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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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RBC Financial (Caribbean) Limited and its subsidiaries

Financial
Caribbean

Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Chief Executive Officer's Report

RBC Financial (Caribbean) Limited ("the Company") realised after tax net income from continuing operations of $496.1 million for the fiscal year ended October 31, 2021, an improvement compared to the prior year net loss of $1,829.4 million.

These results came against the backdrop of the continuous evolution/mutation of the novel coronavirus, which fast outpaced the medical world's advancements in vaccines and treatments. Countries continued to grapple with striking a delicate balance between providing social protections and maintaining economic activity, while limiting the risks to financial stability; a challenge of immense proportions with varying strategies being employed across different countries with uneven results.

Whilst revenue-generating flows remained constrained, the anticipated negative impact on credit quality was less severe than projected, allowing for the partial reversal of provisions recorded in the prior fiscal. This along with the recording in the prior year of an impairment on the goodwill balance (stemming directly from pandemic-related reductions to future cash flows), was largely responsible for the Company's improved year on year performance. The Company was also able to reduce its cost profile year-over-year thanks to sound cost management disciplines in a challenging business environment whilst maintaining a relatively stable employee base with year on year changes due to attrition.

The Company's total assets increased by $1,089.9 million, driven by growth of $1,561.2 million in our loans portfolio, whilst deposits were up $1,529.6 million year-over-year. The Company's regulatory capital ratio at year end stood at 24.26%, which is well above regulatory thresholds.

In late 2019, the Company announced it entered into an agreement to divest its Eastern Caribbean operations to a consortium of indigenous banks. Regulatory approvals were received with the transaction closing on April 1, 2021.

In 2021, our clients and employees settled into the "new normal" with the demand for our digital banking offerings continuing to grow, while employees proved their resilience even in a hybrid work from home and/or at the office environment. We continued to adapt to the changing needs of the various jurisdictions in which we operate, which at times meant adjusting banking hours and our in-person offerings. Nevertheless, 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 team 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 steadfast in our commitment to delivering excellence as we help our clients thrive and our communities prosper.

Darryl White
Chief Executive Officer, RBCFCL
January 24, 2022

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, 2021 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	Sham Singh
Chief Executive Officer,	Chief Financial Officer,
RBCFCL	RBCFCL
January 24, 2022	January 24, 2022

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, 2021, 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, 2021;
- 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

The Directors are 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.

Financial Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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
January 26, 2022

Consolidated Statement of Financial Position

	Note	October 31, 2021 ($'000)	October 31, 2020 ($'000)
Assets			
Cash and cash equivalents	3	8,303,855	10,319,217
Balances with central banks	4	9,064,554	11,082,327
Loans	5	24,565,793	23,004,626
Securities	6	13,559,131	7,769,066
Investment in associate companies and joint venture	7	260,769	252,821
Due from associates and affiliated companies	34	397,988	1,060,261
Intangible assets	8	273,357	324,758
Goodwill	9	4,361,852	4,310,766
Premises and equipment	10	872,092	902,591
Deferred tax assets	11	291,239	340,206
Other assets	12	722,735	426,823
Assets classified as held for sale	13	5,787	1,795,799
Total assets		62,679,152	61,589,261
Liabilities			
Due to banks		389,362	272,522
Customers' deposits	14	44,898,413	43,368,825
Other funding instruments	15	29,195	29,334
Other borrowed funds	16	1,245	1,765
Debt securities in issue	17	300,000	300,000
Due to associates and affiliated companies	34	2,629,313	2,097,593
Derivative financial liabilities		1,343	2,996
Post-retirement benefit obligations	18	374,800	449,636
Current income tax liabilities		60,118	32,604
Deferred tax liabilities	11	15,684	16,501
Other liabilities	19	1,535,109	1,425,591
Liabilities directly associated with assets classified as held for sale	13	-	1,480,800
Total liabilities		50,234,582	49,478,167
Equity			
Stated capital	20	12,065,350	12,065,350
Statutory reserves	21	780,015	691,018
Other components of equity	22	218,685	268,427
Accumulated deficit		(619,480)	(967,864)
Equity attributable to parent company		12,444,570	12,056,931
Non-controlling interests	23	-	54,163
Total equity		12,444,570	12,111,094
Total equity and liabilities		62,679,152	61,589,261

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

On January 24, 2022, the Board of Directors of RBC Financial (Caribbean) Limited authorised these Consolidated Financial Statements for issue.

_______________ Director _______________ Director

RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

Consolidated Statement of Income

	Note	Year ended October 31 2021 ($'000)	2020 ($'000)
Continuing operations			
Interest income	24	1,427,383	1,692,328
Interest expense	25	(134,687)	(181,223)
Net interest income		1,292,696	1,511,105
Non-interest income	26	869,759	895,411
Total revenue		2,162,455	2,406,516
Non-interest expenses	27	(1,705,046)	(1,834,567)
Goodwill impairment expense	9	-	(1,911,000)
Release of/(provision for) credit losses on off balance sheet items		(241)	(6,193)
Release of/(provision for) credit losses on loans	5.1	113,973	(454,696)
Release of/(provision for) credit losses on securities		67,100	(32,267)
Total non-interest expenses		(1,524,214)	(4,238,723)
Share of profit of associate companies	7.1	12,397	2,691
Share of profit of joint venture	7.3	7,414	11,731
Net income/(loss) before taxation from continuing operations		658,052	(1,817,785)
Taxation expense	29	(161,913)	(11,574)
Net income/(loss) after taxation from continuing operations		496,139	(1,829,359)
Discontinued operations			
Net loss from discontinued operations	13	(11,110)	(14,890)
Loss on disposal of subsidiaries	13	(90,446)	-
Total loss arising from discontinued operations		(101,556)	(14,890)
Net income/(loss)		394,583	(1,844,249)
Net income/(loss) for the year attributable to:			
Parent company		396,107	(1,844,779)
Non-controlling interests	23	(1,524)	530
		394,583	(1,844,249)

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

Consolidated Statement of Other Comprehensive Income

	Note	Year ended October 31 2021 ($'000)	2020 ($'000)
Net income/(loss)		394,583	(1,844,249)
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised (losses)/gains on securities at fair value through other comprehensive income		(44,290)	47,661
Tax impact		1,312	(2,106)
		(42,978)	45,555
Exchange differences on translating foreign operations	22.2	1,800	(2,800)
Share of other comprehensive loss of non-controlling interests		-	(36)
		(41,178)	42,719
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	18.5	44,232	20,400
Net change in unrealised (losses)/gains on equity securities at fair value through other comprehensive income		(4,439)	268
Tax impact		(7,083)	(3,252)
		32,710	17,416
Other comprehensive (loss)/income for the year, net of taxes		(8,468)	60,135
Total comprehensive income/(loss) for the year		386,115	(1,784,114)
Total comprehensive income/(loss) attributable to:			
Parent company		387,639	(1,784,608)
Non-controlling interests		(1,524)	494
		386,115	(1,784,114)

