expected credit losses (2021 - $64 million) in the Consolidated Statement of Income.

The COVID 19 pandemic was projected to have significant impact on the future economic environment of Barbados, primarily due to the country's reliance on tourism. As a result of the anticipated impact, during 2020, management determined that the U.S treasury curve plus the credit spread between the US treasury curve and the BVAL US Corp B curve no longer accurately reflected the economics of the government securities.

Since 2020, the fair value of these securities was determined by applying a discount yield to each maturity, which is calculated by combining the following three components:

- US Treasury yield aligned to the maturity date of each bond strip
- The original credit spread of each bond strip
- 1.18% COVID 19 adjustment

While the economic impact of the COVID 19 pandemic has declined in 2022, the increased level of borrowing by the government during the pandemic period and the current global uncertainties are projected to have an impact on the economic environment. As a result, management has decided to maintain the 2020 yield assumptions noted above but has removed the COVID 19 adjustment.

The bonds are still considered to be POCI, however all scheduled repayments were received from the government to date.

7.1 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 ($'000)	Gross unrealised gains [1] ($'000)	Gross unrealised losses [1] ($'000)	Fair value ($'000)
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	934,479	-	(322)	934,157
Government and state-owned enterprises debt	642,147	106,918	-	749,065
Equities [2]	4,368	27,444	(344)	31,468
	1,580,994	134,362	(666)	1,714,690
As at October 31, 2021				
FVOCI				
Treasury bills and treasury notes	658,743	49	(79)	658,713
Government and state-owned enterprises debt	642,140	177,056	-	819,196
Equities [2]	4,375	26,035	(404)	30,006
	1,305,258	203,140	(483)	1,507,915

(1) Gross unrealised gains and losses include allowance for credit losses, excluding equities designated as FVOCI.

(2) Unrealised gains and losses on equities will not reclassify to profit and loss when realised.

7 Securities (continued)

7.2 Allowance for credit losses on securities

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

	2022 ($'000)	2021 ($'000)
Gross exposures		
Stage 1	12,931,034	11,780,815
Stage 2	-	189,977
Total securities	12,931,034	11,970,792
Less: allowance for credit losses	(32,121)	(20,244)
Securities net of expected credit losses	12,898,913	11,950,548

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.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

Allowance for credit losses – securities at amortised cost

	Performing		Impaired	
	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
For the year ended October 31, 2022				
Balance at beginning of period	20,244	-	-	20,244
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	55,783	-	-	55,783
Derecognitions and maturities	(5,564)	-	-	(5,564)
Remeasurements	(38,342)	-	-	(38,342)
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	32,121	-	-	32,121
For the year ended October 31, 2021				
Balance at beginning of period	30,598	1,629	-	32,227
Provision for credit losses				
Model changes	(14,535)	(193)	-	(14,728)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	41,045	-	-	41,045
Derecognitions and maturities	(3,226)	(617)	-	(3,843)
Remeasurements	(33,639)	(819)	-	(34,458)
Write-offs	-	-	-	-
Exchange rate and other	1	-	-	1
Balance at end of period	20,244	-	-	20,244

Allowance for credit losses – securities at FVOCI [(1)]

	Performing		Impaired		
	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	POCI ($'000)	Total ($'000)
For the year ended October 31, 2022					
Balance at beginning of period	439	3	-	(64,490)	(64,048)
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	3,810	-	-	-	3,810
Derecognitions and maturities	(974)	-	-	-	(974)
Remeasurements	(1,537)	(3)	-	(48,024)	(49,564)
Write-offs	-	-	-	-	-
Exchange rate and other	-	-	-	(50)	(50)
Balance at end of period	1,738	-	-	(112,564)	(110,826)
For the year ended October 31, 2021					
Balance at beginning of period	9,399	52	-	(18,418)	(8,967)
Provision for credit losses					
Model changes	230	(6)	-	-	224
Transfers in (out) to Stage 1	-	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-	-
Purchases and originations	24,695	-	-	-	24,695
Derecognitions and maturities	(30,080)	-	-	-	(30,080)
Remeasurements	(3,785)	(43)	-	(46,127)	(49,955)
Write-offs	-	-	-	-	-
Exchange rate and other	(20)	-	-	55	35
Balance at end of period	439	3	-	(64,490)	(64,048)

(1) (1)Expected credit losses on debt securities at FVOCI are not separately recognized on the Consolidated Statement of Financial Position as the related securities are recorded at fair value. The cumulative amount of credit losses recognized in the Consolidated Statement of Income is presented in other components of equity.

7.3 Securities at amortised cost

	2022 ($'000)	2021 ($'000)
Government and state-owned enterprises debt securities	12,337,022	11,089,962
Corporate debt securities	561,891	860,586
	12,898,913	11,950,548
Current	10,656,129	6,488,654
Non-current	2,242,784	5,461,894
	12,898,913	11,950,548

7.4 Movement in securities

	FVTPL ($'000)	FVOCI ($'000)	Amortised cost ($'000)	Total ($'000)
As at October 31, 2021	100,668	1,507,915	11,950,548	13,559,131
Additions	-	1,507,577	11,964,593	13,472,170
Disposal (sale and redemption)	(11,103)	(1,236,308)	(10,968,366)	(12,215,777)
Losses from changes in fair value	(5,670)	(64,675)	-	(70,345)
Amortisation of premium	-	(582)	(38,240)	(38,822)
Write back of credit losses	-	-	(11,877)	(11,877)
Foreign exchange adjustment	62	763	2,255	3,080
As at October 31, 2022	83,957	1,714,690	12,898,913	14,697,560

7 Securities (continued)

7.4 Movement in securities (continued)

	FVTPL ($'000)	FVOCI ($'000)	Amortised cost ($'000)	Total ($'000)
As at October 31, 2020	101,636	1,003,355	6,664,075	7,769,066
Additions	346,483	1,360,552	13,883,081	15,590,116
Disposal (sale and redemption)	(350,709)	(865,243)	(8,528,596)	(9,744,548)
Gains from changes in fair value	3,584	3,303	-	6,887
Accretion/(amortisation) of discount/(premium)	-	11,542	(37,153)	(25,611)
Allowance for credit losses	-	-	11,983	11,983
Foreign exchange adjustment	(326)	(5,594)	(42,842)	(48,762)
As at October 31, 2021	100,668	1,507,915	11,950,548	13,559,131

8 Investment in associate companies and joint venture

	2022 ($'000)	2021 ($'000)
Associate companies (Note 8.1)	85,398	77,185
Joint venture (Note 8.3)	190,995	183,584
	276,393	260,769

8.1 Movement of investment in associate companies

	2022 ($'000)	2021 ($'000)
Balance at beginning of year	77,185	72,053
Share of current period's profits before tax	10,715	12,397
Share of current period's tax (Note 30)	(3,391)	(2,659)
Other adjustments	2,239	(1,704)
Dividends	(1,350)	(2,902)
Balance at end of year	85,398	77,185

8.2 Associate companies

The Group's interest in its principal associates, which are unlisted, are as follows:

	Principal activity	Place of incorporation	Percentage of equity capital held 2022	2021
Infolink Services Limited	Clearing facility for electronic funds transfer	Trinidad & Tobago	25.0%	25.0%
Park Court Limited	Real estate	Trinidad & Tobago	20.0%	20.0%
KF Real Estate C.V.	Real estate	Curaçao	33.3%	33.3%

	2022 ($'000)	2021 ($'000)
Infolink Services Limited		
Current assets	139,925	127,408
Non-current assets	40,136	39,147
Current liabilities	(4,393)	(4,889)
Non-current liabilities	(1,956)	(2,995)
Total comprehensive income	15,041	8,207
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	173,712	158,671
Proportion of ownership interest	25%	25%
Carrying amount of interest in Infolink Services Limited	43,428	39,668
Park Court Limited		
Current assets	10,077	11,882
Non-current assets	412,966	390,276
Current liabilities	(13,189)	(6,224)
Non-current liabilities	(303,653)	(302,879)
Total comprehensive income	35,741	23,790
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	106,201	93,055
Proportion of ownership interest	20%	20%
Other adjustments	4,584	2,209
Carrying amount of interest in Park Court Limited	25,824	20,820
KF Real Estate C.V.		
Current assets	1,718	1,916
Non-current assets	61,599	68,653
Current liabilities	(3,939)	(3,768)
Non-current liabilities	(10,920)	(12,321)
Total comprehensive income	799	843
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	48,458	54,480
Proportion of ownership interest	33.3%	33.3%
Other adjustments	10	(1,444)
Carrying amount of interest in KF Real Estate C.V.	16,146	16,697

8.3 Movement in investment in joint venture

	2022 ($'000)	2021 ($'000)
Balance at beginning of year	183,584	180,768
Share of current year's profits, before tax	9,611	7,414
Share of current year's tax (Note 30)	(2,200)	(2,574)
Dividends	-	(2,024)
Balance at end of year	190,995	183,584

8.4 Interest in joint venture

	Principal activity	Country of incorporation	Percentage of equity capital held
RGM Limited	Real estate development	Republic of Trinidad and Tobago	33.33%

	2022 ($'000)	2021 ($'000)
Current assets	101,755	86,621
Non-current assets	788,397	801,447
Total assets	890,152	888,068
Current liabilities	(25,867)	(28,852)
Non-current liabilities	(290,859)	(308,023)
Total liabilities	(316,726)	(336,875)
Revenue	124,797	120,093
Profit before tax	33,274	32,531
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	573,426	551,193
Proportion of ownership interest	33.3%	33.3%
Other adjustments	44	37
Carrying amount of interest in RGM Limited	190,995	183,584

9 Intangible assets

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
Year ended October 31, 2022			
Opening net carrying value	196,181	77,176	273,357
Translation adjustment	43	-	43
Adjusted opening net book value	196,224	77,176	273,400
Additions	584	37,150	37,734
Disposals	8,124	(9,624)	(1,500)
Reclassified to non-current assets held for sale	-	-	-
Transfers[1]	44,510	(51,564)	(7,054)
Amortisation	(93,708)	-	(93,708)
Closing net carrying value	155,734	53,138	208,872
Cost	667,344	53,138	720,482
Accumulated amortisation	(511,610)	-	(511,610)
Net carrying value	155,734	53,138	208,872

9 Intangible assets (continued)

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
Year ended October 31, 2021			
Opening net carrying value	159,457	165,301	324,758
Translation adjustment	(260)	-	(260)
Adjusted opening net book value	159,197	165,301	324,498
Additions	1,720	41,589	43,309
Disposals	(15)	(15,596)	(15,611)
Reclassified to non-current assets held for sale	-	-	-
Transfers[1]	121,107	(114,118)	6,989
Amortisation	(85,828)	-	(85,828)
Closing net carrying value	196,181	77,176	273,357
Cost	706,881	77,176	784,057
Accumulated amortisation	(510,700)	-	(510,700)
Net carrying value	196,181	77,176	273,357

[1] This represents transfers and adjustments to intangibles from premises and equipment in current period and transfers out of intangibles to premises and equipment in prior period.

During the year, assets fully depreciated and retired amounted to $60 million (2021 - $267 million).

There were no contractual commitments to acquire intangible assets in 2022 or 2021.

10 Goodwill

	2022 ($'000)	2021 ($'000)
Balance at beginning of year	4,361,852	4,310,766
Adjustment to allocation made to assets held for sale	-	51,086
Balance at end of year	4,361,852	4,361,852

Goodwill on assets acquired was assessed to determine the need for an impairment loss as at the year-end, in accordance with IAS 36 – Impairment of assets. Throughout, this assessment used the "fair value less costs of disposal" (FVLCD) method. Based on the results of the annual assessment performed as at August 31, 2022, a surplus of $357 million was observed as at October 31, 2022 (2021 – a surplus of $4,548 million) as the recoverable amount of the assets exceeded its carrying amount.

The Group calculates fair value less costs of disposal (FVLCD) using the discounted cash flow ("DCF") method that projects future cash flows over a 5-year period. The Group is considered to be the cash-generating unit for the purposes of this assessment. Future cash flows are based on the same factors noted below. Cash flow projections are adjusted to reflect the considerations of a prospective third-party buyer and discounted to their present value. Non-interest expenses are adjusted based on synergies that can be achieved with a prospective in-market buyer. We use significant judgement to determine inputs to the discounted cash flow model which is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period.

Revenue

Future cash flows are based on financial plans agreed by management, estimated based on forecast results, business initiatives, capital required to support future cash flows and returns to shareholders. Key drivers of future cash flows include net interest margins and average interest-earning assets. The values assigned to these drivers over the forecast period are based on past experience, external and internal economic forecasts, and management's expectations of the impact of economic conditions on our financial results.

Provision for credit losses

Based on assumptions for loan growth combined with assumed economic conditions and specific risk mitigation strategies being undertaken.

Non-interest expenses

Based on assumed rates of inflation and specific ongoing initiatives that will result in additional costs or result in cost savings.

Taxation

Based on prevailing tax rates in each jurisdiction in which The Group operates.

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Terminal revenue growth rates	4.50%	5.00%
Terminal net income growth rates	3.50%	3.50%
Discount rates	11.48%	9.90%

The environment is rapidly evolving and as a result, our economic outlook has a higher than usual degree of uncertainty, which may, in future periods, materially change the expected future cash flows of the CGUs and result in a further impairment charge. Actual experience may differ materially from current expectations, including in relation to the duration and severity of the economic contraction and the ultimate timing and extent of a future recovery.

In performing the goodwill impairment assessment, we also considered reasonably possible alternative scenarios, including market comparable transactions, which yielded valuations ranging from a surplus to a higher deficit. As noted above, we use significant judgment to determine inputs to the discounted cash flow model which are most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. The sensitivity of the fair value less costs of disposal to key inputs and assumptions was tested by recalculating the recoverable amount using reasonably possible change to those parameters.

Holding all other factors constant, if each of the principal assumptions changed the Surplus would change as follows:

	Rate Changes		Movement in Surplus	
	From %	To %	From $'MM	To $'MM
Year ended October 31, 2022				
Terminal revenue growth rate - 75 bps decline	4.50%	3.75%	357	215
Terminal net income growth rate - 25 bps decline	3.50%	3.25%	357	43
Discount rate - 25 bps increase	11.48%	11.73%	357	(49)
Year ended October 31, 2021				
Terminal revenue growth rate - 75 bps decline	5.00%	4.25%	4,548	4,364
Terminal net income growth rate - 25 bps decline	3.50%	3.25%	4,548	4,000
Discount rate - 25 bps increase	9.90%	10.15%	4,548	3,871

Changes in these assumptions have been applied holding other individual factors constant. However, changes in one factor may be magnified or offset by related changes in other assumptions as impacts to the recoverable amount are highly interdependent and changes in assumptions may not have a linear effect on the recoverable amount of the CGU. In aggregate, based on the current cash flow forecasts, discount rates and terminal growth rates, the range of reasonably possible outcomes does not materially affect the recoverable amount of the CGU and would not result in impairment charges in future periods.

11 Premises and equipment

	2022 ($'000)	2021 ($'000)
Premises and equipment owned (Note 11.1)	489,009	531,676
Right-of-use leased assets (Note 11.2)	308,969	340,416
	797,978	872,092

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

11.1 Premises and equipment owned

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2022						
Opening net book value	360,885	5,123	76,454	70,776	18,438	531,676
Translation adjustment	133	1	11	21	1	167
Adjusted opening net book value	361,018	5,124	76,465	70,797	18,439	531,843
Additions [1]	(1)	1	188	7,440	15,885	23,513
Disposals	(8,011)	-	(622)	(916)	(6,215)	(15,764)
Reinstatement from non-current assets held for sale	1,890	-	-	-	-	1,890
Transfers	-	-	3,324	5,055	(12,394)	(4,015)
Depreciation charge	(11,386)	(155)	(11,097)	(25,820)	-	(48,458)
Closing net book value	343,510	4,970	68,258	56,556	15,715	489,009
At October 31, 2022						
Total cost	567,719	9,698	142,824	193,384	15,715	929,340
Accumulated depreciation	(224,209)	(4,728)	(74,566)	(136,828)	-	(440,331)
Net book value	343,510	4,970	68,258	56,556	15,715	489,009

[1] Included in additions are transfers of $2 million from intangibles (Note 9).

During the year, assets fully depreciated and retired amounted to $84 million (2021 - $210 million).

11 Premises and equipment (continued)

11.1 Premises and equipment owned (continued)

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Work in progress ($'000)	Total ($'000
Year ended October 31, 2021						
Opening net book value	356,161	2,184	48,665	78,035	77,977	563,022
Translation adjustment	(519)	(3)	(16)	(87)	(97)	(722)
Adjusted opening net book value	355,642	2,181	48,649	77,948	77,880	562,300
Additions[1]	9,320	-	11,861	12,752	19,047	52,980
Disposals	-	-	(9,508)	(4,321)	(19,425)	(33,254)
Reclassified to non-current assets held for sale	4,536	3,083	111	(106)	-	7,624
Transfers	3,299	-	39,476	8,489	(59,064)	(7,800)
Depreciation charge	(11,912)	(141)	(14,135)	(23,986)	-	(50,174)
Closing net book value	360,885	5,123	76,454	70,776	18,438	531,676
At October 31, 2021						
Total cost	571,442	9,696	163,930	559,276	23,828	1,328,172
Accumulated depreciation	(210,557)	(4,573)	(87,476)	(488,500)	(5,390)	(796,496)
Net book value	360,885	5,123	76,454	70,776	18,438	531,676

[1] Included in additions are transfers of $7 million from intangibles (Note 9).

Impairment of property

There was no impairment within The Group for the year ended October 31, 2022 (2021 – nil).

Assets pledged as security

There were no land and buildings pledged to secure borrowings of The Group in 2022 or 2021.

11.2 Right-of-use leased assets

	Properties ($'000)
Year ended October 31, 2022	
Opening net book value	340,416
Translation adjustment	45
Adjusted opening net book value	340,461
Additions	51,825
Disposals	(29,911)
Remeasurements	(662)
Depreciation charge	(52,744)
Closing net book value	308,969
At October 31, 2022	
Total cost	455,411
Accumulated depreciation	(146,442)
Net book value	308,969
Year ended October 31, 2021	
Opening net book value	339,569
Translation adjustment	(122)
Adjusted opening net book value	339,447
Additions	67,329
Disposals	(12,009)
Depreciation charge	(54,351)
Closing net book value	340,416
At October 31, 2021	
Total cost	450,549
Accumulated depreciation	(110,133)
Net book value	340,416

Leased assets

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

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

The total cash outflow for leases for the year ended October 31, 2022 was $59 million (2021 - $57 million).

12 Deferred tax assets and liabilities

The following amounts are shown in the consolidated statement of financial position:

	2022 ($'000)	2021 ($'000)
Deferred tax assets (Note 12.1)	201,165	291,239
Deferred tax liabilities (Note 12.2)	(42,490)	(15,684)
	158,675	275,555
The movement on the deferred tax account is as follows:		
At beginning of year	275,555	323,705
Effect of changes in exchange rates	528	(237)
Consolidated Statement of Comprehensive Income (Note 30)	(121,798)	(38,588)
Investment revaluation reserve:		
Fair value losses	2,769	2,067
Gain/(loss) transferred to the Consolidated Statement of Comprehensive Income	2,371	(11,109)
Fair value adjustment relating to acquisition	4	(265)
Other	(754)	(18)
At end of year	158,675	275,555
Deferred tax assets and liabilities are attributable to the following items:		
12.1 Deferred tax assets		
Securities FVOCI	(7,084)	(11,724)
Unrealised losses on derivatives	27	(7,151)
Post-retirement benefits	89,469	91,202
Accelerated tax depreciation	4,491	3,762
Tax losses	67,104	67,671
Allowance for credit losses	34,828	144,943
Other	12,330	2,536
	201,165	291,239
12.2 Deferred tax liabilities		
Accelerated tax depreciation	(21,800)	(12,769)
Securities FVOCI	(2,081)	(2,879)
Fair value adjustment on acquisition	-	12,150
Other	(18,609)	(12,186)
	(42,490)	(15,684)

The tax loss carryforward amounts of deferred tax assets of $67 million (October 31, 2021 – $68 million) were recognised in respect of tax losses incurred in current or preceding years which recognition is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax-planning strategies implemented in relation to such support.

13 Other assets

	2022 ($'000)	2021 ($'000)
Other taxes recoverable	10,595	11,427
Accounts receivable	50,701	40,566
Interest receivable	85,560	89,885
Items in transit	344,405	365,446
Other	16,637	41,961
	507,898	549,285
Allowance for credit losses	(7)	(5)
	507,891	549,280
Current	505,547	499,416
Non-current	2,351	82,869
	507,898	549,285

14 Assets and liabilities classified as held for sale and discontinued operations

	2022 ($'000)	2021 ($'000)
Land	227	848
Buildings	3,670	4,939
	3,897	5,787

14 Assets and liabilities classified as held for sale and discontinued operations (continued)

Assets held for sale – Land and Buildings

The Group intends to dispose of the land and buildings that are no longer in use in RBC Royal Bank N.V and RBC Royal Bank (Aruba) N.V. within the next financial year. At year end offers were accepted from buyers for two buildings. As at year end, the IFRS 5 (Non-current assets held for sale and discontinued operations) criteria to classify as held for sale was met for these two buildings and therefore these assets were maintained as assets held for sale. One building was reinstated to premises and equipment during the financial year as the above criteria to be classified as held for sale was not met.

	2022 ($'000)	2021 ($'000)
Land		
Cost	227	848
Impairment	-	-
Net book value transferred from premises and equipment	227	848
Buildings		
Cost	8,999	13,161
Impairment	-	-
Accumulated depreciation	(5,329)	(8,222)
Net book value transferred from premises and equipment	3,670	4,939
Land:		
Opening balance	848	8,174
Disposal of property	-	(3,700)
Amounts reclassed to premises and equipment owned	(621)	(3,626)
Closing balance	227	848
Buildings:		
Opening balance	4,939	32,754
Disposal of property	-	(23,817)
Amounts reclassed to premises and equipment owned	(1,269)	(3,998)
Closing balance	3,670	4,939

15 Customers' deposits

	2022 ($'000)	2021 ($'000)
Savings	19,720,845	20,616,912
Term deposits	4,304,749	3,467,303
Current accounts	21,665,525	20,814,198
	45,691,119	44,898,413
Sectoral analysis		
Consumers	20,806,917	20,631,409
Private sector	20,204,200	20,022,760
State sector	4,265,343	3,863,735
Other	414,659	380,509
	45,691,119	44,898,413
Current	44,600,696	43,894,699
Non-current	1,090,423	1,003,714
	45,691,119	44,898,413

16 Other funding instruments

	2022 ($'000)	2021 ($'000)
Other funding instruments	19,550	29,195
	19,550	29,195
Sectoral analysis		
Individuals	6,742	6,741
Private sector	1,466	1,486
Financial institutions	11,342	20,968
	19,550	29,195
Current	19,550	29,195
Non-current	-	-
	19,550	29,195

Other funding instruments consist of fund raising instruments, which are unsecured borrowings. Interest rates on other funding instruments ranged from 0% to 6% (2021 – 0% to 6%).

17 Other borrowed funds

	2022 ($'000)	2021 ($'000)
Long-term borrowings	731	1,245
	731	1,245

As part of its funding activities, The Group accesses different sources of unsecured financing including short-term and long-term borrowings and private placements.

Short-term borrowings consist of revolving credit lines and other bank credit line facilities with maturities up to one year. Long-term borrowings consist of bank borrowings with maturities in excess of five years.

The interest rate on borrowings, which are principally in US dollars, as at October 31, 2022, was 3% (2021 –3%).

18 Debt securities in issue

	2022 ($'000)	2021 ($'000)
Debt securities in issue	300,000	300,000
	300,000	300,000

Unsecured debt securities in issue as at October 31, 2022, include the following:

	Maturity Period	Maturity Date	Interest rate
TT$300 million bond	15 years	November 2027	4.75% fixed

This debt along with interest was fully paid subsequent to the year end.

19 Post-retirement benefit obligations

Plan characteristics

The Group sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by local pension committees.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The main defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. Our defined contribution pension plans provide pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of an employee's annual earnings. Our other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by The Group and valuations of the plans are performed at each fiscal year by independent actuaries.

Risks

By their design, the defined benefit pension plans expose The Group to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

19.1 **The amounts recognised in the Consolidated Statement of Financial Position are as follows:**

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2022			
Fair value of plan assets	(46,759)	-	(46,759)
Post-retirement benefit obligation	179,719	248,414	428,133
Liability in the Consolidated Statement of Financial Position	132,960	248,414	381,374
October 31, 2021			
Fair value of plan assets	(51,369)	-	(51,369)
Post-retirement benefit obligation	179,346	246,823	426,169
Liability in the Consolidated Statement of Financial Position	127,977	246,823	374,800

19 Post-retirement benefit obligations (continued)

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

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	(51,369)	-	(51,369)
Interest income	(3,298)	-	(3,298)
Contributions	(734)	-	(734)
OCI Remeasurements	-	-	-
Administration expenses	540	-	540
Return on plan assets excluding (amounts included in interest cost)	5,872	-	5,872
Net benefits paid by the Group	2,230	-	2,230
At end of year	(46,759)	-	(46,759)
October 31, 2021			
At beginning of year	(45,950)	-	(45,950)
Interest income	(2,360)	-	(2,360)
Contributions	(879)	-	(879)
OCI Remeasurements	-	-	-
Administration expenses	374	-	374
Return on plan assets excluding (amounts included in interest cost)	(4,330)	-	(4,330)
Net benefits paid by the Group	1,776	-	1,776
At end of year	(51,369)	-	(51,369)

19.3 The movements in the post-retirement benefit obligation over the period are as follows:

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	179,346	246,823	426,169
Current service cost	3,191	1,284	4,475
Past service cost	-	3,783	3,783
Interest cost	9,497	13,544	23,041
Contributions	109	-	109
Other comprehensive income remeasurements	13 224	(12,856)	368
Net benefits	(25,648)	(4,164)	(29,812)
At end of year	179,719	248,414	428,133
October 31, 2021			
At beginning of year	212,612	282,974	495,586
Current service cost	3,540	1,410	4,950
Past service cost	-	(14,354)	(14,354)
Interest cost	16,096	4,115	20,211
Contributions	(1,780)	-	(1,780)
Other comprehensive income remeasurements	(18,401)	(19,984)	(38,385)
Net benefits	(32,721)	(7,338)	(40,059)
At end of year	179,346	246,823	426,169

19.4 The amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2022			
Current service cost	3,191	1,284	4,475
Past service cost	-	3,783	3,783
Net interest cost	6,199	13,544	19,743
Other	540	-	540
Components of defined benefit costs recognised in profit or loss (Note 28.1)	9,930	18,611	28,541
October 31, 2022			
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	5,872	-	5,872
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	-	-	-
Effect of experience adjustments	14,408	(12,856)	1,552
Other	-	-	-
Components of defined benefit costs recognised in other comprehensive income	20,280	(12,856)	7,424
Total	30,210	5,755	35,965
October 31, 2021			
Current service cost	3,540	1,410	4,950
Past service cost	-	(14,354)	(14,354)
Net interest cost	16,463	4,115	20,578
Other	(2,746)	-	(2,746)
Components of defined benefit costs recognised in profit or loss (Note 28.1)	17,257	(8,829)	8,428
October 31, 2021			
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	(4,330)	-	(4,330)
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	(7,085)	(10,648)	(17,733)
Effect of experience adjustments	(11,316)	(9,336)	(20,652)
Other	(1,517)	-	(1,517)
Components of defined benefit costs recognised in other comprehensive income	(24,248)	(19,984)	(44,232)
Total	(6,991)	(28,813)	(35,804)

19.5 Investment policy and strategies

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

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

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

(iii) the financial position of the pension plans;

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

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

To implement our asset allocation policy, we may invest in equities and fixed income securities.

Composition of defined benefit pension plan assets

	October 31, 2022		October 31, 2021	
	Fair value ($'000)	Percentage of total plan assets %	Fair value ($'000)	Percentage of total plan assets %
Equity securities				
Foreign	23,062	49	24,850	48
Debt securities				
Domestic government bonds	13,530	29	12,961	25
Foreign government bonds	5,394	12	6,684	13
Corporate and other bonds	2,697	6	4,592	9
Alternative investments	2,076	4	2,422	5
	46,759	100	51,509	100

19 Post-retirement benefit obligations (continued)

19.5 Investment policy and strategies (continued)

Significant assumptions

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

Discount rate

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

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Discount rates – medical and life	6.0%	5.6%
Discount rates – pension	6.0 - 8.0%	5.6 - 6.5%
Salary increases	4.0% / 2.5%	2.0%
Medical expense increases		
- Basic cover for retirees	5.0%	5.0%
- All other cover	5.0%	5.0%

19.6 Sensitivity analysis

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

	Increase/(decrease) in obligation	
	2022 ($'000)	2021 ($'000)
Pension plan:		
Impact of 1.0% (2021: 1.0%) decrease in discount rate	45,876	49,395
Impact of 1.0% (2021: 1.0%) increase in discount rate	(32,084)	(31,992)
Impact of 0.5% (2021: 0.5%) decrease in rate of increase in future compensation	(5,721)	(5,854)
Impact of 0.5% (2021: 0.5%) increase in rate of increase in future compensation	6,196	6,431
Impact of 1 year increase in life expectancy	5,501	5,521
Other post-employment plans:		
Impact of 1.0% (2021: 1.0%) decrease in discount rate	37,638	38,430
Impact of 1.0% (2021: 1.0%) increase in discount rate	(30,470)	(30,943)
Impact of 1.0% decrease in health care cost trend rate	(10,443)	(6,806)
Impact of 1.0% increase in health care cost trend rate	12,407	7,389
Impact of 1 year increase in life expectancy	108	(570)

20 Other liabilities

	2022 ($'000)	2021 ($'000)
Accruals and payables	195,035	150,618
Employee related costs	133,305	131,338
Deferred income	96,564	113,120
Interest payable	50,037	44,163
Contract liabilities[1]	16,024	61,008
Lease liabilities[2]	319,110	348,575
Items in transit	561,426	617,696
Allowance for credit losses (Note 32)	2,522	12,656
Other	59,599	55,935
	1,433,622	1,535,109
Current	1,103,954	1,063,912
Non-current	329,668	471,197
	1,433,622	1,535,109

[1] Contract liabilities

The Group derives revenue from contracts with customers in the form of annual credit card fees, which are paid for upfront by cardholders for the right to use certain RBC credit cards products. The one-time annual fee represents the transaction price received to transfer the performance obligation. However as the performance obligations transpire over time, throughout the annual period, such revenues should be recognised over the applicable annual cycle. The contract liabilities balance in the Other liabilities table represents the portion of annual fee revenue which was deferred and remained outstanding as at the Consolidated Statement of Financial Position date.

[2] Lease liabilities

The Group presents its lease liabilities within other liabilities on the Consolidated Statement of Financial Position. Under IFRS 16 – Leases, lease liabilities represent the present value of the lease payments not paid. This amount is computed using the incremental borrowing rate at the inception of the lease.

21 Stated capital

	2022 ($'000)	2021 ($'000)
Issued and fully paid		
12,946,494 ordinary shares of no par value	12,065,350	12,065,350

The total authorised number of ordinary shares at year-end was unlimited with no par value.

22 Statutory reserves

The Financial Institutions Act, 2008 requires financial institutions in Trinidad and Tobago to transfer annually a minimum of 10% of their profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution. The Central Banks of Aruba, Curacao and Barbados impose similar obligations on financial institutions operating within their territories. In the Cayman Islands, there is no such requirement.

23 Other components of equity

	2022 ($'000)	2021 ($'000)
Capital reserves (Note 23.1)	33,671	(48,416)
Translation reserve (Note 23.2)	146,101	12,703
Investment revaluation reserve (Note 23.3)	(4,592)	102,795
General banking risk reserve (Note 23.4)	164,425	151,603
	339,605	218,685
23.1 Capital reserves		
Balance at beginning of year	(48,416)	(43,770)
Disposal of subsidiaries	-	(4,646)
Transfer from retained earnings	82,087	-
Balance at end of year	33,671	(48,416)
23.2 Translation reserve		
Balance at beginning of year	12,703	5,908
Disposal of subsidiaries	-	4,995
Currency translation differences arising during the year	(15,077)	1,800
Transferred from retained earnings	148,475	-
Balance at end of year	146,101	12,703
23.3 Investment revaluation reserve – securities FVOCI		
Balance at beginning of year	102,795	151,230
Disposal of subsidiary	-	(5,457)
Net (losses)/gains arising during the year on securities, net of tax	(79,213)	15,810
Allowance for credit losses (Note 7.2)	(46,728)	(55,039)
Net gains/(losses) arising during the year on equity securities, net of tax	18,589	(3,561)
Net realised losses on debt securities transferred to income, net of tax	(35)	(188)
Balance at end of year	(4,592)	102,795

23.4 General banking risk reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined in accordance with regulatory requirements over the amount determined under IFRS.

	2022 ($'000)	2021 ($'000)
Balance at beginning of year	151,603	155,059
Transferred from/(to) retained earnings	12,822	(3,456)
Balance at end of year	164,425	151,603

24 Non-controlling interests

	2022 ($'000)	2021 ($'000)
RBTT Bank Grenada Limited	-	(1,221)
RBTT Bank (SKN) Limited	-	(303)
Loss allocated to non-controlling interests	-	(1,524)

The operations of RBTT Bank Grenada Limited and RBTT Bank (SKN) Limited were sold on April 1, 2021.

25 Interest income from continuing operations

	2022 ($'000)	2021 ($'000)
Loans	1,391,660	1,317,034
Securities (Note 25.1)	153,830	109,127
Due from banks	17,173	1,222
	1,562,663	1,427,383

25.1 Securities

	2022 ($'000)	2021 ($'000)
FVTPL	22,043	3,631
FVOCI	39,925	23,461
Dividends	593	279
Amortised cost	91,269	81,756
	153,830	109,127

26 Interest expense from continuing operations

	2022 ($'000)	2021 ($'000)
Customers' deposits	120,593	106,239
Due to banks	564	628
Due to affiliates (Note 35)	5,604	5,454
Lease liabilities	7,668	8,013
Other interest bearing liabilities	14,353	14,353
	148,782	134,687

27 Non-interest income from continuing operations

The Group derives revenue over time and at a point in time within the following categories.

	2022 ($'000)	2021 ($'000)
Non-interest income over time:		
Transaction service fees and commissions	54,622	52,875
Trust and investment management related fees	266,435	275,274
Non-interest income at a point in time:		
Credit related commissions and fees	243,938	207,154
Credit card fees and commissions net of any related expenses	100,086	71,256
Transaction service fees and commissions	84,027	73,835
Net trading (loss) / income (Note 27.1)	(14,630)	3,974
Foreign exchange earnings	225,634	160,292
Sundry income	47,340	25,099
	1,007,452	869,759

27.1 Net trading (loss)/income from continuing operations

	2022 ($'000)	2021 ($'000)
Securities at FVTPL - realised and unrealised (losses)/gains	(14,926)	3,955
Derivative financial instruments - realised and unrealised gains	296	19
	(14,630)	3,974

28 Non-interest expenses from continuing operations

	2022 ($'000)	2021 ($'000)
Staff costs (Note 28.1)	845,370	792,626
Premises and equipment expenses, excluding depreciation and operating lease rentals	199,056	224,730
Advertising	34,082	25,186
Depreciation and amortisation	194,910	190,353
Deposit insurance premium (Note 28.2)	37,489	36,328
Short-term lease expenses	28,233	35,900
Directors' fees	2,818	2,589
Auditors' fees	15,362	16,447
Other professional fees	34,876	27,766
Green fund levy	6,612	5,635
Business and capital tax	76,503	73,122
Sundry and fraud losses	34,030	26,267
Other operating expenses	272,718	248,097
	1,782,059	1,705,046

28.1 Staff costs from continuing operations

	2022 ($'000)	2021 ($'000)
Wages and salaries including bonuses	772,550	737,105
Employees' defined contribution pension expense	40,708	33,638
Employees' defined benefit and post-retirement benefit costs	28,541	8,428
Share option plan-value of services provided	3,571	13,455
	845,370	792,626

28.2 Deposit insurance premium

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago and Barbados stipulate that an annual premium be paid to a Deposit Insurance Fund based on insurable deposit liabilities outstanding at the end of each quarter of the preceding year. The basis of calculation varies across the legal jurisdictions.

29 Share–based compensation

The Group offers share-based compensation plans (the "Plans"), which consists of shares issued by The Group's ultimate parent company, Royal Bank of Canada (RBC). The Plans are administered by RBC.

The Group offers permanent eligible employees in Trinidad and Tobago an opportunity to elect to purchase RBC common shares through a share ownership plan. Under this plan, the employees can generally contribute between 25% and 100% of their annual short-term incentive compensation from The Group's annual incentive program, all of which vest at the end of five years.

The Group offers performance deferred share award plans to certain key employees, all of which vest at the end of three years. Upon vesting, the award is paid in cash and is based on the original number of RBC share units granted plus accumulated dividends valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date. A portion of the award under certain plans may be increased or decreased up to 25%, depending on our total shareholder return compared to a defined peer group of global financial institutions.

At year end an accrual is booked to other liabilities until cash is remitted for payment.

29.1 Units granted under share-based compensation plans

The following table presents the units granted under share-based compensation plans for the year:-

	Units granted	Weighted average fair value per unit ($)
October 31, 2022		
Performance deferred share unit plans	9,839	636
RBC share unit plans	882	692
	10,721	
October 31, 2021		
Performance deferred share unit plans	12,910	562
RBC share unit plans	5,537	555
	18,447	

The liabilities for the awards granted under the share-based compensation plans are measured at fair value, determined based on the quoted market price of the RBC common shares. Annually, the obligation is increased by additional units earned by plan participants, and is reduced by forfeitures, cancellations, and the settlement of vested units. In addition, the obligation is impacted by fluctuations in the market price of RBC common shares. For performance deferred share award plans, the estimated outcome of meeting the performance conditions also impacts the obligation.

29 Share–based compensation (continued)

29.1 Units granted under share-based compensation plans (continued)

The following tables present the units that have been earned by the participants, the obligations for these earned units under the share-based compensation plans, and the related compensation expenses (recoveries) recognised for the year.

29.2 Obligations under share-based compensation plans

	Units	Carrying amount ($'000)
October 31, 2022		
Performance deferred share unit plans	27,239	17,087
RBC share unit plans	1,006	706
	28,245	17,793
October 31, 2021		
Performance deferred share unit plans	31,105	22,492
RBC share unit plans	955	686
	32,260	23,178

29.3 Compensation expenses recognised under share-based compensation plans

	2022 ($'000)	2021 ($'000)
Performance deferred share unit plans	3,450	12,891
RBC share unit plans	291	775
	3,741	13,666

30 Taxation expense

	2022 ($'000)	2021 ($'000)
Current tax charge	179,551	118,789
Prior years	(5,785)	(697)
Net deferred tax charge (Note 12)	121,798	38,588
Share of tax charge of associate company (Note 8.1)	3,391	2,659
Share of tax charge of joint venture (Note 8.3)	2,200	2,574
	301,155	161,913

Our effective tax rate remained at 25% across both periods, reflective of the level and mix of profits between taxable and non-taxable jurisdictions.

The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the home country of the parent company as follows:

	2022 ($'000)	2021 ($'000)
Net income from continuing operations	1,208,981	658,052
Tax calculated at a rate of 35% (2021: 35%)	423,143	230,318
Effect of different tax rates in other countries	(114,831)	(56,331)
Effect of different tax rates on certain sources of income	(12,004)	(15,914)
Income exempt from tax	(66,573)	(19,376)
Expenses not deductible for tax	38,142	53,862
Effect of current year unrecognised tax losses	20,087	10,154
Prior years	(5,785)	(697)
Pandemic levy	32,197	-
Business levy	2,959	1,652
Other	(16,180)	(41,755)
Tax charge	301,155	161,913
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	8,302	1,402
Unrealised gains on derivative financial instruments	(7,178)	499
Regulatory loan loss reserve/(allowance for impairment)	110,115	38,441
Investment securities at FVTPL	(2,549)	(1,159)
Post-retirement benefits	3,303	5,028
Tax losses	567	(5,578)
Other temporary differences	9,238	(45)
Deferred tax charge	121,798	38,588

31 Dividends

During the year no dividends were declared to the immediate parent company – RBC Holdings (Barbados) Limited (2021: Nil). Dividends are accounted for as an appropriation of retained earnings.

32 Contingent liabilities

a) **Legal proceedings**

As at October 31, 2022, there were certain legal proceedings outstanding against The Group for which a provision has been made of $8million based on professional advice as to the likely obligations arising from these litigation matters (2021: $10 million).

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

These represent the Group's potential liability for drawn-upon commitments under guarantees, indemnities and letters of credit, 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 Consolidated Statement of Financial Position.

	2022 ($'000)	2021 ($'000)
Guarantees, indemnities and letters of credit	438,507	627,293

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

As at October 31, 2022 accumulated allowance for credit losses for contingent liabilities amounted to $3 million (2021: $13 million) - Note 20.

33 Credit commitments

These represent the undrawn credit facilities for which The Group is potentially liable at year end. These include undrawn facilities on credit cards, overdrafts, bonds, letters of credit, guarantees and indemnities. These amounts are not reflected in the Consolidated Statement of Financial Position.

The following table breaks down The Group's main credit exposure of credit commitments as categorised by industry sectors of counterparties. The allowance for

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Consumer	2,575,777	2,320,945
Manufacturing	37,073	39,130
Distribution	448,843	719,870
Financial services	1,035,013	477,587
Transport	113,079	99,743
Construction	260,948	125,751
Agriculture	1,623	1,012
Real estate	243,141	107,777
Tourism	18,012	19,508
Professional services	8,644	10,922
Utilities	55,193	56,875
Health services	46,025	61,422
Other	997,297	1,038,652
	5,840,668	5,079,194

34 Capital commitments

The Group's capital commitments, principally in respect of building renovations and information technology projects were $3 million as at October 31, 2022 (2021 - $3 million).

35 Related party transactions

Related parties

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 (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.

We have applied the low credit risk exemption on all loans and receivables, deposits and liabilities to associates and joint ventures and amounts due to and from associates and affiliates, as they demonstrate a low risk of default and the related RBC entity has a strong capacity to meet its contractual cash flow obligations. As a result, any ACL is deemed to be insignificant.

35 Related party transactions (continued)

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

	2022 ($'000)	2021 ($'000)
Outstanding balance		
Loans, reverse repurchased assets and receivables		
Royal Bank of Canada – Ultimate Parent	150,542	-
Other subsidiaries of Royal Bank of Canada	625,799	130,412
Associates and joint venture	263,685	267,576
	1,040,026	397,988
Deposits and other liabilities		
Royal Bank of Canada – Ultimate Parent	1,002,553	-
Other subsidiaries of Royal Bank of Canada	2,952,177	2,572,362
Associates and joint venture	59,761	56,951
	4,014,491	2,629,313
Interest expense		
Other subsidiaries of Royal Bank of Canada	5,604	5,454
	5,604	5,454
Non-interest income		
Other subsidiaries of Royal Bank of Canada	2,197	2,152
	2,197	2,152
Facility fees		
Other subsidiaries of Royal Bank of Canada	2,197	2,152
	2,197	2,152

Compensation of key management personnel and Directors

The following table presents the compensation paid, shareholdings and options held by key management personnel and Directors.

Key management compensation	2022 ($'000)	2021 ($'000)
Share based payment	15,242	16,585
Salaries and other short term benefits	3,183	2,656

Joint ventures and associates

In the normal course of business, The Group provides certain banking services to our joint ventures and associates, including loans, interest and non-interest bearing deposits.

36 Financial risk management

36.1 Consolidated Statement of Financial Position – categorisation

	2022 ($'000)	2021 ($'000)
Assets		
Financial assets at fair value through profit and loss		
Securities	83,957	100,668
	83,957	100,668
Financial assets at fair value through other comprehensive income		
Cash and short term instruments – treasury bills	4,055,164	4,672,016
Securities – debt instruments	1,683,222	1,477,909
Securities – equity instruments [1]	31,468	30,006
	5,769,854	6,179 931
Financial assets at amortised cost		
Cash on hand and due from banks	3,548,300	3,631,839
Balances with central banks	9,969,652	9,064,554
Loans	25,857,723	24,565,793
Securities	12,898,913	11,950,548
Due from associates and affiliated companies	1,040,026	397,988
Other assets	136,261	130,451
	53,450,875	49,741,173
Total financial assets	59,304,686	56,021,772
Non-financial assets	6,360,463	6,657,380
Total assets	65,665,149	62,679,152
Liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities	92	1,343
Financial liabilities at amortised cost		
Due to banks	468,202	389,362
Customers' deposits	45,691,119	44,898,413
Other funding instruments	19,550	29,195
Other borrowed funds	731	1,245
Debt securities in issue	300,000	300,000
Due to associates and affiliated companies	4,014,491	2,629,313
Other liabilities	369,147	392,738
	50,863,240	48,640,266
Total financial liabilities	50,863,332	48,641,609
Non-financial liabilities	1,577,725	1,592,973
Total liabilities	52,441,057	50,234,582
Total equity attributable to owners of parent	13,224,092	12,444,570
Total equity and liabilities	65,665,149	62,679,152

[1] *Securities - equity instruments designated as at FVOCI*

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

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

	Number of companies[a]	Carrying value 2022 ($'000)	Carrying value 2021 ($'000)	Dividends received 2022 ($'000)	Dividends received 2021 ($'000)
Business category					
Economic development	5	21,027	20,370	392	222
Stock exchange	1	7,286	6,624	199	55
Clearing house	2	2,002	1,895	-	-
Financial services	1	667	606	-	-
Other	2	486	511	2	2
Total		31,468	30,006	593	279

[a] During the year ended October, 2022 there were no disposals from the equity shares designated as FVOCI (2021 - Nil).

36.2 Risk management

Risk is inherent in The Group'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 Group's continuing profitability and each individual company within The Group is accountable for the risk exposures relating to its responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure

The Board of Directors is responsible for providing oversight over the management of risks. The OC is responsible for managing and monitoring risks.

Operating Committee (OC)

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

36 Financial risk management (continued)

36.2 Risk management (continued)

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 which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across The Group in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Group Asset and Liability Committee (ALCO)

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

Internal Audit

Risk management processes throughout The Group are audited by the internal audit function that examines both the adequacy of the procedures and The 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 Audit Committee and subsidiary Boards' Audit Committees.

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information, which consists of several reports, is presented and explained to the OC, the ALCO, and the head of each business unit. The reports include but are not limited to 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 Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

Risk mitigation

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

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

The Group actively uses collateral to reduce its credit risks.

36.3 Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that The Group 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. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

These policies are supported by management limits and authorities that govern the measurement and management of liquidity.

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

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

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 Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and 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 as result informs requirements for our earmarked unencumbered liquid asset portfolios.

36.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and short-term instruments	7,603,464	-	-	-	-	7,603,464
Balances with central banks	9,969,652	-	-	-	-	9,969,652
Gross loans	5,895,584	939,297	1,713,714	8,492,351	9,311,444	26,352,390
Allowance for credit losses	-	-	-	-	-	(494,667)
Securities	3,790,254	3,892,058	3,987,264	2,596,863	431,121	14,697,560
Due from associates and affiliated companies	776,340	-	-	7,892	255,794	1,040,026
Other assets	48,628	1,303	770	-	-	50,701
	28,083,922	4,832,658	5,701,748	11,097,106	9,998,359	59,219,126

36 Financial risk management (continued)

36.3 Liquidity risk (continued)

36.3.1 Non-derivative cash flows (continued)

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022 (continued)						
Liabilities						
Due to banks	468,202	-	-	-	-	468,202
Customers' deposits	43,467,696	351,529	781,471	1,070,751	19,672	45,691,119
Other funding instruments	19,550	-	-	-	-	19,550
Other borrowed funds	-	-	-	-	731	731
Debt securities in issue	300,000	-	-	-	-	300,000
Due to associates and affiliated companies	2,445,467	-	-	1,569,024	-	4,014,491
Other liabilities	62,429	12,857	25,669	172,164	96,028	369,147
	46,763,344	364,386	807,140	2,811,939	116,431	50,863,240
Liquidity gap	(18,679,422)	4,468,272	4,894,608	8,285,167	9,881,928	8,355,886
Cumulative gap	(18,679,422)	(14,211,150)	(9,316,542)	(1,031,375)	8,850,553	
As at October 31, 2021						
Assets						
Cash and short-term instruments	8,303,855	-	-	-	-	8,303,855
Balances with central banks	9,064,554	-	-	-	-	9,064,554
Loans	4,587,996	479,002	3,961,872	4,618,778	10,918,145	24,565,793
Securities	3,487,096	1,927,294	1,808,532	5,705,908	630,301	13,559,131
Due from associates and affiliated companies	130,415	-	-	2,902	264,671	397,988
Other assets	35,068	994	1,504	3,000	-	40,566
	25,608,984	2,407,290	5,771,908	10,330,588	11,813,117	55,931,887
Liabilities						
Due to banks	346,451	-	42,911	-	-	389,362
Customers' deposits	42,296,968	464,877	1,132,854	904,534	99,180	44,898,413
Other funding instruments	29,195	-	-	-	-	29,195
Other borrowed funds	-	-	-	-	1,245	1,245
Debt securities in issue	-	-	-	-	300,000	300,000
Due to associates and affiliated companies	2,629,313	-	-	-	-	2,629,313
Other liabilities	56,698	12,453	24,849	173,577	125,161	392,738
	45,358,625	477,330	1,200,614	1,078,111	525,586	48,640,266
Liquidity gap	(19,749,641)	1,929,960	4,571,294	9,252,477	11,287,531	7,291,621
Cumulative gap	(19,749,641)	(17,819,681)	(13,248,387)	(3,995,910)	7,291,621	

36.3.2 Derivative cash flows

The following table analyses The Group's derivative financial instruments that will be settled on (a) a net basis and (b) a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	(401)	-	-	(401)
- Inflow	321	-	-	321
Total outflow	(401)	-	-	(401)
Total inflow	321	-	-	321
As at October 31, 2021				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	(1,041)	(400)	-	(1,441)
- Inflow	818	321	-	1,139
Total outflow	(1,041)	(400)	-	(1,441)
Total inflow	818	321	-	1,139

36.3.3 Contingent liabilities and commitments

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Guarantees, indemnities and letters of credit	316,275	27,736	94,496	438,507
Credit commitments	5,118,848	278,461	443,359	5,840,668
Capital commitments	2,729	-	-	2,729
	5,437,852	306,197	537,855	6,281,904
As at October 31, 2021				
Guarantees, indemnities and letters of credit	471,640	45,113	110,540	627,293
Credit commitments	4,450,941	189,230	439,023	5,079,194
Capital commitments	3,322	-	-	3,322
	4,925,903	234,343	549,563	5,709,809

36.4 Market risk

The Group takes on exposure to market risks, 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 Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by The Group Risk Management who submits reports 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, derivatives and trading liabilities.

Trading portfolios include those portfolios arising from market-making transactions where The Group acts as a principal with clients or with the market.

Non-trading portfolios primarily arise from the interest-rate management of The Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from The Group's amortised and FVOCI securities.

36.4.1 Market risk measurement techniques

The major measurement technique used by The Group to measure and control market risk is stress testing.

The Group applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Risk Management performs a risk sensitivity analysis by applying possible foreign currency rate stress events on The Group's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

36.4.2 Interest rate risk

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

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

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

A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risk. All assumptions are derived empirically based on historical client behaviour and product pricing. All models and assumptions used to measure IRRBB are subject to independent oversight by Group

36 Financial risk management (continued)

36.4 Market risk (continued)

36.4.2 Interest rate risk (continued)

Risk Management. The Board approves the risk appetite for IRRBB, and the Asset-Liability Committee (ALCO), along with GRM, provides ongoing governance of IRRBB measurement and management through risk policies, limits, operating standards and other controls. IRRBB reports are reviewed monthly by GRM, ALCO, and quarterly by the Board.

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 2022				
Impact before tax				
100 bps increase in rates	(7,493)	27,705	(8,770)	7,867
100 bps decrease in rates	15,986	(28,953)	8,770	(7,867)
As at October 31, 2021				
Impact before tax				
100 bps increase in rates	(77,668)	(12,018)	(14,834)	(10,615)
100 bps decrease in rates	91,915	12,320	14,834	10,615

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one-year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2022					
Assets					
Cash and short term instruments	6,367,072	-	-	1,236,392	7,603,464
Balances with central banks	3,347,611	-	-	6,622,041	9,969,652
Loans	13,309,742	3,158,868	9,200,477	188,636	25,857,723
Securities	11,673,806	2,606,837	397,838	19,079	14,697,560
Due from associates and affiliated companies	663,971	7,892	255,794	112,369	1,040,026
Other assets	16,246	-	-	120,015	136,261
Total financial assets	35,378,448	5,773,597	9,854,109	8,298,532	59,304,686
Liabilities					
Due to banks	56,788	-	-	411,414	468,202
Customers' deposits	20,888,916	14,239,053	19,671	10,543,479	45,691,119
Other funding instruments	19,550	-	-	-	19,550
Other borrowed funds	-	-	731	-	731
Debt securities in issue	300,000	-	-	-	300,000
Due to associates and affiliated companies	386,704	-	-	3,627,787	4,014,491
Derivative financial liabilities	92	-	-	-	92
Other liabilities	32,775	4,264	130	331,978	369,147
Total financial liabilities	21,684,825	14,243,317	20,532	14,914,658	50,863,332
Interest sensitivity gap	13,693,623	(8,469,720)	9,833,577		
As at October 31, 2021					
Assets					
Cash and short term instruments	7,148,864	148,249	-	1,006,742	8,303,855
Balances with central banks	4,256,177	1,781,712	-	3,026,665	9,064,554
Loans	10,088,437	5,076,424	9,383,280	17,652	24,565,793
Securities	7,380,960	5,601,109	557,753	19,309	13,559,131
Due from associates and affiliated companies	76,476	2,902	264,674	53,936	397,988
Other assets	27,973	-	-	102,478	130,451
Total financial assets	28,978,887	12,610,396	10,205,707	4,226,782	56,021,772
As at October 31, 2021 (continued)					
Liabilities					
Due to banks	90,629	-	-	298,733	389,362
Customers' deposits	21,014,370	13,095,739	583,465	10,204,839	44,898,413
Other funding instruments	29,195	-	-	-	29,195
Other borrowed funds	-	-	1,245	-	1,245
Debt securities in issue	-	-	300,000	-	300,000
Due to associates and affiliated companies	1,687,844	-	-	941,469	2,629,313
Derivative financial liabilities	-	1,343	-	-	1,343
Other liabilities	28,926	3,823	88	359,901	392,738
Total financial liabilities	22,850,964	13,100,905	884,798	11,804,942	48,641,609
Interest sensitivity gap	6,127,923	(490,509)	9,320,909		

36.4.3 Maturity and rate sensitivity

The table below summarises the Group's loans and securities categorised by the earlier of contractual repricing or maturity dates.

	Up to one-year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Loans:				
Retail	1,229,442	1,046,517	665,597	2,941,556
Commercial / corporate	6,715,629	2,008,643	5,852,389	14,576,661
Mortgages	3,126,730	265,774	5,445,646	8,838,150
Gross loans	11,071,801	3,320,934	11,963,632	26,356,367
Securities:				
Securities at FVTPL	51,691	9,975	22,291	83,957
Securities FVOCI	1,016,330	337,982	360,378	1,714,690
Securities held-to-collect at amortised cost	10,672,152	2,258,882	-	12,931,034
Gross securities	11,740,173	2,606,839	382,669	14,729,681
As at October 31, 2021				
Loans:				
Retail	1,190,243	1,362,040	389,668	2,941,951
Commercial/corporate	6,095,127	2,709,532	5,071,542	13,876,201
Mortgages	2,758,339	565,936	5,456,256	8,780,531
Gross loans	10,043,709	4,637,508	10,917,466	25,598,683
Securities:				
Securities at FVTPL	55,734	6,609	38,325	100,668
Securities FVOCI	671,053	285,455	551,407	1,507,915
Securities held-to-collect at amortised cost	6,583,866	5,386,926	-	11,970,792
Gross securities	7,310,653	5,678,990	589,732	13,579,375

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

	Fixed rate ($'000)	Floating rate ($'000)	Non-rate sensitive ($'000)	Total ($'000)
As at October 31, 2021				
Loans:				
Retail	2,314,105	610,831	16,620	2,941,556
Commercial/corporate	6,477,144	7,788,602	310,915	14,576,661
Mortgages	3,455,306	5,220,605	162,239	8,838,150
Gross loans	12,246,555	13,620,038	489,774	26,356,367
As at October 31, 2021				
Loans:				
Retail	2,362,051	548,786	31,114	2,941,951
Commercial/corporate	6,586,002	5,615,852	1,674,347	13,876,201
Mortgages	3,303,420	5,288,954	188,157	8,780,531
Gross loans	12,251,473	11,453,592	1,893,618	25,598,683

36 Financial risk management (continued)

36.4 Market risk (continued)

36.4.4 Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments designated as fair value through other comprehensive income with fair value movements recognised in other comprehensive income attributable to The Group. The exposure is not significant to The Group.

36.5 Currency risk

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

36.5.1 Concentrations of currency risk – financial instruments on and off Consolidated Statement of Financial Position

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

	TTD ($'000)	USD ($'000)	XCD ($'000)	ANG ($'000)	BBD ($'000)	Other ($'000)	Total ($'000)
As at October 31, 2022							
Assets							
Cash and short term instruments	1,021,648	5,750,835	11,412	126,762	168,658	524,149	7,603,464
Balances with central banks	4,102,791	158,290		3,161,330	2,542,158	5,083	9,969,652
Loans	10,109,203	5,898,667	-	4,098,981	2,935,618	2,815,254	25,857,723
Securities	3,992,370	9,704,414	-	18,022	980,365	2,389	14,697,560
Due from associates and affiliated companies	270,546	663,909	-	5,857	-	99,714	1,040,026
Other assets	64,631	41,650	759	6,421	17,916	4,884	136,261
Total financial assets	19,561,189	22,217,765	12,171	7,417,373	6,644,715	3,451,473	59,304,686
Liabilities							
Due to banks	2,097	368,890	-	29,748	40,325	27,142	468,202
Customers' deposits	17,708,699	12,239,309	2,013	6,609,695	5,522,833	3,608,570	45,691,119
Other funding instruments	5,054	12,468	1,993	-	-	35	19,550
Other borrowed funds	-	-	-	-	731	-	731
Debt securities in issue	300,000	-	-	-	-	-	300,000
Due to associates and affiliated companies	30,577	3,537,065	-	488	31,096	415,265	4,014,491
Derivative financial liabilities	-	92	-	-	-	-	92
Other liabilities	257,240	32,458	1,531	34,836	30,589	12,493	369,147
Total financial liabilities	18,303,667	16,190,282	5,537	6,674,767	5,625,574	4,063,505	50,863,332
Net statement of financial position	1,257,522	6,027,483	6,634	742,606	1,019,141	(612,032)	8,441,354
Credit commitments	3,141,283	1,473,841	-	322,905	845,130	57,509	5,840,668
As at October 31, 2021							
Assets							
Cash and cash equivalents	390,214	7,039,803	12,355	118,700	104,202	638,581	8,303,855
Balances with central banks	3,497,104	216,161	5,600	2,766,262	2,579,427	-	9,064,554
Loans	9,635,576	5,678,794	-	3,835,811	2,804,720	2,610,892	24,565,793
Securities	4,736,115	7,732,124	-	36,425	1,051,598	2,869	13,559,131
Due from associates and affiliated companies	259,530	32,545	1,963	7,856	-	96,094	397,988
Other assets	68,511	32,086	-	10,488	13,913	5,453	130,451
Total financial assets	18,587,050	20,731,513	19,918	6,775,542	6,553,860	3,353,889	56,021,772
Liabilities							
Due to banks	9,378	150,116	-	116,190	29,320	84,358	389,362
Customers' deposits	16,897,694	12,546,077	2,012	6,164,889	5,700,149	3,587,592	44,898,413
Other funding Instruments	7,912	19,236	1,991	-	-	56	29,195
Other borrowed funds	-	-	-	-	1,245	-	1,245
Debt securities in issue	300,000	-	-	-	-	-	300,000
Due to associates and affiliated companies	33,830	2,299,254	1,021	350	10,068	284,790	2,629,313
Derivative financial Liabilities	-	1,343	-	-	-	-	1,343
Other liabilities	299,689	11,444	1,393	30,108	35,775	14,329	392,738
Total financial liabilities	17,548,503	15,027,470	6,417	6,311,537	5,776,557	3,971,125	48,641,609
Net statement of financial position	1,038,547	5,704,043	13,501	464,005	777,303	(617,236)	7,380,163
Credit commitments	2,965,610	1,155,973	-	181,606	624,458	151,547	5,079,194

36 Financial risk management (continued)

36.5 Currency risk (continued)

36.5.2 Foreign currency exchange risk

Analysis was conducted to determine the sensitivity to reasonable possible movements of select currencies against the Trinidad and Tobago dollar (TT dollar) to which The Group had significant exposure at October 31 in respect of its assets and liabilities holding all other variables constant. The results revealed that as at October 31, 2022, if the TT dollar had weakened 2% (2021 – 2%) against the US dollar currency, Eastern Caribbean dollar, Cayman dollar and Antillean guilders with all other variables held constant, profit before tax for the year would have been $8 million higher (2021 – $4 million lower) and other components of equity would have been $72 million higher (2021 – $49 million higher).

36.6 Credit risk

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

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio, The Group 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 Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

36.6.1 Credit risk management

a) Loans

The Group measures the credit risk of loans and advances to corporate and commercial customers and to banks at the counterparty level using an internal risk-rating matrix. The ratings are generated by combining weighted financial and statistical criteria with credit officer judgement, which is mapped against established internal benchmarks at the time credit is granted. The Group risk rating is seven tiered as shown below and reflects the perceived counterparty risk. This means that, in principle, exposures migrate between levels as the assessment of their riskiness changes. The risk weightings and internal benchmarks are consistently reviewed and upgraded as necessary.

Group's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very good	High grade
3	Good	Standard grade
4	Special mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and doubtful	Past due or impaired
7	Virtual certain loss	Past due or impaired

b) Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's rating or their equivalents are used by The Group Risk Management Unit for managing credit risk exposures.

36.6.2 Risk limit control and mitigation policies

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

Collateral

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

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

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

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to The Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where The Group requires margin deposits from counterparties.

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by The Group on behalf of a customer authorising a third party to draw drafts on The Group 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.

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

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Credit risk exposures relating to financial assets on the Consolidated Statement of Position are as follows:		
Due from banks	2,814,943	2,853,219
Treasury bills	4,055,164	4,672,016
Balances with central banks	9,969,652	9,064,554
Loans	26,356,367	25,598,683
Securities at FVTPL	83,957	100,668
Securities at FVOCI	1,683,222	1,477,909
Securities at amortised cost	12,931,034	11,970,792
	57,894,339	55,737,841
Credit risk exposures relating to financial assets not on the Consolidated Statement of Financial Position are as follows:		
Contingent liabilities (letter of credit and financial guarantees)	438,507	627,293
Credit commitments	5,840,668	5,079,194
	6,279,175	5,706,487
Total credit risk exposure	64,173,514	61,444,328

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

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

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

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Consumer	10,388,208	10,683,791
Manufacturing	220,455	187,142
Distribution	687,256	627,502
Financial services	1,130,879	1,050,026
Transport	350,641	418,385
Construction	752,109	1,331,076
Petroleum	99,747	79,066
Agriculture	20,570	16,256
Real estate	3,250,631	2,060,053
Tourism	536,680	430,123
Professional services	510,875	504,864
Utilities	468,599	339,181
Health services	421,252	542,960
Government	2,050,218	1,633,970
Other	5,468,247	5,694,288
	26,356,367	25,598,683

36 Financial risk management (continued)

36.6 Credit risk (continued)

36.6.5 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2022 was $16,484 million (2021: $11,852 million) before taking account of collateral or other credit enhancements.

36.6.6 Credit quality by class of financial assets

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	POCI ($'000)	Total ($'000)
As at October 31, 2022					
Treasury bills	3,570,937	484,227	-	-	4,055,164
Due from banks	2,814,943	-	-	-	2,814,943
Balances with central banks	9,969,652	-	-	-	9,969,652
	16,355,532	484,227	-	-	16,839,759
Loans:					
Retail	2,848,235	58,357	34,964	-	2,941,556
Commercial/corporate	13,552,787	507,432	516,442	-	14,576,661
Mortgages	8,131,240	429,408	277,502	-	8,838,150
Loans (gross)	24,532,262	995,197	828,908	-	26,356,367
Securities:					
FVTPL (including trading):					
Government	5,127	-	-	-	5,127
Corporate	78,830	-	-	-	78,830
FVOCI:					
Government	934,157	-	-	749,065	1,683,222
Amortised cost:					
Government	12,367,318	-	-	-	12,367,318
Corporate	563,716	-	-	-	563,716
Securities (gross)	13,949,148	-	-	749,065	14,698,213
Total	54,836,942	1,479,424	828,908	749,065	57,894,339
As at October 31, 2021					
Treasury bills	4,672,016	-	-	-	4,672,016
Due from banks	2,853,219	-	-	-	2,853,219
Balances with central banks	9,064,554	-	-	-	9,064,554
	16,589,789	-	-	-	16,589,789
Loans:					
Retail	2,738,013	154,762	49,176	-	2,941,951
Commercial/corporate	12,599,044	677,135	600,022	-	13,876,201
Mortgages	7,779,758	663,085	337,688	-	8,780,531
Loans (gross)	23,116,815	1,494,982	986,886	-	25,598,683
Securities:					
FVTPL (including trading):					
Government	6,609	-	-	-	6,609
Corporate	94,059	-	-	-	94,059
FVOCI:					
Government	234,917	424,310	-	818,682	1,477,909
Amortised cost:					
Government	10,747,034	189,977	-	-	10,937,011
Corporate	1,033,781	-	-	-	1,033,781
Securities (gross)	12,116,400	614,287	-	818,682	13,549,369
Total	51,823,004	2,109,269	986,886	818,682	55,737,841

For those exposures that are stage 2 the majority are rated between standard (good) to excellent which is high grade.

36.6.7 Credit risk exposure on due from other banks, treasury bills, debt securities and other bills and derivative financial instruments based on the Group's internal corporate rating system

The table below presents an analysis of debt securities, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's equivalent grades	2022 ($'000)	2021 ($'000)
Excellent			
AA	BB+	24,224,554	19,941,869
Very good			
A+	BB	1,410,985	3,058,426
A	BB-	127,372	23,385
Good			
A-	B+	-	737,574
B+	B	-	-
Special mention			
B	B-	4,732,791	5,325,675
C+	CCC+	-	-
Bad and doubtful			
D	CC+	916,750	986,348
E+	CC	-	-
Virtual certain loss			
E	CC-	-	-
Not rated	NR	125,520	65,881
		31,537,972	30,139,158

36.6.8 Repossessed collateral

Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Collateral is repossessed when The Group enforces its rights of the sale agreements over the collateral as a result of the counterparty's failure to honour their obligations to The Group. The Group's sales agreements enables The Group 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 Group obtains an appraisal of the collateral to certify the updated market value.

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

	2022 ($'000)	2021 ($'000)
Land	6,244	7,385
Buildings	46,353	40,119
Motor-vehicles	6,378	1,807
	58,975	49,311

36.7 Capital management

Capital management is a proactive process that ensures that The Group 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.

Capital adequacy and the use of regulatory capital are monitored by The Group's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the various territories in which The Group operates.

The Group is governed by the risk based capital targets set by the Central Bank of Trinidad and Tobago, and are required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the Central Bank of Trinidad and Tobago.

Under the local guidelines, adjusted qualifying capital includes core capital and supplementary capital. Core capital mainly consists of fully paid and issued share capital, audited retained earnings, statutory reserve fund, capital reserves excluding asset revaluation reserves less goodwill. Supplementary capital includes subordinated debt, asset revaluation reserves and unaudited profits. Regulatory capital ratios are calculated by dividing core capital by risk-weighted assets and qualifying capital by risk adjusted assets. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

The Group is required to maintain regulatory capital at a minimum of 10% (2021: 10%). The Group's regulatory capital ratio is 24.98% (2021: 24.26%).

The table below summarises the regulatory qualifying capital ratios of the licensed entities within The Group.

36 Financial risk management (continued)

36.7 **Capital management (continued)**

	2022	2021
RBC Financial (Caribbean) Limited	25%	24%
RBC Royal Bank (Trinidad & Tobago) Limited	20%	20%
RBC Merchant Bank (Caribbean) Limited	35%	64%
RBC Trust (Trinidad & Tobago) Limited	78%	68%
West Indies Stockbrokers Limited	165%	109%
RBC Royal Bank N.V.	23%	19%
RBC Royal Bank International N.V.	74%	230%
RBC Royal Bank (Aruba) N.V.	33%	29%
RBC Investment Management (Caribbean) Limited	68%	72%
RBC Royal Bank (Barbados) Limited	35%	24%
RBC Royal Bank (Cayman) Limited	29%	27%

The licensed banking entity in Barbados is required to maintain a qualifying capital ratio (total regulatory capital to risk-weighted assets) of at least 8%. The Dutch Caribbean includes three separate capital adequacy requirements. Within Curacao and St. Maarten, RBC Royal Bank N.V. is required to maintain at least 12.5%, while RBC Royal Bank International N.V. is required to maintain at least 10% and the licensed banking entities in Aruba are required to maintain a qualifying capital ratio of at least 16%. The licensed banking entity in the Cayman Islands is required to maintain a qualifying capital ratio of at least 12% while the licensed banking entities in Trinidad and Tobago are required to maintain a qualifying capital ratio of at least 10%.

Throughout the current year, all licensed banking entities submitted regulatory returns inclusive of calculations that complied with regulatory capital adequacy requirements applicable in each jurisdiction.

37 Fair value of financial assets and liabilities

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 values are disclosed

	Fair value always approximates carrying value ($'000)	Fair value may not approximate carrying value ($'000)	Total fair value ($'000)	Fair value hierarchy Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022							
Securities	12,758,732	-	12,758,732	-	-	-	-
Loans	-	25,258,966	25,258,966	-	-	25,258,966	25,258,966
Other assets	136,261	-	136,261	-	-	-	-
Due to banks	468,202	-	468,202	-	-	-	-
Customers' deposits	39,183,064	6,550,808	45,733,872	-	-	6,550,808	6,550,808
Other funding instruments	19,550	-	19,550	-	-	-	-
Other borrowed funds	-	729	729	-	-	729	729
Debt securities in issue	-	297,794	297,794	-	-	297,794	297,794
Other liabilities	369,147	-	369,147	-	-	-	-
As at October 31, 2021							
Securities	11,974,354	-	11,974,354	-	-	-	-
Loans	-	24,822,120	24,822,120	-	-	24,822,120	24,822,120
Other assets	130,451	-	130,451	-	-	-	-
Due to banks	389,362	-	389,362	-	-	-	-
Customers' deposits	39,207,891	5,695,584	44,903,475	-	-	5,695,584	5,695,584
Other funding instruments	29,195	-	29,195	-	-	-	-
Other borrowed funds	-	1,245	1,245	-	-	1,245	1,245
Debt securities in issue	-	305,368	305,368	-	-	305,368	305,368
Other liabilities	392,738	-	392,738	-	-	-	-

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments: (i) loans and deposits with original maturity of less than three months or payable on demand; and (ii) certain receivables and payables in other assets and other liabilities.

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

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

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

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).

37 Fair value of financial assets and liabilities (continued)

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

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
At October 31, 2022				
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt securities	-	5,127	-	5,127
Corporate debt	-	-	-	-
Money market funds	33,394	45,436	-	78,830
	33,394	50,563	-	83,957
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	739,960	194,197	-	934,157
Government and state-owned enterprises debt securities	-	-	749,065	749,065
	739,960	194,197	749,065	1,683,222
Securities FVOCI designated				
Equity securities	452	-	31,016	31,468
	452	-	31,016	31,468
	773,806	244,760	780,081	1,798,647
At October 31, 2021				
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt securities	-	6,609	-	6,609
Corporate debt	-	-	-	-
Money market funds	38,325	55,734	-	94,059
	38,325	62,343	-	100,668
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	67,240	591,473	-	658,713
Government and state-owned enterprises debt securities	-	514	818,682	819,196
	67,240	591,987	818,682	1,477,909
Securities FVOCI designated				
Equity securities	477	-	29,529	30,006
	477	-	29,529	30,006
	106,042	654,330	848,211	1,608,583

There were no significant transfers between Level 1 and 2 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 ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2022			
Securities at FVOCI	780,081	56,592	(51,650)
	780,081	56,592	(51,650)
Derivative financial instruments – liability	92	74	(74)
	779,989	56,518	(51,576)

	Level 3 Fair value ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2021			
Securities at FVOCI	848,211	92,845	(79,811)
	848,211	92,845	(79,811)
Derivative financial instruments – liability	1,343	267	(267)
	846,868	92,578	(79,544)

Sensitivity results

As at October 31, 2022, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $57 million (2021: $93 million) and a reduction of $52 million (2021: $80 million) in fair value, of which an increase of $57 million (2021: $93 million) and a decrease of $52 million (2021: $80 million) would be recorded in other components of equity. The effects of applying these assumptions to the Level 3 liability positions would result in a decrease of $0.07 million (2021: $0.3 million) and an increase of $0.07 million (2021: $0.3 million) in fair value.

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

	Total realised/unrealised gains (losses) included in earnings			Changes in unrealised gains (losses) included in earnings for assets and liabilities for positions still held		
	Assets ($'000)	Liabilities ($'000)	Total ($'000)	Assets ($'000)	Liabilities ($'000)	Total ($'000)
For year ended October 31, 2022						
Non-interest income						
Trading (loss)/ revenue	(14,926)	296	(14,630)	(14,926)	296	(14,630)
For year ended October 31, 2021						
Non-interest income						
Trading (loss)/ revenue	3,955	19	3,974	3,955	19	3,974

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

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

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus 20 bps shift in the yield curve.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of these inputs, and an amount based on model and parameter uncertainty, where applicable.