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

Financial
Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

Consolidated Statement of Changes in Equity

	Note	Stated capital ($'000) (Note 20)	Statutory reserves ($'000) (Note 21)	Other components of equity ($'000) (Note 22)	Accumulated deficit/ Retained earnings ($'000)	Attributable to parent company ($'000)	Non-controlling interests ($'000) (Note 23)	Total ($'000)
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 income/(loss)		-	-	(41,178)	428,817	387,639	(1,524)	386,115
Transfer to statutory reserves	21	-	121,666	-	(121,666)	-	-	-
Transfer from general banking risks reserve	22.4	-	-	(3,456)	3,456	-	-	-
Transfer upon disposal of subsidiaries		-	(32,669)	(5,108)	37,777	-	-	-
Disposal of subsidiaries		-	-	-	-	-	(52,639)	(52,639)
Balance at October 31, 2021		12,065,350	780,015	218,685	(619,480)	12,444,570	-	12,444,570
Balance at October 31, 2019		12,065,350	665,437	224,265	896,967	13,852,019	64,920	13,916,939
Other comprehensive income		-	-	42,755	17,416	60,171	(36)	60,135
Net (loss)/income attributable to shareholders		-	-	-	(1,844,779)	(1,844,779)	530	(1,844,249)
Total comprehensive (loss)/income		-	-	42,755	(1,827,363) -	(1,784,608)	494	(1,784,114)
Transfer to statutory reserves	21	-	25,581	-	(25,581)	-	-	-
Transfer to general banking risks reserve	22.4	-	-	2,894	(2,894)	-	-	-
Other reserve movements	22.1	-	-	-	1,618	1,618	789	2,407
Dividends	30	-	-	-	-	-	-	-
Dissolution of subsidiary		-	-	(1,487)	(10,611)	(12,098)	(12,040)	(24,138)
Balance at October 31, 2020		12,065,350	691,018	268,427	(967,864)	12,056,931	54,163	12,111,094

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

Consolidated Statement of Cash Flows

	Year ended October 31 2021 ($'000)	2020 ($'000)
Net income/(loss)	394,583	(1,844,249)
Adjustments for:		
Net loss from discontinued operations	11,110	14,890
Loss on disposal of subsidiaries	90,446	-
(Release of)/provision for credit losses	(180,832)	493,156
Post-retirement benefit expens /(write-back)	8,428	(29,273)
Net investment trading income	(3,584)	(2,619)
Depreciation and amortisation of premises and equipment and intangible assets	190,353	221,474
Goodwill impairment expense	-	1,911,000
Loss on disposal of premises and equipment and intangible assets	1,975	2,798
Share of profit of associate companies and joint venture	(19,811)	(14,422)
Unrealised gains on securities	(188)	(1,046)
Accretion on securities	25,611	(12,162)
Operating income before changes in operating assets and liabilities for continuing operations	518,091	739,547
(Increase)/decrease in operating assets:		
Balances with central banks	2,017,773	(3,824,648)
Loans	(1,435,340)	(452,111)
Due from associates and affiliated companies	662,273	(281,496)
Other assets	(241,174)	(372,626)
Increase/(decrease) in operating liabilities:		
Due to banks	116,840	93,272
Customers' deposits	1,529,588	4,524,742
Other funding instruments	(139)	112
Due to associates and affiliated companies	531,720	(2,054,388)
Other liabilities	135,765	(284,712)
Pension contributions paid	(749)	(588)
Taxes paid	(91,893)	(200,139)
Cash generated from/(used in) operating activities for continuing operations	3,742,755	(2,113,035)

	Year ended October 31 2021 ($'000)	2020 ($'000)
Investing activities		
Purchase of securities	(15,590,116)	(8,564,433)
Proceeds from sale and redemption of securities	9,744,548	11,029,424
Dividends received from associate companies and joint venture	4,926	3,308
Additions to premises and equipment and intangible assets	(95,578)	(315,815)
Proceeds from sale of premises and equipment	46,890	192,990
Proceeds from sale of subsidiaries	65,863	-
Proceeds from sale of premises included in assets held for sale	27,517	-
Cash (used in)/provided by investing activities for continuing operations	(5,795,950)	2,345,474
Financing activities		
Payments on other borrowed funds	(520)	(501)
Principal elements of lease payments	(56,523)	(61,498)
Cash used in financing activities for continuing operations	(57,043)	(61,999)
Net (decrease)/increase in cash and cash equivalents for continuing operations	(2,110,238)	170,440
Net increase/(decrease) in cash and cash equivalents for discontinued operations	112,829	(58,754)
Cash and cash equivalents at beginning of year	10,319,217	10,249,830
Cash and cash equivalents for discontinued operations	-	(102,563)
Effects of exchange rate changes on cash and cash equivalents	(17,953)	60,264
Cash and cash equivalents at end of year	8,303,855	10,319,217
Interest received	1,442,638	1,678,368
Interest paid	(146,007)	(164,742)

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

RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

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. 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

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

• Leases	Note 2
• Revenue recognition	Note 2, Note 26
• Fair value of financial instruments	Note 2, Note 36
• Allowance for credit losses	Note 2, Note 5, Note 6
• Employee benefits	Note 2, Note 18
• Share–based compensation	Note 2, Note 28
• Goodwill and other intangibles	Note 2, Note 8, 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 31

Basis of consolidation

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.

New, revised and amended standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022. The Group has not early-adopted any of them and therefore they have not been applied in preparing these consolidated financial statements. The amendment listed below is most likely to have an impact on the Group's performance, financial position or disclosures. The Group is in the process of assessing the impact of this amendment on the subsequent financial statements.

Effective November 1, 2021

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

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

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Classification of financial assets (continued)

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.

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.

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

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

Other significant accounting policies (continued)

Loans (continued)

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

The IFRS 9 model is not calibrated for unprecedented events such as the COVID 19 pandemic. In order to appropriately reflect the impact of the COVID 19 pandemic on future credit losses in the portfolio, we applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the 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. We have internal governance in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

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

Expected life

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

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

Assessment of significant increase in credit risk

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

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

1) The instrument is 30 days past due.
2) The account is watch-listed and managed by the Regional Special Loan Unit (RSLU). The RSLU portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.
3) Retail loans receiving business as usual deferrals granted by our collections team.