Reconciliation of Level 3 fair value measurements of financial assets

	FVTPL ($'000)	FVOCI ($'000)	Total ($'000)
As at October 31, 2021	-	848,211	848,211
Additions	-	-	-
Disposal (sale and redemption)	-	-	-
Reclassified to non current assets held for sale	-	672	672
Transfers to Level 3	-	(69,299)	(69,299)
Gains/(losses) from changes in fair value	-	497	497
As at October 31, 2022	-	780,081	780,081
As at October 31, 2020	-	834,066	834,066
Additions	-	-	-
Disposal (sale and redemption)	-	(1,660)	(1,660)
Transfers to Level 3	-	-	-
Gains/(losses) from changes in fair value	-	15,805	15,805
As at October 31, 2021	-	848,211	848,211

37 Fair value of financial assets and liabilities (continued)

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, 2022, and cumulatively since initial recognition of the assets.

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

Financial instruments classified as at FVTPL, which includes mainly trading securities are measured at fair value with realised and unrealised gains and losses recognised in Non-interest income, primarily in Trading revenue.

38 Administered funds

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of The Group. Assets under administration/trusteeship as at October 31, 2022 totalled $59 billion (as at October 31, 2021 - $59 billion).

39 Principal subsidiaries

	Country of Incorporation	Effective Ownership 2022	Effective Ownership 2021
Banking and financial intermediation service providers:			
RBC Royal Bank (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Merchant Bank (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Trust (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Investment Management (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Royal Bank N.V.	Curacao	100%	100%
RBC Royal Bank International N.V.	Curacao	100%	100%
RBC Royal Bank (Aruba) N.V.	Aruba	100%	100%
RBC Royal Bank (Cayman) Limited	Cayman	100%	100%
RBC Royal Bank (Barbados) Limited	Barbados	100%	100%
West Indies Stockbrokers Limited	Republic of Trinidad and Tobago	100%	100%
Holding companies:			
RBC Royal Bank Holdings (Barbados) Limited	Barbados	100%	100%
RBC Royal Bank Holdings (Cayman) Limited	Cayman	100%	100%
RBC Nominee Services (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Royal Bank Holdings (EC) Limited	St Vincent and the Grenadines	100%	100%
ABC Holdings N.V.	Curacao	100%	100%
ABC International N.V.	Aruba	100%	100%

39.1 Disposal of Subsidiaries

In the prior year, The Group completed the sale of its subsidiaries in the Eastern Caribbean which were The Group's 100% shareholding in RBTT Bank Caribbean Limited, its 95% shareholding in RBTT Bank (SKN) Limited and its 62% shareholding in RBTT Bank Grenada Limited.

The sale transaction which was completed on April 1, 2021 did not include RBC Royal Bank Holdings (EC) Limited, the Parent company of the subsidiaries sold, as it was not part of the Share Purchase Agreement.

	For five months ended April 1, 2021 ($'000)
Total discontinued operations - Consolidated Statement of Income	
Interest income	23,031
Interest expense	(6,371)
Net interest income	16,660
Non-interest income	6,027
Total revenue	22,687
Non-interest expenses	
Operating expenses	(26,698)
Provision for credit losses	4,316
Total non-interest expenses	(22,382)
Net income before taxation	305
Taxation expense	(11,415)
Net loss after taxation	(11,110)
Net loss from discontinued operations	(11,110)
Total discontinued operations – Statement of Cash Flows	
Net cash used in operating activities	(25,064)
Effect of exchange rate changes on cash and cash equivalents	216
Net decrease in cash and cash equivalents	(102,563)
Cash and cash equivalents at beginning of year	102,563
Cash and cash equivalents at end of year	-

As a result of the transaction, a loss on sale of $90 million is attributed to parent – RBC Financial (Caribbean) Limited, including the allocation of goodwill of $31 million which was recorded in the Consolidated Statement of Income.

	($'000)
Cash consideration received	65,863

	April 1, 2021 ($'000)
Details of the assets and liabilities disposed:	
Assets:	
Cash and short term instruments	1,650
Other assets	1,639,201
	1,640,851
Goodwill allocated (Note 10)	30,989
Total Assets:	1,671,840
Liabilities:	1,462,892
Non controlling interest	52,639
Identifiable net assets disposed of	156,309
Contributed deficit on disposal of subsidiary attributable to Parent	
Cash consideration received	65,863
Net assets disposed of	(156,309)
Net loss on disposal of subsidiaries	(90,446)

Royal Bank

Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

Managing Director's Report

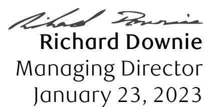
RBC Royal Bank (Trinidad & Tobago) Limited (the Bank) reported net income after taxation of $211.9 million, representing an increase of $87.5 million compared to the prior year from higher revenue, the release of provisions related to the COVID-19 pandemic partly offset by higher costs.

As Trinidad & Tobago lifted most COVID-19 restrictions during the year, this led to increased client and business activity, which positively impacted our revenue flows. The country is also benefitting from higher energy prices and rising international interest rates, which has had a favourable impact on earnings from our USD portfolio. Increase in revenue came at some additional costs as emerging inflationary pressures locally and around world meant a higher cost of doing business in this fiscal year. Nonetheless our efficiency ratio did show improvement year-on-year. As the underlying macroeconomic environment improved over the year together with the great resiliency of our portfolio, the Bank released all remaining provisions created from the onset of the COVID-19 pandemic.

Although the Bank's total assets were down $303 million from the prior year, loan volumes were up $355 million whilst the securities portfolio was down $1.5 billion. The Bank's regulatory capital ratio at year end stood at 20.21%, which is well above regulatory thresholds.

As we continue to emerge out of the COVID-19 pandemic, the changing need for mobility and flexibility by clients drove the demand for our digital banking offerings, whilst our employees focused on delivering exceptional client experiences and proved their resilience and adaptability by returning to offices in a new hybrid work environment. This year we continued to effectively support our clients leveraging our digital channels, 24-7 advice centre and our highly capable mobile sales force, staying true to our purpose to help our clients thrive and communities prosper.

On behalf of the Board of Directors and management of the Bank, I wish to thank both our valued clients for your continued support and loyalty to us and our dedicated employees whose service and commitment to putting our clients first remains steadfast.



Richard Downie
Managing Director
January 23, 2023

Statement of Management's Responsibilities

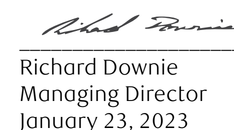
The Financial Institutions Act, 2008 (The Act), requires that management acknowledges responsibility for the following:

- Preparing and fairly presenting the accompanying financial statements of RBC Royal Bank (Trinidad & Tobago) Limited (the Bank) which comprise the statement of financial position as at October 31, 2022 and the statements of income and other comprehensive income, 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 complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

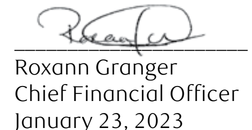
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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



Richard Downie
Managing Director
January 23, 2023



Roxann Granger
Chief Financial Officer
January 23, 2023

Independent Auditor's Report

To the shareholder of RBC Royal Bank (Trinidad and Tobago) Limited

Our opinion

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

What we have audited

The Bank's financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the 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.

Other information

The Directors are responsible for the other information. The other information comprises the Managing Director's report (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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

Port of Spain,
Trinidad, West Indies
January 25, 2023

Statement of Financial Position

	Notes	October 31, 2022 ($'000)	October 31, 2021 ($'000)
Assets			
Cash and short term instruments	3	2,556,301	2,692,469
Balances with Central Bank	4	3,894,039	3,412,927
Loans to customers	6	10,790,299	10,435,261
Securities	7	7,027,378	8,517,911
Investment in associate company	8	43,428	39,668
Due from associate and affiliated companies	30	1,079,210	543,452
Intangible assets - software	9	25,378	31,236
Premises and equipment	10	263,259	301,510
Corporation tax recoverable		87,275	81,295
Deferred tax assets	11	138,231	183,786
Other assets	12	277,093	245,401
Total Assets		26,181,891	26,484,916
Liabilities			
Due to banks		16,463	17,706
Customers' deposits	13	21,911,820	22,265,262
Post-retirement benefit obligations	14	263,443	243,048
Debt securities in issue	15	300,000	300,000
Due to associates and affiliated companies	30	684,903	856,152
Deferred tax liabilities	11	9,989	8,810
Current income tax liabilities		26,637	20,085
Other liabilities	16	589,853	610,005
Total Liabilities		23,803,108	24,321,068
Shareholder's equity			
Stated capital	17	403,970	403,970
Statutory reserve	18	836,070	836,070
Other reserves	19	(26,010)	(29,046)
Retained earnings		1,164,753	952,854
Total Shareholder's Equity		2,378,783	2,163,848
Total Shareholder's Equity and Liabilities		26,181,891	26,484,916

The notes form an integral part of these financial statements.

On January 23, 2023 the Board of Directors of RBC Royal Bank (Trinidad and Tobago) Limited authorised these financial statements for issue.

____________________ Director ____________________ Director

Statement of Income and Other Comprehensive Income

	Notes	Year ended October 31, 2022 ($'000)	2021 ($'000)
Interest income	20	757,017	693,014
Interest expense	21	(36,020)	(32,459)
Net interest income		720,997	660,555
Non-interest income	22	344,870	320,076
Total revenue		1,065,867	980,631
Non-interest expenses	23	(810,681)	(787,480)
Other post-retirement benefit costs	14.4	(41,473)	(7,831)
Release of/(provision for) credit losses on loans to customers, net of recoveries	6.1	120,200	(14,180)
Release of credit losses on off balance sheet items		1,676	10
(Provision for)/release of credit losses on securities		(12,731)	12,026
Total non-interest expenses		(743,009)	(797,455)
Share of profits of associate company	8	5,007	4,277
Net income before taxation		327,865	187,453
Taxation expenses	25	(115,967)	(63,093)
Net income after taxation		211,898	124,360
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised gains/(losses) on securities at fair value through other comprehensive income		869	(843)
Realised gains on sale of securities		-	2,213
Tax impact		(304)	295
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	14.4	3,803	24,939
Tax impact		(1,331)	(8,729)
Other comprehensive gain for the year, net of tax		3,037	17,875
Total comprehensive income for the year		214,935	142,235

The notes form an integral part of these financial statements.

Statement of Changes in Equity

	Stated capital ($'000)	Statutory reserve ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total shareholder's equity ($'000)
Balance at October 31, 2022					
Balance at beginning of year	403,970	836,070	(29,047)	952,855	2,163,848
Other comprehensive gain	-	-	3,037	-	3,037
Net income after taxation	-	-	-	211,898	211,898
Total comprehensive income	-	-	3,037	211,898	214,935
Balance at October 31, 2022	403,970	836,070	(26,010)	1,164,753	2,378,783
Balance at October 31, 2021					
Balance at beginning of year as previously reported	403,970	836,070	(46,922)	828,495	2,021,613
Other comprehensive gain	-	-	15,662	-	15,662
Realised gains on sale of securities	-	-	2,213	-	2,213
Net income after taxation	-	-	-	124,360	124,360
Total comprehensive income	-	-	17,875	124,360	142,235
Balance at October 31, 2021	403,970	836,070	(29,047)	952,855	2,163,848

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended October 31, 2022 ($'000)	2021 ($'000)
Net income before taxation		327,865	187,453
Adjustment for:			
Depreciation/amortisation		53,268	54,755
Post-retirement benefit (write-back)/expense		37,669	(22,812)
Loss on disposal of premises and equipment		235	553
Net unrealised losses		1,180	616
(Release of)/provision for credit losses on securities		12,731	(12,026)
(Release of)/provision for credit losses on loans to customers net of recoveries		(135,933)	14,170
Share of profits of associate company		(5,007)	(4,277)
		292,008	218,432
(Increase)/decrease in operating assets:			
Balance with Central Bank		(20,291)	47,864
Loans to customers		(219,105)	(1,091,027)
Interest receivable		5,820	5,307
Other assets		(37,512)	(192,344)
Due from affiliated companies		(535,758)	79,789
Increase/(decrease) in operating liabilities:			
Due to banks		(1,243)	15,725
Customers' deposits		(353,442)	(47,689)
Due to affiliated companies		(171,249)	40,501
Interest payable on customer deposits		(451)	(3,797)
Other liabilities		(6,432)	81,828
Taxes and levies paid		(69,073)	(35,806)
Cash (used in)/generated from operating activities		(1,116,728)	(881,217)
Investing activities			
Purchase of securities		(5,989,519)	(9,218,446)
Proceeds from sale of securities		7,467,009	6,705,360
Additions to premises and equipment and intangible assets		(9,701)	(17,005)
Cash generated from/(used in) investing activities		1,467,789	(2,530,091)
Financing activities			
Principal elements of lease payments		(26,408)	(28,295)
Cash used in financing activities		(26,408)	(28,295)
Net increase/(decrease) in cash and cash equivalents		324,653	(3,439,603)
Cash and cash equivalents at beginning of year		3,745,774	7,185,377
Cash and cash equivalents at end of year	5	4,070,427	3,745,774
Interest received		762,837	698,321
Interest paid		(36,471)	(36,256)

The notes form an integral part of these financial statements.

Notes to the Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

1 Incorporation and business activities of the Company

RBC Royal Bank (Trinidad and Tobago) Limited (the "Bank") was incorporated in the Republic of Trinidad and Tobago on July 26, 1971. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited which is also incorporated in the Republic of Trinidad and Tobago. The address of its registered office is 7–9 St. Clair Avenue, St. Clair, Port-of-Spain, Trinidad. The ultimate parent company is the Royal Bank of Canada, which is incorporated in Canada.

The Bank offers a complete range of banking and financial intermediary services to customers in Trinidad and Tobago.

The Bank has a 25% interest in an associated company, Infolink Services Limited, whose principal activity is the provision of automatic banking machine reciprocity.

2 Summary of significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The financial statements are prepared in Trinidad and Tobago dollars.

These financial statements are prepared under the historical cost convention as modified by the revaluation of securities and derivative financial instruments.

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

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, derecognition of financial assets, pensions and other post-employment benefits, income taxes, carrying value of goodwill and other intangible assets and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future financial statements. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgements

In preparation of these Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. The economic outlook remains subject to ongoing uncertainty with moderate recessions expected in major developed economies in calendar 2023 reflecting increased downside risks including higher inflation, supply chain disruptions, labour shortages and heightened geopolitical risks, which could impact our financial results. We continue to monitor and assess the impacts of these factors on our critical accounting judgments, estimates and assumptions.

Significant judgements have been made in the following areas and discussed as noted in the financial statements:

• Leases	Note 2
• Revenue recognition	Note 2
• Fair value of financial instruments	Note 2, Note 32
• Allowance for credit losses	Note 2, Note 6
• Employee benefits	Note 2, Note 14
• Share-based compensation	Note 2, Note 24
• Intangible assets	Note 2, Note 9
• Application of the effective interest method	Note 2
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 11
• Litigation Provisions	Note 2, Note 27

Changes in accounting policies

Interest Rate Benchmark Reform

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

- For modifications of financial instruments carried at amortised cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss. The interest rate benchmark reform has not impacted the Bank's measurement of leases and hedging relationships.

Progress in and risks arising from the transition to ABRs

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

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

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

	As at October 31, 2022 Non-derivative financial assets[1]	As at November 1, 2021 Non-derivative financial assets[1]
	($'000)	($'000)
USD LIBOR	80,843	207,207

[1] Non-derivative assets represent the drawn outstanding balance of Loans.

The following table presents the undrawn balances of loan commitments referencing benchmark interest rates subject to the Reform.

	As at October 31, 2022 Authorised and undrawn commitments	As at November 1, 2021 Authorised and undrawn commitments
	($'000)	($'000)
USD LIBOR	-	-

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

Investment in associates

Our investment in an associated corporation over which we have significant influence is accounted for using the equity method. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognise our share of the investee's net profit or loss, subsequent to the date of acquisition.

Non-current assets held for sale

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

Classification of financial assets

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

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 31, 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;

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

Other significant accounting policies (continued)

Classification of financial assets (continued)

Business model assessment (continued)

- HTC&S: both collecting contractual cash flows and sales are integral to achieving the objective of the business model;
- Other fair value business models: these business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

SPPI assessment

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

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 Bank'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 dates are recorded in OCI, except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.

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

Assets purchased under reverse repurchase agreements

We purchase securities under agreements to resell (reverse repurchase agreements) and take possession of these securities. The market value of the securities purchased and additional collateral is monitored and obtained when appropriate. We have the right to liquidate the collateral held in the event of counterparty default. Reverse repurchase agreements are treated as collateralised lending transactions. The securities received under reverse repurchase agreements are not recognised on the Statement of Financial Position, unless the risks and rewards of ownership are obtained. Reverse repurchase agreements are carried on the Statement of Financial Position at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in interest income, in the Statement of Income.

Fair value option

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

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

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

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

Derivatives

Derivatives are primarily used in trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and forward rate agreements, equity swaps and credit derivatives. All derivative instruments are initially recorded on our Statement of Financial Position at fair value.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of Note 2. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to apply the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in Non-interest income. Derivatives with positive fair values are presented as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are part of Derivative assets and Derivative liabilities, respectively.

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.

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 loans, securities, interest-bearing deposits with banks and accounts receivable. ACL on financial assets is disclosed in the notes to the financial statements. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the Statement of Other Comprehensive Income and the ACL on debt securities measured at FVOCI is presented in other components of equity on the Statement of Financial Position. Financial assets carried at amortised cost are presented net of ACL on the Statement of Financial Position. Provision for credit losses (PCL) on amortised cost instruments are recognised directly in the Statement of Income.

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. Judgement is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

Measurement of expected credit losses

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

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

In the previous year, an expected credit loss estimate was produced at the portfolio segment level. Relevant parameters were modeled on a collective basis using portfolio segmentation that allowed for appropriate incorporation of forward looking information. The IFRS 9 model was not calibrated for unprecedented events such as the COVID-19 pandemic 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 estimate credit losses at the portfolio level to account for late breaking events, model limitations and expert credit judgement applied following management review and challenge. Internal governance was in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

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

Expected life

For instruments in Stage 2 or Stage 3, 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.

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 remains largely the same and 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. Prior year assessment is based on the first three conditions only:

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

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

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on the macroeconomic scenarios. 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. In comparison to the previous year in which the PD and LGD inputs were modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio such as unemployment rate, GDP and/or inflation rate.

Further details on our forward looking assumptions and scenarios as at October 31, 2022 are provided in Note 6.1.

Scenario design

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

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

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Definition of default (continued)

and wholesale borrowers, except as detailed below, default occurs when the borrower is more than 90 days or more past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. For certain credit card balances, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by the performance experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial 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 asset are identified on individually significant financial asset, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.

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.

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

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

Collectively assessed loans (Stage 3)

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

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

The expected principal and interest collection is estimated on a portfolio basis and references historical loss experience of comparable portfolios with similar credit risk characteristics, adjusted for the current environment and expected future conditions. A portfolio specific coverage ratio is applied against the impaired loan balance in determining the collectively-assessed ACL. The time value of money component is calculated by using the discount factors applied to groups of loans sharing common characteristics.

The discount factors represent the expected recovery pattern of the comparable group of loans, and reflect the historical experience of these groups adjusted for current and expected future economic conditions and/or industry factors. Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

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.

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 the expected changes 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 does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognised. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will transfer 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 transfer out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

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

Client relief programs under COVID-19

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

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

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

Determination of fair value

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

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, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed for trading portfolios. All fair value

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

Other significant accounting policies (continued)

Determination of fair value (continued)

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.

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

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.

Interest

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

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 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 Group 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 with the exception of credit card fees and commissions. 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, credit related commissions and fees and trust and investment management related fees and are recognised based on the applicable service contracts with customers.

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

Credit related commissions and fees include credit fees and commissions related to securities brokerage services. 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. Commissions related to securities brokerage services relate to the provision of specific transaction type services and are recognised when the service is fulfilled. Where services are provided over time, revenue is recognised as the services are provided.

Trust and investment management related fees, which includes custodial fees and mutual fund revenue, are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Investment management and custodial fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager or from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Mutual fund revenue is derived as a percentage of the daily net asset value (NAV) of the mutual funds under management with each mutual fund having a management fee rate based on an approved fee structure. Investment management and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

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 fulfil the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

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 short term instruments 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. Cash and short term instruments with central banks is included within balances with central banks.

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

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

Other significant accounting policies (continued)

Derecognition of financial assets (continued)

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. 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 and Other Comprehensive Income.

Guarantees

Financial guarantee contracts are contracts that contingently require us to make specified payments (in cash, other assets or provision of services) to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current years' service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

Share-based compensation

The Bank offers share-based compensation plans (the "Plans") to certain key employees, by utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

For cash-settled awards, the Bank's accrued obligations are adjusted to their fair value at each balance sheet date. Changes in obligations, are recorded as Non-interest expense in the Statements of Income with a corresponding change in other liabilities. Compensation expense is recognised in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

Green fund levy

Green fund levy is a levy imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Statement of Income.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carry forwards are included on the Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by the relevant taxation authorities 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 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 income 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 Statements of Income and Other Comprehensive Income.

The Bank complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 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 various jurisdictions where the Bank operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. 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 authorities. The Bank performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Bank's tax positions by the relevant taxation authorities.

Other intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. 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; and customer relationships – 7 years. We do not have any intangible assets with indefinite lives.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual

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

Other significant accounting policies (continued)

Other intangibles (continued)

asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognised. If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives. Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in Non-interest expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Statement of Income and Other Comprehensive Income in the period in which they are incurred.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago 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 and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets classified as securities, such as equity instruments, that are measured at fair value are translated into Trinidad and Tobago 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.

Assets and liabilities of our foreign operations with functional currencies other than Trinidad and Tobago dollars are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date, and income and expenses of these foreign operations are translated at average rates of exchange for the reporting period.

Unrealised gains or losses arising as a result of the translation of our foreign operations are reported in other comprehensive income on an after-tax basis. Upon disposal or partial disposal of a foreign operation, a proportionate amount of the accumulated net translation gains or losses is included in Non-interest income.

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight–line basis over the estimated useful lives of the assets, which are 25 to 50 years for freehold properties, 5 to 50 years for leasehold 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 is 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. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), 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 (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Leases

At inception of a contract, the Bank assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee 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 in the form a payment or series of payments.

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.

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. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalised.

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

The Bank does not apply this accounting treatment to leases of intangible assets.

Provisions

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

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

Dividend income

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

Stated 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.

3 Cash and short term instruments

	2022 ($'000)	2021 ($'000)
Cash on hand	329,746	365,490
Due from banks	708,181	644,327
Treasury bills	1,518,374	1,682,652
	2,556,301	2,692,469

Cash on hand represents cash held in tellers' tills, vaults and cash dispensing machines.

3 Cash and short term instruments (continued)

Due from banks are deposits held with other banks on demand or for fixed periods up to three months.

Treasury bills have original maturities up to three months.

4 Balances with Central Bank

Under the Financial Institutions Act, 2008, every licensee is required to maintain a deposit with the Central Bank of Trinidad & Tobago which shall bear a ratio to the total prescribed liabilities of that institution in such form and to such extent as the Central Bank may prescribe from time to time.

Balances with central banks include monetary reserves, which are deposits that are not available for use in the Bank's daily operations, cash balances and certificates of deposits held with central banks.

	2022 ($'000)	2021 ($'000)
Monetary reserves	2,379,913	2,359,622
Cash balances	1,514,126	1,053,305
	3,894,039	3,412,927

At October 31, 2022, the primary reserve requirement was 14% (2021 – 14%) of specific deposit liabilities. This balance is held in a non-interest bearing reserve account.

5 Cash and cash equivalents

	2022 ($'000)	2021 ($'000)
Cash and short term instruments	2,556,301	2,692,469
Cash balances at Central Bank	1,514,126	1,053,305
	4,070,427	3,745,774

6 Loans

	2022 ($'000)	2021 ($'000)
Retail	1,953,998	1,863,193
Commercial/Corporate	5,970,305	5,920,600
Mortgages	3,098,867	3,020,272
Gross loans to customers	11,023,170	10,804,065
Allowance for credit losses (Note 6.1)	(232,871)	(368,804)
	10,790,299	10,435,261
Stage 1	10,311,652	9,766,779
Stage 2	387,345	702,262
Stage 3	324,173	335,024
Gross loans to customers	11,023,170	10,804,065
Current	2,654,501	2,021,782
Non-current	8,368,669	8,782,283
Gross loans to customers	11,023,170	10,804,065

6.1 Allowance for credit losses

	Balance at beginning of period ($'000)	Provision for credit losses ($'000)	Net write-offs ($'000)	Exchange rate and other ($'000)	Balance at end of period ($'000)
For the year ended October 31, 2022					
Retail	65,583	(39,460)	(4,355)	(180)	21,588
Commercial/corporate	239,945	(39,050)	(7,227)	(700)	192,968
Mortgages	63,276	(41,690)	(1,374)	(1,897)	18,315
	368,804	(120,200)	(12,956)	(2,777)	232,871
Undrawn loan commitments	38,515	(25,985)	-	-	12,530
For the year ended October 31, 2021					
Retail	77,695	(2,824)	(9,288)	-	65,583
Commercial/corporate	226,678	15,810	(2,543)	-	239,945
Mortgages	64,967	1,194	(2,885)	-	63,276
	369,340	14,180	(14,716)	-	368,804
Undrawn loan commitments	37,543	972	-	-	38,515

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. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- Write-offs represent the closure/ elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or cash equivalents for a loan balance previously written-off.
- Exchange rate and other this category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

	Allowance for Credit Losses ($'000)			
	Performing		Impaired	
For the year ended October 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of period	87,190	134,957	146,657	368,804
Provision for credit losses				
Model changes	(18,841)	(4,018)	-	(22,859)
Transfers in (out) to Stage 1	68,714	(66,662)	(2,052)	-
Transfers in (out) to Stage 2	(2,478)	11,398	(8,920)	-
Transfers in (out) to Stage 3	(661)	(3,921)	4,582	-
Purchases and originations	14,704	-	-	14,704
Derecognitions and maturities	(7,674)	(29,919)	(12,309)	(49,902)
Remeasurements	(85,375)	(21,938)	45,170	(62,143)
Write-offs	-	-	(21,899)	(21,899)
Recoveries	-	-	8,943	8,943
Exchange rate and other	-	-	(2,777)	(2,777)
Balance at end of period	55,579	19,897	157,395	232,871
For the year ended October 31, 2021				
Balance at beginning of period	88,430	135,121	145,789	369,340
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	42,237	(35,443)	(6,794)	-
Transfers in (out) to Stage 2	(3,076)	7,763	(4,687)	-
Transfers in (out) to Stage 3	(616)	(17,263)	17,879	-
Purchases and originations	21,579	-	-	21,579
Derecognitions and maturities	(17,615)	(6,668)	(14,590)	(38,873)
Remeasurements	(43,749)	51,447	23,776	31,474
Write-offs	-	-	(20,608)	(20,608)
Recoveries	-	-	5,892	5,892
Balance at end of period	87,190	134,957	146,657	368,804

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 losses under the IFRS 9 model include our internal historical default rates, changes in credit quality and non-energy GDP growth rates. Prior year's key drivers included our internal historical default rates, transition matrices, unemployment rates, non-energy GDP growth rates and inflation rates.

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

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

6 Loans (continued)

6.1 Allowance for credit losses (continued)

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

- A 100 basis points increase will lower the allowance for credit losses by $3,183
- A 100 basis points decrease will increase the allowance for credit losses by $4,494

Further details on the key inputs and assumptions used as at October 31, 2022 are provided in Note 2 and Note 6.2.

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.

	Carrying value ($'000)	Base Scenario ($'000)
As at October 31, 2022		
ACL on performing loans[1]	75,475	65,938
As at October 31, 2021		
ACL on performing loans[1]	222,147	212,441

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

Transfers between stages

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

	As at October 31, 2022 ($'000)	As at October 31, 2021 ($'000)
Performing loans[1]		
ACL - all performing loans in Stage 1	57,327	91,839
Impact of staging	18,148	130,307
Stage 1 and 2 ACL	75,475	222,146

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

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

6.2 Loan modifications

All formal relief programs established to help clients manage through challenges of the COVID-19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring were completed in late 2020, any relief provided to clients since then has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2022, the amortised cost of all loans whose contractual terms were modified before the modification was $540 million (2021:$778 million), resulting in no material modification gains or losses.

7 Securities

Carrying value of securities

The following table presents the contractual maturities of the carrying values of securities held at the end of the period.

	Term to maturity[1]						
	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 years to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
As at October 31, 2022							
Fair value through profit or loss[2]							
Government and state owned enterprises debt	-	-	-	5,127	-	-	5,127
Money market instruments	-	-	-	-	-	14,532	14,532
	-	-	-	5,127	-	14,532	19,659
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Government and state-owned enterprises debt[3]							
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities[4]							
Cost	-	-	-	-	-	69	69
Fair value	-	-	-	-	-	262	262
	-	-	-	-	-	262	262
Amortised cost[5]							
Amortised cost	2,052,019	3,758,156	1,189,400	7,882	-	-	7,007,457
Fair value	2,054,844	3,738,358	1,168,794	8,815	-	-	6,970,811
	2,052,019	3,758,156	1,189,400	7,882	-	-	7,007,457
Total carrying value of securities[1]	2,052,019	3,758,156	1,189,400	13,009	-	14,794	7,027,378
As at October 31, 2021							
Fair value through profit or loss[2]							
Government and state owned enterprises debt	-	-	6,609	-	-	-	6,609
Money market instruments	-	-	-	-	-	15,211	15,211
	-	-	6,609	-	-	15,211	21,820
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Government and state-owned enterprises debt[3]							
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities[4]							
Cost	-	-	-	-	-	69	69
Fair value	-	-	-	-	-	277	277
	-	-	-	-	-	277	277
Amortised cost[5]							
Amortised cost	2,588,361	2,434,985	3,463,153	9,315	-	-	8,495,814
Fair value	2,596,359	2,446,767	3,468,112	11,419	-	-	8,522,657
	2,588,361	2,434,985	3,463,153	9,315	-	-	8,495,814
Total carrying value of securities[1]	2,588,361	2,434,985	3,469,762	9,315	-	15,488	8,517,911

[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] Trading securities are recorded at fair value.

7 Securities (continued)

Carrying value of securities (continued)

(3) Debt securities carried at fair value through other comprehensive income are presented net of allowance for credit losses.

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

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

7.1 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 ($'000)	Gross unrealised gains (1) ($'000)	Gross unrealised losses (1) ($'000)	Fair value ($'000)
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	-	-	-	-
Government and state-owned enterprises debt	-	-	-	-
Equities (2)	69	193	-	262
	69	193	-	262
As at October 31, 2021				
FVOCI				
Treasury bills and treasury notes	-	-	-	-
Government and state-owned enterprises debt	-	-	-	-
Equities (2)	69	208	-	277
	69	208	-	277

(1) Gross unrealised gains and losses include allowance for credit losses, excluding equities designated as FVOCI.

(2) Unrealised gains and losses on equities will not reclassify to profit and loss when realised.

7.2 Allowance for credit losses on securities

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

	2022 ($'000)	2021 ($'000)
Gross exposures		
Stage 1	7,038,758	8,515,539
Stage 2	-	-
Total securities	7,038,758	8,515,539
Less: allowance for credit losses	(31,301)	(19,725)
Securities net of expected credit losses	7,007,457	8,495,814

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.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

	Performing		
	Stage 1 ($'000)	Stage 2 ($'000)	Total ($'000)
Allowance for credit losses – securities at amortised cost			
For the year ended October 31, 2022			
Balance at beginning of period	19,725	-	19,725
Provision for credit losses			
Model changes	-	-	-
Transfers in (out) to Stage 1	-	-	-
Transfers in (out) to Stage 2	-	-	-
Purchases and originations	55,295	-	55,295
Derecognitions and maturities	(5,494)	-	(5,494)
Remeasurements	(38,225)	-	(38,225)
Balance at end of period	31,301	-	31,301
For the year ended October 31, 2021			
Balance at beginning of period	30,544	1,099	31,643
Provision for credit losses			
Model changes	(14,481)	(193)	(14,674)
Transfers in (out) to Stage 1	-	-	-
Transfers in (out) to Stage 2	-	-	-
Purchases and originations	40,636	-	40,636
Derecognitions and maturities	(3,223)	(88)	(3,311)
Remeasurements	(33,751)	(818)	(34,569)
Balance at end of period	19,725	-	19,725
Allowance for credit losses – securities at FVOCI (1)			
For the year ended October 31, 2022			
Balance at beginning of period	150	-	150
Provision for credit losses			
Transfers in (out) to Stage 1	-	-	-
Purchases and originations	2,184	-	2,184
Derecognitions and maturities	(671)	-	(671)
Remeasurements	(359)	-	(359)
Balance at end of period	1,304	-	1,304
For the year ended October 31, 2021			
Balance at beginning of period	256	-	256
Provision for credit losses			
Purchases and originations	19	-	19
Derecognitions and maturities	(109)	-	(109)
Remeasurements	(16)	-	(16)
Balance at end of period	150	-	150

(1) Expected credit losses on debt securities at FVOCI are not separately recognised on the Statement of Financial Position as the related securities are recorded at fair value. The cumulative amount of credit losses recognised in the Statement of Income is presented in other components of equity.

7.3 Securities at amortised cost

	2022 ($'000)	2021 ($'000)
Government and state-owned enterprises debt securities	6,694,001	7,758,735
Corporate debt securities	313,456	737,079
	7,007,457	8,495,814
Current	5,810,175	5,023,346
Non-current	1,197,282	3,472,468
	7,007,457	8,495,814

7 Securities (continued)

7.4 Movement in securities

	FVTPL ($'000)	FVOCI ($'000)	Amortised Cost ($'000)	Total ($'000)
As at November 1, 2021	21,820	277	8,495,814	8,517,911
Additions	-	-	5,989,519	5,989,519
Disposal (sale and redemption)	(759)	-	(7,458,760)	(7,459,519)
(Losses)/gains from changes in fair value	(1,402)	(15)	-	(1,417)
Accretion/(amortisation) of discount/premium	-	-	(7,539)	(7,539)
Allowance for credit losses	-	-	(11,577)	(11,577)
As at October 31, 2022	19,659	262	7,007,457	7,027,378
As at November 1, 2020	21,953	1,909	5,968,937	5,992,799
Additions	-	-	9,218,446	9,218,446
Disposal (sale and redemption)	(476)	(1,660)	(6,689,701)	(6,691,837)
(Losses)/gains from changes in fair value	343	28	-	371
Accretion/(amortisation) of discount/premium	-	-	(13,894)	(13,894)
Allowance for credit losses	-	-	12,026	12,026
As at October 31, 2021	21,820	277	8,495,814	8,517,911

8 Investment in associate company

8.1 Movement of investment in associate companies

	2022 ($'000)	2021 ($'000)
Balance at beginning of the period	39,668	36,548
Share of current period's profits before tax	5,007	4,277
Share of current period's tax (Note 25)	(1,247)	(1,157)
Balance at end of the period	43,428	39,668

8.2 Associate companies

The Company's interest in its principal associate, which is unlisted, is as follows:

	Principal activity	Place of incorporation	Percentage of equity capital held 2022	Percentage of equity capital held 2021
Infolink Services Limited	Clearing facility for electronic funds transfer	Trinidad & Tobago	25.0%	25.0%

	2022 ($'000)	2021 ($'000)
Infolink Services Limited		
Current assets	139,925	127,408
Non-current assets	40,136	39,147
Current liabilities	(4,393)	(4,889)
Non-current liabilities	(1,956)	(2,995)
Total comprehensive income	15,041	12,139
Reconciliation to the carrying amount recognised in the financial statements:		
Net assets of associate	173,712	158,671
Proportion of ownership interest	25%	25%
Carrying amount of interest in Infolink Services Limited	43,428	39,668

9 Intangible assets

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
2022			
Opening net carrying value	30,856	380	31,236
Additions [1]	-	7,744	7,744
Transfers	8,124	(8,124)	-
Disposals	-	-	-
Amortisation	(13,602)	-	(13,602)
Closing net carrying value	25,378	-	25,378
Cost	91,716	-	91,716
Accumulated amortisation	(66,338)	-	(66,338)
Net carrying value	25,378	-	25,378

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
2021			
Opening net carrying value	37,792	673	38,465
Additions [1]	-	4,643	4,643
Transfers	4,936	(4,936)	-
Disposals	(3)	-	(3)
Amortisation	(11,869)	-	(11,869)
Closing net carrying value	30,856	380	31,236
Cost	111,868	380	112,248
Accumulated amortisation	(81,012)	-	(81,012)
Net carrying value	30,856	380	31,236

[1] Included as WIP additions in current period are transfers $6 million from WIP PPE see Note 10.1.

During the year, assets fully depreciated and retired amounted to $28 million (2021 - $267 million).

There were no contractual commitments to acquire intangible assets in 2022 or 2021.

10 Premises and equipment

	2022 ($'000)	2021 ($'000)
Premises and equipment owned (Note 10.1)	160,997	175,259
Right-of-use leased assets (Note 10.2)	102,262	126,251
	263,259	301,510

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

10.1 Premises and equipment owned

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2022						
Opening net book value	98,852	3,998	44,607	19,797	8,005	175,259
Additions	-	-	5	-	1,952	1,957
Transfers [1]	-	-	3,324	3,714	(7,038)	-
Disposals	-	-	(235)	-	-	(235)
Depreciation charge	(2,487)	(128)	(7,444)	(5,925)	-	(15,984)
Closing net book value	96,365	3,870	40,257	17,586	2,919	160,997
At October 31, 2022						
Total cost	149,172	7,936	79,679	51,726	2,919	291,432
Accumulated depreciation	(52,807)	(4,066)	(39,422)	(34,140)	-	(130,435)
Net book value	96,365	3,870	40,257	17,586	2,919	160,997
Year ended October 31, 2021						
Opening net book value	97,161	1,030	24,346	21,160	30,581	174,278
Additions	-	-	611	-	11,751	12,362
Transfers	-	-	27,490	6,837	(34,327)	-
Transfers from held for sale	4,536	3,083	5	-	-	7,624
Disposals	-	-	-	(553)	-	(553)
Depreciation charge	(2,845)	(115)	(7,845)	(7,647)	-	(18,452)
Closing net book value	98,852	3,998	44,607	19,797	8,005	175,259
At October 31, 2021						
Total cost	149,172	7,936	79,701	52,388	8,005	297,202
Accumulated depreciation	(50,320)	(3,938)	(35,094)	(32,591)	-	(121,943)
Net book value	98,852	3,998	44,607	19,797	8,005	175,259

[1] This includes transfers to intangibles $6 million in current period from WIP premises and equipment into intangibles from prior period see Note 9.

Impairment of property
There was no impairment in 2022 (2021 - Nil).

Assets pledged as security
There were no land and buildings pledged to secure borrowings of the Bank in 2022 or 2021.

10 Premises and equipment (continued)

10.2 Right-of-use leased assets

	Properties ($'000)	Total ($'000)
Year ended October 31, 2022		
Opening net book value	126,251	126,251
Additions	26,844	26,844
Disposals	(27,151)	(27,151)
Depreciation charge	(23,682)	(23,682)
Closing net book value	102,262	102,262
At October 31, 2022		
Total cost	163,853	163,853
Accumulated depreciation	(61,591)	(61,591)
Net book value	102,262	102,262
Year ended October 31, 2021		
Opening net book value	120,900	120,900
Additions	36,736	29,785
Disposals	(6,951)	-
Depreciation charge	(24,434)	(24,434)
Closing net book value	126,251	126,251
At October 31, 2021		
Total cost	178,254	178,254
Accumulated depreciation	(52,003)	(52,003)
Net book value	126,251	126,251

Leased assets

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

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

The total cash outflow for leases for the year ended October 31, 2022 was $26 million (2021 -$28 million).

11 Deferred tax assets and liabilities

The following amounts are shown in the Statement of Financial Position:

	2022 ($'000)	2021 ($'000)
Deferred tax assets (Note 11.1)	138,231	183,786
Deferred tax liabilities (Note 11.2)	(9,989)	(8,810)
	128,242	174,976
The movement on the deferred tax account is as follows:		
At beginning of year	174,976	190,967
Deferred tax (charge)/credit (Note 25)	(45,099)	(7,557)
Other comprehensive income:		
-Remeasurement of post-retirement benefit obligation	(1,331)	(8,729)
-Fair value gains/(losses) on securities	(304)	295
At end of year	128,242	174,976
Deferred tax asset and liability are attributable to the following items:		
11.1 Deferred tax assets		
Post-retirement benefits	92,204	87,942
Allowance for credit losses	37,836	85,701
Accelerated tax depreciation	-	4,201
Other	8,191	5,942
	138,231	183,786
11.2 Deferred tax liabilities		
Accelerated tax depreciation	(6,987)	-
Securities	(1,121)	(1,256)
Unrealised income	(1,881)	(7,554)
	(9,989)	(8,810)

12 Other assets

	2022 ($'000)	2021 ($'000)
Accounts receivable	9,241	7,969
Interest receivable	34,179	39,999
Items in transit	226,488	191,896
Other	7,185	5,540
	277,093	245,404
Allowance for credit losses	-	(3)
	277,093	245,401
Current	277,093	245,404

13 Customers' deposits

	2022 ($'000)	2021 ($'000)
Savings	12,969,467	13,937,849
Term deposits	778,686	838,416
Current accounts	8,163,667	7,488,997
	21,911,820	22,265,262
Sectoral analysis		
Consumers	11,419,153	11,228,218
Private sector	8,780,238	9,394,773
State sector	1,516,898	1,455,077
Other	195,531	187,194
	21,911,820	22,265,262
Current	21,910,095	22,263,497
Non-current	1,725	1,765
	21,911,820	22,265,262

14 Post-retirement benefit obligations

Plan characteristics

The Bank, through its parent, RBC Financial (Caribbean) Limited, sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by local pension committees. The pension and other post-employment plans are managed on a Group basis.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The main defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. Our defined contribution pension plans provide pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of an employee's annual earnings. Our other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by the Bank and valuations of the plans are performed at each fiscal year by independent actuaries. The liability in the Statement of Financial Position is allocated to all legal entities participating in the plans based on their participating membership headcount.

Risks

By their design, the defined benefit pension plans expose the Bank to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

14.1 The amounts recognised in the Statement of Financial Position are as follows:

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Fair value of plan assets	-	(158)	(158)
Post-retirement benefit obligation	179,494	84,107	263,601
Liability in the statement of financial position	179,494	83,949	263,443
October 31, 2021			
Fair value of plan assets	-	(166)	(166)
Post-retirement benefit obligation	185,215	57,999	243,214
Liability in the statement of financial position	185,215	57,833	243,048

14 Post-retirement benefit obligations (continued)

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

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	-	166	166
Interest income	-	10	10
Return on plan assets (excluding interest income)	-	(18)	(18)
Benefits paid by the Bank	-	-	-
At end of year	-	158	158
October 31, 2021			
At beginning of year	-	164	164
Interest income	-	2	2
Return on plan assets (excluding interest income)	-	-	-
Benefits paid by the Bank	-	-	-
At end of year	-	166	166

14.3 **The movements in the post-retirement benefit obligation over the period are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	185,215	57,997	243,212
Current service cost	926	1,732	2,658
Past service cost	2,727	-	2,727
Interest expense	9,765	4,310	14,075
Re-measurements:			
Effect of changes in demographic assumptions	6,055	-	6,055
Effect of changes in financial assumptions	(10,156)	(3,715)	(13,871)
Effect of experience adjustments	(5,168)	11,181	6,013
Benefits paid	(3,002)	(17,273)	(20,275)
Other[(1)]	(6,868)	29,875	23,007
At end of year	179,494	84,107	263,601
October 31, 2021			
At beginning of year	204,819	83,413	288,232
Current service cost	1,033	1,969	3,002
Past service cost	(10,514)	-	(10,514)
Interest expense	9,889	5,454	15,343
Re-measurements:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	(7,799)	(5,504)	(13,303)
Effect of experience adjustments	(6,838)	(4,798)	(11,636)
Benefits paid	(5,375)	(22,537)	(27,912)
At end of year	185,215	57,997	243,212

(1) This includes the re-allocation of pension obligations of $26 million due to transfer of employees within the RBCFCL Group.

14.4 **The amounts recognised in the Statement of Comprehensive Income are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Current service cost	926	1,732	2,658
Past service cost	2,727	-	2,727
Net interest expense	9,765	4,310	14,075
Other – net of benefits paid	(9,870)	31,883	22,013
Components of defined benefit costs recognised in profit or loss	3,548	37,925	41,473
Remeasurement on the net liability:			
Effect of changes in demographic assumptions	6,055	-	6,055
Effect of changes in financial assumptions	(10,156)	(3,715)	(13,871)
Effect of experience adjustments	(5,168)	9,162	3,994
Return on plan assets	-	19	19
Components of defined benefit costs recognised in other comprehensive income	(9,269)	5,466	(3,803)
Total	(5,721)	43,391	37,670
October 31, 2021			
Current service cost	1,033	1,969	3,002
Past service cost	(10,514)	-	(10,514)
Net interest expense	9,889	5,454	15,343
Components of defined benefit costs recognised in profit or loss	408	7,423	7,831
Remeasurement on the net liability:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	(7,799)	(5,504)	(13,303)
Effect of experience adjustments	(6,838)	(4,798)	(11,636)
Return on plan assets	-	-	-
Components of defined benefit costs recognised in other comprehensive income	(14,637)	(10,302)	(24,939)
Total	(14,229)	(2,879)	(17,108)

14.5 **Investment policy and strategies**

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

(i) the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
(ii) the member demographics, including normal retirements, terminations, and deaths;
(iii) the financial position of the pension plans;
(iv) the diversification benefits obtained by the inclusion of multiple asset classes; and
(v) expected asset returns, including assets and liability volatility and correlations.

To implement our asset allocation policy, we may invest in equities and fixed income securities.

Composition of defined benefit pension plan assets

	October 31, 2022		October 31, 2021	
	Fair value ($'000)	Percentage of total plan assets ($'000)	Fair value	Percentage of total plan assets
Alternative investments	158	100%	164	100%
	158	100%	164	100%

Significant assumptions

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

Discount rate

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

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Discount rates – medical and life	6.00%	5.60%
Discount rates – pension	6.00%	5.60%
Salary increases	4%/2.50%	2.00%
Health care cost trend rates		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

14 Post-retirement benefit obligations (continued)

14.6 Sensitivity analysis

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

	Increase/(decrease) in obligation	
	2022 ($'000)	2021 ($'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	25,770	26,819
Impact of 1.0% increase in discount rate	(17,598)	(17,008)
Impact of 0.5% decrease in rate of increase in future compensation	(3,110)	(3,230)
Impact of 0.5% increase in rate of increase in future compensation	3,695	3,556
Impact of 1 year decrease in life expectancy	(2,795)	-
Impact of 1 year increase in life expectancy	3,152	2,901
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	27,139	28,148
Impact of 1.0% increase in discount rate	(21,970)	(22,664)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1% decrease in health care cost trend rate	(7,530)	(4,567)
Impact of 1% increase in health care cost trend rate	8,946	5,412
Impact of 1 year decrease in life expectancy	69	-
Impact of 1 year increase in life expectancy	78	(417)

15 Debt securities in issue

	2022 ($'000)	2021 ($'000)
Debt securities in issue	300,000	300,000

An unsecured debt security was issued on November 1, 2012. Interest is payable semi-annually in arrears with the principal repayable in full at maturity. Subsequent to year end, this debt along with interest was fully repaid on November 1 2022 before its maturity date.

Face value of bond	Duration	Maturity Date	Interest Rate
TT$300 million bond	15 years	November 2027	4.75% Fixed

	2022 ($'000)	2021 ($'000)
Current - principal	300,000	-
Non-current - principal	-	300,000

16 Other liabilities

	2022 ($'000)	2021 ($'000)
Accruals and payables	25,197	23,246
Interest payable	7,759	8,210
Employee related costs	60,345	50,959
Deferred income	51,886	73,054
Contract liabilities[1]	11,538	11,428
Lease liabilities[2]	105,437	129,408
Allowance for credit losses	1,326	3,002
Items in transit	280,935	299,834
Other	45,430	10,864
	589,853	610,005
Current	506,422	502,655
Non current	83,431	107,350
	589,853	610,005

[1] Contract liabilities

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

[2] Lease liabilities

The Bank presents its lease liabilities within other liabilities on the Statement of Financial Position. Under IFRS 16 – Leases, lease liabilities represent the present value of the lease payments not paid. This amount is computed using the incremental borrowing rate at the inception of the lease.

17 Stated capital

	2022 ($'000)	2021 ($'000)
Issued and fully paid:		
147,428,485 ordinary shares of no par value	403,970	403,970

18 Statutory reserve

	2022 ($'000)	2021 ($'000)
At end of year	836,070	836,070

The Financial Institutions Act, 2008 section 60 (1) requires financial institutions in Trinidad & Tobago to maintain capital and statutory reserve balances not less than one twentieth of deposit liabilities.

19 Other reserves

	2022 ($'000)	2021 ($'000)
Investment revaluation reserve (Note 19.1)	2,990	2,425
General reserve	604	604
Capital reserve	45,672	45,672
Other comprehensive income: pension and plan employee benefit experience	(75,276)	(77,747)
Balance at end of year	(26,010)	(29,046)

19.1 Investment revaluation reserve – securities FVOCI

	2022 ($'000)	2021 ($'000)
Balance at beginning of year	2,425	760
Net gains arising during the year on debt securities, net of tax	(186)	1,735
Net change in allowance for credit losses on securities carried at FVOCI net of tax	751	(70)
Balance at end of year	2,990	2,425

20 Interest income

	2022 ($'000)	2021 ($'000)
Loans	672,201	612,129
Securities (Note 20.1)	64,284	73,756
Due from affiliated companies	14,305	5,810
Due from banks	6,227	1,319
	757,017	693,014

20.1 Interest income on Securities

	2022 ($'000)	2021 ($'000)
FVTPL	626	499
Amortised cost	63,658	73,257
	64,284	73,756

21 Interest expense

	2022 ($'000)	2021 ($'000)
Customers' deposits	19,053	14,799
Due to affiliated companies	-	319
Lease liabilities	2,614	2,988
Debt securities in issue	14,353	14,353
	36,020	32,459

22 Non-interest income

The Bank derives revenue over time and at a point in time within the following categories.

	2022 ($'000)	2021 ($'000)
Non-interest income over time:		
Transaction service fees and commissions	87,750	73,803
Trust and investment management related fees	15,923	19,954
Non-interest income at a point in time:		
Credit related fees and commissions	36,415	47,128
Other fees and commissions	61,667	58,377
Affiliate income	69,735	63,994
Net trading income	-	616
Foreign exchange earnings	73,380	56,204
	344,870	320,076

22.1 **Fees and commissions**

	2022 ($'000)	2021 ($'000)
Net transaction service fees/commissions	87,750	73,803
Credit related fees and commissions	36,415	47,128
Trust and investment management related fees	15,923	19,954
Other fees and commissions	61,667	58,377
	201,755	199,262

23 Non-interest expenses

	2022 ($'000)	2021 ($'000)
Staff costs (Note 23.1)	328,997	310,291
Other premises and equipment expenses excluding depreciation and operating lease rentals	51,524	58,315
Marketing and promotions	15,708	9,639
Amortisation charge on intangible assets	13,602	11,869
Depreciation charge on premises and equipment	39,666	42,886
Loss on disposal of asset	235	553
Deposit insurance premium (Note 23.2)	33,680	33,297
Short-term lease expenses	18,904	21,520
Green fund levy	3,915	3,965
Directors' remuneration	114	112
Auditors' remuneration	1,884	1,742
Management fees	171,986	149,975
Sundry and fraud losses	7,412	17,662
Business and capital tax	33,970	33,752
Other operating expenses	89,084	91,902
	810,681	787,480

23.1 **Staff costs**

	2022 ($'000)	2021 ($'000)
Wages and salaries	193,171	194,111
Bonuses	41,402	36,772
Employees' pension benefit expense	18,903	19,008
Share option plan-value of services provided	6,355	-
Other staff costs	69,166	60,400
	328,997	310,291

23.2 **Deposit insurance premium**

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago stipulate that an annual premium be paid to a Deposit Insurance Fund based on insurable deposit liabilities outstanding at the end of each quarter of the preceding year.

24 Share-based compensation

The Bank offers share-based compensation plans (the "Plans"), which consists of shares issued by the Group's ultimate parent company, Royal Bank of Canada (RBC). The Plans are administered by RBC.

The Bank offers permanent eligible employees in Trinidad and Tobago an opportunity to elect to purchase RBC common shares through a share ownership plan. Under this plan, the employees can generally contribute between 25% and 100% of their annual short-term incentive compensation from the Group's annual incentive program, all of which vest at the end of five years.

The Bank offers performance deferred share award plans to certain key employees, all of which vest at the end of three years. Upon vesting, the award is paid in cash and is based on the original number of RBC share units granted plus accumulated dividends valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date. A portion of the award under certain plans may be increased or decreased up to 25%, depending on our total shareholder return compared to a defined peer group of global financial institutions.

At year end an accrual is booked to other liabilities until cash is remitted for payment.

The following table presents the units granted under share-based compensation plans for the year:-

24.1 **Units granted under share-based compensation plans**

	October 31, 2022 Units granted	October 31, 2022 Weighted average fair value per unit ($)	October 31, 2021 Units granted	October 31, 2021 Weighted average fair value per unit ($)
Performance deferred share unit plans	4,238	636	5,230	562
RBC share unit plans	387	650	4,833	548
	4,625		10,063	

The liabilities for the awards granted under the share-based compensation plans are measured at fair value, determined based on the quoted market price of the RBC common shares. Annually, the obligation is increased by additional units earned by plan participants, and is reduced by forfeitures, cancellations, and the settlement of vested units. In addition, the obligation is impacted by fluctuations in the market price of RBC common shares. For performance deferred share award plans, the estimated outcome of meeting the performance conditions also impacts the obligation.

The following tables present the units that have been earned by the participants, the obligations for these earned units under the share-based compensation plans, and the related compensation expenses (recoveries) recognised for the year.

24.2 **Obligations under share-based compensation plans**

	October 31, 2022 Units	October 31, 2022 Carrying amount ($'000)	October 31, 2021 Units	October 31, 2021 Carrying amount ($'000)
Performance deferred share unit plans	9,762	6,124	8,852	6,359
RBC share unit plans	67	42	340	245
	9,829	6,166	9,192	6,604

24.3 **Compensation expenses recognised under share-based compensation plans**

	2022 ($'000)	2021 ($'000)
Performance deferred share unit plans	2,369	4,599
RBC share unit plans	49	173
	2,418	4,772

25 Taxation expense

	2022 ($'000)	2021 ($'000)
Current tax charge	76,008	54,727
Group loss relief	(8,147)	-
Prior years	1,761	(348)
Deferred tax charge/(credit) (Note 11)	45,099	7,557
Share of tax charge of associate company (Note 8)	1,246	1,157
	115,967	63,093
The tax on income differs from the theoretical amount that would arise using the basic tax rate as follows:		
Net Income before taxation	327,865	187,453
Prima facie tax calculated at a rate of 35%	114,753	65,609
Income exempt from tax	(865)	(538)
Expenses not deductible for tax	579	448
Group loss relief	(8,147)	-
Prior years	1,761	(348)
Other	7,886	(2,078)
	115,967	63,093
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	(11,189)	(1,463)
Allowance for credit losses	(47,461)	(4,703)
Other	7,663	2,762
Post-retirement medical benefits	5,888	(4,153)
	(45,099)	(7,557)
Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of securities	(304)	295
Re-measurement of post-retirement benefit obligation	(1,331)	(8,729)
	(1,635)	(8,434)

26 Dividends

No dividends were declared or paid to shareholders during the financial year (2021 - $Nil).

27 Contingent liabilities

Legal proceedings

As at October 31, 2022, there were certain legal proceedings outstanding against the Bank for which a provision has been made of $2 million based on professional advice as to the likely obligations arising from these litigation matters (2022: $4 million).

Customers' liability under guarantees, indemnities and letters of credit

These represent the Bank's potential liability for drawn upon commitments under guarantees, indemnities and letters of credit, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not reflected in the Statement of Financial Position.

	2022 ($'000)	2021 ($'000)
Bonds outstanding, indemnities and letters of credit	217,615	218,753
Sectoral analysis		
Private sector	186,739	190,526
State sector	23,078	20,122
Consumers	7,390	7,957
Other	408	148
	217,615	218,753

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

As at October 31, 2022 allowance for credit losses for contingent liabilities amounted to $1,326,021 (2021:$3,001,839).

28 Credit commitments

These represent the undrawn credit facilities for which the Bank is potentially liable at year end. These include undrawn facilities on credit cards, overdrafts, bonds, letters of credit, guarantees and indemnities. These amounts are not reflected in the Statement of Financial Position.

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Consumer	1,800,664	1,696,391
Distribution	216,576	448,380
Financial services	883,056	297,218
Transport	94,184	54,566
Construction	107,656	95,258
Real estate	47,210	14,114
Other	633,919	826,532
	3,783,265	3,432,459

29 Capital commitments

The Bank's capital commitments primarily in respect of building construction, renovation and information technology projects amounting to $0 million (2021: Nil).

30 Related party transactions

Related parties include the parent, RBC Financial (Caribbean) Limited and its subsidiaries, associated company, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors of RBC Royal Bank (Trinidad & Tobago) Limited (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.

The Bank has applied the low credit risk exemption on all loans and receivables, deposits and liabilities to associate and affiliated companies as they demonstrate a low risk of default and the related RBC entity has a strong capacity to meet its contractual cash flow obligations. As a result, any IFRS 9 ACL is deemed to be insignificant.

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 RBC and its subsidiaries, directly or indirectly. They include the senior executives of the parent, RBC Financial (Caribbean) Limited called the Operating Committee (OC) and Executive Management Committee (EMC).The OC and EMC are comprised of the Head Caribbean Banking and those individuals that report directly to him, including the Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business and functional units. The OC is ultimately responsible for all material decisions.

The OC is also responsible for establishing the overall strategic direction of the Bank and, in that regard, sets global parameters for the Bank within which the board of directors and management of each subsidiary in the group exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of RBC do not plan, direct, or control the activities of the Bank; they oversee the management of the business and provide stewardship.

	2022 ($'000)	2021 ($'000)
Outstanding balances		
Due from banks, reverse repurchased assets and receivables		
Royal Bank of Canada – Ultimate Parent	7,734	8,615
Other subsidiaries of Royal Bank of Canada	613,215	-
Due from associate and affiliated companies	200,704	269,789
	821,653	278,404
Loans and securities		
Due from associate and affiliated companies	257,828	259,917
Directors and key management personnel	742	870
	258,570	260,787
Derivatives		
Due from affiliated company	(271)	5,131
Deposits and other liabilities		
Royal Bank of Canada – Ultimate Parent	5,905	222
Other subsidiaries of Royal Bank of Canada	25	39,427
Due to associate and affiliated companies	678,973	816,503
Directors and key management personnel	33	557
	684,936	856,709
Interest income		
Due from associate and affiliated companies	8,282	5,810
Other subsidiaries of Royal Bank Canada	6,023	-
	14,305	5,810
Non-interest income		
Other subsidiaries of Royal Bank of Canada	-	4,336
Due from associate and affiliated companies	69,735	58,380
	69,735	62,716
Interest expense		
Due to associate and affiliated companies	-	319
Directors and key management personnel	33	39
	33	358
Operating expenses		
Royal Bank of Canada – Ultimate Parent	21,488	19,144
Other subsidiaries of Royal Bank of Canada	300	272
Due to associate and affiliated companies	177,740	159,074
	199,528	178,490
Key management compensation		
Share based payments	960	555
Salaries and other short term benefits	5,465	3,148
	6,425	3,703

31 Financial risk management

31.1 Statement of Financial Position - categorisation

	2022 ($'000)	2021 ($'000)
Assets		
Financial assets at fair value through profit or loss		
Securities	19,659	21,820
Financial assets at fair value through other comprehensive income		
Cash and short term instruments	1,518,374	1,682,652
Securities – equity instruments [1]	262	277
	1,518,636	1,682,929
Financial assets at amortised cost		
Cash on hand and due from banks	1,037,927	1,009,817
Balances with Central Bank	3,894,039	3,412,927
Loans to customers	10,790,299	10,435,261
Securities	7,007,457	8,495,814
Due from associate and affiliated companies	1,079,210	543,452
Other assets	34,179	39,999
	23,843,111	23,937,270
Total financial assets	25,381,406	25,642,019
Non-financial assets	800,485	842,897
Total assets	26,181,891	26,484,916
Liabilities		
Financial liabilities at amortised cost		
Due to banks	16,463	17,706
Customers' deposits	21,911,820	22,265,262
Debt securities in issue	300,000	300,000
Due to associate and affiliated companies	684,903	856,152
Other liabilities	113,196	137,618
Total financial liabilities	23,026,382	23,576,738
Non-financial liabilities	776,726	744,330
Total liabilities	23,803,108	24,321,068
Total equity	2,378,783	2,163,848
Total equity and liabilities	26,181,891	26,484,916

[1] Securities - equity instruments designated as at FVOCI

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.

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] ('000)	Carrying value 2022 ($'000)	Carrying value 2021 ($'000)
Business category				
Economic development	1	100	-	-
Financial services	1	14	262	277
Total			262	277

[a] During the year ended October 31, 2022 there were no disposals equity shares designated as FVOCI (2021 - 922).

31.2 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 is accountable for the risk exposures relating to its responsibilities. The Bank is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate bodies responsible for managing and monitoring risks.As a subsidiary of the RBC Financial (Caribbean) Limited, there are several committees which have been set up at a Group level to address risk management throughout the Group and the Company's activities are reported at regular intervals to these bodies.

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 which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), 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. Each business unit has decentralised units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Operating Committee (OC)

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

Group Asset/Liability Committee (ALCO)

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

Internal Audit

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

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the 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 risks early. This information, which consists of several reports, is presented and explained to the OC, the ALCO, and the head of each business unit. The reports include but are not limited to 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

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

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

The Bank actively uses collateral to reduce its credit risks.

31.3 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. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

These policies are supported by management limits and authorities that govern the measurement and management of liquidity.

The Bank's liquidity management process is carried out by the Treasury department and monitored by Caribbean Treasury and Group ALCO. Liquidity risk is measured monthly via internally defined Net Cash Flow.For example, within the time buckets over 30 and 60 days assets and liabilities are accounted for as follows: assets are haircut as per enterprise haircut grid whilst liabilities are run off within the specific time bucket. Liabilities are assigned run-off rates based on the results of the core assumptions methodology.

31 Financial risk management (continued)

31.3 Liquidity risk (continued)

For example, government bonds generally can be quickly and easily converted to cash without significant loss of value regardless of their contractual maturity. Similarly, while relationship-based deposits contractually can be withdrawn immediately, in practice, these balances can be relatively stable sources of funding depending on several factors, such as the nature of the client and their intended use. Risk methodologies and underlying assumptions are periodically reviewed and validated to ensure their alignment with our operating environment, expected economic and market conditions, regulatory requirements and generally accepted industry practices. To manage liquidity risk within our liquidity risk appetite, limits are set in addition to monthly stress under Idiosyncratic, systemic and combined scenarios.

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

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 Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and our planned responses. The Bank'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 as result informs requirements for our earmarked unencumbered liquid asset portfolios.

31.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and short term instruments	2,556,301	-	-	-	-	2,556,301
Balances with central banks	3,894,039	-	-	-	-	3,894,039
Loans	2,722,202	542,152	814,753	3,797,886	3,146,177	11,023,170
Allowance for credit losses	-	-	-	-	-	(232,871)
Securities	2,052,019	1,617,900	2,140,256	1,189,400	27,803	7,027,378
Due from associates and affiliated companies	817,709	-	-	2,035	255,794	1,075,538
Other assets	34,179	-	-	-	-	34,179
Total financial assets less derivatives	12,076,449	2,160,052	2,955,009	4,989,321	3,429,774	25,377,734
Liabilities						
Due to banks	16,463	-	-	-	-	16,463
Customers' deposits	21,493,696	138,280	278,119	1,725	-	21,911,820
Debt securities in issue	300,000	-	-	-	-	300,000
Due to associate and affiliated companies	684,903	-	-	-	-	684,903
Other liabilities	13,417	5,486	10,862	50,552	32,879	113,196
Total financial liabilities less derivatives	22,508,479	143,766	288,981	52,277	32,879	23,026,382
Liquidity gap	(10,432,030)	2,016,286	2,666,028	4,937,044	3,396,895	2,351,352
Cumulative gap	(10,432,030)	(8,415,744)	(5,749,716)	(812,672)	2,584,223	

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2021						
Assets						
Cash and short term instruments	2,692,469	-	-	-	-	2,692,469
Balances with central banks	3,412,927	-	-	-	-	3,412,927
Loans	2,589,128	282,216	3,694,381	2,853,019	1,016,517	10,435,261
Securities	2,588,361	1,369,113	1,065,872	3,469,762	24,803	8,517,911
Due from associates and affiliated companies	283,535	-	-	2,902	257,015	543,452
Other assets	39,999	-	-	-	-	39,999
Total financial assets less derivatives	11,606,419	1,651,329	4,760,253	6,325,683	1,298,335	25,642,019
Liabilities						
Due to banks	17,706	-	-	-	-	17,706
Customers' deposits	21,796,070	141,902	325,525	1,765	-	22,265,262
Debt securities in issue	-	-	-	-	300,000	300,000
Due to associate and affiliated companies	856,152	-	-	-	-	856,152
Other liabilities	13,837	5,495	10,936	59,760	47,590	137,618
Total financial liabilities less derivatives	22,683,765	147,397	336,461	61,525	347,590	23,576,738
Liquidity gap	(11,077,346)	1,503,932	4,423,792	6,264,158	950,745	2,065,281
Cumulative gap	(11,077,346)	(9,573,414)	(5,149,622)	1,114,536	2,065,281	

31.3.2 Contingent liabilities and commitments

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Guarantees, bonds, indemnities and letters of credit	140,642	8,251	68,722	217,615
Credit commitments	3,342,899	87,492	352,874	3,783,265
Capital commitments	-	-	-	-
	3,483,541	95,743	421,596	4,000,880
As at October 31, 2021				
Guarantees, bonds, indemnities and letters of credit	120,162	26,911	71,680	218,753
Credit commitments	3,011,419	60,671	360,369	3,432,459
Capital commitments	-	-	-	-
	3,131,581	87,582	432,049	3,651,212

31.4 Market risk

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

The market risks arising from trading and non-trading activities are measured separately by the Group Risk Management who submits reports 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, derivatives and trading liabilities.

Trading portfolios include those portfolios arising from market-making transactions where the Bank acts as a principal with clients or with the market.

Non-trading portfolios primarily arise from the interest-rate management of the Bank's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Banks's amortised and FVOCI securities.

31.4.1 Market risk measurement techniques

The major measurement technique used to measure and control market risk is stress testing.

The Bank applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Market Risk performs a risk sensitivity analysis by applying possible foreign currency rate stress events on the Bank's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

31 Financial risk management (continued)

31.4 Market risk (continued)

31.4.2 Interest rate risk

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

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

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

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

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 2022				
Impact before tax				
100 bps increase in rates	49,689	28,058	(8,486)	25,299
100 bps decrease in rates	(51,876)	(29,266)	8,486	(25,299)
As at October 31, 2021				
Impact before tax				
100 bps increase in rates	42,976	(27,129)	(12,442)	(3,280)
100 bps decrease in rates	(44,964)	28,773	12,442	3,280

31.4.3 Interest sensitivity of assets and liabilities to repricing risk

Interest sensitivity of assets and liabilities to repricing risk

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 dates.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2022					
Assets					
Cash and short term instruments	2,556,301	-	-	-	2,556,301
Balances with Central Bank	-	-	-	3,894,039	3,894,039
Loans to customers	7,533,202	1,617,097	1,640,000	-	10,790,299
Securities at FVTPL	6,255	9,975	3,429	-	19,659
Securities at FVOCI	262	-	-	-	262
Securities at amortised cost	5,818,056	1,189,401	-	-	7,007,457
Due from associate and affiliated companies	821,381	2,035	255,794	-	1,079,210
Other assets	-	-	-	34,179	34,179
Total financial assets	16,735,457	2,818,508	1,899,223	3,928,218	25,381,406
As at October 31, 2022 (continued)					
Liabilities					
Due to banks	16,463	-	-	-	16,463
Customers' deposits	10,506,003	11,405,817	-	-	21,911,820
Debt securities in issue	300,000	-	-	-	300,000
Due to associate and affiliated companies	684,903	-	-	-	684,903
Other liabilities	-	-	-	113,196	113,196
Total financial liabilities	11,507,369	11,405,817	-	113,196	23,026,382
Interest sensitivity gap	5,228,088	(8,587,309)	1,899,223		
As at October 31, 2021					
Assets					
Cash and short term instruments	2,692,469	-	-	-	2,692,469
Balances with Central Bank	-	-	-	3,412,927	3,412,927
Loans to customers	6,565,725	2,853,019	1,016,517	-	10,435,261
Securities at FVTPL	-	6,609	15,211	-	21,820
Securities at FVOCI	277	-	-	-	277
Securities at amortised cost	5,023,346	3,463,153	9,315	-	8,495,814
Due from associate and affiliated companies	283,535	2,902	257,015	-	543,452
Other assets	-	-	-	39,999	39,999
Total financial assets	14,565,352	6,325,683	1,298,058	3,452,926	25,642,019
Liabilities					
Due to banks	17,706	-	-	-	17,706
Customers' deposits	11,037,764	11,227,498	-	-	22,265,262
Debt securities in issue	-	-	300,000	-	300,000
Due to associate and affiliated companies	856,152	-	-	-	856,152
Other liabilities	-	-	-	137,618	137,618
Total financial liabilities	11,911,622	11,227,498	300,000	137,618	23,576,738
Interest sensitivity gap	2,653,730	(4,901,815)	998,058		

31.4.4 Maturity and rate sensitivity

The table below summarises the Bank's loans to customers and investment securities categorised by the earlier of contractual repricing or maturity dates.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Loans to customers:				
Retail	884,342	671,107	398,549	1,953,998
Commercial / corporate	3,806,085	943,747	1,220,473	5,970,305
Mortgages	3,075,646	2,243	20,978	3,098,867
Gross loans to customers	7,766,073	1,617,097	1,640,000	11,023,170
Securities:				
Securities at FVTPL	6,255	9,975	3,429	19,659
Securities FVOCI	262	-	-	262
Securities held-to-collect at amortised cost	5,849,358	1,189,400	-	7,038,758
Gross securities	5,855,875	1,199,375	3,429	7,058,679
As at October 31, 2021				
Loans to customers:				
Retail	810,353	923,282	129,558	1,863,193
Commercial / corporate	3,405,928	1,627,713	886,959	5,920,600
Mortgages	2,718,248	302,024	-	3,020,272
Gross loans to customers	6,934,529	2,853,019	1,016,517	10,804,065
Securities:				
Securities at FVTPL	-	6,609	15,211	21,820
Securities FVOCI	277	-	-	277
Securities held-to-collect at amortised cost	5,685,810	2,829,728	-	8,515,538
Gross securities	5,686,087	2,836,337	15,211	8,537,635

31 Financial risk management (continued)

31.4 Market risk (continued)

31.4.5 Maturity and rate sensitivity

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

	Fixed rate ($'000)	Floating rate ($'000)	Non-rate sensitive ($'000)	Total ($'000)
As at October 31, 2022				
Loans to customers:				
Retail	1,701,334	244,140	8,524	1,953,998
Commercial / corporate	2,864,115	2,876,076	230,114	5,970,305
Mortgages	17,274	3,034,709	46,884	3,098,867
Gross loans to customers	4,582,723	6,154,925	285,522	11,023,170
As at October 31, 2021				
Loans to customers:				
Retail	1,718,012	129,881	15,300	1,863,193
Commercial / corporate	3,095,273	2,498,062	327,265	5,920,600
Mortgages	145,954	2,812,293	62,025	3,020,272
Gross loans to customers	4,959,239	5,440,236	404,590	10,804,065

31.4.6 Other price risk

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

Change in price	Effect on equity 2022 ($'000)	Effect on equity 2021 ($'000)
+1%	3	3
-1%	(3)	(3)

31.5 Currency risk

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

31.5.1 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. Currency exposure resides mainly in trading activity. The table below summarises the Bank's exposure to foreign currency exchange rate risk.

	TTD ($'000)	USD ($'000)	Other ($'000)	Total ($'000)
As at October 31, 2022				
Assets				
Cash and short term instruments	1,021,297	1,466,214	68,790	2,556,301
Balances with Central Bank	3,894,039	-	-	3,894,039
Loans to customers	9,851,881	938,418	-	10,790,299
Securities at FVTPL	9,298	7,972	2,389	19,659
Securities at FVOCI	262	-	-	262
Securities at amortised cost	3,973,655	3,033,802	-	7,007,457
Due from associate and affiliated companies	429,879	641,762	7,569	1,079,210
Other assets	17,071	17,108	-	34,179
Total financial assets	19,197,382	6,105,276	78,748	25,381,406
As at October 31, 2022				
Liabilities				
Due to banks	2,097	14,366	-	16,463
Customers' deposits	17,194,039	4,646,483	71,298	21,911,820
Due to associate and affiliated companies	376,926	307,112	865	684,903
Debt securities in issue	300,000	-	-	300,000
Other liabilities	113,193	3	-	113,196
Total financial liabilities	17,986,255	4,967,964	72,163	23,026,382
Net Statement of Financial Position	1,211,127	1,137,312	6,585	2,355,024
Credit commitments	3,032,283	750,982	-	3,783,265

	TTD ($'000)	USD ($'000)	Other ($'000)	Total ($'000)
As at October 31, 2021				
Total financial assets	18,507,672	7,051,020	83,327	25,642,019
Total financial liabilities	17,432,598	6,078,912	65,228	23,576,738
Net Statement of Financial Position	1,075,074	972,108	18,099	2,065,281
Credit commitments	2,815,606	616,853	-	3,432,459

31.5.2 Currency risk non-trading portfolio

The table below demonstrates the sensitivity to reasonable possible movements of the US dollar against the Trinidad and Tobago dollar to which the Bank had significant exposure 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 ($'000)	Effect on equity ($'000)
October 31, 2022			
Currency			
USD	(1)	(4,826)	(2)
October 31, 2021			
Currency			
USD	(1)	(4,226)	-

31.6 Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio, the Group 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.