Our assessment of significant increases in credit risk is primarily based on the approach described above and our projections of an increase in probability of default (PD) in the portfolio. Additional qualitative reviews and a 30 days past due backstop are also applied. The broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of COVID 19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made as necessary.

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rate, GDP and inflation rate.

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

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

Further details on our forward looking assumptions and scenarios as at October 31, 2021 are provided in Note 5.2.

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the 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 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 and are generally consistent with those used in Stage 1 and Stage 2 measurement.

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

Collectively assessed loans (Stage 3)

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

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

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

Write-off of loans

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

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

In the wake of the COVID 19 pandemic announcement in 2020, we provided relief to help personal and business clients to manage the challenges of the COVID 19 pandemic on a case by case basis through our specialised loans teams. A financial asset which is

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Allowance for credit losses (continued)

Client relief programs under COVID 19 (continued)

modified under these arrangements will continue to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. In the prior fiscal year, we concluded a relief program to assist clients who were in good standing through payment deferrals over a moratorium period, which resulted in the original maturity of the financial asset postponed by the moratorium period with no other substantial change to the contractual terms of the financial asset resulting in no material modification losses. The modification of the original terms of a financial asset which arose under the relief program arrangement, did not give rise to derecognition of the original financial asset and recognition of the new financial asset. The relief program focused mainly on loans within Stage 1.

Determination of fair value

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

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 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 card revenue. 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.

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Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

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 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 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 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,

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Income taxes (continued)

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 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

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Premises and equipment (continued)

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.

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 cash equivalents

	2021 ($'000)	2020 ($'000)
Cash on hand	778,620	757,926
Treasury bills	4,672,016	7,273,748
Due from other banks	2,853,219	2,287,543
	8,303,855	10,319,217

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

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. For the balances as at October 31, 2020, the reserves for the Eastern Caribbean subsidiaries are reflected in Assets classified as held for sale.

5 Loans

	2021 ($'000)	2020 ($'000)
Retail	2,933,509	3,098,791
Commercial/corporate	12,805,118	11,296,546
Mortgages	9,860,056	9,779,021
Gross loans	25,598,683	24,174,358
Unearned interest	(4,929)	(3,815)
	25,593,754	24,170,543
Allowance for credit losses (Note 5.1)	(1,027,961)	(1,165,917)
	24,565,793	23,004,626
Stage 1	23,120,720	21,805,476
Stage 2	1,497,809	1,488,221
Stage 3	980,154	880,661
Gross loans	25,598,683	24,174,358
Current	5,124,182	5,191,873
Non-current	20,474,501	18,982,485
Gross loans	25,598,683	24,174,358

5.1 **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, 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
For the year ended October 31, 2020					
Retail	114,753	58,402	2,971	2,304	178,430
Commercial/corporate	483,007	152,027	(5,564)	(39,993)	589,477
Mortgages	201,521	244,267	(12,788)	(34,990)	398,010
	799,281	454,696	(15,381)	(72,679)	1,165,917
Undrawn loan commitments	27,541	49,934	-	(3,069)	74,406

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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5 Loans (continued)

5.1 Allowance for credit losses (continued)

- 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). The prior fiscal year includes the reversal of accumulated allowance for credit losses attributed to the Eastern Caribbean operations which was reclassified to non-current assets held for sale, prior to the sale in 2021 (refer to Note 13).

	Allowance for Credit Losses ($'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
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
For the year ended October 31, 2020				
Balance at beginning of period	189,965	178,484	430,832	799,281
Provision for credit losses				
Transfers in (out) to Stage 1	55,326	(27,440)	(27,886)	-
Transfers in (out) to Stage 2	(11,313)	14,134	(2,821)	-
Transfers in (out) to Stage 3	(2,795)	(49,280)	52,075	-
Purchases and originations	54,982	-	-	54,982
Derecognitions and maturities	(14,549)	(34,560)	-	(49,109)
Remeasurements	858	475,345	(27,380)	448,823
Write-offs	-	-	(75,533)	(75,533)
Recoveries	-	-	60,152	60,152
Exchange rate and other	(17,888)	(13,188)	(41,603)	(72,679)
Balance at end of period	254,586	543,495	367,836	1,165,917

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, transition matrices, unemployment rate, GDP and inflation rate.

Further details on the key inputs and assumptions used as at October 31, 2021 are provided in Note 2 and Note 5.2.

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, 2021		
ACL on performing loans[1]	639,287	609,788
As at October 31, 2020		
ACL on performing loans[1]	798,081	788,394

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

Transfers between stages

Further to our current policy for transfers between stages as described in Note 2, as part of our overlay, we qualitatively increased the transfers from stage 1 to stage 2 to reflect the current challenging economic environment. This qualitative adjustment was informed by economic projections, scenario weights and historical behavior of our portfolio.

The 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, 2021 Performing loans [1] ($'000)	As at October 31, 2020 Performing loans [1] ($'000)
ACL - all performing loans in Stage 1	263,436	274,773
Impact of staging	375,851	523,308
Stage 1 and 2 ACL	639,287	798,081

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

5.2 COVID-19 pandemic

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

In the case of the Caribbean, the level of economic contraction has been severe as a result of the reduction of tourist inflows to the region. Energy dependent economies, such as Trinidad and Tobago also experienced an economic downturn due to lower energy prices. The adverse impact on our retail and wholesale clients has been partially mitigated through government support programs, multilateral and other external support (including the IMF, WB, IDB, CDB and the Government of the Netherlands) and the rollout of payment deferral programs by the banking sector.

During 2021 many Caribbean economies had a modest economic recovery largely due to increases in travel and tourism. However, the levels of economic activity continued to be significantly below pre-pandemic levels. The economic recovery is expected to continue during next year as travel and tourism continue to improve relative to pre-pandemic levels, supported by rising domestic vaccination rates and the high vaccine uptake in major tourism source markets. Continued fiscal stimulus and accommodative monetary conditions in some countries will bolster consumer spending and unemployment relief.

The spread of the delta variant and resulting resurgence of virus spread has raised uncertainty with regards to the timing and extent of the economic recovery and impact on expected credit losses. As there is uncertainty on how tourism, economic activity and the portfolio will react to these conditions, the assumptions used to determine our allowances have a higher than usual degree of uncertainty. The inputs used in the calculation of the allowance are inherently subject to change, which may materially impact our estimate of the allowance for expected credit losses.

The Group's stage 1 and 2 allowance for credit losses on the loan portfolios as at October 31, 2021 reflects a decrease as a result of the recent recovery observed in many economies and the resilience of our portfolio. The IFRS 9 model could not solely be used to determine expected credit losses as it was not designed with events of this magnitude in mind. As a consequence, a model overlay was used to account for incremental expected losses not captured by the IFRS 9 model.