31.6.1 Credit risk management

a) Loans

The Bank measures the credit risk of loans and advances to corporate and commercial customers and to banks at the counterparty level using an internal risk-rating matrix. The ratings are generated by combining weighted financial and statistical criteria with credit officer judgement, which is mapped against established internal benchmarks at the time credit is granted. The Bank risk rating is seven tiered as shown below and reflects the perceived counterparty risk. This means that, in principle, exposures migrate between levels as the assessment of their riskiness changes. The risk weightings and internal benchmarks are consistently reviewed and upgraded as necessary

The Bank's internal ratings scale and mapping of external ratings are as follows:

Bank's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very good	High grade
3	Good	Standard grade
4	Special mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and doubtful	Past due or impaired
7	Virtual certain loss	Past due or impaired

b) Debt securities and other bills

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

31.6.2 Risk limit control and mitigation policies

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

31 Financial risk management (continued)

31.6 Credit risk (continued)

31.6.2 Risk limit control and mitigation policies (continued)

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional ofthese is the taking of security for funds advanced. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans to customers are:

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

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

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of Statement of Financial Position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer 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.

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

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Credit risk exposures relating to financial assets on the Statement of Financial Position are as follows:		
Due from banks and treasury bills	2,226,555	2,326,979
Balances with Central Bank	3,894,039	3,412,927
Loans to customers	11,023,170	10,804,065
Securities at FVTPL	19,659	21,820
Securities at amortised cost	7,038,758	8,515,538
Due from associate and affiliated companies	1,079,210	543,452
	25,281,391	25,624,781
Credit risk exposures relating to financial assets not on the Statement of Financial Position are as follows:		
Guarantees, indemnities and letters of credit	217,615	218,753
Credit commitments	3,783,265	3,432,459
	4,000,880	3,651,212
Total credit risk exposure	29,282,271	29,275,993

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.

31.6.4 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 financial assets as categorised by industry sectors of counterparties.

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Consumer	5,137,051	5,001,462
Manufacturing	89,451	82,260
Distribution	110,520	141,201
Financial services	2,462,217	4,810,100
Transport	97,361	146,256
Construction	520,834	500,078
Petroleum	91,714	79,066
Agriculture	9,314	4,105
Real estate	449,352	295,211
Tourism	2,831	4,748
Professional services	202,517	203,134
Utilities	268,965	138,617
Health services	68,890	166,844
Government	12,394,903	10,627,120
Other	3,375,471	3,424,579
	25,281,391	25,624,781

31.6.5 Risk concentration of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2022, was $10,457,609,000 (2021:$6,329,903,000) before taking account of collateral or other credit enhancements.

31.6.6 Credit quality by class of financial assets

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2022				
Due from banks	2,226,555	-	-	2,226,555
Balances with Central Bank	3,894,039	-	-	3,894,039
Loans to customers:				
Retail	1,908,441	30,215	15,342	1,953,998
Commercial/corporate	5,460,700	247,125	262,480	5,970,305
Mortgages	2,942,511	110,005	46,351	3,098,867
Loans to customers (gross)	10,311,652	387,345	324,173	11,023,170
Securities:				
FVTPL (including trading):				
Government	5,127	-	-	5,127
Other	14,532	-	-	14,532
Amortised cost:				
Government	6,724,271	-	-	6,724,271
Corporate	314,487	-	-	314,487
Securities (gross)	7,058,417	-	-	7,058,417
Due from associate and affiliated companies	1,079,210	-	-	1,079,210
Total	24,569,873	387,345	324,173	25,281,391
As at October 31, 2021				
Due from banks	2,326,979	-	-	2,326,979
Balances with Central Bank	3,412,927	-	-	3,412,927
Loans to customers:				
Retail	1,750,101	96,169	16,923	1,863,193
Commercial/corporate	5,373,487	316,556	230,557	5,920,600
Mortgages	2,643,191	289,537	87,544	3,020,272
Loans to customers (gross)	9,766,779	702,262	335,024	10,804,065
Securities:				
FVTPL (including trading):				
Government	6,609	-	-	6,609
Other	15,211	-	-	15,211
Amortised cost:				
Government	7,777,428	-	-	7,777,428
Corporate	738,110	-	-	738,110
Securities (gross)	8,537,358	-	-	8,537,358
Due from associate and affiliated companies	543,452	-	-	543,452
Total	24,587,495	702,262	335,024	25,624,781

For those exposures that are stage 2 the majority are rated between standard (good) to excellent which is high grade.

31 Financial risk management (continued)

31.6 **Credit risk (continued)**

31.6.7 **Credit risk exposure on due from other banks, treasury bills, debt securities and other bills and derivative financial instruments based on the Bank's internal corporate rating system**

The table below presents an analysis of due from banks, loans to customers, debt securities, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's Equivalent grades	2022 ($'000)	2021 ($'000)
Excellent			
AA	BB+	6,958,791	5,882,114
Very good			
A+	BB	1,360,057	2,456,831
A	BB-	6,336,906	5,929,270
Good			
A-	B+	4,302,085	5,000,175
B+	B		
Special mention			
B	B-	6,010,013	6,039,831
C+	CCC+		
Unacceptable			
C	CCC	262,754	200,956
D+	CCC-		
Bad and doubtful			
D	CC+	14,433	31,332
E+	CC		
Virtual certain loss			
E	CC-	36,352	84,272
		25,281,391	25,624,781

31.6.8 **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 counterparty's 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.

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

	2022 ($'000)	2021 ($'000)
Land	232	232
Buildings	2,287	1,524
Motor-vehicles[1]	-	-
	2,519	1,756

[1] Comparative data not available

31.7 **Capital management**

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

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

Capital 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.

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 Central Bank of Trinidad and Tobago. The required information is filed with the Authority on a monthly basis.

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

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

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the country in which the Bank operates. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

The Bank is required to maintain regulatory capital at a minimum of 10% (2021: 10%). The Bank's regulatory capital ratio is 20.21% (2021: 19.35%).

The table below summarises the composition of regulatory capital and the ratios of the Bank at the Statement of Financial Position date. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2022 ($'000)	2021 ($'000)
Tier 1 capital		
Stated capital	403,970	403,970
Statutory reserve	836,070	836,070
Capital Reserve	45,672	45,672
Retained earnings	1,164,753	945,187
Total qualifying Tier 1 capital	2,450,465	2,230,899
Tier 2 capital		
Debt securities in issue	300,000	300,000
General reserves	604	604
General impairment	12,969	35,967
Revaluation reserve –securities	2,990	2,425
Other reserve IAS 19R	(75,275)	(73,707)
Total qualifying Tier 2 capital	241,288	265,289
Total regulatory capital	2,691,753	2,496,188
Total risk-weighted assets	13,317,332	12,900,130
Regulatory capital ratio	20.21%	19.35%

32 Fair value of financial assets and liabilities

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

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

Financial assets and liabilities for which fair value are disclosed

	Fair value always approximates carrying value ($'000)	Fair value may not approximate carrying value ($'000)	Total fair value ($'000)	Fair value hierarchy Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022							
Loans	-	10,784,519	10,784,519	-	-	10,784,519	10,784,519
Other assets	34,179	-	34,179	-	-	-	-
Investment securities	-	6,970,811	6,970,811	6,970,811	-	-	6,970,811
Due to banks	16,463	-	16,463	-	-	-	-
Customers' deposits	21,133,134	778,177	21,911,311	-	-	778,177	778,177
Debt securities in issue	-	297,794	297,794	-	-	297,794	297,794
Other liabilities	113,196	-	113,196	-	-	-	-

32 Fair value of financial assets and liabilities (continued)

Financial assets and liabilities for which fair value are disclosed (continued)

	Fair value always approximates carrying value ($'000)	Fair value may not approximate carrying value ($'000)	Total fair value ($'000)	Fair value hierarchy Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2021							
Loans	-	10,694,272	10,694,272	-	-	10,694,272	10,694,272
Other assets	245,401	-	245,401	-	-	-	-
Investment securities	-	8,522,657	8,522,657	8,522,657	-	-	8,522,657
Due to banks	17,706	-	17,706	-	-	-	-
Customers' deposits	21,426,846	837,544	22,264,390	-	-	837,544	837,544
Debt securities in issue	-	305,368	305,368	-	-	305,368	305,368
Other liabilities	610,005	-	610,005	-	-	-	-

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments: (i) loans and deposits with original maturity of less than three months or payable on demand; and (ii) certain receivables and payables in other assets and other liabilities.

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

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

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

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 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022				
Securities at FVTPL				
Securities FVTPL classified				
Debt securities	-	5,127	-	5,127
Money market instruments	14,532	-	-	14,532
	14,532	5,127	-	19,659
Securities at FVOCI				
Securities FVOCI classified				
Equity securities	262	-	-	262
	262	-	-	262

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

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2021				
Securities at FVTPL				
Securities FVTPL classified				
Debt securities	-	6,609	-	6,609
Money market instruments	15,211	-	-	15,211
	15,211	6,609	-	21,820
Securities at FVOCI				
Securities FVOCI classified				
Equity securities	277	-	-	277
	277	-	-	277

There were no significant transfers between Level 1 and 2 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 ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2022			
Securities at FVOCI	262	-	-
	262	-	-
As at October 31, 2021			
Securities at FVOCI	277	-	-
	277	-	-

Sensitivity results

As at October 31, 2022, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $0.0 million (2021: $0million) and a reduction of $0.0 million (2021: $0 million) in fair value, of which an increase of $0.0 million (2021: $0million) and a decrease of $0.0 million (2021: $0 million) would be recorded in Other components of equity. The effects of applying these assumptions to the Level 3 liability positions would result in $0.0 million decrease (2021: $0 million) and $0.0 million increase (2021: $0 million) in fair value.

	Total realised / unrealised gains (losses) included in earnings			Changes in unrealised gains (losses) included in earnings for assets and liabilities for positions still held		
	Assets ($'000)	Liabilities ($'000)	Total ($'000)	Assets ($'000)	Liabilities ($'000)	Total ($'000)
Non-interest income						
For year ended October 31, 2022						
Trading revenue	-	-	-	-	-	-
For year ended October 31, 2021						
Non-interest income						
Trading revenue	-	-	-	-	-	-

32 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
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting plus or minus 20 bps shift in the yield curve.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of these inputs, and an amount based on model and parameter uncertainty, where applicable.

Reconciliation of Level 3 fair value measurements of financial assets

	FVOCI ($'000)	Total ($'000)
As at November 1, 2021		
Gains from change in fair value	-	-
As at October 31, 2022	-	-
As at November 1, 2020	1,660	1,660
Gains from change in fair value	(1,660)	(1,660)
As at October 31, 2021	-	-

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, 2022, and cumulatively since initial recognition of the assets

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

Financial instruments classified as at FVTPL, which includes mainly trading securities are measured at fair value with realised and unrealised gains and losses recognised in Non-interest income, primarily in trading revenue.

Investment Management
Caribbean

Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

Chairman's Report

For fiscal 2022, RBC Investment Management (Caribbean) Limited recorded a net profit after taxation of $113.1 million, down compared to the prior year's profit after taxation of $118.0 million, driven by decreased revenues and higher costs. Total revenue is down as a result of decreases in assets under management as the impacts of market volatility on our portfolio hit home. Non-interest expenses were up year over year from increasing inflationary pressures.

Assets under management decreased by $2 billion year on year to $26 billion. The Company is well capitalised with a capital ratio of 68.25%, which is well in excess of required regulatory thresholds.

The emerging global macroeconomic and geopolitical landscape characterised by higher inflation, rising interest rates, global energy and market volatility partly fuelled by the war in Ukraine will pose challenges for the business. However, our management team remains committed to continue using sound management principles and offer best-in-class dynamic solutions to our clients to preserve and grow their wealth over the long-term in the face of the challenging environment and market uncertainty. We continue to focus on achieving success in our selected markets, enhancing efficiencies and positioning ourselves for sustainable long-term growth.

On behalf of the Board of Directors and executive of RBC, I would like to thank the Company's loyal clientele for the continued confidence shown in us as we work the daily challenges in our line of business. I would also like to thank our employees who continue to be the driving force behind all of our achievements. Their continued commitment to our values, to our clients and to one another has positioned us for sustainable long-term growth and success.

Stacey Ann Paty
Chairman
January 23, 2023

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RBC Investment Management (Caribbean) Limited (the 'Company') which comprise the statement of financial position as at October 31, 2022 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and other explanatory information;
- Ensuring that the Company 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 Company's assets, detection/prevention of fraud, and the achievement of Company 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 and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

Natalie Mansoor
Senior Director –
RBC Investment Management (Caribbean) Limited
January 23, 2023

Roxann Granger
Chief Financial Officer
RBC Investment Management (Caribbean) Limited
January 23, 2023

Independent Auditor's Report

To the shareholder of RBC Investment Management (Caribbean) Limited

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's report (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Port of Spain,
Trinidad, West Indies
24 January, 2023

Statement of Financial Position

	Notes	2022 ($'000)	2021 ($'000)
		As at October 31	
Assets			
Cash and cash equivalents	3	306,050	313,798
Intangible assets	4	2,570	3,670
Equipment	5	299	374
Corporation tax recoverable		14	4,677
Deferred tax asset	6	2,854	2,654
Due from affiliated companies	19	754	721
Other assets	7	19,266	20,863
Total assets		331,807	346,757
Liabilities			
Post-retirement benefit obligations	8	7,993	8,040
Current income tax liabilities		10,910	14,380
Deferred tax liabilities	6	739	619
Due to affiliated companies	19	2,181	5,845
Other liabilities	9	4,735	3,324
Total liabilities		26,558	32,208
Shareholder's equity			
Stated capital	10	15,019	15,019
Statutory reserve	11	15,019	15,019
Retained earnings		275,211	284,511
Total shareholder's equity		305,249	314,549
Total equity and liabilities		331,807	346,757

The notes form an integral part of these financial statements.

On January 23, 2023, the Board of Directors of RBC Investment Management (Caribbean) Limited authorised these financial statements for issue.

__________ Director   __________ Director

Statement of Changes in Equity

	Note	Stated capital ($'000)	Statutory reserves ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total ($'000)
Year ended October 31, 2022						
Balance at beginning of year		15,019	15,019	-	284,511	314,549
Profit after taxation		-	-	-	113,057	113,057
Other comprehensive income		-	-	-	103	103
Total comprehensive income		-	-	-	113,160	113,160
Dividends	17	-	-	-	(122,460)	(122,460)
Balance at end of year		15,019	15,019	-	275,211	305,249
Year ended October 31, 2021						
Balance at beginning of year		15,019	15,019	-	248,279	278,317
Profit after taxation		-	-	-	117,959	117,959
Other comprehensive income		-	-	-	473	473
Total comprehensive income		-	-	-	118,432	118,432
Dividends	17	-	-	-	(82,200)	(82,200)
Balance at end of year		15,019	15,019	-	284,511	314,549

The notes form an integral part of these financial statements.

Statement of Income and other Comprehensive Income

	Notes	2022 ($'000)	2021 ($'000)
		Year ended October 31	
Interest income	12	-	309
Non-interest income	13	217,115	221,081
Total revenue		217,115	221,390
Non-interest expenses	14	(55,342)	(52,599)
Total non-interest expenses		(55,342)	(52,599)
Profit before taxation		161,773	168,791
Taxation expense	16	(48,716)	(50,832)
Profit after taxation		113,057	117,959
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	8.4	103	473
Other comprehensive income for the year, net of taxes		103	473
Total comprehensive income for the year		113,160	118,432

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Note	2022 ($'000)	2021 ($'000)
		Year ended October 31	
Net income before taxation from continuing operations		161,773	168,791
Adjustments for:			
Post-retirement benefit obligation expense		100	110
Depreciation and amortisation		1,230	1,351
Operating income before changes in operating assets and liabilities for continuing operations		163,103	170,252
Decrease /(increase) in other assets		1,606	(2,249)
(Increase) /decrease in due from affiliated companies		(33)	109,199
Increase in other liabilities		2,053	1,403
(Decrease) /increase in due to affiliated companies		(3,664)	5,837
Corporation tax paid - net of refunds		(48,298)	(51,494)
Cash generated from operating activities for continuing operations		114,767	232,948
Investing activities			
Purchase of equipment and intangible assets		(55)	(525)
Cash used in investing activities for continuing operations		(55)	(525)
Financing activities			
Dividends paid		(122,460)	(82,200)
Cash used in financing activities for continuing operations		(122,460)	(82,200)
Net (decrease)/increase in cash and cash equivalents		(7,748)	150,223
Cash and cash equivalents at beginning of year		313,798	163,575
Cash and cash equivalents at end of year	3	306,050	313,798

The notes form an integral part of these financial statements.

1 Incorporation and business activities of the Company

RBC Investment Management (Caribbean) Limited (the "Company") is incorporated in Trinidad and Tobago. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited which is incorporated in Trinidad and Tobago, with the ultimate parent company being Royal Bank of Canada.

The Company is a licensed financial institution under the Financial Institutions Act, 2008 of Trinidad and Tobago and has been set up to provide a full range of services pertaining to investment management and support services associated therewith to corporate and individual clients. The address of the Company's registered office is 7-9 St. Clair Avenue, St. Clair, Port-of-Spain, Trinidad.

2 Significant accounting policies, estimates and judgements

The significant accounting policies used in the preparation of these Financial Statements are summarised below. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars.

Use of estimates and assumptions

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

Significant judgements

In preparation of these Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period.

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

Significant judgements have been made in the following areas and discussed as noted in the Financial Statements:

- Employee benefits Note 2
- Share based compensation Note 2
- Income taxes Note 2
- Intangible assets Note 2

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

Changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022. The Company has not early-adopted any of them and therefore they have not been applied in preparing these financial statements. The amendment listed below is most likely to have no impact on the Company's performance, financial position or disclosures.

Interest Rate Benchmark Reform

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

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

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 Company's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

Business model assessment

The Company determines the business models at the level that best reflects how the Company 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 the receivables managed as part of a business model; and
- The compensation structures for managers of the businesses within the Company, to the extent that these are directly linked to the economic performance of the business model.

The Company's business model for receivables is HTC: the objective of this business model is to hold receivables to collect contractually due cash flows.

SPPI assessment

Instruments held within a HTC 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.

Revenue recognition

Revenue is recognised when a service is provided 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 Company 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 Company 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.

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

The Company expenses incremental costs to obtain a contract if the expected amortisation period of the asset the Company 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 with the exception of credit card fees and commissions. The Company does not incur material costs to obtain contracts with customers such as sales commissions.

Commissions and fees

Commission and fees primarily relate to investment management and custodial fees and mutual fund revenue and are recognised based on the applicable service contracts with customers.

Investment management and custodial fees and mutual fund revenue are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract.

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2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Revenue recognition (continued)

Commissions and fees (continued)

Investment management and custodial fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager or from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Mutual fund revenue is derived as a percentage of the daily net asset value (NAV) of the mutual funds under management with each mutual fund having a management fee rate based on an approved fee structure. Investment management and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in Non-interest expense 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.

Accounts receivable

For accounts receivable, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from the initial recognition of receivables.

To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on payment terms and corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customer's ability to settle the receivables. Macroeconomic variables used include, but are not limited to unemployment rate, gross domestic product (GDP) and inflation rate.

Interest

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

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. 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 and Other Comprehensive Income.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency transactions (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago 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 and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets that are measured at fair value are translated into Trinidad and Tobago 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.

Equipment

Equipment includes 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 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. Gains and losses on disposal are recorded in Non–interest income.

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. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), 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 (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee 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 in the form a payment or series of payments.

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.

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. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalised.

2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Leases (continued)

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to the Company 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 Company applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the premises and equipment accounting policies in the Financial Statements.

The Company does not apply this accounting treatment to leases of intangible assets.

Other Liabilities

Other liabilities are initially measured at fair value and are subsequently measured at amortised cost.

Provisions

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

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgement in projecting the timing and amount of future cash flows. We record our provisions on the basis of 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.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current year's service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

Share–based compensation

The Company offers share-based compensation plans (the "Plans") to certain key employees, by utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

For cash-settled awards, the Company's accrued obligations are adjusted to their fair value at each balance sheet date. Changes in obligations, are recorded as Non-interest expense in the Consolidated Statements of Income with a corresponding change in Other liabilities. Compensation expense is recognised in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

Green fund levy

Green fund levy is a tax imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Statement of Income.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied.

The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carry forwards are included on the Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

The determination of our deferred income 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 and Other Comprehensive Income.

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 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. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Company's tax positions by the relevant taxation authorities.

Intangible assets

Intangible assets represent identifiable non-monetary assets acquired separately. 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. There are no intangible assets with indefinite lives.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognised.

2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Intangible assets (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives.

Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in Non-interest expense.

Stated capital

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.

3 Cash and cash equivalents

	2022 ($'000)	2021 ($'000)
Cash at bank	306,050	313,798

Cash and cash equivalents represent deposits held on demand with affiliated company.

4 Intangible assets

	2022 ($'000)	2021 ($'000)
Software		
Opening net book value	3,670	4,723
Additions	-	342
Amortisation	(1,100)	(1,395)
Closing net book value	2,570	3,670
Cost	8,606	17,469
Accumulated amortisation	(6,036)	(13,799)
Net book value	2,570	3,670

5 Equipment

	Computer equipment ($'000)	Electronic equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2022				
Opening net book value	309	-	65	374
Transfers	115	-	(115)	-
Additions	-	-	55	55
Depreciation charge	(130)	-	-	(130)
Closing net book value	294	-	5	299
At October 31, 2022				
Total cost	725	-	5	730
Accumulated depreciation	(431)	-	-	(431)
Net book value	294	-	5	299
Year ended October 31, 2021				
Opening net book value	209	-	(61)	148
Transfers	56	-	(56)	-
Additions	-	-	182	182
Depreciation charge	44	-	-	44
Closing net book value	309	-	65	374
At October 31, 2021				
Total cost	1,017	18	65	1,100
Accumulated depreciation	(708)	(18)	-	(726)
Net book value	309	-	65	374

6 Deferred tax assets and liabilities

	2022 ($'000)	2021 ($'000)
The amounts are shown in the Statement of Financial Position:		
Deferred tax asset	2,854	2,654
Deferred tax liabilities	(739)	(619)
	2,115	2,035
The movement on the deferred tax account is as follows:		
At beginning of year	2,035	1,565
Charge to Statement of Income (Note 16)	139	106
Prior year	-	568
Charge to Statement of Other Comprehensive Income	(59)	(204)
At end of year	2,115	2,035
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax asset		
Post-retirement benefits	2,398	2,412
Accelerated tax depreciation	(15)	48
Severance	194	194
Other	277	-
	2,854	2,654
Deferred tax liabilities		
Accelerated tax depreciation	(6)	-
Foreign exchange translation	(733)	(619)
	(739)	(619)

7 Other assets

	2022 ($'000)	2021 ($'000)
Accounts receivable	16,586	18,328
Prepayments	2,680	2,535
	19,266	20,863
Current	19,266	20,863

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (general provision) which uses a lifetime expected loss allowance for all accounts receivable balances. The resulting general provision at 31 October 2022 was negligible (2021: Negligible).

8 Post-retirement benefit obligations

Plan characteristics

The Company, through its parent, RBC Financial (Caribbean) Limited, sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by a local pension committee. The pension and other post-employment plans are managed on a Group basis.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. Our other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by the Group and valuations of the plans are performed at each fiscal year end by independent actuaries. The liability in the Statement of Financial Position is allocated to all legal entities participating in the plans based on their participating membership headcount.

Risks

By their design, the defined benefit pension plans expose the Company to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

8 Post-retirement benefit obligations (continued)

8.1 **The amounts recognised in the Statement of Financial Position are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Fair value of plan assets	-	(4)	(4)
Post-retirement benefit obligation	4,881	3,116	7,997
Liability in the Statement of Financial Position	4,881	3,112	7,993
October 31, 2021			
Fair value of plan assets	-	(4)	(4)
Post-retirement benefit obligation	5,214	2,830	8,044
Liability in the Statement of Financial Position	5,214	2,826	8,040

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

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	-	(4)	(4)
Re-measurement gain:	-	-	-
At end of year	-	(4)	(4)
October 31, 2021			
At beginning of year	-	(2)	(2)
Re-measurement gain:	-	(2)	(2)
At end of year	-	(4)	(4)

8.3 **The movements in the post-retirement benefit obligation over the period are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	5,214	2,830	8,044
Current service cost	32	25	57
Past service cost	94	-	94
Interest expense	336	61	397
Re-measurements:			
Effect of changes in demographic assumptions	208	-	208
Effect of changes in financial assumptions	(350)	(53)	(403)
Effect of experience adjustments	(178)	226	48
Benefits paid	(103)	-	(103)
Other	(372)	27	(349)
At end of year	4,881	3,116	7,997
October 31, 2021			
At beginning of year	5,658	2,950	8,608
Current service cost	32	26	58
Past service cost	(328)	-	(328)
Interest expense	308	72	380
Re-measurements:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	(243)	(73)	(316)
Effect of experience adjustments	(213)	(145)	(358)
Benefits paid	-	-	-
At end of year	5,214	2,830	8,044

8.4 **The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Current service cost	32	25	57
Past service cost	94	-	94
Net interest expense	336	61	397
Benefit paid	(103)	-	(103)
Other	(372)	27	(345)
Components of defined benefit costs recognised in profit or loss	(13)	113	100
Re-measurement on the net liability:			
Effect of changes in demographic assumptions	208	-	208
Effect of changes in financial re-measurements	(350)	(53)	(403)
Effect of experience adjustments	(178)	226	48
Return on plan assets (excluding interest income)	-	-	-
Other	-	(4)	(4)
Components of defined benefit cost included in other comprehensive income	(320)	169	(151)
Total	(333)	282	(51)
October 31, 2021			
Current service cost	32	26	58
Past service cost	(328)	-	(328)
Net interest expense	308	72	380
Components of defined benefit costs recognised in profit or loss	12	98	110
Re-measurement on the net liability:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial re-measurements	(243)	(73)	(316)
Effect of experience adjustments	(213)	(145)	(358)
Return on plan assets (excluding interest income)	-	(2)	(2)
Components of defined benefit cost included in other comprehensive income	(456)	(220)	(676)
Total	(444)	(122)	(566)

8.5 **Investment policy and strategies**

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

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

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

(iii) the financial position of the pension plans;

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

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

To implement our asset allocation policy, we may invest in equities and fixed income securities.

Composition of defined benefit pension plan assets

	October 31, 2022		October 31, 2021	
	Fair value ($'000)	Percentage of total plan assets	Fair value ($'000)	Percentage of total plan assets
Debt securities				
Alternative investments	(4)	100%	(4)	100%
	(4)	100%	(4)	100%

Significant assumptions

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

Overall expected long-term rate of return on assets

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

8 Post-retirement benefit obligations (continued)

8.5 **Investment policy and strategies (continued)**

Discount rate

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

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Discount rates – medical and life	6.00%	5.60%
Discount rates – pension	6.00%	5.60%
Salary increases	4.00%/2.50%	2.00%
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

8.6 **Sensitivity analysis**

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

	Increase / (decrease) in obligation 2022 ($'000)	2021 ($'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	366	355
Impact of 1.0% increase in discount rate	(250)	(225)
Impact of 0.5% decrease in rate of increase in future compensation	(44)	(43)
Impact of 0.5% increase in rate of increase in future compensation	52	47
Impact of 1 year decrease in life expectancy	(40)	N/A
Impact of 1 year increase in life expectancy	45	38
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	934	878
Impact of 1.0% increase in discount rate	(756)	(707)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1.0% decrease in health care cost trend rate	(259)	(142)
Impact of 1.0% increase in health care cost trend rate	308	169
Impact of 1 year decrease in life expectancy	2	N/A
Impact of 1 year increase in life expectancy	3	(13)

9 Other liabilities

	2022 ($'000)	2021 ($'000)
Accruals and payables	550	462
Employee related costs	4,185	2,862
	4,735	3,324
Current	4,735	3,324

10 Stated capital

	2022 ($'000)	2021 ($'000)
Issued and fully paid 225,019,100 ordinary shares of no-par value	15,019	15,019

The total authorised number of ordinary shares at year end was unlimited with no par value.

11 Statutory reserve

The Financial Institutions Act, 2008 requires financial institutions in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid-up capital of the institution.

12 Interest income

	2022 ($'000)	2021 ($'000)
Interest income on cash and cash equivalents	-	309
	-	309

13 Non-interest income from continuing operations

The Company derives revenue over time and at a point in time within the following categories.

	2022 ($'000)	2021 ($'000)
Non-interest income over time:		
Trust and investment management related fees	216,736	221,338
Non-interest income at a point in time:		
Foreign exchange earnings	379	(264)
Sundry income	-	7
	217,115	221,081

14 Non-interest expenses

	2022 ($'000)	2021 ($'000)
Staff costs (Note 14.1)	17,826	16,203
Equipment and intangible assets expenses, excluding depreciation and amortisation	6,937	6,915
Advertising and public relations	505	532
Depreciation and amortisation	1,231	1,351
Management fees	23,783	22,386
Directors' fees	141	142
Auditor's fees	500	634
Business and capital tax	3,066	2,874
Green fund levy	652	665
Sundry losses	3	143
Other operating expenses	698	754
	55,342	52,599
14.1 **Staff costs**		
Wages and salaries including bonuses	15,591	15,176
Employees' defined contribution pension expense	959	917
Employees' defined benefit and post other post-retirement benefit costs (Note 8.4)	100	110
Share option plan-value of services provided	1,176	-
	17,826	16,203

15 Share–based compensation

The Company offers share-based compensation plans (the "Plans"), which consists of shares issued by the Company's ultimate parent company, Royal Bank of Canada (RBC). The Plans are administered by RBC.

The Company offers permanent eligible employees in Trinidad and Tobago an opportunity to elect to purchase RBC common shares through a share ownership plan. Under this plan, the employees can generally contribute between 25% and 100% of their annual short-term incentive compensation from the Company's annual incentive program, all of which vest at the end of five years.

The Company offers performance deferred share award plans to certain key employees, all of which vest at the end of three years. Upon vesting, the award is paid in cash and is based on the original number of RBC share units granted plus accumulated dividends valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date. A portion of the award under certain plans may be increased or decreased up to 25%, depending on our total shareholder return compared to a defined peer group of global financial institutions.

At year end an accrual is booked to other liabilities until cash is remitted for payment.

The following table presents the units granted under share-based compensation plans for the year:-

15 Share–based compensation (continued)

15.1 **Units granted under share-based compensation plans**

	Units granted #	Weighted average fair value per unit ($)
2022		
Performance deferred share unit plans	385	636
RBC share unit plans	341	718
	726	
2021		
Performance deferred share unit plans	471	562
RBC share unit plans	469	565
	940	

The liabilities for the awards granted under the share-based compensation plans are measured at fair value, determined based on the quoted market price of the RBC common shares. Annually, the obligation is increased by additional units earned by plan participants, and is reduced by forfeitures, cancellations, and the settlement of vested units. In addition, the obligation is impacted by fluctuations in the market price of RBC common shares. For performance deferred share award plans, the estimated outcome of meeting the performance conditions also impacts the obligation.

The following tables present the units that have been earned by the participants, the obligations for these earned units under the share-based compensation plans, and the related compensation expenses (recoveries) recognised for the year.

15.2 **Obligations under share-based compensation plans**

	Units #	Carrying amount ($'000)
2022		
Performance deferred share unit plans	893	560
RBC share unit plans	524	329
	1,417	889
2021		
Performance deferred share unit plans	956	687
RBC share unit plans	573	412
	1,529	1,099

15.3 **Compensation expenses recognised under share-based compensation plans**

	2022 ($'000)	2021 ($'000)
Performance deferred share unit plans	268	512
RBC share unit plans	247	287
	515	799

16 Taxation expense

	2022 ($'000)	2021 ($'000)
Current tax charge	48,855	50,361
Prior year deferred tax adjustment	-	568
Prior years	-	9
Net deferred tax credit (Note 6)	(139)	(106)
	48,716	50,832
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	161,773	168,791
Prima facie tax calculated at a rate of 30%	48,532	50,637
Expenses not deductible for tax	(11)	292
Prior years	-	9
Other	195	(106)
	48,716	50,832

	2022 ($'000)	2021 ($'000)
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	54	200
Post-retirement benefits	(40)	(33)
Other temporary differences	(153)	(273)
	(139)	(106)

17 Dividends

During the year, dividends declared and paid to the shareholder was $122.5 million (2021: $82.2 million).

Dividends are accounted for as an appropriation of retained earnings.

18 Contingent liabilities

As at October 31, 2022 there were no contingent liabilities (2021 - Nil).

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. The Company has applied the low credit risk exemption on all loans to associate and affiliated companies as they demonstrate a low risk of default and the related RBC entity has a strong capacity to meet its contractual cash flow obligations. As a result, any IFRS 9 ACL is deemed to be insignificant.

	2022 ($'000)	2021 ($'000)
Cash and cash equivalents		
Other affiliated companies	306,050	313,798
Due from affiliated companies		
Due from RBCFCL	754	721
Other assets		
Other affiliated companies	2,946	3,392
Other liabilities		
Due to RBCFCL	2,181	5,845
Non-interest income		
Due from RBCFCL	2,197	2,152
Other affiliated companies	173,377	177,402
	175,574	179,554
Interest income		
Other affiliated companies	-	309
Other operating expenses		
Due to RBCFCL	25,159	23,796
Other affiliated companies	150	244
	25,309	24,040

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 RBC Investment Management (Caribbean) Limited, directly or indirectly. They include the senior executives of the parent, RBC Financial (Caribbean) Limited called the Operating Committee (OC) and Executive Management Committee (EMC). The OC and EMC are comprised of the Head Caribbean Banking and those individuals that report directly to him, including the Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business and functional units. The OC is ultimately responsible for all material decisions. The Directors of RBC Investment Management (Caribbean) Limited do not plan, direct, or control the activities of the Company; they oversee the management of the business and provide stewardship.

19 Related party transactions (continued)

	2022 ($'000)	2021 ($'000)
Key management compensation		
Share based payment	395	187
Salaries and other short term benefits	1,449	1,379

20 Financial risk management

20.1 Risk management

Risk is inherent in the Company'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 Company's continuing profitability and the Company is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure

The Board of Directors is responsible for providing oversight over the management of risks. The Operating Committee (OC) is responsible for managing and monitoring risks. As a subsidiary of the RBC Financial (Caribbean) Limited, there are several committees which have been set up at a Group level to address risk management throughout the Group and the Company's activities are reported at regular intervals to these bodies.

Operating Committee (OC)

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

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 which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the RBC Financial Caribbean Group in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which is responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensures the risks are completely captured in the risk measurement and reporting systems.

Group Asset and Liability Committee (ALCO)

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

Investment Policy Committee

The Investment Policy committee is comprised of two Non-Executive Directors and one Operating Committee member. The Committee is responsible for approving all Statements of Investments Policy (SIP) and reviewing compliance with same. The SIPs shall be drafted in accordance with the stated objectives of each Fund under management with close reference to the assets permissible by law or deed. The SIPs shall be reviewed annually to ensure compliance with any statutory changes or amendments to relevant deeds. The Committee meets on a quarterly basis.

Investment Strategy Committee

This Committee is engaged in providing guidance to the Company relative to economic and capital markets. The Committee prepares an investment outlook that is submitted to the Investment Policy Committee and provides guidance to the Company's Portfolio Managers as it relates to mix of investments, geographical allocations, duration and currency exposure.

Internal Audit

Risk management processes throughout the Company are audited by the internal audit function that examines both the adequacy of the procedures and the Company's compliance with the procedures.

Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company 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 risks early. This information which consists of several reports, is presented and explained to the OC, the ALCO and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

For all levels throughout the Company, 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.

20.2 Categorisation

	Financial assets or liabilities carried at amortised costs ($'000)	Non-financial assets or liabilities ($'000)	Equity instruments ($'000)	Total ($'000)
As at October 31, 2022				
Assets				
Cash and cash equivalents	306,050	-	-	306,050
Intangible assets	-	2,570	-	2,570
Equipment	-	299	-	299
Other assets	16,586	2,680	-	19,266
Due from affiliated company	754	-	-	754
Corporation tax recoverable	-	14	-	14
Deferred tax asset	-	2,854	-	2,854
Total assets	323,390	8,417	-	331,807
Equity and liabilities				
Other liabilities	550	4,185	-	4,735
Post-retirement benefit obligations	-	7,993	-	7,993
Current income tax liabilities	-	10,910	-	10,910
Due to affiliated company	2,181	-	-	2,181
Deferred tax liabilities	-	739	-	739
Shareholder's equity	-	-	305,249	305,249
Total equity and liabilities	2,731	23,827	305,249	331,807
As at October 31, 2021				
Assets				
Cash and cash equivalents	313,798	-	-	313,798
Intangible assets	-	3,670	-	3,670
Equipment	-	374	-	374
Other assets	18,328	2,535	-	20,863
Due from affiliated company	721	-	-	721
Corporation tax recoverable	-	4,677	-	4,677
Deferred tax asset	-	2,654	-	2,654
Total assets	332,847	13,910	-	346,757
Equity and liabilities				
Other liabilities	462	2,862	-	3,324
Post-retirement benefit obligations	-	8,040	-	8,040
Current income tax liabilities	-	14,380	-	14,380
Due to affiliated company	5,845	-	-	5,845
Deferred tax liabilities	-	619	-	619
Shareholder's equity	-	-	314,549	314,549
Total equity and liabilities	6,307	25,901	314,549	346,757

20.3 Liquidity risk

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

These policies are supported by management limits and authorities that govern the measurement and management of liquidity.

20 Financial risk management (continued)

20.3 Liquidity risk (continued)

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

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

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 Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and our planned responses. The Company'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 as result informs requirements for our earmarked unencumbered liquid asset portfolios.

20.3.1 Financial assets and liabilities less derivatives

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities.