To address the uncertainties inherent in the current environment and to reflect all relevant risk factors not captured in our model, we applied expert credit judgement in the design of the overlay and the determination of inputs used in the calculation of the allowance. In light of the significant uncertainty, the impact of expert credit judgement on our allowances during 2020-2021 increased as compared to 2019. We applied qualitative adjustments to macroeconomic projections, the assumed credit response of the portfolio to the macroeconomic conditions, levels of loss severity and the determination of significant increase in credit risk.

Key inputs and assumptions

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

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

Forward looking macroeconomic projections

The PD and LGD inputs used to predict expected credit losses are primarily based on GDP growth projections. The assumed level of response of the PD to the level of economic contraction was informed by historical events, recent portfolio performance and expert judgement. The LGDs used in the calculation of our allowance were qualitatively adjusted upwards to reflect higher expected time to resolution for future defaults secured with real estate collateral. Our allowance for credit losses reflect our economic outlook as at October 31, 2021. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Financial Caribbean

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Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5 Loans (continued)

5.2 COVID-19 pandemic (continued)

Forward looking macroeconomic projections (continued)

Our base scenario accounts for the expected gradual recovery of Caribbean economies during 2021-2022. Current volatility of tourism travel, impacted by local and international COVID infection spikes, continued travel and quarantine protocols and adverse travel advisories lend support to the consensus expectation by governments, central banks, the IMF and tourism authorities that full sustainable air travel recovery across the Caribbean will not happen until 2023 - 2024.

Our downside scenario reflects a reversal of tourism gains experienced over the last 6 months and a downturn of oil prices which adversely impacts the energy dependent economy of Trinidad and Tobago. Our upside scenario considers a marginal improvement on base conditions resulting from a higher and faster than expected economic recovery. The forecasts of GDP growth rates were informed by external benchmarks and our own internal views which reflect the opinion and feedback from our economist, management and the business.

Internal assessment of the level of resilience of large wholesale clients

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

Recent portfolio performance

The PD used for different portfolio segments were qualitatively adjusted to take into account recent portfolio performance. Portfolios which have shown high resilience to the pandemic would have lower PD levels than portfolio with higher default rates.

Changes in scenario design and the weights associated to each scenario

Our approach to set scenarios and scenario weights are described in Note 2. All scenarios considered in our analysis include the impact of the pandemic as at October 31, 2021; reflective of current economic conditions. In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weigh the downside scenarios relative to October 31, 2020. Since the onset of the global spread of the COVID 19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios.

The impact of weighting multiple scenarios on our final allowance is illustrated in Note 5.1; where we compare the final allowance versus expected credit loss predictions under the base scenario.

Loan modifications

We have established relief programs to help clients manage through challenges of the COVID-19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring. In some cases, the original terms of the associated loans were 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, 2021, the amortised cost of the loans whose contractual terms were modified before the modification was $157 million, resulting in no material modification gains or losses.

6 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, 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
As at October 31, 2021 (continued)							
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
As at October 31, 2020							
Fair value through profit or loss (2)							
Government and state-owned enterprises debt	-	-	-	7,138	-	-	7,138
Corporate debt	-	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	94,498	94,498
	-	-	-	7,138	-	94,498	101,636
Fair value through other comprehensive income							
Treasury bills and treasury notes(3)							
Amortised cost	168,105	-	-	-	-	-	168,105
Fair value	167,837	-	-	-	-	-	167,837
Government and state-owned enterprises debt(3)							
Amortised cost	-	-	188,969	307,624	202,495	-	699,088
Fair value	-	-	207,859	355,254	240,653	-	803,766
Equities(4)							
Cost	-	-	-	-	-	5,303	5,303
Fair value	-	-	-	-	-	31,752	31,752
	167,837	-	207,859	355,254	240,653	31,752	1,003,355
Amortised cost(5)							
Amortised cost	1,442,075	2,943,547	2,266,579	11,874	-	-	6,664,075
Fair value	1,453,567	2,970,452	2,295,973	13,509	-	-	6,733,501
	1,442,075	2,943,547	2,266,579	11,874	-	-	6,664,075
Total carrying value of securities(1)	1,609,912	2,943,547	2,474,438	374,266	240,653	126,250	7,769,066

(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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

Carrying value of securities (continued)

Purchased Originally Credit Impaired 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 to 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:

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, 2021 the life to date change in fair value due to risk free interest rate is $78 million (2020 - $119 million). The life to date movement attributed to accrued interest was $34 million (2020 - $21 million). For the year ended October 31, 2021 $64 million was recorded as the change in expected credit losses (2020 - $20 million) in the Consolidated Statement of Income.

The COVID 19 pandemic (refer to disclosure 6.3 on page 50) will 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. Therefore, 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

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

6.1 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, 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
As at October 31, 2020				
FVOCI				
Treasury bills and treasury notes	168,105	-	(268)	167,837
Government and state-owned enterprises debt	645,179	158,587	-	803,766
Equities [2]	5,303	26,892	(443)	31,752
	818,587	185,479	(711)	1,003,355

(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.

6.2 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:

	2021 ($'000)	2020 ($'000)
Gross exposures		
Stage 1	11,780,815	6,621,195
Stage 2	189,977	75,107
Total securities	11,970,792	6,696,302
Less: allowance for credit losses	(20,244)	(32,227)
Securities net of expected credit losses	11,950,548	6,664,075

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.
- During the prior year, exchange rate and other category included the reversal of accumulated allowance for credit losses attributed to the Eastern Caribbean operations which was reclassified to non-current assets held for sale, prior to the sale in 2021 (refer Note 13).

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, 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
For the year ended October 31, 2020				
Balance at beginning of period	23,546	7,896	-	31,442
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	(15)	15	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	35,735	-	-	35,735
Derecognitions and maturities	(6,632)	(238)	-	(6,870)
Remeasurements	(18,977)	(6,044)	-	(25,021)
Write-offs	-	-	-	-
Exchange rate and other	(3,059)	-	-	(3,059)
Balance at end of period	30,598	1,629	-	32,227

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

6.2 Allowance for credit losses on securities (continued)

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

	Performing Stage 1 ($'000)	Performing Stage 2 ($'000)	Impaired Stage 3 ($'000)	POCI ($'000)	Total ($'000)
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)
For the year ended October 31, 2020					
Balance at beginning of period	598	66	-	(38,341)	(37,677)
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	27,086	-	-	-	27,086
Derecognitions and maturities	(17,940)	-	-	-	(17,940)
Remeasurements	(348)	(14)	-	19,639	19,277
Write-offs	-	-	-	-	-
Exchange rate and other	3	-	-	284	287
Balance at end of period	9,399	52	-	(18,418)	(8,967)

(1) Expected credit losses on debt securities at FVOCI are not separately recognised on the Consolidated Statement of Financial Position 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.