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and cash equivalents	306,050	-	-	-	-	306,050
Due from associated and affiliated companies	754	-	-	-	-	754
Other assets	16,279	243	64	-	-	16,586
Total financial assets less derivatives	323,083	243	64	-	-	323,390
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	2,181	-	-	-	-	2,181
Other liabilities	540	-	-	10	-	550
Total financial liabilities less derivatives	2,721	-	-	10	-	2,731
Liquidity gap	320,362	243	64	(10)	-	320,659
Cumulative gap	320,362	320,605	320,669	320,659	320,659	

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2021						
Assets						
Cash and cash equivalents	313,798	-	-	-	-	313,798
Due from associated and affiliated companies	721	-	-	-	-	721
Other assets	17,786	345	197	-	-	18,328
Total financial assets less derivatives	332,305	345	197	-	-	332,847
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	5,845	-	-	-	-	5,845
Other liabilities	442	-	9	11	-	462
Total financial liabilities less derivatives	6,287	-	9	11	-	6,307
Liquidity gap	326,018	345	188	(11)	-	326,540
Cumulative gap	326,018	326,363	326,551	326,540	326,540	

20.4 Market risk

The Company takes on exposure to market risks, 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 and currency products, both 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 and foreign exchange rates. The Company separates exposures to market risk into either trading or non-trading portfolio.

The market risks arising from non-trading activities are measured separately by the Group Risk department who submits reports to the ALCO on a regular basis. Additionally, on a quarterly basis, the Group Risk Management, Treasury and Finance departments review and approves the valuation of all securities and trading liabilities.

20.4.1 Market risk measurement techniques

The major measurement technique used by The Company to measure and control market risk is stress testing.

The Company applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Risk Management performs a risk sensitivity analysis by applying possible foreign currency rate stress events on The Company's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

20.4.2 Interest rate risk

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

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

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

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

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

20 Financial risk management (continued)

20.4 **Market risk (continued)**

20.4.2 **Interest rate risk (continued)**

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 2022				
Impact before tax				
100 bps increase in rates	(171)	(150)	(1,196)	867
100 bps decrease in rates	172	150	1,196	(867)
As at October 31, 2021				
Impact before tax				
100 bps increase in rates	(201)	(132)	(1,109)	770
100 bps decrease in rates	177	115	1,109	(770)

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2022					
Financial assets					
Cash and cash equivalents	100,731	-	-	205,319	306,050
Due from affiliated company	-	-	-	754	754
Other assets	-	-	-	16,586	16,586
Total financial assets	100,731	-	-	222,658	323,390
Financial liabilities					
Due to affiliated company	-	-	-	2,181	2,181
Other liabilities	-	-	-	550	550
Total financial liabilities	-	-	-	2,731	2,731
Interest sensitivity gap	100,731	-	-	-	-
As at October 31, 2021					
Financial assets					
Cash and cash equivalents	89,298	-	-	224,500	313,798
Due from affiliated company	-	-	-	721	721
Other assets	-	-	-	18,328	18,328
Total financial assets	89,298	-	-	243,549	332,847
Financial liabilities					
Due to affiliated company	-	-	-	5,845	5,845
Other liabilities	-	-	-	462	462
Total financial liabilities	-	-	-	6,307	6,307
Interest sensitivity gap	89,298	-	-	-	-

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 Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

20.5.1 **Concentrations of currency risk**

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

	TTD ($'000)	USD ($'000)	Total ($'000)
As at October 31, 2022			
Financial assets			
Cash and cash equivalents	205,319	100,731	306,050
Due from affiliated company	754	-	754
Other assets	16,586	-	16,586
Total financial assets	222,659	100,731	323,390
Financial liabilities			
Due to affiliated company	2,181	-	2,181
Other liabilities	550	-	550
Total financial liabilities	2,731	-	2,731
Net Statement of Financial Position	219,928	100,731	320,659
As at October 31, 2021			
Financial assets			
Cash and cash equivalents	224,500	89,298	313,798
Due from affiliated company	721	-	721
Other assets	18,328	-	18,328
Total financial assets	243,549	89,298	332,847
Financial liabilities			
Due to affiliated company	5,845	-	5,845
Other liabilities	462	-	462
Total financial liabilities	6,307	-	6,307
Net Statement of Financial Position	237,242	89,298	326,540

20.5.2 **Foreign currency exchange risk**

As at October 31, 2022 had the exchange rate between the TT dollar and US dollar increased or decreased by 1% with all other variables held constant, the increase or decrease in profit or loss would amount to $1,007,310 (2021: $892,980).

20.6 **Credit risk**

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties.

20.6.1 **Maximum exposure to credit risk**

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Cash and cash equivalents	306,050	313,798
Due from affiliated company	754	721
Accounts receivable	16,586	18,328
Total	323,390	332,847

20.6.2 **Credit quality by class of financial assets**

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2022				
Cash and cash equivalents	306,050	-	-	306,050
Due from affiliated company	754	-	-	754
Accounts receivable	16,279	307	-	16,586
Total	323,083	307	-	323,390
As at October 31, 2021				
Cash and cash equivalents	313,798	-	-	313,798
Due from affiliated company	721	-	-	721
Accounts receivable	17,786	542	-	18,328
Total	332,305	542	-	332,847

20.7 **Capital management**

Capital management is a proactive process that ensures that the Company 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.

Capital adequacy and the use of regulatory capital are monitored by the Company's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the various territories in which the Company operates.

The Company is governed by the risk based capital targets set by the Central Bank of Trinidad and Tobago, and are required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the Central Bank of Trinidad and Tobago.

Under the local guidelines, adjusted qualifying capital includes core capital and supplementary capital. Core capital mainly consists of fully paid and issued share capital, audited retained earnings, statutory reserve fund, capital reserves excluding asset revaluation reserves less goodwill. Supplementary capital includes subordinated debt, asset revaluation reserves and unaudited profits. Regulatory capital ratios are calculated by dividing core capital by risk-weighted assets and qualifying capital by risk adjusted assets. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

20 Financial risk management (continued)

20.7 Capital management (continued)

The Company is required to maintain regulatory capital at a minimum of 10%. The Company's regulatory capital ratio is 68.25% (2021: 71.58%). The 2020 Basel II/III implementation included the Central Bank of Trinidad and Tobago (CBTT) promulgation of the Financial Institutions (Capital Adequacy) Regulations, 2020 with effect from May 2020. The parallel reporting under Basel I was discontinued in August 2020, after the July 2020 reporting cycle.

The table below summarises the composition of regulatory capital and the ratio of the Company at the Statement of Financial Position date. During those two periods, the Company complied with all of the externally imposed capital requirements to which it is subject.

	2022 ($'000)	2021 ($'000)
Tier 1 capital		
Stated capital	15,019	15,019
Statutory reserve	15,019	15,019
Retained earnings	275,211	284,511
Total qualifying Tier 1 capital	305,249	314,549
Tier 2 capital		
Other reserve	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital	305,249	314,549
Risk-weighted assets:		
On-Statement of Financial Position	443,515	434,298
Total risk-weighted assets	443,515	434,298
Total regulatory capital to risk weighted assets	68.25%	71.58%

21 Fair value of financial assets and liabilities

Financial assets and liabilities not carried at fair value include cash and cash equivalents, receivables and payables. The following comments are relevant to their fair value.

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments: (i) cash and cash equivalents; (ii) receivables and payables included in other assets and other liabilities.

22 Financing arrangements

The Company has access to an overdraft facility in the amount of $45 million (2021: $45 million).

23 Administered funds

The Company acts as an investment manager and in that capacity places assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company. Assets under management as at October 31, 2022 totalled $26 billion (2021: $28 billion).

24 Events after the reporting period

No significant events occurred after the statement of financial position date and up to the date of the approval of the financial statements by the Board of Directors.

Merchant Bank
Caribbean

Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

Chairman's Report

RBC Merchant Bank (Caribbean) Limited (the Company) recorded a net profit after taxation of $12.6 million for the financial year ended 31 October 2022. This represents an improvement when compared to the prior year net loss after taxation of $8.4 million, largely driven by higher income from our securities and loan portfolios due to higher yields partly from the rising international interest rate environment together with lower funding costs. In addition, in the current year we released all provisions related to COVID-19 as well as reported higher share of profits in joint venture and associated company together with lower costs. The increase in revenue and lower operating cost profile resulted in a significant improvement in the Company's efficiency ratio year over year.

Total assets amounted to $3.6 billion, up $1.8 billion from increase in investment securities of $1.4 billion funded by the increased utilisation of credit line with affiliated company. Total deposits increased by $176.8 million to $518.8 million.

The Company is well capitalised with a capital ratio of 35.37%, which is well in excess of required regulatory thresholds.

On behalf of the Board of Directors and executive of RBC, I would like to thank our clients for the confidence they continue to show in us as we work towards improved service and operations. I would also like to thank our employees who continue to be the driving force behind all of our achievements. Their continued commitment to our values, to our clients and to one another has positioned us for sustainable long-term growth and success.

Richard Downie
Chairman
January 24, 2023

Statement of Management's Responsibilities

The Financial Institutions Act, 2008, requires that management acknowledges responsibility for the following:

- Preparing and fairly presenting the accompanying financial statements of RBC Merchant Bank (Caribbean) Limited (the "Company") which comprise the statement of financial position as at October 31, 2022 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, estimates and judgements and other explanatory information;
- Ensuring that the Company 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 Company's assets, detection/prevention of fraud, and the achievement of Company 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 and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

Darryl White
Regional Vice President – Corporate and Investment Banking
January 24, 2023

Roxann Granger
Chief Financial Officer, RBC Merchant Bank (Caribbean) Limited
January 24, 2023

Independent Auditor's Report

To the shareholder of RBC Merchant Bank (Caribbean) Limited

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Chairman's Report (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report (continued)

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

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

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

PricewaterhouseCoopers

Port-of-Spain
Trinidad, West Indies
25 January, 2023

Statement of Financial Position

	Notes	As at October 31, 2022 ($'000)	2021 ($'000)
Assets			
Cash and short term instruments	3	555,487	302,364
Balances with Central Bank	4	208,752	84,175
Loans	6	527,041	449,129
Securities	7	2,034,372	681,627
Investment in associated company and joint venture	8	216,819	204,404
Due from affiliated companies	9	24,186	28,878
Intangible assets	10	548	894
Equipment	11	9	1,075
Corporation taxation recoverable		37,615	73,724
Deferred tax assets	12	21,842	29,647
Other assets	13	10,957	5,983
Total assets		3,637,628	1,861,900
Liabilities			
Customers' deposits	14	518,786	342,017
Other funding instruments	15	19,550	29,195
Due to affiliated companies	16	2,254,582	657,829
Derivative financial liabilities	17	92	1,343
Post-retirement benefit obligation	18	12,395	11,803
Deferred tax liabilities	12	10,020	10,370
Other liabilities	19	22,892	22,001
Total liabilities		2,838,317	1,074,558
Shareholder's equity			
Stated capital	20	140,000	140,000
Statutory reserve	21	140,000	140,000
Other components of equity		(1,856)	(1,651)
Investment revaluation reserve	22	(434)	2
Contributed surplus		1,211	1,211
Retained earnings		520,390	507,780
Total shareholder's equity		799,311	787,342
Total liabilities and equity		3,637,628	1,861,900

The notes form an integral part of these financial statements.

On January 24, 2023, the Board of Directors of RBC Merchant Bank (Caribbean) Limited authorised these Financial Statements for issue.

_______________ Director   _______________ Director

Statement of Income and Other Comprehensive Income

	Notes	Year ended October 31, 2022 ($'000)	2021 ($'000)
Interest income	23	35,463	13,846
Interest expense	24	(2,216)	(7,819)
Net interest income		33,247	6,027
Non-interest income	25	2,897	560
Total revenue		36,144	6,587
Non-interest expenses	26	(30,768)	(34,244)
Release of/(provision for) credit losses on loans		2,121	(94)
Total non-interest expenses		(28,647)	(34,338)
Share of profit of associated company	8.1	7,730	7,660
Share of profit of joint venture	8.2	9,611	7,414
Income/(loss) before taxation		24,838	(12,677)
Taxation (expense)/credit	28	(12,228)	4,242
Net income/(loss) after taxation		12,610	(8,435)
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on securities at FVOCI	22	(436)	(90)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	18.5	(205)	506
Other comprehensive (loss)/income for the year, net of tax		(641)	416
Total comprehensive income/(loss) for the year		11,969	(8,019)

The notes form an integral part of these financial statements.

Statement of Changes in Equity

	Stated capital ($'000)	Statutory reserve ($'000)	Other components of equity ($'000)	Investment revaluation reserve ($'000)	Contributed surplus ($'000)	Retained earnings ($'000)	Total ($'000)
Balance at October 31, 2021							
Balance at beginning of year	140,000	140,000	(1,651)	2	1,211	507,780	787,342
Other comprehensive loss	-	-	(205)	(436)	-	-	(641)
Income after taxation	-	-	-	-	-	12,610	12,610
Total comprehensive (loss)/income	-	-	(205)	(436)	-	12,610	11,969
Balance at October 31, 2022	140,000	140,000	(1,856)	(434)	1,211	520,390	799,311
Balance at October 31, 2020							
Balance at beginning of year	140,000	140,000	(2,157)	92	1,211	516,215	795,361
Other comprehensive income/(loss)	-	-	506	(90)	-	-	416
Loss after taxation	-	-	-	-	-	(8,435)	(8,435)
Total comprehensive income/(loss)	-	-	506	(90)	-	(8,435)	(8,019)
Balance at October 31, 2021	140,000	140,000	(1,651)	2	1,211	507,780	787,342

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended October 31, 2022 ($'000)	2021 ($'000)
Net profit/(loss) before taxation		24,838	(12,677)
Adjustment for:			
Release of credit losses		-	94
Impairment losses/(gains) on loans to customer		(2,121)	-
Post-retirement benefit expense/ (write-back)		300	251
Net investment trading losses		225	102
Unrealised gains on derivatives		(1,253)	(1,634)
Depreciation and amortisation of equipment and intangible assets		437	486
Share of profits of associate company and joint venture		(16,759)	(12,172)
Loss on disposal of premises and equipment and intangible assets		960	-
Operating profit/(loss) before changes in operating assets/liabilities		6,627	(25,550)
(Increase)/decrease in operating assets:			
Balances with central bank		(4,577)	(2,883)
Loans		(75,791)	(90,516)
Due from affiliated companies		4,692	37,726
Other assets		(6,324)	(1,811)
Increase/(decrease) in operating liabilities:			
Customers' deposits		176,769	58,959
Other funding instruments		(9,645)	(139)
Due to affiliated companies		1,596,753	656,748
Other liabilities		913	15,044
Taxes paid		35,955	1,288
Cash generated from operating activities		1,725,372	648,866
Investing activities			
Purchase of securities		(2,203,751)	(873,351)
Proceeds from sale and redemption of securities		850,158	192,837
Dividends received from associated company and joint venture		1,350	2,024
Additions to equipment and intangible assets		(6)	(288)
Proceeds from sale of equipment and intangible assets		-	-
Cash used in investing activities		(1,352,249)	(678,778)
Net increase/(decrease) in cash and cash equivalents		373,123	(29,912)
Cash and cash equivalents at beginning of period		351,155	381,067
Cash and cash equivalents at end of period	5	724,278	351,155
Supplemented information:			
Interest received		29,770	14,806
Interest paid		2,737	7,860

The notes form an integral part of these financial statements.

Notes to the Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

1 Incorporation and business activities of the Company

RBC Merchant Bank (Caribbean) Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago in 1975. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited, also incorporated in the Republic of Trinidad and Tobago. The ultimate parent company is Royal Bank of Canada, which is incorporated in Canada. The Company operates under the provisions of the Financial Institutions Act 2008 and is licensed to carry on the business of a merchant bank, trust company, mortgage institution, finance house, confirming house and leasing corporation.

The Company offers a comprehensive range of financial services associated with the business activities, which it is authorised to conduct, including arranging and underwriting of securities, loan syndication, securities trading, advisory services and other capital market transactions in the Republic of Trinidad and Tobago and in other jurisdictions. The address of the Company's registered office is 7–9 St. Clair Avenue, St. Clair, Port of Spain, Trinidad.

In 2018, the Company reduced its ordinary share holding in RGM Limited from 33.3% to 19.3%; subsequent to the disposal, the Company still holds 33.3% of preference shares and therefore continues to be entitled to this percentage of the profits of RGM Limited. The Company also has a 20% equity interest in Park Court Limited, which, like RGM Limited, is a property development company.

2 Summary of significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars.

These are prepared under the historical cost convention as modified by the revaluation of securities at fair value through other comprehensive income and derivative financial instruments.

Use of estimates and assumptions

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

Significant judgments

In preparation of these Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period.

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

Significant judgements have been made in the following areas and discussed as noted in the Financial Statements:

- Fair value of financial instruments — Note 2, Note 36
- Leases — Note 2
- Revenue recognition — Note 2

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

Significant judgments (continued)

• Allowance for credit losses	Note 2, Note 6, Note 7
• Employee benefits	Note 2, Note 18
• Share-based compensation	Note 2, Note 27
• Application of the effective interest method	Note 2 page 23
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 28
• Provisions	Note 2, Note 31

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

Changes in accounting policies

Interest Rate Benchmark Reform

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

- For modifications of financial instruments carried at amortised cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss. The interest rate benchmark reform has not impacted the Company's measurement of leases and hedging relationships.

Progress in and risks arising from the transition to ABRs

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

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

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

	As at October 31, 2022 ($'000)	As at November 1, 2021 ($'000)
Non-derivative financial assets [1]		
USD LIBOR	58,700	175,006

[1] Non-derivative assets represent the drawn outstanding balance of Loans.

The following table presents the undrawn balances of loan commitments referencing benchmark interest rates subject to the Reform.

	As at October 31, 2022 ($'000)	As at November 1, 2021 ($'000)
Authorised and undrawn commitments		
USD LIBOR	-	-

Other significant accounting policies

Investment in associated company and joint ventures

Our investments in associated corporations and limited partnerships over which we have significant influence are accounted for using the equity method. The equity method is also applied to our interests in joint ventures over which we have joint control. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognise our share of the investee's net profit or loss, including net profit or loss recognised in Other Comprehensive Income, subsequent to the date of acquisition.

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 Company's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

The Company determines the business models at the level that best reflects how the Company 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 35, 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 Company, to the extent that these are directly linked to the economic performance of the business model.

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

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

SPPI assessment

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

Securities

Securities include all securities classified as FVOCI and amortised cost.

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 Company'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 securities in non-interest income.

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 securities in non-interest income.

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

Other significant accounting policies (continued)

Securities (continued)

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 non-interest income.

The Company accounts for all securities using settlement date accounting 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.

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

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.

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

To determine the fair value adjustments on our financial liabilities designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Derivatives

Derivatives are primarily used in trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and forward rate agreements, equity swaps and credit derivatives. All derivative instruments are initially recorded on our Statement of Financial Position at fair value.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the classification of financial assets section of Note 2. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to apply the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in non-interest income. Derivatives with positive fair values are presented as derivative assets and derivatives with negative fair values are reported as derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of derivative assets and derivative liabilities. Premiums paid and premiums received are part of derivative assets and derivative liabilities, respectively.

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 impairment losses are recognised at each Statement of Financial Position date in accordance with the three-stage impairment model outlined below.

Allowance for credit losses

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

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 affects the results of operations.

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider available reasonable and supportable information including 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

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

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

Allowance for credit losses (continued)

Measurement of expected credit losses (continued)

period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

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

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

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

Expected life

For instruments in Stage 2 or Stage 3, 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. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Assessment of significant increase in credit risk

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

Our assessment of significant increases in credit risk remains largely the same and 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. Prior year assessment is based on the first three conditions only:

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

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

Use of forward-looking information

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

Further details on our forward looking assumptions and scenarios as at October 31, 2022 are provided in Note 6.1.

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 five distinct future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the RBC baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows RBC to have a consistent view of macroeconomic scenarios across business lines and legal entities.

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 wholesale borrowers, except as detailed below, default occurs when the borrower is more than 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. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial 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 asset are identified on individually significant financial asset, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.

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.

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

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)

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. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due unless liquidation of underlying real estate collateral is expected to be closed in the short term. In such cases write-off may be delayed beyond 2,000 days. In all other instances, the write-off will be completed at 2,000 days, although recovery efforts will continue.

Modifications

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

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

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

Client relief programs under COVID 19

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

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

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

Determination of fair value

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

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, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. . All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. 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.

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

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.

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

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.

In addition, the Company 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 Company expenses incremental costs to obtain a contract if the expected amortisation period of the asset the Company 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 with the exception of credit card fees and commissions. The Company does not incur material costs to obtain contracts with customers such as sales commissions.

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 short term instruments 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. Cash and short term instruments with central banks is included within balances with central banks.

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. 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 and Other Comprehensive Income.

Guarantees

Financial guarantee contracts are contracts that contingently require us to make specified payments (in cash, other assets or provision of services) to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Company has equal and offsetting claims against its customers in the event of a call on these commitments.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in non-interest expense, consists of the cost of employee pension benefits for the current year's service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

Share–based compensation

The Company offers share-based compensation plans (the "Plans") to certain key employees, by utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

For cash-settled awards, the Company's accrued obligations are adjusted to their fair value at each balance sheet date. Changes in obligations, are recorded as non-interest expense in the Statements of Income with a corresponding change in other liabilities. Compensation expense is recognised in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

Green fund levy

Green fund levy is a tax imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Statement of Income.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our subsidiaries, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset

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

Other significant accounting policies (continued)

Income taxes (continued)

when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carried forward are included on the Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

The Company is subject to income tax laws where we operate, and the complex tax laws are potentially subject to different interpretations by the relevant taxation authority and the Company. 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 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 income 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 Statements of Income and Other Comprehensive Income.

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 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 Company is subject to income tax laws where the Company operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non-acceptance of the Company's tax positions by the relevant taxation authorities.

Intangible assets

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. 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.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If an impairment loss is subsequently reversed, the carrying amount of the asset is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives. Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in non-interest expense.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago 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 and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets classified as securities, such as equity instruments, that are measured at fair value are translated into Trinidad and Tobago 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.

Assets and liabilities of our foreign operations with functional currencies other than Trinidad and Tobago dollars are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date, and income and expenses of these foreign operations are translated at average rates of exchange for the reporting period.

Unrealised gains or losses arising as a result of the translation of our foreign operations are reported in other comprehensive income on an after-tax basis. Upon disposal or partial disposal of a foreign operation, a proportionate amount of the accumulated net translation gains or losses is included in non-interest income.

Equipment

Equipment includes 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 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. Gains and losses on disposal are recorded in non–interest income.

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.

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.

Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee 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 in the form a payment or series of payments.

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.

Provisions

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

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

Dividend income

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

Stated 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.

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

Other significant accounting policies (continued)

Stated capital (continued)

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.

Comparative Information

Where necessary, comparative information have been adjusted to conform to the presentation in the current year.

3 Cash and short-term instruments

	2022 ($'000)	2021 ($'000)
Treasury bills	269,113	67,310
Due from other banks	235,081	172,477
Due from affiliated companies	51,293	62,577
	555,487	302,364

Treasury bills are short-term investments with original maturities of less than three months from the date of acquisition. Due from affiliated companies and other banks include deposits held on demand as well as items in the process of clearing.

4 Balances with Central Bank

	2022 ($'000)	2021 ($'000)
Monetary reserves	39,961	35,384
Cash balances	168,791	48,791
	208,752	84,175

Balances with central banks include monetary reserves, which are deposits that are not available for use in The Company's daily operations, cash balances and certificates of deposits held with the Central Bank of Trinidad and Tobago.

The Financial Institutions Act 2008 requires every non-banking financial institution to maintain a non-interest bearing deposit with the Central Bank of Trinidad and Tobago equivalent to 9% of deposits and other specified funding liabilities of the institution.

5 Cash and cash equivalents

	Notes	2022 ($'000)	2021 ($'000)
Cash and short term instruments	3	555,487	302,364
Cash balances with central banks	4	168,791	48,791
Cash and cash equivalents		724,278	351,155

6 Loans

Sectoral analysis

	2022 ($'000)	2021 ($'000)
Commercial/corporate	536,017	456,949
Mortgages	5,875	9,244
Gross loans	541,892	466,193
Unearned interest	-	(34)
Allowance for credit losses	(14,851)	(17,030)
	527,041	449,129
Analysis of gross loans:		
Stage 1	518,408	441,889
Stage 2	332	689
Stage 3	23,152	23,615
Gross loans	541,892	466,193
During the fiscal period, no loans (2021 - $nil) have been pledged for the benefit of investors in other funding instruments.		
Current	387,750	240,707
Non-current	154,142	225,486
Gross loans	541,892	466,193

6.1 Allowance for credit losses on loans

	Balance at beginning of period ($'000)	Provision for credit losses ($'000)	Net write-offs ($'000)	Exchange rate and other ($'000)	Balance at end of period ($'000)
For the year ended October 31, 2022					
Commercial/corporate	16,777	(1,948)	(47)	-	14,782
Mortgages	253	(173)	-	(11)	69
	17,030	(2,121)	(47)	(11)	14,851
Undrawn loan commitments	1,604	(686)	-	-	918
For the year ended October 31, 2021					
Commercial/corporate	16,390	240	147	-	16,777
Mortgages	349	(98)	2	-	253
	16,739	142	149	-	17,030
Undrawn loan commitments	570	1,034	-	-	1,604

The following tables below 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. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- Write-offs represent the closure/ elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or short term instruments for a loan balance previously written-off.
- Exchange rate and other. This category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

	Allowance for Credit Losses ($'000)			
	Performing		Impaired	
Commercial/Corporate/Mortgages	Stage 1	Stage 2	Stage 3	Total
For the year ended October 31, 2022				
Balance at beginning of period	4,429	1,321	11,280	17,030
Provision for credit losses				
Model changes	(326)	(12)	-	(338)
Transfers in (out) to Stage 1	901	(901)	-	-
Transfers in (out) to Stage 2	(1)	1	-	-
Transfers in (out) to Stage 3	-	(16)	16	-
Purchases and originations	-	-	-	-
Derecognitions and maturities	(4)	(20)	(43)	(67)
Remeasurements	(1,160)	(366)	(190)	(1,716)
Write-offs	-	-	(47)	(47)
Recoveries	-	-	-	-
Exchange rate and other	-	-	(11)	(11)
Balance at end of period	3,839	7	11,005	14,851
For the year ended October 31, 2021				
Balance at beginning of period	4,268	1,639	10,832	16,739
Provision for credit losses				
Transfers in (out) to Stage 1	501	(472)	(29)	-
Transfers in (out) to Stage 2	(3)	3	-	-
Transfers in (out) to Stage 3	-	(27)	28	1
Purchases and originations	-	-	-	-
Derecognitions and maturities	(3)	(29)	(14)	(46)
Remeasurements	(334)	207	314	187
Write-offs	-	-	-	-
Recoveries	-	-	149	149
Exchange rate and other	-	-	-	-
Balance at end of period	4,429	1,321	11,280	17,030

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

6 Loans (continued)

6.1 Allowance for credit losses on loans (continued)

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 losses under the IFRS 9 model include our internal historical default rates, changes in credit quality, real GDP growth rates and non-energy GDP (for Trinidad and Tobago entities). Prior year's key drivers included our internal historical default rates, transition matrices, unemployment rates, real GDP growth rates, inflation rates and non-energy GDP rates (for Trinidad and Tobago entities).

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

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

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

- A 100 basis points increase will lower the allowance for credit losses by $173.
- A 100 basis points decrease will increase the allowance for credit losses by $260.

Further details on the key inputs and assumptions used as at October 31, 2022 are provided in Note 2 and Note 6.2.

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.

	Carrying value ($'000)	Base Scenario ($'000)
As at October 31, 2022		
ACL on performing loans [1]	3,846	3,441
As at October 31, 2021		
ACL on performing loans [1]	5,750	5,579

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

Transfers between stages

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

Performing loans [1]	As at October 31, 2022 ($'000)	As at October 31, 2021 ($'000)
ACL - all performing loans in Stage 1	3,838	4,473
Impact of staging	8	1,277
Stage 1 and 2 ACL	3,846	5,750

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

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

6.2 Loan modifications

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

7 Securities

Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period.

	Term to maturity [1]						
	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 year to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
As at October 31, 2022							
Fair value through other comprehensive income [2]							
Treasury bills and treasury notes							
Cost	680,724	59,810	-	-	-	-	740,534
Fair value [2]	680,307	59,656	-	-	-	-	739,963
Government and state-owned enterprise debt [2]							
Cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities							
Cost	-	-	-	-	-	25	25
Fair value [3]	-	-	-	-	-	95	95
	680,307	**59,656**	**-**	**-**	**-**	**95**	**740,058**
Amortised costs [4]							
Cost	195,116	872,834	226,364	-	-	-	1,294,314
Fair value	194,574	868,864	222,083	-	-	-	1,285,521
	195,116	**872,834**	**226,364**	**-**	**-**	**-**	**1,294,314**
Total carrying value of securities	**875,423**	**932,490**	**226,364**	**-**	**-**	**95**	**2,034,372**
As at October 31, 2021							
Fair value through other comprehensive income [2]							
Treasury bills and treasury notes							
Cost	-	491,124	-	-	-	-	491,124
Fair value [2]	-	491,045	-	-	-	-	491,045
Government and state-owned enterprise debt [2]							
Cost	-	504	-	-	-	-	504
Fair value	-	505	-	-	-	-	505
Equities							
Cost	-	-	-	-	-	25	25
Fair value [3]	-	-	-	-	-	100	100
	-	**491,550**	**-**	**-**	**-**	**100**	**491,650**
Amortised costs [4]							
Cost	-	189,977	-	-	-	-	189,977
Fair value	-	190,000	-	-	-	-	190,000
	-	**189,977**	**-**	**-**	**-**	**-**	**189,977**
Total carrying value of securities	**-**	**681,527**	**-**	**-**	**-**	**100**	**681,627**

[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] Debt securities carried at fair value through other comprehensive income are presented net of allowance for credit losses.

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

[4] Amortised cost securities, included in securities are recorded at amortised cost, and are presented net of allowance for credit losses.

7 Securities (continued)

7.1 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 ($'000)	Gross unrealised gains [1] ($'000)	Gross unrealised losses [1] ($'000)	Fair value ($'000)
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	740,534		(571)	739,963
Government and state-owned enterprises debt	-	-	-	-
Equities [2]	25	70	-	95
	740,559	70	(571)	740,058
As at October 31, 2021				
FVOCI				
Treasury bills and treasury notes	491,124		(79)	491,045
Government and state-owned enterprises debt	504	1	-	505
Equities [2]	25	75	-	100
	491,653	76	(79)	491,650

[1] Gross unrealised gains and losses include allowance for credit losses, excluding equities designated as FVOCI.

[2] Unrealised gains and losses on equities will not reclassify to profit and loss when realised.

7.2 Allowance for credit losses on securities

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

	2022 ($'000)	2021 ($'000)
Gross exposures		
Stage 1	1,294,319	189,982
Stage 2	-	-
Total securities	1,294,319	189,982
Less: allowance for credit losses	(5)	(5)
Securities net of expected credit losses	1,294,314	189,977

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.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

Allowance for credit losses – securities at amortised cost

	Performing		Impaired	
	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
For the year ended October 31, 2022				
Balance at beginning of period	-	-	-	-
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	5	-	-	5
Derecognitions and maturities	-	-	-	-
Remeasurements	-	-	-	-
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	5	-	-	5
For the year ended October 31, 2021				
Balance at beginning of period	-	-	-	-
Provision for credit losses				
Model changes	(7)	-	-	(7)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	9	-	-	9
Derecognitions and maturities	-	-	-	-
Remeasurements	(2)	-	-	(2)
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	-	-	-	-

Allowance for credit losses on securities at FVOCI [1]

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

	Performing		Impaired	
	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
For the year ended October 31, 2022				
Balance at beginning of period	1	4	-	5
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	1	-	-	1
Derecognitions and maturities	-	(1)	-	(1)
Remeasurements	(2)	(3)	-	(5)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	-	-	-	-
For the year ended October 31, 2021				
Balance at beginning of period	1	53	-	54
Provision for credit losses				
Model changes	(1)	(6)		(7)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	3	-	-	3
Derecognitions and maturities	(2)	-	-	(2)
Remeasurements	-	(43)	-	(43)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	1	4	-	5

[1] Expected credit losses on debt securities at FVOCI are not separately recognised on the balance sheet as the related securities are recorded at fair value. The cumulative amount of credit losses recognised in profit or loss is presented in other components of equity.

7 Securities (continued)

7.3 Securities at amortised cost

	2022 ($'000)	2021 ($'000)
Government and state-owned enterprises debt securities	1,227,620	189,977
Corporate debt securities	66,694	-
	1,294,314	189,977
Current	1,067,950	189,977
Non-current	226,364	-
	1,294,314	189,977

7.4 Movement in securities

	FVOCI ($'000)	Amortised Cost ($'000)	Total ($'000)
As at October 31, 2021	491,650	189,977	681,627
Additions	737,611	1,467,106	2,204,717
Disposal (sale and redemption)	(492,748)	(357,409)	(850,157)
Reclassified to non-current assets held for sale	-	-	-
Gains/(losses) from changes in fair value	3,670	-	3,670
Accretion/(amortisation) of discount/(premium)	-	(4,304)	(4,304)
Allowance/write back of credit losses	-	(5)	(5)
Foreign exchange adjustment	(125)	(1,051)	(1,176)
As at October 31, 2022	740,058	1,294,314	2,034,372
As at October 31, 2020	1,113	-	1,113
Additions	492,858	353,008	845,866
Disposal (sale and redemption)	(507)	(158,545)	(159,052)
Reclassified to non-current assets held for sale	-	-	-
Gains/(losses) from changes in fair value	(6)	-	(6)
Accretion/(amortisation) of discount/(premium)	-	(3,784)	(3,784)
Allowance/write back of credit losses	-	-	-
Foreign exchange adjustment	(1,808)	(702)	(2,510)
As at October 31, 2021	491,650	189,977	681,627

8 Investment in associated company and joint venture

	2022 ($'000)	2021 ($'000)
Associated company (Note 8.1)	25,824	20,820
Joint venture (Note 8.2)	190,995	183,584
	216,819	204,404

8.1 Movement in the equity interest in associated company

The Company's equity interest in its associated company, Park Court Limited, which was incorporated in Trinidad and Tobago, is 20%:

	2022 ($'000)	2021 ($'000)
Statement of Financial Position		
Assets		
Non-current assets	412,966	390,276
Current assets	10,077	11,882
Total assets	423,043	402,158
Liabilities		
Non-current liabilities	303,653	302,879
Current liabilities	13,189	6,224
Total liabilities	316,842	309,103
Net assets	106,201	93,055
The above amounts of assets and liabilities include the following:		
Non-current financial liabilities (excluding trade and other payables and allowances)	303,653	302,879

Statement of Income and Other Comprehensive Income

	2022 ($'000)	2021 ($'000)
Total revenue	49,042	37,385
Total comprehensive income	29,417	13,442

The financial year end of the associate is December. For the purpose of applying the equity method of accounting the financial statements for September 2022 (2021: September 2021) have been used and appropriate adjustments have been made for the effects of significant transactions between September 30 and October 31 each year.

	2022 ($'000)	2021 ($'000)
Balance at beginning of the period	20,820	17,489
Share of current period profits/(losses), before tax	7,730	7,660
Share of current period tax	(2,144)	(1,427)
Dividends	(1,350)	-
Transfer dividend accrual to Accounts Receivable	769	(2,902)
Capital injection	-	-
Balance at end of the period	25,825	20,820

8.2 Movement in interest in joint venture

The Company's equity interest in joint venture is as follows:

	Country of incorporation	Percentage of equity capital held
RGM Limited	Republic of Trinidad and Tobago	33.3%

The financial year end of the joint venture is December. For the purpose of applying the equity method of accounting the financial statements for September 2022 (2021: September 2021) have been used and appropriate adjustments have been made for the effects of significant transactions between September 30 and October 31 each year. During 2018, the Company reduced its Ordinary Share holding in RGM Limited from 33.3% to 19.3%; subsequent to the disposal, the Company still holds 33.3% of Preference Shares and therefore in accordance with the Articles governing Preference Shares issued, continues to be entitled to this percentage of the profits of RGM.

The Company's interest in RGM Limited comprises of 33.3% of the following:

	2022 ($'000)	2021 ($'000)
Statement of Financial Position		
Assets		
Investment properties	774,994	790,312
Other non-current assets	13,403	11,135
	788,397	801,447
Current assets	101,755	86,621
Total assets	890,152	888,068
Liabilities		
Non-current liabilities	290,859	308,023
Current liabilities	25,867	28,852
Total liabilities	316,726	336,875
Net assets	573,426	551,193
The above amounts of assets and liabilities include the following:		
Cash and short term instruments	70,659	50,434
Current financial liabilities (excluding trade and other payables and allowances)	6,373	5,951
Non-current financial liabilities (excluding trade and other payables and allowances)	290,859	308,023
Statement of Income and Other Comprehensive Income		
Income	127,154	121,446
Expenses	(93,880)	(88,915)
Profit before tax	33,274	32,531
Taxation	(5,094)	(4,653)
Profit after tax	28,180	27,878
Proportionate interest in joint venture's commitments	-	-
Balance at beginning of the period	183,584	180,768
Share of current period profits before tax	9,611	7,414
Tax on share of current period profits	(2,200)	(2,574)
Dividends received	-	(2,024)
Balance at end of the period	190,995	183,584

9 Due from affiliated companies

	2022 ($'000)	2021 ($'000)
Due from RBC Royal Bank (Trinidad & Tobago) Limited	19,352	14,263
Due from RBC Royal Bank (Barbados) Limited	-	13,498
Due from RBC Royal Bank (Bahamas) Limited	-	-
Due from RBC Financial (Caribbean) Limited	4,834	1,117
Due from RBTT Bank Caribbean Limited	-	-
	24,186	28,878

10 Intangible assets

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
2022			
Opening net carrying value	894	-	894
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Amortisation	(346)	-	(346)
Closing net carrying value	548	-	548
Cost	3,590	-	3,590
Accumulated amortisation	(3,042)	-	(3,042)
Net carrying value	548	-	548
2021			
Opening net carrying value	1,036	-	1,036
Additions	-	262	262
Disposals	-	-	-
Transfers	262	(262)	-
Amortisation	(404)	-	(404)
Closing net carrying value	894	-	894
Cost	14,944	-	14,944
Accumulated amortisation	(14,050)	-	(14,050)
Net carrying value	894	-	894

During the year, assets fully depreciated and retired amounted to $11.4 million (2021 - $nil million).