6.3 COVID-19 pandemic

The Bank's allowance for credit losses on the securities portfolios as at October 31, 2021 included expected credit losses related to the impact of the COVID 19 global pandemic ("COVID 19"). The pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio because it was not designed with events of this magnitude in mind; which include a very severe economic contraction and support programs from governments, multilateral institutions and the banking sector. As a consequence, a model overlay was recorded to account for the impact on expected credit losses not captured by the IFRS 9 model.

In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weight the downside scenarios relative to October 31, 2020. Since the onset of the global spread of the COVID 19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios.

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

6.4 Securities at amortised cost

	2021 ($'000)	2020 ($'000)
Government and state-owned enterprises debt securities	11,089,962	5,552,782
Corporate debt securities	860,586	1,111,293
	11,950,548	6,664,075
Current	6,488,654	4,940,733
Non-current	5,461,894	1,723,342
	11,950,548	6,664,075

6.5 Movement in securities

	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)
Reclassified to non-current assets held for sale	-	-	-	-
Gains/(losses) from changes in fair value	3,584	3,303	-	6,887
Accretion/ (amortisation) of discount/ (premium)	-	11,542	(37,153)	(25,611)
Allowance/ write back of 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
As at October 31, 2019	231,666	974,192	9,080,671	10,286,529
Reclassifications	-	-	-	-
Additions	-	672,783	7,891,650	8,564,433
Disposal (sale and redemption)	(58,994)	(673,283)	(10,297,147)	(11,029,424)
Reclassified to non-current assets held for sale	(74,259)	(6,705)	(16,603)	(97,567)
Gains/ (losses) from changes in fair value	2,619	18,587	-	21,206
Accretion/ (amortisation) of discount/ (premium)	-	10,905	1,257	12,162
Allowance/ write back of credit losses	-	-	(3,844)	(3,844)
Foreign exchange adjustment	604	6,876	8,091	15,571
As at October 31, 2020	101,636	1,003,355	6,664,075	7,769,066

7 Investment in associate companies and joint venture

	2021 ($'000)	2020 ($'000)
Associate companies (Note 7.1)	77,185	72,053
Joint venture (Note 7.3)	183,584	180,768
	260,769	252,821

7.1 Movement of investment in associate companies

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	72,053	71,311
Share of current period's profits before tax	12,397	2,691
Share of current period's tax (Note 29)	(2,659)	359
Other adjustments	(1,704)	-
Dividends	(2,902)	(2,308)
Balance at end of year	77,185	72,053

7.2 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 2021	Percentage of equity capital held 2020
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%

	2021 ($'000)	2020 ($'000)
Infolink Services Limited		
Current assets	127,408	134,489
Non-current assets	39,147	20,482
Current liabilities	(4,889)	(4,486)
Non-current liabilities	(2,995)	(4,293)
Total comprehensive income	8,207	12,498

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

7 Investment in associate companies and joint venture (continued)

7.2 Associate companies (continued)

	2021 ($'000)	2020 ($'000)
Infolink Services Limited (continued)		
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	158,671	146,192
Proportion of ownership interest	25%	25%
Carrying amount of interest in Infolink Services Limited	39,668	36,548
Park Court Limited		
Current assets	11,882	8,144
Non-current assets	390,276	388,214
Current liabilities	(6,224)	(17,043)
Non-current liabilities	(302,879)	(302,913)
Total comprehensive income/(loss)	23,790	(9,093)
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	93,055	76,402
Proportion of ownership interest	20%	20%
Other adjustments	2,209	2,209
Carrying amount of interest in Park Court Limited	20,820	17,489
KF Real Estate C.V.		
Current assets	1,916	5,413
Non-current assets	68,653	68,860
Current liabilities	(3,768)	(2,042)
Non-current liabilities	(12,321)	(16,493)
Total comprehensive income	843	1,282
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	54,480	55,738
Proportion of ownership interest	33.3%	33.3%
Other adjustments	(1,444)	(545)
Carrying amount of interest in KF Real Estate C.V.	16,697	18,016

7.3 Movement in investment in joint venture

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	180,768	173,794
Share of current year's profits, before tax	7,414	11,731
Share of current year's tax (Note 29)	(2,574)	(3,757)
Dividends	(2,024)	(1,000)
Balance at end of year	183,584	180,768

7.4 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%

	2021 ($'000)	2020 ($'000)
Current assets	86,621	76,984
Non-current assets	801,447	820,305
Total assets	888,068	897,289
Current liabilities	(28,852)	(30,404)
Non-current liabilities	(308,023)	(324,139)
Total liabilities	(336,875)	(354,543)
Revenue	120,093	127,603
Profit before tax	32,531	39,682
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	551,193	542,746
Proportion of ownership interest	33.3%	33.3%
Other adjustments	37	34
Carrying amount of interest in RGM Limited	183,584	180,768

8 Intangible assets

	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	-	-	-
Transfers1	121,107	(114,118)	6,989
Amortisation	(85,828)	-	(85,828)
Closing net carrying value	196,181	77,176	273,357
Cost	771,390	77,176	848,566
Accumulated amortisation	(575,209)	-	(575,209)
Net carrying value	196,181	77,176	273,357
Year ended October 31, 2020			
Opening net carrying value	246,737	179,497	426,234
Translation adjustment	772	1	773
Adjusted opening net book value	247,509	179,498	427,007
Additions	97,108	27,559	124,667
Disposals	(61,273)	(10,018)	(71,291)
Reclassified to non-current assets held for sale	(601)	-	(601)
Transfers(1)	(26,941)	(31,738)	(58,679)
Amortisation	(96,345)	-	(96,345)
Closing net carrying value	159,457	165,301	324,758
Cost	917,560	165,301	1,082,861
Accumulated amortisation	(758,103)	-	(758,103)
Net carrying value	159,457	165,301	324,758

(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 $267 million (2020 - $7.2 million).

There were no contractual commitments to acquire intangible assets in 2021 or 2020.

9. Goodwill

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	4,310,766	6,303,841
Goodwill impairment expense	-	(1,911,000)
Reclassified to assets held for sale (Note 13)	-	(82,075)
Adjustment to allocation made to assets held for sale (Note 13)	51,086	-
Balance at end of year	4,361,852	4,310,766

In the prior year following the announcement of the disposal of the EC operations and in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations, an amount of $82 million was computed as relating to the EC operations. In closing the transaction in the current year, $31 million was recomputed as the final allocation (see Note 13).

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, 2021, a surplus of $4,548 million was observed as at October 31, 2021 (2020 – impairment of $1,911 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.

Financial Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

9. Goodwill (continued)

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, 2021	October 31, 2020
Terminal revenue growth rates	5.00%	3.30%
Terminal net income growth rates	3.50%	3.70%
Discount rates	9.90%	10.50%

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/ (Deficit) would change as follows:

	Rate Changes		Movement in Surplus	
	From %	To %	From $'000	To $'000
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
Year ended October 31, 2020				
Terminal revenue growth rate - 75 bps decline	1.90%	1.15%	(1,911)	(2,051)
Terminal net income growth rate - 25 bps decline	3.70%	3.45%	(1,911)	(2,254)
Discount rate - 25 bps increase	10.50%	10.75%	(1,911)	(2,349)

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.

10 Premises and equipment

	2021 ($'000)	2020 ($'000)
Premises and equipment owned (Note 10.1)	531,676	563,022
Right-of-use leased assets (Note 10.2)	340,416	339,569
	872,092	902,591

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, 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)
Impairment of premises	-	-	-	-	-	-
Reclassified from 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	571,459	9,696	213,780	719,626	23,828	1,538,389
Accumulated depreciation	(210,574)	(4,573)	(137,326)	(648,850)	(5,390)	(1,006,713)
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 8).

	Freehold properties ($'000)	Leasehold properties ($'000)	Leasehold improvements ($'000)	Equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2020						
Opening net book value	414,807	2,334	55,666	56,302	101,346	630,455
Translation adjustment	1,342	8	50	203	328	1,931
Adjusted opening net book value	416,149	2,342	55,716	56,505	101,674	632,386
Additions[1]	1,381	-	664	41,251	147,852	191,148
Disposals	(321)	(1)	(22,674)	(1,594)	(99,907)	(124,497)
Impairment of premises	(12,135)	-	-	-	-	(12,135)
Reclassified to non-current assets held for sale	(52,909)	(234)	-	(2,604)	(23)	(55,770)
Transfers	15,859	312	28,057	27,391	(71,619)	-
Depreciation charge	(11,863)	(235)	(13,098)	(42,914)	-	(68,110)
Closing net book value	356,161	2,184	48,665	78,035	77,977	563,022
At October 31, 2020						
Total cost	555,327	3,080	209,462	874,310	77,977	1,720,156
Accumulated depreciation	(199,166)	(896)	(160,797)	(796,275)	-	(1,157,134)
Net book value	356,161	2,184	48,665	78,035	77,977	563,022

(1) Included in additions are transfers of $58 million from intangibles (Note 8).

Impairment of property

There was no impairment within the Group for the year ended October 31, 2021. For the year ended October 31, 2020 the property which previously housed the Group's technology operations was deemed impaired as the valuation and the estimated cost of disposal was less than the carrying value of the asset.

Assets pledged as security

There were no land and buildings pledged to secure borrowings of the Group in 2021 or 2020.

10.2 Right-of-use leased assets

	Properties ($'000)
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

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Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

10 Premises and equipment (continued)

10.2 Right-of-use leased assets (continued)

	Properties ($'000)
Year ended October 31, 2020	
Opening net book value	-
Transition adjustment on adoption of IFRS 16	371,701
Adjusted opening net book value	371,701
Additions	32,451
Disposals	(5,111)
Reclassified to non-current assets held for sale	(2,453)
Depreciation charge	(57,019)
Closing net book value	339,569
At October 31, 2020	
Total cost	396,588
Accumulated depreciation	(57,019)
Net book value	339,569

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, 2021 was $57 million (2020 - $66 million).

11 Deferred tax assets and liabilities

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

	2021 ($'000)	2020 ($'000)
Deferred tax assets (Note 11.1)	291,239	340,206
Deferred tax liabilities (Note 11.2)	(15,684)	(16,501)
	275,555	323,705
The movement on the deferred tax account is as follows:		
At beginning of year	323,705	198,671
Effect of changes in exchange rates	(237)	258
Consolidated Statement of Comprehensive Income (Note 29)	(38,588)	118,209
Investment revaluation reserve:		
Fair value losses	2,067	(2,305)
Loss transferred to the Consolidated Statement of Comprehensive Income	(11,109)	(4,411)
Fair value adjustment relating to acquisition	(265)	(2,881)
Reclassified to non-current assets held for sale	-	(5,538)
Other	(18)	21,702
At end of year	275,555	323,705
Deferred tax assets and liabilities are attributable to the following items:		
11.1 Deferred tax assets		
Securities FVOCI	(11,724)	(12,222)
Unrealised losses on derivatives	(7,151)	(10,115)
Post-retirement benefits	91,202	106,781
Accelerated tax depreciation	3,762	5,576
Tax losses	67,671	54,506
Allowance for credit losses	144,943	182,209
Other	2,536	13,471
	291,239	340,206

	2021 ($'000)	2020 ($'000)
11.2 Deferred tax liabilities		
Accelerated tax depreciation	(12,769)	(13,136)
Securities FVOCI	(2,879)	(2,879)
Fair value adjustment on acquisition	12,150	12,441
Other	(12,186)	(12,927)
	(15,684)	(16,501)

The tax loss carryforward amounts of deferred tax assets of $68 million (October 31, 2020 – $55 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.

12 Other assets

	2021 ($'000)	2020 ($'000)
Corporation tax recoverable	173,455	173,684
Other taxes recoverable	11,427	17,269
Accounts receivable	40,566	37,644
Interest receivable	89,885	105,140
Items in transit	365,446	89,022
Other	41,961	4,067
	722,740	426,826
Allowance for credit losses	(5)	(3)
	722,735	426,823
Current	639,871	351,253
Non-current	82,869	75,573
	722,740	426,826

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

	2021 ($'000)	2020 ($'000)
Land	848	8,174
Buildings	4,939	32,754
Eastern Caribbean subsidiaries	-	1,754,871
	5,787	1,795,799

Assets held for sale – Land and Buildings

The Group intends to dispose of the land and buildings that are no longer in use within the branch networks in RBC Royal Bank N.V and RBC Royal Bank (Aruba) N.V. At year end, an active search was underway for buyers in this territory. 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 therefore these assets were reclassified from premises and equipment to assets held for sale. An asset belonging to RBC Royal Bank (Trinidad & Tobago) Ltd has been reclassed to premises and equipment as the requirements to be classified as held for sale has not been met since the property has not been sold three years since the initial classification due to legal issues associated with the property. Additionally, the sale of land and building within the parent company – RBC Financial (Caribbean) Limited occurred during the year ended October 31, 2021.