There were no contractual commitments to acquire intangible assets in 2022 or 2021.

11 Equipment

	Computer equipment ($'000)	Furniture and equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2022				
Opening net book value	49	964	62	1,075
Additions	-	-	6	6
Disposals	1	(961)	(20)	(980)
Transfers	43	(43)	-	
Depreciation charge	(90)	(2)	-	(92)
Closing net book value	3	1	5	9
At October 31, 2022				
Total cost	187	16	5	208
Accumulated depreciation	(184)	(15)	-	(199)
Net book value	3	1	5	9

During the year, assets fully depreciated and retired amounted to $10.5 million (2021 - $nil million).

	Computer equipment ($'000)	Furniture and equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2021				
Opening net book value	130	966	34	1,130
Additions	-	-	28	28
Disposals	(2)	-	-	(2)
Depreciation charge	(79)	(2)	-	(81)
Closing net book value	49	964	62	1,075
At October 31, 2021				
Total cost	5,549	4,946	62	10,757
Accumulated depreciation	(5,700)	(3,982)	-	(9,682)
Net book value	49	964	62	1,075

12 Deferred tax assets and liabilities

	2022 ($'000)	2021 ($'000)
Deferred tax assets (Note 12.1)	21,842	29,647
Deferred tax liabilities (Note 12.2)	(10,020)	(10,370)
	11,822	19,277
The movement on the deferred tax account is as follows:		
At the beginning of the period	19,277	11,026
Investment revaluation reserve:		
- fair value gains	187	(179)
Statement of income and other comprehensive income (see Note 28):		
- current period	(2,207)	8,430
- group loss relief	(5,523)	-
Other	88	-
At the end of the period	11,822	19,277
Deferred tax assets and liabilities are attributable to the following items:		
12.1 **Deferred tax assets**		
Allowance for impairment losses on loans and financial assets	1,156	1,726
Defined pension benefit	3,719	3,541
Provision for share based payments	318	-
Other	1,866	11
Derivative financial instruments	27	403
Leases	1,297	1,807
Tax Losses	13,459	22,159
	21,842	29,647
12.2 **Deferred tax liabilities**		
Accelerated tax depreciation	6	354
Foreign currency translation	10,013	10,012
Provision for share based payments unrealised gain on derivative (bond)	1	-
Financial assets at FVOCI	-	-
Other	-	4
	10,020	10,370

The recognition of deferred tax asset on carried forward losses of $13.5 million (2021 – $22.1 million) is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of operations in the foreseeable future will generate sufficient taxable income to utilise the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax-planning strategies implemented in relation to such support.

The losses can be carried forward indefinitely and have no expiry date.

13 Other assets

	2022 ($'000)	2021 ($'000)
Other taxes recoverable	165	165
Accounts receivable	2,453	3,172
Interest receivable	8,339	2,646
	10,957	5,983
Current	10,792	5,818
Non-current	165	165
	10,957	5,983

During the year, provision for credit losses for accounts receivable amounted to $nil (2021: $nil). The accumulated credit losses on accounts receivable as at October 31, 2022 is $nil (2021: $nil).

14 Customers' deposits

	2022 ($'000)	2021 ($'000)
Term deposits	518,786	342,017
	518,786	342,017
Sectoral analysis – deposit balances		
Consumers	18,005	19,340
Private sector	500,781	322,677
	518,786	342,017
Current	490,049	292,389
Non-current	28,737	49,628
	518,786	342,017

15 Other funding instruments

	2022 ($'000)	2021 ($'000)
Other funding instruments	19,550	29,195
	19,550	29,195
Sectoral analysis		
Individuals	6,742	6,741
Private sector	1,466	1,486
Financial institutions	11,342	20,968
	19,550	29,195
Current	19,550	29,195
Non-current	-	-
	19,550	29,195

The Company holds pooled assets in cash, securities and loans to cover other funding instruments in 2022. Securities held pledged for the benefit of investors in other funding instruments were $nil (2021: $nil).

16 Due to affiliated companies

	2022 ($'000)	2021 ($'000)
Due to RBC Royal Bank of Canada	415	210
Due to RBC Funding (Barbados) Ltd	2,254,167	657,619
Due to RBC Financial (Caribbean) Limited	-	-
	2,254,582	657,829

$2,254 million (USD 334.6 million) (2021: $658 million (USD 97.7 million)) certificate of USD deposits taken with RBC Funding (Barbados) Limited carries 0% interest with maturities in November 2022 and November 2023 (2021: 0 %).

17 Derivative financial assets and liabilities

Types

Derivative financial assets and liabilities are financial contracts whose values are derived from underlying interest rates, foreign exchange rates, equity or bond prices, commodity prices or index. The Company utilises the following derivative instrument:

Interest rate swaps

These are financial transactions in which two counterparties exchange fixed and floating interest cash flows over a period of time based on rates applied to define notional principal amounts.

Notional amounts and fair values

The notional amount of certain types of financial instruments provide a basis for comparison with instruments recognised on the Statement of Financial Position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become exchange rates, commodity prices or indices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The notional amounts and fair values of derivative financial instruments held are set out in the following table:

	Maturity period	Contract/ notional amount ($'000)	Fair values Liabilities ($'000)
Year ended October 31, 2022			
Derivatives held for trading			
Interest rate swaps	Aug 2023	202,329	92
			92
Year ended October 31, 2021			
Derivatives held for trading			
Interest rate swaps	Aug 2023	202,329	1,343
			1,343

Credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations. The Company restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements contained in the International Swaps and Derivative Association agreements ("ISDA" agreements) with its counterparties and where applicable supplements its position with collateral.

18 Post-retirement benefit obligations

Plan characteristics

The Company, through its parent, RBC Financial (Caribbean) Limited, sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by local pension committees. The pension and other post-employment plans are managed on a Company basis.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The main defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. Our defined contribution pension plans provide pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of an employee's annual earnings. Our other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by the Company and valuations of the plans are performed at each fiscal year by independent actuaries.

The liability in the Statement of Financial Position is allocated to the entities participating in the Plan based on their participating membership headcount.

Risks

By their design, the defined benefit pension plans expose the Company to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

18.1 **The amounts recognised in the Statement of Financial Position are as follows:**

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Fair value of plan assets	-	9	9
Post-retirement benefit obligation	(4,162)	(8,242)	(12,404)
Liability in the statement of financial position	(4,162)	(8,233)	(12,395)
October 31, 2021			
Fair value of plan assets	-	10	10
Post-retirement benefit obligation	(4,293)	(7,520)	(11,813)
Liability in the statement of financial position	(4,293)	(7,510)	(11,803)

18 Post-retirement benefit obligations (continued)

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

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of period	-	10	10
Remeasurement gain:			
Return on plan assets (excluding amounts included in net interest expense)	-	(1)	(1)
At end of year	-	9	9
October 31, 2021			
At beginning of period	-	5	5
Remeasurement loss:			
Return on plan assets (excluding amounts included in net interest expense)	-	5	5
At end of year	-	10	10

18.3 **The movements in the post-retirement benefit obligation over the period are as follows:**

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of period	4,293	7,520	11,813
Current service cost	14	61	75
Past service cost	42	-	42
Interest cost	152	153	305
Remeasurements:			
Effect of changes in demographic assumptions	94	-	94
Effect of changes in financial assumptions	(158)	(133)	(291)
Effect of experience adjustments	(80)	568	488
Benefits paid	(47)	-	(47)
Other	(148)	73	(75)
At end of year	4,162	8,242	12,404
October 31, 2021			
At beginning of period	4,464	7,811	12,275
Current service cost	12	65	77
Past service cost	(126)	-	(126)
Interest cost	119	181	300
Remeasurements:			
Effect of changes in demographic assumptions	(94)	(183)	(277)
Effect of changes in financial assumptions	(82)	(364)	(446)
Effect of experience adjustments	-	-	-
Other	-	10	10
At end of year	4,293	7,520	11,813

18.4 **The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:**

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Current service cost	14	61	75
Past service cost	42	-	42
Net interest cost	152	153	305
Other	(195)	73	(122)
Components of defined benefit costs recognised in profit or loss (note 26.1)	13	287	300
October 31, 2022 (continued)			
Remeasurements:			
Effect of changes in demographic assumptions	(94)	-	(94)
Effect of changes in financial assumptions	158	133	291
Effect of experience adjustments	80	(568)	(488)
Components of defined benefit costs recognised in other comprehensive income	144	(435)	(291)
Total	157	(148)	9
October 31, 2021			
Current service cost	12	65	77
Past service cost	(126)	-	(126)
Net interest cost	119	181	300
Components of defined benefit costs recognised in profit or loss (note 26.1)	5	246	251
Remeasurements:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	(94)	(183)	(277)
Effect of experience adjustments	(82)	(364)	(446)
Components of defined benefit costs recognised in other comprehensive income	(176)	(547)	(723)
Total	(171)	(301)	(472)

18.5 **Investment policy and strategies**

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

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

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

(iii) the financial position of the pension plans;

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

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

To implement our asset allocation policy, we may invest in equities and fixed income securities.

Composition of defined benefit pension plan assets

	2022 Fair value ($'000)	2022 %	2021 Fair value ($'000)	2021 %
Alternative investments	9	100	10	100
	9	100	10	100

Significant assumptions

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

Discount rate

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

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Discount rates – medical and life	6.00%	5.60%
Discount rates – pension	6.00%	5.60%
Expected return on plan assets	0.00%	0.00%
Salary increases	4.00%/2.50%	2.00%
Health care costs trend rate increases:		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

18 Post-retirement benefit obligations (continued)

18.6 Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations and expense for defined benefit pension and post-retirement benefit plans. The following table presents the sensitivity analysis of key assumptions:

	Increase/(decrease) in obligation	
	2022 ($'000)	2021 ($'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	914	888
Impact of 1.0% increase in discount rate	(624)	(563)
Impact of 0.5% decrease in rate of increase in future compensation	(110)	(107)
Impact of 0.5% increase in rate of increase in future compensation	131	118
Impact of 1 year decrease in life expectancy	(99)	n/a
Impact of 1 year increase in life expectancy	112	96
Other post-retirement plans:		
Impact of 1.0% decrease in discount rate	423	338
Impact of 1.0% increase in discount rate	(342)	(272)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1% decrease in health care cost trend rate	(117)	(55)
Impact of 1% increase in health care cost trend rate	139	65
Impact of 1 year decrease in life expectancy	1	n/a
Impact of 1 year increase in life expectancy	1	(5)

19 Other liabilities

	2022 ($'000)	2021 ($'000)
Accruals and payables	9,951	10,513
Employee related costs	4,866	2,696
Interest payable	7,362	7,893
In-transit (includes suspense and in transit) accounts	713	899
	22,892	22,001
Current	13,645	12,137
Non-current	9,247	9,864
	22,892	22,001

20 Share capital

	2022 ($'000)	2021 ($'000)
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
140,000,000 ordinary shares of no par value	140,000	140,000

21 Statutory reserve

The Financial Institutions Act, 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year, of the company, be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. Effective October 31, 2017 this balance was capped at the company's share capital of $140 million.

22 Investment revaluation reserve – FVOCI

	2022 ($'000)	2021 ($'000)
Balance at beginning of period	2	92
Net losses arising during the period, net of tax	(436)	(90)
	(434)	2

23 Interest income

	2022 ($'000)	2021 ($'000)
Securities (Note 23.1)	13,807	305
Loans	20,315	13,532
Due from banks	1,341	9
	35,463	13,846

23.1 Securities

	2022 ($'000)	2021 ($'000)
Amortised cost	8,609	166
FVOCI	5,198	139
	13,807	305

24 Interest expense

	2022 ($'000)	2021 ($'000)
Customers' deposits	2,090	7,253
Other funding instruments	126	563
Other borrowed funds	-	3
	2,216	7,819

25 Non-interest income

The Company derives revenue over time and at a point in time within the following categories.

	2022 ($'000)	2021 ($'000)
Non-interest income at a point in time:		
Transaction service fees/commissions	180	642
Net trading income (Note 25.1)	71	(83)
Foreign exchange gains	-	-
Dividend income	1	1
Recoveries from legal judgement	843	-
Recoveries from closed legacy deposits	1,618	-
Other income	184	-
	2,897	560

25.1 Net trading income

	2022 ($'000)	2021 ($'000)
Securities at FVTPL:		
- realised and unrealised losses	(225)	(102)
Derivative financial instruments:		
- realised and unrealised gains/ (losses)	296	19
	71	(83)

26 Non-interest expenses

	2022 ($'000)	2021 ($'000)
Staff costs (Note 26.1)	16,164	12,777
Premises and equipment expenses, excluding depreciation and operating lease rental	1,547	811
Advertising	199	153
Foreign exchange losses	744	3,447
Depreciation and amortisation	437	485
Deposit insurance premium (Note 26.2)	909	354
Short-term lease expenses	762	707
Directors' fees	143	138
Auditor's fees	813	918
Other professional fees	285	374
Business and capital tax	602	1,179
Green fund levy	88	109
Management fees, net of expense recovery	4,692	8,722
Sundry and fraud losses	222	1,641
Other operating expenses	3,161	2,429
	30,768	34,244

26.1 Staff costs include:

	2022 ($'000)	2021 ($'000)
Wages and salaries including bonuses	14,002	11,929
Employees' defined contribution pension expense	681	597
Employees' defined benefit and post-retirement benefit costs (Note 18.4)	300	251
Share option plan-value of services provided	1,181	-
	16,164	12,777

26 Non-interest expenses (continued)

26.2 Deposit insurance premium

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

27 Share-based compensation

The Company offers share-based compensation plans (the "Plans"), which consists of shares issued by the Company's ultimate parent company, Royal Bank of Canada (RBC). The Plans are administered by RBC.

The Company offers permanent eligible employees in Trinidad and Tobago an opportunity to elect to purchase RBC common shares through a share ownership plan. Under this plan, the employees can generally contribute between 25% and 100% of their annual short-term incentive compensation from the Company's annual incentive program, all of which vest at the end of five years.

The Company offers performance deferred share award plans to certain key employees, all of which vest at the end of three years. Upon vesting, the award is paid in cash and is based on the original number of RBC share units granted plus accumulated dividends valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date. A portion of the award under certain plans may be increased or decreased up to 25%, depending on our total shareholder return compared to a defined peer group of global financial institutions.

At year end an accrual is booked to other liabilities until cash is remitted for payment.

The following table presents the units granted under share-based compensation plans for the year:-

27.1 Units granted under share-based compensation plans

	Units granted ('000)	Weighted average fair value per unit ($'000)
2022		
Performance deferred share unit plans	385	636
RBC share unit plans	154	638
	539	
2021		
Performance deferred share unit plans	471	562
RBC share unit plans	235	675
	706	

The liabilities for the awards granted under the share-based compensation plans are measured at fair value, determined based on the quoted market price of the RBC common shares. Annually, the obligation is increased by additional units earned by plan participants, and is reduced by forfeitures, cancellations, and the settlement of vested units. In addition, the obligation is impacted by fluctuations in the market price of RBC common shares. For performance deferred share award plans, the estimated outcome of meeting the performance conditions also impacts the obligation.

The following tables present the units that have been earned by the participants, the obligations for these earned units under the share-based compensation plans, and the related compensation expenses recognised for the year.

27.2 Obligations under share-based compensation plans

	Units ('000)	Carrying amount ($'000)
2022		
Performance deferred share unit plans	1,432	898
RBC share unit plans	261	239
	1,693	1,137
2021		
Performance deferred share unit plans	1,527	1,096
RBC share unit plans	41	29
	1,568	1,125

27.3 Compensation expenses recognised under share-based compensation plans

	2022 ($'000)	2021 ($'000)
Performance deferred share unit plans	196	493
RBC share unit plans	210	24
	406	517

28 Taxation expense

	2022 ($'000)	2021 ($'000)
Corporation tax:		
- current tax - business levy	165	187
- prior period (over)/under provision	(12)	-
Deferred tax (Note 12):		
- current period credit	2,207	(8,430)
- group loss relief	5,523	-
Share of tax of joint venture and associate	4,345	4,001
	12,228	(4,242)

The tax on the loss before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022 ($'000)	2021 ($'000)
Loss before taxation	24,838	(12,677)
Prima facie tax calculated at a rate of 30%	7,451	(3,803)
Income exempt from tax	(230)	(955)
Expenses not deductible for tax purposes	57	727
Business levy and green fund	165	187
Effect of current year unrecognised tax losses	5,358	-
Prior period	(13)	-
Leases	(195)	(32)
Other	(365)	(366)
	12,228	(4,242)

The deferred income tax (credit)/charge for the period comprises the following temporary differences:

	2022 ($'000)	2021 ($'000)
Accelerated tax depreciation	(349)	(59)
Financial assets at FVTPL	(223)	(1,143)
Allowance for impairment losses on loans and financial assets	570	47
Derivative financial instruments	375	499
Defined pension benefit	(90)	(111)
Tax losses	7,258	(7,718)
Leases	510	42
Other	(321)	13
	7,730	(8,430)

Corporation tax rates used 2022 - 30% (2021 - 30%).

29 Contributed surplus

During 2018 to comply with regulatory requirements of the Central Bank of Trinidad and Tobago (CBTT), the company was required to reduce its Ordinary Share holdings in RGM Limited from 33.3% to 19.3% through the sale of 147,000 of the Company's 350,000 ordinary shares of RGM Limited (RGM) to RBC Holdings (Barbados) Limited (RHBL). The shares were sold for TT$1,358,000/US$202,254 and the proceeds from sale were remitted via dividend to RBC Financial (Caribbean) Limited. As the transacting entities were under common control, the gain on sale of the 147,000 shares of TT$1,211,000 was booked as an adjustment to contributed surplus.

After the sale, there was a residual interest of 203,000 shares held by the Company in addition to 57,770,818 or 33.3% of Preference Shares Classes A-H in RGM. In accordance with the Articles governing Preference Shares issued, the Company remains entitled to this percentage of the profits of RGM, as substantially all the income is controlled by the Preference Shareholders. Therefore the profits will continue to be equity accounted using 33.3% interest.

30 Dividends

No dividends were paid for the year ended October 31, 2022 (2021: Nil).

31 Contingent liabilities, guarantees and operating lease commitments

Legal proceedings

As at October 31, 2022, there were certain legal proceedings outstanding against the Company. No provisions have been made based on professional advice, as to the likely obligations arising from these matters. As a result, there were no provisions or contingent liabilities as at October 31, 2022 (2021: $nil).

Customers' liability under acceptances, guarantees, indemnities and letters of credit

During the year, allowance for credit losses for contingent liabilities amounted to nil.

The accumulated credit losses on customers' liability under acceptances, guarantees, indemnities and letters of credit as at October 31, 2022 is nil.

32 Credit commitments

Commitments of a credit nature which fall within the capital adequacy requirements specified in the Financial Institutions (Prudential Criteria) Regulations 1994 are $109.0 million (2021 - $150.0 million).

33 Capital commitments

There are no commitments for capital expenditure at year-end (2021 - nil).

34 Related party transactions

Related parties

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.

We have applied the low credit risk exemption on all loans and receivables, deposits and liabilities to associates and joint ventures and amounts due to and from associates and affiliates, as they demonstrate a low risk of default and the related RBC entity has a strong capacity to meet its contractual cash flow obligations. As a result, any ACL is deemed to be insignificant.

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

	2022 ($'000)	2021 ($'000)
Outstanding balances		
Cash and short term instruments		
Other subsidiaries of Royal Bank of Canada	51,293	62,577
Loans and receivables		
Other subsidiaries of Royal Bank of Canada	24,186	28,878
Deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	2,254,582	657,829
Interest expense		
Other subsidiaries of Royal Bank of Canada	-	3
Non-interest expense		
Other subsidiaries of Royal Bank of Canada	9,232	8,722

Compensation of key management personnel and Directors

The following tables present the compensation paid to key management personnel and Directors:

	2022 ($'000)	2021 ($'000)
Key management compensation		
Share based payment	395	305
Salaries and other short term benefits	1,769	1,626

35 Financial risk management

35.1 Statement of Financial Position - categorisation

	2022 ($'000)	2021 ($'000)
Assets		
Financial assets at fair value through other comprehensive income		
Cash and short term instruments – Treasury Bills	269,113	67,310
Securities	740,058	491,650
	1,009,171	558,960
Financial assets at amortised cost		
Cash and short term instruments	286,374	235,054
Balances with central banks	208,752	84,175
Securities	1,294,314	189,977
Loans	527,041	449,129
Due from affiliated companies	24,186	28,878
Other assets	8,339	2,646
	2,349,006	989,859
Total financial assets	3,358,177	1,548,819
Non-financial assets	279,451	313,081
Total assets	3,637,628	1,861,900
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	92	1,343
Financial liabilities at amortised cost		
Customers' deposits	518,786	342,017
Other funding instruments	19,550	29,195
Due to affiliated companies	2,254,582	657,829
Other liabilities	7,362	7,913
	2,800,280	1,036,954
Total financial liabilities	2,800,372	1,038,297
Non-financial liabilities	37,945	36,261
Total liabilities	2,838,317	1,074,558
Total equity	799,311	787,342
Total equity and liabilities	3,637,628	1,861,900

35.2 Risk management

Risk is inherent in the Company'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 Company's continuing profitability and each individual unit within the Company is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

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.

Operating Committee (OC)

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

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 which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Company in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Company Asset and Liability Committee (ALCO)

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

35 Financial risk management (continued)

35.2 **Risk management (continued)**

Internal Audit

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

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company 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 risks early. This information, which consists of several reports, is presented and explained to the OC, the Asset and Liability Committees, and the head of each business unit. The reports include but are not limited to 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 Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

Risk mitigation

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

The Company actively uses collateral to reduce its credit risks.

35.3 **Liquidity risk**

Liquidity and funding risk (Liquidity risk) is the risk that The Company 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 Company's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

These policies are supported by management limits and authorities that govern the measurement and management of liquidity.

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

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

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 Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and our planned responses. The Company'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 as result informs requirements for our earmarked unencumbered liquid asset portfolios.

35.3.1 **Non-derivative cash flows**

Financial assets and liabilities less derivatives

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and short term instruments	555,487	-	-	-	-	555,487
Balances with central banks	208,752	-	-	-	-	208,752
Gross loans	76,914	17,828	144,855	189,347	112,948	541,892
Allowance for credit losses	-	-	-	-	-	(14,851)
Securities	875,518	533,766	398,724	226,364	-	2,034,372
Due from associates and affiliated companies	24,186	-	-	-	-	24,186
Other assets	8,339	-	-	-	-	8,339
	1,749,196	551,594	543,579	415,711	112,948	3,358,177
Liabilities						
Customers' deposits	455,533	3,939	30,577	28,737	-	518,786
Other funding instruments	19,550	-	-	-	-	19,550
Due to associates and affiliated companies	685,558	-	-	1,569,024	-	2,254,582
Other liabilities	6,848	27	22	421	44	7,362
	1,167,489	3,966	30,599	1,598,182	44	2,800,280
Liquidity gap	581,707	547,628	512,980	(1,182,471)	112,904	557,897
Cumulative gap	581,707	1,129,335	1,642,315	459,844	572,748	
As at October 31, 2021						
Assets						
Cash and short term instruments	302,364	-	-	-	-	302,364
Balances with central banks	84,175	-	-	-	-	84,175
Loans	230,662	406	800	78,115	139,146	449,129
Securities	100	276,693	404,835	-	-	681,627
Due from associates and affiliated companies	28,878	-	-	-	-	28,878
Other assets	2,646	-	-	-	-	2,646
Total financial assets less derivatives	648,825	277,099	405,635	78,115	139,146	1,548,819
Liabilities						
Customers' deposits	5,859	5,900	280,630	49,628	-	342,017
Other funding instruments	29,195	-	-	-	-	29,195
Due to associates and affiliated companies	657,829	-	-	-	-	657,829
Other liabilities	7,617	131	151	14	-	7,913
	700,500	6,031	280,781	49,642	-	1,036,954
Liquidity gap	(51,675)	271,068	124,854	28,473	139,146	511,865
Cumulative gap	(51,675)	219,392	344,246	372,719	511,865	

35 Financial risk management (continued)

35.3 Liquidity risk (continued)

35.3.2 Derivative cash flows

The following table below analyses the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Derivatives settled on a gross basis

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
In USD $'000				
As at October 31, 2022				
Interest rate derivatives				
- Outflow	(59)	-	-	(59)
- Inflow	48	-	-	48
In TTD $'000				
Total outflow	(401)	-	-	(401)
Total inflow	321	-	-	321
In USD $'000				
As at October 31, 2021				
Interest rate derivatives				
- Outflow	(155)	(59)	-	(214)
- Inflow	122	48	-	170
In TTD $'000				
Total outflow	(1,041)	(400)	-	(1,441)
Total inflow	818	321	-	1,139

35.3.3 Contingent liabilities and commitments

The contingent liabilities and commitments based on contractual maturity dates at year-end was $109 million (2021 - $150.0 million).

35.4 Market risk

The Company takes on exposure to market risks, 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 Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by The Group Risk Management who submits reports 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, derivatives and trading liabilities.

Trading portfolios include those portfolios arising from market-making transactions where the Company acts as a principal with clients or with the market.

Non-trading portfolios primarily arise from the interest-rate management of the Company's commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from The Company's amortised and FVOCI securities.

35.4.1 Market risk measurement techniques

The major measurement technique used by the Company to measure and control market risk is stress testing.

The Company applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Risk Management a risk sensitivity analyses by applying possible foreign currency rate stress events on the Company's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

35.5 Interest rate risk

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

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

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

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

35.5.1 Interest rate risk

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 2022				
Impact before tax				
100 bps increase in rates	(5,644)	(9,850)	(6,358)	(1,409)
100 bps decrease in rates	6,406	10,247	6,358	1,409
As at October 31, 2021				
Impact before tax				
100 bps increase in rates	(5,571)	516	(3,660)	5,906
100 bps decrease in rates	6,647	(523)	3,660	(5,906)

35.5.2 Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2022					
Assets					
Cash and short term instruments	555,487	-	-	-	555,487
Balances with Central Bank	-	-	-	208,752	208,752
Securities	1,807,918	226,364	-	90	2,034,372
Loans	372,899	14,128	140,014	-	527,041
Due from affiliated companies	-	-	-	24,186	24,186
Other assets	-	-	-	8,339	8,339
Total financial assets	2,736,304	240,492	140,014	241,367	3,358,177
Liabilities					
Customers' deposits	490,049	28,737	-	-	518,786
Other funding instruments	19,550	-	-	-	19,550
Derivative financial liabilities	92	-	-	-	92
Due to affiliated companies	-	-	-	2,254,582	2,254,582
Other liabilities	-	-	-	7,362	7,362
Total financial liabilities	509,691	28,737	-	2,261,944	2,800,372
Interest sensitivity gap	2,226,613	211,755	140,014		
As at October 31, 2021					
Assets					
Cash and short term instruments	302,364	-	-	-	302,364
Balances with Central Bank	-	-	-	84,175	84,175
Securities	681,627	-	-	-	681,627
Loans	231,868	78,115	139,146	-	449,129
Due from affiliated companies	-	-	-	28,878	28,878
Other assets	-	-	-	2,646	2,646
Total financial assets	1,215,859	78,115	139,146	115,699	1,548,819

35 Financial risk management (continued)

35.5 Interest rate risk (continued)

35.5.2 Interest sensitivity of assets and liabilities to repricing risk (continued)

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2021 (continued)					
Liabilities					
Customers' deposits	292,389	49,628	-	-	342,017
Other funding instruments	29,195	-	-	-	29,195
Derivative financial liabilities		1,343			1,343
Due to affiliated companies	-	-	-	657,829	657,829
Other liabilities	-	-	-	7,913	7,913
Total financial liabilities	321,584	50,971	-	665,742	1,038,297
Interest sensitivity gap	894,275	27,144	139,146		

35.5.3 Maturity and rate sensitivity

The table below summarises the Company's loans to customers and securities categorised by the earlier of contractual repricing or maturity dates.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022				
Loans:				
Commercial / Corporate	387,377	9,938	138,702	536,017
Mortgages	372	4,191	1,312	5,875
Gross loans to customers	387,749	14,129	140,014	541,892
Securities:				
Securities at Amortised Cost	1,067,955	226,364	-	1,294,319
Securities at FVOCI	740,058	-	-	740,058
Gross investments	1,808,013	226,364	-	2,034,377
As at October 31, 2021				
Loans:				
Commercial / Corporate	240,787	77,016	139,146	456,949
Mortgages	6,692	1,804	748	9,244
Gross loans to customers	247,479	78,820	139,894	466,193
Securities:				
Securities at Amortised Cost	189,977			189,977
Securities at FVOCI	491,650	-	-	491,650
Gross investments	681,627	-	-	681,627

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

	Fixed rate ($'000)	Floating rate ($'000)	Non-rate sensitive ($'000)	Total ($'000)
As at October 31, 2022				
Loans:				
Commercial / Corporate	160,230	375,787	-	536,017
Mortgages	1,538	4,337	-	5,875
Gross loans to customers	161,768	380,124	-	541,892
As at October 31, 2021				
Loans:				
Commercial / Corporate	162,057	294,892	-	456,949
Mortgages	2,809	6,435	-	9,244
Gross loans to customers	164,866	301,327	-	466,193

35.6 Other price risk

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

35.7 Currency risk

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

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

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk and in most regional markets, US dollar denominated transactions must be officially sanctioned by the relevant authorities thus reducing exposure. Currency exposure resides mainly in trading activity. The tables below summarise the Company's exposure to foreign currency exchange rate risk.

	TTD ($'000)	USD ($'000)	XCD ($'000)	BBD ($'000)	EUR ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and short term instruments	37,663	500,818	9,682	369	6,955	555,487
Balances with Central Bank	208,752	-	-	-	-	208,752
Securities	90	2,034,282	-	-	-	2,034,372
Loans	257,324	269,717	-	-	-	527,041
Due from affiliated companies	24,186	-	-	-	-	24,186
Other assets	376	7,963	-	-	-	8,339
Total financial assets	528,391	2,812,780	9,682	369	6,955	3,358,177
Liabilities						
Customer's deposits	514,663	2,110	2,013	-	-	518,786
Other funding instruments	5,054	12,468	1,993	-	35	19,550
Derivative financial liabilities	-	92	-	-	-	92
Due to affiliated companies	-	2,254,582	-	-	-	2,254,582
Other liabilities	1,258	4,573	1,531	-	-	7,362
Total financial liabilities	520,975	2,273,825	5,537	-	35	2,800,372
Net balance sheet position	7,416	538,955	4,145	369	6,920	557,805
Credit commitments	109,000	-	-	-	-	109,000
As at October 31, 2021						
Assets						
Total financial assets	333,827	1,196,741	9,674	369	8,208	1,548,819
Total financial liabilities	346,225	686,620	5,396	-	56	1,038,297
Net balance sheet position	(12,398)	510,121	4,278	369	8,152	510,522
Credit commitments	150,000	-	-	-	-	150,000

35.7.2 Foreign currency exchange risk

The tables below demonstrate the sensitivity to reasonable possible movement of select currencies against the Trinidad and Tobago dollar to which the Company had significant exposure as at October 31, 2022 and October 31, 2021 in respect of its non-trading financial assets and liabilities holding all other variables constant.

	Change in exchange rates (%)	Effect on profit before tax ($'000)	Effect on other comprehensive income ($'000)
Year ended October 31, 2022			
Increase in exchange rates			
USD	1.00	300	(5)
XCD	1.00	(1)	-
EUR	1.00	(12)	-
BBD	1.00	-	-
		287	(5)
Decrease in exchange rates			
USD	1.00	(300)	5
XCD	1.00	1	-
EUR	1.00	12	-
BBD	1.00	-	-
		(287)	5
Year ended October 31, 2021			
Increase in exchange rates			
USD	1.00	(62)	1
XCD	1.00	1	-
EUR	1.00	1	-
BBD	1.00	-	-
		(60)	1

35 Financial risk management (continued)

35.7 Currency risk (continued)

35.7.2 Foreign currency exchange risk (continued)

	Change in exchange rates (%)	Effect on profit before tax ($'000)	Effect on other comprehensive income ($'000)
Year ended October 31, 2021 (continued)			
Decrease in exchange rates			
USD	1.00	62	(1)
XCD	1.00	(1)	-
EUR	1.00	(1)	-
BBD	1.00	-	-
		60	(1)

35.8 Credit risk

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

The Company has established a credit-quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio, the Company 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 Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

35.8.1 Credit risk management

a) Loans

The Company measures the credit risk of loans to corporate and commercial customers and to banks at the counterparty level using an internal risk rating-matrix. The ratings are generated by combining weighted financial and statistical criteria with credit officer judgement, which is mapped against established internal benchmarks at the time credit is granted. The Company risk rating is seven tiered as showed below and reflects the perceived counterparty risk. This means that, in principle exposures migrate between levels as assessment of their riskiness changes. The risk weightings and internal benchmarks are consistently reviewed and upgraded as necessary.

The Company's internal ratings scale and mapping of external ratings:

Company's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very good	High grade
3	Good	Standard grade
4	Special mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and doubtful	Past due or impaired
7	Virtual certain loss	Past due or impaired

b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by Company Risk Management Unit for managing of the credit risk exposures.

35.8.2 Risk limit control and mitigation policies

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

Collateral

The Company 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. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

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

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

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

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Company (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Company requires margin deposits from counterparties.

Master netting arrangements

The Company further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

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 Company on behalf of a customer authorising a third party to draw drafts on the Company 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.

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

	Gross maximum exposure 2022 ($'000)	2021 ($'000)
Credit risk exposures relating to financial assets on the Statement of Financial Position are as follows:		
Cash and short term instruments	286,374	235,054
Balances with Central Bank	208,752	84,175
Treasury bills	269,113	67,310
Loans	541,892	466,193
Securities at amortised cost	1,294,319	189,977
Securities at FVOCI, excluding equities	739,963	491,550
Due from affiliated companies	24,186	28,878
Total	3,364,599	1,563,137
Credit risk exposures relating to financial assets not on the Statement of Financial Position are as follows:		
Credit commitments	109	150
	109	150
Total credit risk exposure	3,364,708	1,563,287

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

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

The following table breaks down the Company's main credit exposure of their carrying amounts, as categorised by industry sectors of counterparties.

	Gross maximum exposure 2022 ($'000)	2021 ($'000)
Manufacturing	-	-
Financial services	657,768	331,242
Construction	127,225	126,528
Real estate	102,943	105,328
Tourism	-	-
Utilities	118,010	107,347
Petroleum	8,033	-
Transport	270	-
Government	2,344,255	873,398
Other	6,095	19,294
	3,364,599	1,563,137

35 Financial risk management (continued)

35.8 Credit risk (continued)

35.8.5 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2022 was $1,009.1 million (2021: $0.6 million) before taking account of collateral or other credit enhancements.

35.8.6 Credit quality by class of financial assets

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2022				
Treasury bills	269,113	-	-	269,113
Cash and short term instruments	286,374	-	-	286,374
	555,487	-	-	555,487
Balances held with central bank	208,752	-	-	208,752
Securities:				
Amortised cost:				
Government and state-owned enterprises debt	1,227,625	-	-	1,227,625
Corporate debt securities	66,694	-	-	66,694
FVOCI:				
Treasury bills and treasury notes	739,963	-	-	739,963
Government and state-owned enterprises debt	-	-	-	-
Securities – gross	2,034,282	-	-	2,034,282
Loans:				
Commercial/corporate	513,082	-	22,935	536,017
Mortgages	5,326	332	217	5,875
Loans – gross	518,408	332	23,152	541,892
Due from affiliated companies	24,186	-	-	24,186
Total	3,341,115	332	23,152	3,364,599
As at October 31, 2021				
Treasury bills	67,310	-	-	67,310
Cash and short term instruments	235,054	-	-	235,054
	302,364	-	-	302,364
Balances held with central bank	84,175	-	-	84,175
Securities:				
Amortised cost:				
Government and state-owned enterprises debt	-	189,977	-	189,977
FVOCI:				
Treasury bills and treasury notes	67,240	423,805	-	491,045
Government and state-owned enterprises debt	-	505	-	505
Securities – gross	67,240	614,287	-	681,527
Loans:				
Commercial/corporate	433,646	-	23,302	456,948
Mortgages	8,243	689	313	9,245
Loans – gross	441,889	689	23,615	466,193
Due from affiliated companies	28,878	-	-	28,878
Total	924,546	614,976	23,615	1,563,137

For those exposures that are stage 1, the majority are rated between standard (good) to excellent, which is high grade.

35.8.7 Credit risk exposure of financial assets based on the Company's internal corporate rating system

The table below presents an analysis of treasury bills, due from banks, loans, securities excluding equities, due from affiliated companies and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's equivalent grades	Total 2022 ($'000)	Total 2021 ($'000)
Excellent			
AA	BB+	2,731,827	1,067,561
Very good			
A+	BB	250,030	196,730
Good			
A-	B+	294,277	274,542
B+	B	-	-
Special mention			
B	B-	508	689
Bad and doubtful			
D	CC+	20,890	22,786
Virtual certain loss			
E	CC-	373	829
Not rated	NR	66,694	-
		3,364,599	1,563,137

35.8.8 Repossessed collateral

Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Collateral is repossessed when the Company enforces its rights of the sale agreements over the collateral as a result of the counter-parties failure to honour their obligations to the Company. The Company's sales agreements enables the Company 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 Company obtains an appraisal of the collateral to certify the updated market value.

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

	2022 ($'000)	2021 ($'000)
Buildings	-	-
	-	-

35.9 Capital management

Capital management is a proactive process that ensures that the Company 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.

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

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

Capital adequacy and the use of regulatory capital are monitored by the Company's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the various territories in which the Company operates.

The Company is governed by the risk based capital targets set by the Central Bank of Trinidad and Tobago, and are required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the Central Bank of Trinidad and Tobago.

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended October 31, 2022 and October 31, 2021. During those two periods, the Company complied with all of the externally imposed capital requirements to which they are subject.

35 Financial risk management (continued)

35.9 Capital management (continued)

	2022 ($'000)	2021 ($'000)
Tier 1 capital		
Share capital	140,000	140,000
Statutory reserve	140,000	140,000
Retained earnings	520,390	507,780
Total qualifying Tier 1 capital	800,390	787,780
Tier 2 capital		
Revaluation reserve – FVOCI securities	(434)	2
Allowance for credit losses	14,856	17,030
Total qualifying Tier 2 capital	14,422	17,032
Less: investment in associate & joint venture	(216,819)	(204,404)
Total regulatory capital	597,993	600,408
Risk-weighted assets:		
On-balance sheet	1,690,821	1,251,682
Off-balance sheet	-	-
Total risk-weighted assets	1,690,821	1,251,682
Total regulatory capital to risk-weighted assets	35.37%	47.97%

Throughout the current year, the Company, a licensed banking entity submitted regulatory returns inclusive of calculations that complied with regulatory capital adequacy requirements applicable to Trinidad & Tobago.

36 Fair value of financial assets and liabilities

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

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

Financial assets and liabilities for which fair value are disclosed

	Fair value always approximates carrying value ($'000)	Fair value may not approximate carrying value ($'000)	Total fair value ($'000)	Fair value hierarchy Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022							
Securities	-	1,285,521	1,285,521	-	1,285,521	-	1,285,521
Loans	-	520,121	520,121	-	-	520,121	520,121
Other assets	8,339	-	8,339	-	-	-	-
Derivative financial liabilities	92	-	92	-	-	-	-
Customers' deposits	490,049	28,737	518,786	-	-	28,737	28,737
Other funding instruments	19,550	-	19,550	-	-	-	-
Other liabilities	7,362	-	7,362	-	-	-	-
As at October 31, 2021							
Securities	190,000	-	190,000	-	-	-	-
Loans	-	463,701	463,701	-	-	463,701	463,701
Other assets	2,646	-	2,646	-	-	-	-
Derivative financial liabilities	1,343	-	1,343	-	-	-	-
Customers' deposits	292,389	49,628	342,017	-	-	49,628	49,628
Other funding instruments	29,195	-	29,195	-	-	-	-
Other liabilities	7,913	-	7,913	-	-	-	-

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments: (i) loans and deposits with original maturity of less than three months or payable on demand; and (ii) certain receivables and payables in other assets and other liabilities.

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

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

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

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 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022				
Securities at FVOCI				
Treasury bills and treasury notes	-	739,963	-	739,963
Government and state-owned enterprises debt securities	-	-	-	-
Equity securities	95	-	-	95
	95	739,963	-	740,058
As at October 31, 2021				
Securities at FVOCI				
Treasury bills and treasury notes	67,240	423,805	-	491,045
Government and state-owned enterprises debt securities	-	505	-	505
Equity securities	100	-	-	100
	67,340	424,310	-	491,650

Equity securities were transferred from level 2 to level 1.

36 Fair value of financial assets and liabilities (continued)

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

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

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

	Level 3 Fair value ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2022			
Derivative financial instruments – liability	92	74	(74)
	(92)	(74)	74
As at October 31, 2021			
Derivative financial instruments – liability	1,343	267	(267)
	(1,343)	(267)	(267)

Sensitivity results

As at October 31, 2022, the effects of applying these assumptions to the Level 3 liability positions would result in a decrease of $0.1 million (2021: $0.3 million) and an increase of $ 0.1 million (2021: $0.3 million) in fair value.

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
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of these inputs, and an amount based on model and parameter uncertainty, where applicable.

RBC Trust
Trinidad and Tobago

Financial Statements 2022

October 31, 2022 (expressed in Trinidad & Tobago dollars)

Chairman's Report

For the financial year ended 31 October 2022, RBC Trust (Trinidad & Tobago) Limited (the Company) recorded a net income after taxation of $8.2 million, representing an increase of $4.5 million compared to the prior year's net income after taxation of $3.7 million arising from higher revenues tied to new business acquisitions as well as recoveries from amounts previously provided for. In addition overall costs were down year over year.

Assets under administration totalled $43 billion, declining by $4 billion compared to the previous year from maturities and market price movements. The Company is well capitalised with a capital base of $50.1 million and a capital ratio of 78.5%, which is well in excess of required regulatory thresholds.

The Company remains focused on innovation and providing simplified, accessible, and relevant financial solutions as the core of our commitment to help our clients realise their financial and life goals. Our client's success helps to bring our RBC purpose to life: to help our clients thrive and our communities prosper.

On behalf of the Board of Directors and the executive of RBC, I would like to thank our loyal clientele for their continued confidence in RBC as we reimagine banking and continuously improve our service and operations for the digital world. I would also like to thank our employees who continue to be the driving force behind our achievements. Their continued commitment to our clients and one another, and to bringing our RBC values to life every day, enables us to excel and position us for sustainable long-term growth and success.

Jason Cummings
Chairman
January 19, 2023

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RBC Trust (Trinidad & Tobago) Limited (the 'Company') which comprise the statement of financial position as at October 31, 2022 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a significant accounting policies and other explanatory information;
- Ensuring that the Company 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 Company's assets, detection/prevention of fraud, and the achievement of Company 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 and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

Senior Manager –
Trust Services
RBC Trust Limited
January 19, 2023

Chief Financial Officer
RBC Trust Limited
January 19, 2023

Independent Auditor's Report

To the shareholder of RBC Trust (Trinidad & Tobago) Limited

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Port of Spain,
Trinidad, West Indies
19 January, 2023

RBC Trust (Trinidad & Tobago) Limited

Financial Statements 2022

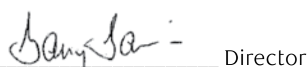
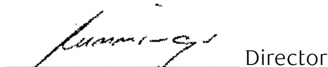
October 31, 2022 (expressed in Trinidad & Tobago dollars)

Statement of Financial Position

	Notes	As at October 31 2022 ($'000)	2021 ($'000)
Assets			
Cash and cash equivalents	3	41,926	31,101
Securities	4	95	100
Equipment	5	132	217
Intangible assets	6	314	436
Corporation tax recoverable		6,610	6,610
Deferred tax assets	7	824	228
Due from affiliate	19	-	1,979
Other assets	8	11,550	13,213
Total assets		61,451	53,884
Liabilities			
Post-retirement benefit obligations	9	2,643	730
Due to affiliate	19	680	5,702
Deferred tax liabilities	7	28	30
Other liabilities	10	7,646	5,223
Total liabilities		10,997	11,685
Stated capital	11	15,000	15,000
Statutory reserve	12	15,000	15,000
Other reserves		41	45
Retained earnings		20,413	12,154
Total shareholder's equity		50,454	42,199
Total equity and liabilities		61,451	53,884

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

On January 19, 2023, the Board of Directors of RBC Trust (Trinidad & Tobago) Limited authorised these financial statements for issue.

 Director  Director

Statement of Income and other Comprehensive Income

	Notes	Year ended October 31, 2022 ($'000)	2021 ($'000)
Interest income	13	1	1
Fees, commissions and other income	14	32,720	29,702
Total income		32,721	29,703
Impairment provision, net of recoveries		162	(2,802)
Non-interest expenses	15	(21,442)	(21,643)
Total non-interest expenses		(21,280)	(24,445)
Profit before taxation		11,441	5,258
Taxation expense	16	(3,278)	(1,606)
Profit after taxation		8,163	3,652
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gains on securities		(4)	7
Re-measurement of post-retirement benefit obligations		96	147
Other comprehensive income for the year, net of tax		92	154
Total comprehensive income for the year		8,255	3,806

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

Statement of Changes in Equity

	Note	Stated capital ($'000)	Statutory reserves ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total ($'000)
Year ended October 31, 2022						
Balance at beginning of year		15,000	15,000	45	12,154	42,199
Profit after taxation		-	-	-	8,163	8,163
Other comprehensive income		-	-	(4)	96	92
Total comprehensive income		-	-	(4)	8,259	8,255
Balance at end of year		15,000	15,000	41	20,413	50,454
Year ended October 31, 2021						
Balance at beginning of year (restated)		15,000	15,000	38	23,355	53,393
Profit after taxation		-	-	-	3,652	3,652
Other comprehensive income		-	-	7	147	154
Total comprehensive income		-	-	7	3,799	3,806
Dividends	17	-	-	-	(15,000)	(15,000)
Balance at end of year		15,000	15,000	45	12,154	42,199

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

Statement of Cash Flows

	Year ended October 31 2022 ($'000)	2021 ($'000)
Cash flows from operating activities		
Net income before taxation	11,441	5,258
Adjustments for:		
Post-retirement benefit obligation	2,050	(71)
(Release of)/provisions for credit losses	(162)	2,802
Depreciation and amortisation	196	182
	13,525	8,171
Increase/(decrease) in due from affiliates	1,979	(1,484)
Increase/(decrease) in operating assets	1,825	(2,869)
(Decrease)/increase in due to affiliates	(5,022)	5,702
Increase/(decrease) in other liabilities	964	(248)
Corporation tax paid - net of refunds	(2,457)	(2,151)
Net cash generated from operating activities	10,814	7,121
Cash flows from investing activities		
Additions to equipment and intangible assets	(18)	(21)
Net proceeds from disposal of equipment	29	-
Net cash generated from/(used in) investing activities	11	(21)
Cash flows from financing activities		
Dividends paid	-	(15,000)
Net cash used in financing activities	-	(15,000)
Net increase/(decrease) in cash and cash equivalents	10,825	(7,900)
Cash and cash equivalents at beginning of year	31,101	39,001
Cash and cash equivalents at end of year	41,926	31,101

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

1 Incorporation and business activities of the Company

RBC Trust (Trinidad and Tobago) Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on July 17, 1959 and is a wholly owned subsidiary of RBC Financial (Caribbean) Limited which is incorporated in Trinidad and Tobago. Its ultimate parent is Royal Bank of Canada, which is incorporated in Canada. The Company is a licensed financial institution under the Financial Institutions Act, 2008 of Trinidad and Tobago and authorised thereunder to conduct "business of a financial nature" falling within the class of "Trust Company". The Company provides a full range of services pertaining to administration, trusteeship, executorship, and support services associated therewith, to corporate and individual clients. Its registered office is 7–9 St. Clair Avenue, St. Clair Place, Port of Spain, Trinidad and Tobago.

2 Summary of significant accounting policies, estimates and judgements

The significant accounting policies used in the preparation of these Financial Statements are summarised below. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

<u>Basis of preparation</u>

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago 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: other post-employment benefits, income taxes and carrying value of intangible assets. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Management do not believe there to be a material gap between the estimates used in these Financial Statements and actual results based on historic performance. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgements

In preparation of the Financial Statements management is required to make significant judgements that affect the carrying amounts of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the period.

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

Significant judgements have been made in the following areas and discussed as noted in the Financial Statements:

- Intangible assets Note 2
- Provisions Note 2
- Employee benefits Note 2
- Income taxes Note 2

<u>Changes in accounting policies</u>

The amendment listed below is most likely to have no impact on the Company's performance, financial position or disclosures.

Interest Rate Benchmark Reform

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

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

<u>Significant accounting policies</u>

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 Company's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

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

Business model assessment

The Company determines the business models at the level that best reflects how the Company 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 securities managed as part of a business model; and
- The compensation structures for managers of the businesses within the Company, to the extent that these are directly linked to the economic performance of the business model.

Securities are held for non-trading purposes and the Company has elected to measure these securities as Fair Value through Other Comprehensive Income (FVOCI). The Company's business model for receivables is Hold to Collect (HTC), receivables are held to collect contractually due cash flows.

SPPI assessment

Instruments held within a HTC 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

Investment securities include all securities classified as FVOCI. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification.

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 Company accounts for all securities using settlement date, and changes in fair value between trade date and settlement date are recorded in OCI.

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.

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, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Company Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed for trading portfolios. 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.

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

<u>Significant accounting policies (continued)</u>

Determination of fair value (continued)

Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly.

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

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

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

Level 3 inputs are one or more inputs that are unobservable and significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. 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.

Revenue recognition

Revenue is recognised when a service is provided 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 Company 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 Company 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.

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

The Company expenses incremental costs to obtain a contract if the expected amortisation period of the asset the Company 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.

Fee income

Fees primarily relate to trustee services, wealth management, financial planning and custody services and are recognised based on the applicable service contracts with customers.

Trustee and custodial fees are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Administrative fees are generally derived from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Mutual fund revenue is derived by calculating 0.05% of the prior month assets under management (AUM). Trustee and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in Non-interest expense 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.

Accounts receivable

For accounts receivable, the Company applies the simplified approach for calculating expected credit losses permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from the initial recognition of receivables.

To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on payment terms and corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customer's ability to settle the receivables. Macroeconomic variables used include, but are not limited to, unemployment rate, gross domestic product (GDP) and inflation rate.

Interest

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

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalised on initial recognition. For financial assets and financial liabilities measured at amortised cost, capitalised transaction costs are amortised through Non-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.

Other liabilities

Other liabilities are initially measured at fair value and are subsequently measured at amortised.

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. 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

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

Significant accounting policies (continued)

Derecognition of financial assets (continued)

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 other 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 and Other Comprehensive Income.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency).

The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency transactions (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago 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 and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets that are measured at fair value are translated into Trinidad and Tobago 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.

Equipment

Equipment includes 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 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. Gains and losses on disposal are recorded in non–interest income.

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. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), 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 (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Intangible assets

Intangible assets represent identifiable non-monetary assets and are acquired either separately. 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. There are no intangible assets with indefinite lives.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognised. If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment.

Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives. Discount rates are based on the group-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in Non-interest expense.

Leases

At inception of a contract, the Company 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.

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. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalised.

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to the Company 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 Company 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.

The Company does not apply this accounting treatment to leases of intangible assets.

Provisions

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

We are required to estimate the results of ongoing legal proceedings, expenses to be incurred to dispose of capital assets, and credit losses on undrawn commitments and guarantees. The forward-looking nature of these estimates requires us to use a significant amount of judgement in projecting the timing and amount of future cash flows. We record our provisions on the basis of 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.

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

Significant accounting policies (continued)

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current years' service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in Other Comprehensive Income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

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

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

Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

Green fund levy

Green fund levy is a tax imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Statement of Income.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carry-forwards are included on the Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

The determination of our deferred income 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 deferred tax expense in our Statement of Income and Other Comprehensive Income.

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 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. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Company's tax positions by the relevant taxation authorities.

Stated capital

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.

Comparative information

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Cash and cash equivalents

	2022 ($'000)	2021 ($'000)
Cash at bank	41,926	31,101

Cash and cash equivalents represent deposits held on demand with affiliated company.

4 Securities

	2022 ($'000)	2021 ($'000)
FVOCI		
Money market instruments	95	100
	95	100
The movement in investment securities may be summarised as follows:		
Balance at beginning of year	100	90
Fair value gains arising during the year	(5)	10
Balance at end of year	95	100

5 Equipment

	Equipment ($'000)	Computer Equipment ($'000)	Work in Progress ($'000)	Total ($'000)
Year ended October 31, 2022				
Opening net book value	32	157	28	217
Transfers	-	33	(33)	-
Additions	-	-	18	18
Disposal	(16)	-	(13)	(29)
Depreciation charge	(9)	(65)	-	(74)
Closing net book value	7	125	-	132
At October 31, 2022				
Cost	59	393	-	452
Accumulated depreciation	(52)	(268)	-	(320)
Net book value	7	125	-	132
Year ended October 31, 2021				
Opening net book value	41	194	22	257
Transfers	-	15	(15)	-
Additions	-	-	21	21
Disposal	-	-	-	-
Depreciation charge	(9)	(52)	-	(61)
Closing net book value	32	157	28	217
At October 31, 2021				
Cost	870	507	28	1,405
Accumulated depreciation	(838)	(350)	-	(1,188)
Net book value	32	157	28	217

Notes to the Financial Statements 2022

6 Intangible assets

	Computer software ($'000)	Total ($'000)
Year ended October 31, 2022		
Opening net book value	436	436
Amortisation charge	(122)	(122)
Closing net book value	314	314
At October 31, 2022		
Cost	1,208	1,208
Accumulated amortisation	(894)	(894)
Net book value	314	314
Year ended October 31, 2021		
Opening net book value	557	557
Amortisation charge	(121)	(121)
Closing net book value	436	436
At October 31, 2021		
Cost	1,536	1,536
Accumulated amortisation	(1,100)	(1,100)
Net book value	436	436

7 Deferred tax assets and liabilities

The following amounts are shown in the Statement of Financial Position:

	2022 ($'000)	2021 ($'000)
Deferred tax assets	824	228
Deferred tax liability	(28)	(30)
	796	198
The movement on the deferred tax accounts are as follows:		
At beginning of year	198	288
Credit/(charge) to Statement of Income (Note 16)	638	(24)
Charge to Statement of Other Comprehensive Income	(40)	(66)
At end of year	796	198
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets		
Accelerated tax depreciation	31	9
Post-retirement benefits	652	37
Other	141	182
	824	228
Accelerated tax depreciation	-	-
Post-retirement benefits	-	-
Other	(28)	(30)
	(28)	(30)

8 Other assets

	2022 ($'000)	2021 ($'000)
Accounts receivable (Note 8.1)	10,823	12,501
Other tax recoverable	38	38
Prepayments	676	626
Other	13	48
	11,550	13,213
Current	9,936	10,521
Non-current	1,614	2,692
	11,550	13,213
8.1 **Accounts receivable**		
Accounts receivable	12,437	15,193
Provision for impairment (Note 8.2)	(1,614)	(2,692)
Net accounts receivable	10,823	12,501
8.2 **Movement in provision for impairment losses**		
At beginning of year	(2,692)	(2,072)
Reversals	2,636	818
Amounts written off	916	2,182
Net increase in provision	(2,474)	(3,620)
At end of year	(1,614)	(2,692)

9 Post-retirement benefit obligations

Plan characteristics

The Company, through its parent RBC Financial (Caribbean) Limited, sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by a local pension committee. The pension and other post-employment plans are managed on a Group basis.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The main defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. The defined contribution pension plans provide pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of an employee's annual earnings. The other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by the Company and valuations of the plans are performed at each fiscal year by independent actuaries.

The liability in the Statement of Financial Position is allocated to all legal entities participating in the plans based on their participating membership headcount.

Risks

By their design, the defined benefit pension plans expose the Company to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

9.1 **The amounts recognised in the Statement of Financial Position are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	2,643	-	2,643
Liability in the statement of financial position	2,643	-	2,643
October 31, 2021			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	730	-	730
Liability in the statement of financial position	730	-	730

9.2 **The movements in the post-retirement benefit obligation over the year are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
At beginning of year	730	-	730
Current service cost	14	-	14
Past service cost	40	-	40
Interest cost	144	-	144
Benefits paid	(44)	-	(44)
Effect of experience adjustments	(137)	-	(137)
Other	1,896	-	1,896
At end of year	2,643	-	2,643
October 31, 2021			
At beginning of year	1,011	-	1,011
Current service cost	15	-	15
Past service cost	(151)	-	(151)
Interest cost	142	-	142
Benefit paid	(77)	-	(77)
Effect of experience adjustments	(210)	-	(210)
At end of year	730	-	730

9.3 **The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Current service cost	14	-	14
Past service cost	40	-	40
Net interest cost	144	-	144
Benefit paid	(44)	-	(44)
Other	1,896	-	1,896
Components of defined benefit costs recognised in profit or loss	2,050	-	2,050

9 Post-retirement benefit obligations (continued)

9.3 **The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows: (continued)**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2022			
Re-measurement on the net liability:			
Effect of experience adjustments	(137)	-	(137)
Components of defined benefit costs recognised in other comprehensive income	-	-	-
Total	1,913	-	1,913
October 31, 2021			
Current service cost	15	-	15
Past service cost	(151)	-	(151)
Net interest cost	142	-	142
Benefit Paid	(77)	-	(77)
Components of defined benefit costs recognised in profit or loss	(71)	-	(71)
October 31, 2021			
Re-measurement on the net liability:			
Effect of experience adjustments	(210)	-	(210)
Components of defined benefit costs recognised in other comprehensive income	(210)	-	(210)
Total	(281)	-	(281)

9.4 **Significant assumptions**

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

Discount rate

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

Summary of principal assumptions

	October 31, 2022	October 31, 2021
Discount rates – medical and life	6.00%	5.60%
Salary increases	N/A	N/A
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

9.5 **Sensitivity analysis**

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

	Increase/(decrease) 2022 ($'000)	2021 ($'000)
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	400	405
Impact of 1.0% increase in discount rate	(324)	(326)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1.0% decrease in health care cost trend rate	(111)	(66)
Impact of 1.0% increase in health care cost trend rate	132	78
Impact of 1year decrease in life expectancy	1	N/A
Impact of 1year increase in life expectancy	1	(6)

10 Other liabilities

	2022 ($'000)	2021 ($'000)
Accounts payable and accruals	3,653	3,090
Taxation payable	3,177	1,620
Employee related costs	816	513
	7,646	5,223
Current	7,646	5,223

11 Stated capital

	2022 ($'000)	2021 ($'000)
The total authorised number of ordinary shares at year end was unlimited with no-par value		
Issued and fully paid:		
15,000,000 ordinary shares of no-par value	15,000	15,000

12 Statutory reserve

The Financial Institutions Act, 2008 requires financial institutions in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid-up capital of the institution.

13 Interest income

	2022 ($'000)	2021 ($'000)
Securities	1	1
	1	1

14 Non-interest income from continuing operations

The Company derives revenue over time and at a point in time within the following categories.

	2022 ($'000)	2021 ($'000)
Non-interest income over time:		
Trust and investment management related fees	32,508	29,685
Non-interest income at a point in time:		
Sundry income	212	17
	32,720	29,702

Fee income presented above is recognised over time as the relevant services are provided during the period.

15 Non-interest expenses

	2022 ($'000)	2021 ($'000)
Staff costs (Note 15.1)	7,681	4,953
Equipment and intangible assets expenses, excluding depreciation and amortisation	2,553	2,533
Advertising and public relations	65	58
Amortisation and depreciation	195	182
Directors' fees	126	84
Auditor's fees	405	490
Management fees	7,760	10,936
Business and capital tax	960	1,384
Green fund levy	99	99
Sundry losses	712	346
Other operating expenses	886	578
	21,442	21,643

15.1 **Staff costs**

	2022 ($'000)	2021 ($'000)
Staff costs include:		
Wages and salaries including bonuses	5,331	4,747
Employees' other post-retirement benefit costs (Note 9.3)	2,050	(71)
Employees' defined contribution pension expense	300	277
	7,681	4,953

16 Taxation expense

	2022 ($'000)	2021 ($'000)
Current tax charge	4,084	1,582
Group loss relief	(168)	-
Deferred tax charge/(credit) (Note 7)	(638)	24
	3,278	1,606
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	11,441	5,258
Prima facie tax at the rate of 30%	3,432	1,577
Non allowable expenses	(1)	13
Group loss relief	(168)	-
Other	15	16
	3,278	1,606

17 Dividends

During the year no dividends were declared and paid to the shareholders (2021 – 15MM).

Dividends are accounted for as an appropriation of retained earnings.

18 Contingent liabilities and commitments

Legal proceedings

As at October 31, 2022, there were no legal proceedings relating to the Company. As a result, there were no contingent liabilities as at October 31, 2022 (2021 –: Nil).

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.

We have applied the low credit risk exemption on all loans and receivables, deposits and liabilities to associates and joint ventures and amounts due to and from associates and affiliates, as they demonstrate a low risk of default and the related RBC entity has a strong capacity to meet its contractual cash flow obligations. As a result, any ACL is deemed to be insignificant.

	2022 ($'000)	2021 ($'000)
Cash and cash equivalents		
Due to RBCFCL Subsidiaries	41,926	31,101
Due from affiliate		
Due to RBCFCL Subsidiaries	-	1,979
Other assets		
Other affiliated companies	311	338
Due to affiliate		
Due to RBCFCL Subsidiaries	680	5,702
Non-Interest income		
Other affiliated companies	10,093	8,318
Other operating expenses		
Due to RBCFCL Subsidiaries	9,082	12,274

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

	2022 ($'000)	2021 ($'000)
Salaries and short-term benefits	719	639

20 Financial risk management

20.1 Risk management

Risk is inherent in the Company'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 Company's continuing profitability and the Company is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, operational risk and market risk.

Risk management structure

The Board of Directors is responsible for providing oversight over the management of risks. The OC is responsible for managing and monitoring risks.

Operating Committee (OC)

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

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 which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Company in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Asset and Liability Committee (ALCO)

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

Internal Audit

Risk management processes throughout The Company are audited 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 Audit Committee and subsidiary Boards' Audit Committees.

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company 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 risks early. This information which consists of several reports, is presented and explained to the Operating Committee, the ALCO and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

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

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

The Company actively uses collateral to reduce its credit risks.

20 Financial risk management (continued)

20.2 Categorisation

	Financial assets or liabilities carried at fair value ($'000)	Financial assets or liabilities carried at amortised cost ($'000)	Non-financial assets or liabilities ($'000)	Equity instrument ($'000)	Total ($'000)
As at October 31, 2022					
Assets					
Cash and cash equivalents	-	41,926	-	-	41,926
Securities	95	-	-	-	95
Equipment	-	-	132	-	132
Intangible assets	-	-	314	-	314
Corporation tax recoverable	-	-	6,610	-	6,610
Deferred tax assets	-	-	824	-	824
Due from affiliate	-	-	-	-	-
Other assets	-	10,823	727	-	11,550
Total assets	95	52,749	8,607	-	61,451
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	2,643	-	2,643
Deferred tax liability	-	-	28	-	28
Due to affiliate	-	680	-	-	680
Other liabilities	-	1,702	5,944	-	7,646
Shareholders' equity	-	-	-	50,454	50,454
Total equity and liabilities	-	2,382	8,614	50,454	61,451
As at October 31, 2021					
Assets					
Cash and cash equivalents	-	31,101	-	-	31,101
Securities	100	-	-	-	100
Equipment	-	-	217	-	217
Intangible assets	-	-	436	-	436
Corporation tax recoverable	-	-	6,610	-	6,610
Deferred tax assets	-	-	228	-	228
Due from affiliate	-	1,979	-	-	1,979
Other assets	-	12,501	712	-	13,213
Total assets	100	45,581	8,203	-	53,884
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	730	-	730
Deferred tax liability	-	-	30	-	30
Due to affiliate	-	5,702	-	-	5,702
Other liabilities	-	1,205	4,018	-	5,223
Shareholders' equity	-	-	-	42,199	42,199
Total equity and liabilities	-	6,907	4,778	42,199	53,884

20.3 Liquidity risk

Liquidity and funding risk (liquidity risk) is the risk that the Company may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they become due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Company'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 Company's liquidity management process is carried out by the Treasury Department and monitored by Caribbean Treasury and the ALCO. The Company'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.

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and our planned responses. The Company'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 as result informs requirements for our earmarked unencumbered liquid asset portfolios.

20.3.1 Financial assets and liabilities less derivatives

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2022						
Assets						
Cash and cash equivalents	41,926	-	-	-	-	41,926
Securities	95	-	-	-	-	95
Due from associated and affiliated companies	-	-	-	-	-	-
Other Assets	9,057	1,060	706	-	-	10,823
Total financial assets less derivatives	51,078	1,060	706	-	-	52,844
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	680	-	-	-	-	680
Other liabilities	664	-	-	1,038	-	1,702
Total financial liabilities less derivatives	1,344	-	-	1,038	-	2,382
Liquidity gap	49,734	1,060	706	(1,038)	-	50,462
Cumulative gap	49,734	50,794	51,500	50,462	50,462	
As at October 31, 2021						
Assets						
Cash and cash equivalents	31,101	-	-	-	-	31,101
Securities	100	-	-	-	-	100
Due from associated and affiliated companies	1,979	-	-	-	-	1,979
Other Assets	11,173	443	885	-	-	12,501
Total financial assets less derivatives	44,353	443	885	-	-	45,681
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	5,702	-	-	-	-	5,702
Other liabilities	347	-	-	858	-	1,205
Total financial liabilities less derivatives	6,049	-	-	858	-	6,907
Liquidity gap	38,304	443	885	(858)	-	38,774
Cumulative gap	38,304	38,747	39,632	38,774	38,774	

20.4 Market risk

The Company takes on exposure to market risks, 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 market risks arising from non-trading activities are measured separately by The Group Risk Management who submits reports 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.

Trading portfolios include those portfolios arising from market-making transactions where The Company acts as a principal with clients or with the market.

Non-trading portfolios primarily arise from the interest-rate management of The Company's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from The Company's amortised and FVOCI securities.

20.4.1 Market risk measurement techniques

The major measurement technique used by the Company to measure and control market risk is stress testing.

The Company applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out include changes in the general level of interest rates and the depreciation of foreign currency rates. The Statement of Financial Position impact of the changes in interest rates is measured to calculate the impact on interest income as a result of the changes in interest rates.

20.4.2 Interest rate risk

To monitor and control interest rate risk in the banking book (IRRBB), The Group assesses two primary metrics, Net Interest Income (NII) risk and Economic Value of Equity (EVE) risk, under a range of market shocks, scenarios, and time horizons. Market scenarios include

20 Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Interest rate risk (continued)

currency-specific parallel and non-parallel yield curve changes and interest rate volatility shocks. IRRBB – as defined by the Basel Committee – is the "current or prospective risk to a bank's capital and earnings, arising from adverse movements in interest rates that affect the bank's banking book positions." Insufficient management, measurement and control of IRRBB can pose a significant threat to the Bank's capital base and/or its future earnings.

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

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

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

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 2022				
Impact before tax				
100 bps increase in rates	(58)	-	(55)	-
100 bps decrease in rates	58	-	56	-
As at October 31, 2021				
Impact before tax				
100 bps increase in rates	(49)	-	(47)	-
100 bps decrease in rates	49	-	41	-

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
As at October 31, 2022					
Financial assets					
Cash and cash equivalents	41,926	-	-	-	41,926
Securities	-	-	-	95	95
Other assets	-	-	-	10,823	10,823
Total financial assets	41,926	-	-	10,918	52,844
Financial liabilities					
Due to affiliate	-	-	-	680	680
Other liabilities	-	-	-	1,702	1,702
Total financial liabilities	-	-	-	2,382	2,382
Interest sensitivity gap	41,926	-	-	-	-
As at October 31, 2021					
Financial assets					
Cash and cash equivalents	31,101	-	-	-	31,101
Securities	-	-	-	100	100
Other assets	-	-	-	12,501	12,501
Due from affiliates	-	-	-	1,979	1,979
Total financial assets	31,001	-	-	14,580	45,681
Financial liabilities					
Due to affiliate	-	-	-	5,702	5,702
Other liabilities	-	-	-	1,205	1,205
Total financial liabilities	-	-	-	6,907	6,907
Interest sensitivity gap	31,101	-	-	-	-

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 Board has set limits on positions by currency. Positions are monitored on a daily basis so as to ensure that they are maintained within established limits.

20.5.1 Concentrations of currency risk

The functional currency of the Company is Trinidad and Tobago dollars. The Company does not hold any foreign currency balances (2021: Nil).

20.6 Credit risk

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

20.6.1 Maximum exposure to credit risk

	Gross maximum exposure	
	2022 ($'000)	2021 ($'000)
Cash and cash equivalents	41,926	31,101
Securities	95	100
Other assets	10,823	12,501
Due from Affiliates	-	1,979
Total	52,844	45,681

20.6.2 Credit quality by class of financial assets

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2022				
Cash and cash equivalents	41,926	-	-	41,926
Securities	95	-	-	95
Other assets	9,209	-	1,614	10,823
Due from affiliates	-	-	-	-
Total	51,230	-	1,614	52,844
As at October 31, 2021				
Cash and cash equivalents	31,101	-	-	31,101
Securities	100	-	-	100
Other assets	9,809	-	2,692	12,501
Due from affiliates	1,979	-	-	1,979
Total	42,989	-	2,692	45,681

The Company applies the simplified approach to general provisioning and considers whether an additional specific provision is required at the end of each month for the potential losses that could occur in the collection of past due accounts. The specific provision is made on invoiced amounts owed over 90 days and accrued amounts over 365 days that the Company deems uncollectible as at October 31, 2022. The Company reviews all amounts owed on a quarterly basis and make specific provisions for amounts that are deemed uncollectible as and when necessary.

20.6.3 Credit risk exposure on debt securities and other bills based on the Company's internal corporate rating system

Based on the Company's internal and equivalent rating agency designation, short term investments amounting to $94,900 (2021: $100,100) are rated Excellent (BB+).

20.7 Capital management

Capital management is a proactive process that ensures that the Company 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.

Capital adequacy and the use of regulatory capital are monitored by the Company's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the local banking and non-banking regulators of the various territories in which the Company operates.

The Company is governed by the risk based capital targets set by the Central Bank of Trinidad and Tobago, and are required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the Central Bank of Trinidad and Tobago.

Under the local guidelines, adjusted qualifying capital includes core capital and supplementary capital. Core capital mainly consists of fully paid and issued share capital, audited retained earnings, statutory reserve fund, capital reserves excluding asset revaluation reserves less goodwill. Supplementary capital includes subordinated debt, asset revaluation reserves and unaudited profits. Regulatory capital ratios are calculated by dividing core capital by risk-weighted assets and qualifying capital by risk adjusted assets. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

20 Financial risk management (continued)

20.7 Capital management (continued)

The Company is required to maintain regulatory capital at a minimum of 10%. The Company's regulatory capital ratio is 78.49% (2021: 73.13%). During the period, the Central Bank of Trinidad and Tobago amended the framework used to calculate risk weighed assets incorporating additional operating risk elements.

The table below summarises the composition of regulatory capital and the ratio of the Company at the Statement of Financial Position date. During those two years, the Company complied with all of the externally imposed capital requirements to which it is subject.

	2022 ($'000)	2021 ($'000)
Tier 1 capital		
Stated capital	15,000	15,000
Statutory reserve	15,000	15,000
Retained earnings	20,099	11,688
Total qualifying Tier 1 capital	50,099	41,688
Tier 2 capital		
Revaluation reserve – securities	41	45
Other reserve	-	-
Total qualifying Tier 2 capital	41	45
Total regulatory capital	50,140	41,733
Risk-weighted assets:		
On-Statement of Financial Position	63,873	57,071
Total risk-weighted assets	63,873	57,071
Total regulatory capital to risk weighted assets	78.49%	73.13%

21 Fair value of financial assets and liabilities

Financial assets and liabilities not carried at fair value include cash and cash equivalents, receivables and payables. The following comments are relevant to their fair value.

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments: (i) cash and cash equivalents; (ii) receivables and payables included in other assets and other liabilities.

Securities at FVOCI – year ended October 31, 2021

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2022				
Mutual funds	95	-	-	95
Total investments	95	-	-	95
As at October 31, 2021				
Mutual funds	100	-	-	100
Total investments	100	-	-	100

Reconciliation of Level 1 fair value measurements of financial assets – year ended October 31, 2022

	FVOCI ($'000)
As at November 1, 2021	100
Gains from changes in fair value	(5)
As At October 31, 2022	95
As at November 1, 2020	90
Losses from changes in fair value	10
As At October 31, 2021	100

22 Financing arrangements

The Company has access to an overdraft facility in the amount of $20 million (2021: $20 million).

23 Administered funds

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, companies and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company. Assets under administration/trusteeship as at October 31, 2022 totalled $43 billion (2021: $47 billion).

24 Events after the reporting period

No significant events occurred after the statement of financial position date and up to the date of the approval of the financial statements by the Board of Directors.

Growing with the Caribbean for over 100 years.

At RBC, we are committed to deepening our relationship with existing clients and forging new ones in the future.

With investments in youth, education and environmental initiatives, we're dedicated to helping you and our communities grow.

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