	2021 ($'000)	2020 ($'000)
Land		
Cost	848	8,174
Impairment	-	-
Net book value transferred from premises and equipment	848	8,174
Buildings		
Cost	13,161	69,936
Impairment	-	(12,135)
Accumulated depreciation	(8,222)	(25,047)
Net book value transferred from premises and equipment	4,939	32,754
Land:		
Opening balance	8,174	226
Disposal of property	(3,700)	-
Amounts reclassed from premises and equipment	-	7,948
Amounts reclassed to premises and equipment	(3,626)	-
Closing balance	848	8,174

Financial Caribbean

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Assets held for sale – Land and Buildings (continued)

	2021 ($'000)	2020 ($'000)
Buildings:		
Opening balance	32,754	11,276
Disposal of property	(23,817)	-
Amounts reclassed from premises and equipment	-	21,478
Amounts reclassed to premises and equipment	(3,998)	-
Closing balance	4,939	32,754

Assets Held for Sale – Eastern Caribbean

On December 12, 2019, the Board of Directors of RBC Financial (Caribbean) Limited announced they entered into an agreement to sell all banking operations in the Eastern Caribbean to a consortium of five indigenous banks in the region via a Share Purchase Agreement. For the year ended October 31, 2020 the assets and liabilities of all three subsidiaries were presented as held for sale and their associated net income was presented as discontinuing operations as management considered that the sale met the criteria of IFRS 5 because the Eastern Caribbean operations represent a separate geographical location.

The subsidiaries in the Eastern Caribbean included in the disposal group under the Share Purchase Agreement 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 was completed on April 1, 2021. The shareholding in RBC Royal Bank Holdings (EC) Limited is not yet liquidated after the sale, as it was not part of the sale transaction.

	2020 ($'000)
Cash and cash equivalents	102,563
Loans	617,260
Securities	48,886
Intangible assets	601
Premises and equipment	28,228
Other assets	875,258
	1,672,796
Goodwill allocated (Note 9)	82,075
Total assets classified as assets held for sale	1,754,871
Liabilities directly associated with assets classified as held for sale	
Customer deposits	1,442,558
Other liabilities	38,242
Total liabilities directly associated with assets	1,480,800
Non-controlling interests directly associated with assets classified as held for sale	
Non-controlling interests	54,163

Discontinued operations – Eastern Caribbean

The table below presents amounts included in the Consolidated Statement of Income:

	For five months ended April 1 2021 ($'000)	For twelve months ended October 31 2020 ($'000)
Total discontinued operations - Consolidated Statement of Income		
Interest income	23,031	57,485
Interest expense	(6,371)	(15,216)
Net interest income	16,660	42,269
Non-interest income	6,027	20,315
Total revenue	22,687	62,584
Non-interest expenses		
Operating expenses	(26,698)	(64,181)
Provision for credit losses	4,316	(12,106)
Total non-interest expenses	(22,382)	(76,287)
Net income/(loss) before taxation	305	(13,703)
Taxation expense	(11,415)	(1,187)
Net loss after taxation	(11,110)	(14,890)
Net loss from discontinued operations	(11,110)	(14,890)

	For five months ended April 1 2021 ($'000)	For twelve months ended October 31 2020 ($'000)
Total discontinued operations – Statement of Cash Flows		
Net cash used in operating activities	(25,064)	(106,270)
Net cash (used in)/provided by investing activities	(77,715)	47,516
Effect of exchange rate changes on cash and cash equivalents	216	-
Net decrease in cash and cash equivalents	(102,563)	(58,754)
Cash and cash equivalents at beginning of year	102,563	161,317
Cash and cash equivalents at end of year	-	102,563

Significant disposition

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.

	($'000)
Cash consideration received	65,863
Details of the assets and liabilities disposed :	
	April 1, 2021 ($'000)
Assets:	
Cash and cash equivalents	1,650
Other assets	1,639,201
	1,640,851
Goodwill allocated (Note 9)	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)

14 Customers' deposits

	2021 ($'000)	2020 ($'000)
Savings	20,616,912	17,516,779
Term deposits	3,467,303	6,195,571
Current accounts	20,814,198	19,656,475
	44,898,413	43,368,825
Sectoral analysis		
Consumers	21,878,106	21,229,281
Private sector	20,647,038	16,837,450
State sector	1,992,760	4,650,674
Other	380,509	651,420
	44,898,413	43,368,825
Current	43,894,699	42,536,699
Non-current	1,003,714	832,126
	44,898,413	43,368,825

RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

15 Other funding instruments

	2021 ($'000)	2020 ($'000)
Other funding instruments	29,195	29,334
	29,195	29,334
Sectoral analysis		
Individuals	6,741	6,752
Private sector	1,486	1,428
Financial institutions	20,968	21,154
	29,195	29,334
Current	29,195	29,334
Non-current	-	-
	29,195	29,334

Other funding instruments consist of fund raising instruments, which are unsecured borrowings. Interest rates on other funding instruments ranged from 0% to 6% (2020 – 0% to 6%).

16 Other borrowed funds

	2021 ($'000)	2020 ($'000)
Long-term borrowings	1,245	1,765
	1,245	1,765

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, 2021, was 3% (2020 –3%).

17 Debt securities in issue

	2021 ($'000)	2020 ($'000)
Debt securities in issue	300,000	300,000
	300,000	300,000

Unsecured debt securities in issue as at October 31, 2021, include the following:

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

18 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.

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

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 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
October 31, 2020			
Fair value of plan assets	(45,950)	-	(45,950)
Post-retirement benefit obligation	212,612	282,974	495,586
Liability in the Consolidated Statement of Financial Position	166,662	282,974	449,636

18.2 **The movements in the net liability is recognised in the Consolidated Statement of Financial Position and Consolidated Statements of Income and Other Comprehensive Income are as follows:**

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2021			
At beginning of period	166,662	282,974	449,636
Net benefit cost (Note 18.5)	17,257	(8,829)	8,428
Employer contributions	(749)	-	(749)
Other comprehensive income	(24,248)	(19,984)	(44,232)
Net benefits paid	(30,945)	(7,338)	(38,283)
At end of year	127,977	246,823	374,800
October 31, 2020			
At beginning of period	215,098	327,211	542,309
Net benefit cost (Note 18.5)	14,989	(44,262)	(29,273)
Employer contributions	(588)	-	(588)
Reclassified to liabilities directly associated with assets classified as held for sale	(1,973)	(2,336)	(4,309)
Other comprehensive income	(22,761)	2,361	(20,400)
Net benefits paid	(38,103)	-	(38,103)
At end of year	166,662	282,974	449,636

18.3 **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, 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)
October 31, 2020			
At beginning of year	(69,122)	-	(69,122)
Interest income	292	-	292
Contributions	(732)	-	(732)
Reclassified to liabilities directly associated with assets classified as held for sale	24,199	-	24,199
OCI Remeasurements	4	-	4
Administration expenses	48	-	48
Return on plan assets excluding (amounts included in interest cost)	(2,230)	-	(2,230)
Net benefits paid by the Group	1,591	-	1,591
At end of year	(45,950)	-	(45,950)

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18 Post-retirement benefit obligations (continued)

18.4 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, 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
October 31, 2020			
At beginning of year	284,220	327,211	611,431
Current service cost	4,368	5,739	10,107
Past service cost	-	(66,515)	(66,515)
Interest cost	13,093	16,514	29,607
Contributions	143	-	143
Reclassified to liabilities directly associated with with assets classified as held for sale	(26,172)	(2,336)	(28,508)
Other comprehensive income remeasurements	(23,346)	2,361	(20,985)
Net benefits	(39,694)	-	(39,694)
At end of year	212,612	282,974	495,586

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

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
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 27.1)	17,257	(8,829)	8,428
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)
October 31, 2020			
Current service cost	4,368	5,739	10,107
Past service cost	-	(66,515)	(66,515)
Net interest cost	13,375	16,514	29,889
Other	(2,754)	-	(2,754)
Components of defined benefit costs recognised in profit or loss (Note 27.1)	14,989	(44,262)	(29,273)
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	891	-	891
Effect of experience adjustments	(23,434)	2,361	(21,073)
Other	(218)	-	(218)
Components of defined benefit costs recognised in other comprehensive income	(22,761)	2,361	(20,400)
Total	(7,772)	(41,901)	(49,673)

18.6 Investment policy and strategies

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

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

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

(iii) the financial position of the pension plans;

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

(v) expected asset returns, including 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, 2021		October 31, 2020	
	Fair value ($'000)	Percentage of total plan assets %	Fair value ($'000)	Percentage of total plan assets %
Equity securities				
Foreign	24,850	48	17,361	38
Debt securities				
Domestic government bonds	12,961	25	13,249	29
Foreign government bonds	6,684	13	6,853	14
Corporate and other bonds	4,592	9	8,223	18
Alternative investments	2,422	5	264	1
	51,509	100	45,950	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, 2021	October 31, 2020
Discount rates – medical and life	5.6%	5.0 - 5.3%
Discount rates – pension	5.6 - 6.5%	4.5 - 7.0%
Salary increases	2.0%	1.75%
Medical expense increases		
- Basic cover for retirees	5.0%	5.0%
- All other cover	5.0%	5.0%

18.7 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 2021 ($'000)	2020 ($'000)
Pension plan:		
Impact of 1.0% (2020: 1.0%) decrease in discount rate	49,395	90,738
Impact of 1.0% (2020: 1.0%) increase in discount rate	(31,992)	(58,653)
Impact of 0.5% (2020: 0.5%) decrease in rate of increase in future compensation	(5,854)	(32,944)
Impact of 0.5% (2020: 0.5%) increase in rate of increase in future compensation	6,431	42,330
Impact of 1 year increase in life expectancy	5,521	40,777
Other post-employment plans:		
Impact of 1.0% (2020: 1.0%) decrease in discount rate	38,430	34,478
Impact of 1.0% (2020: 1.0%) increase in discount rate	(30,943)	(44,482)
Impact of 1.0% decrease in health care cost trend rate	(6,806)	(18,634)
Impact of 1.0% increase in health care cost trend rate	7,389	700
Impact of 1 year increase in life expectancy	(570)	(8,582)

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19 Other liabilities

	2021 ($'000)	2020 ($'000)
Accruals and payables	150,618	154,959
Employee related costs	131,338	137,531
Deferred income	113,120	107,592
Interest payable	44,163	55,483
Contract liabilities[(1)]	61,008	30,140
Lease liabilities[(2)]	348,575	344,074
Items in transit	617,696	520,475
Allowance for credit losses (Note 31)	12,656	12,415
Other	55,935	62,922
	1,535,109	1,425,591
Current	1,063,912	1,093,192
Non-current	471,197	332,399
	1,535,109	1,425,591

(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.

20 Stated capital

	2021 ($'000)	2020 ($'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.

21 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, Curaçao and Barbados impose similar obligations on financial institutions operating within their territories. In the Cayman Islands, there is no such requirement.

22 Other components of equity

	2021 ($'000)	2020 ($'000)
Capital reserves (Note 22.1)	(48,416)	(43,770)
Translation reserve (Note 22.2)	12,703	5,908
Investment revaluation reserve (Note 22.3)	102,795	151,230
General banking risk reserve (Note 22.4)	151,603	155,059
	218,685	268,427

22.1 Capital reserves

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	(43,770)	(42,283)
Disposal of subsidiaries	(4,646)	-
Dissolution of subsidiary	-	(1,487)
Balance at end of year	(48,416)	(43,770)

22.2 Translation reserve

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	5,908	8,708
Disposal of subsidiaries	4,995	-
Currency translation differences arising during the year	1,800	(2,800)
Balance at end of year	12,703	5,908

22.3 Investment revaluation reserve – securities FVOCI

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	151,230	105,675
Disposal of subsidiary	(5,457)	-
Net gains arising during the year on securities, net of tax	15,810	54,848
Allowance for credit losses (Note 6.2)	(55,039)	(8,967)
Net (losses)/gains arising during the year on equity securities, net of tax	(3,561)	720
Net realised losses on debt securities transferred to income, net of tax	(188)	(1,046)
Balance at end of year	102,795	151,230

22.4 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.

	2021 ($'000)	2020 ($'000)
Balance at beginning of year	155,059	152,165
Transferred (to)/from retained earnings	(3,456)	2,894
Balance at end of year	151,603	155,059

23 Non-controlling interests

	Country of incorporation and principal place of business	Ownership interest and voting rights 2021	Ownership interest and voting rights 2020
RBTT Bank Grenada Limited	Grenada	0%	38%
RBTT Bank (SKN) Limited	Nevis	0%	5%

	Profit/(loss) allocated to non-controlling interests 2021 ($'000)	2020 ($'000)	Accumulated non-controlling interests 2021 ($'000)	2020 ($'000)
RBTT Bank Grenada Limited	(1,221)	650	-	52,640
RBTT Bank (SKN) Limited	(303)	(118)	-	1,523
RBC Royal Bank Holdings (Bahamas) Limited	-	(2)	-	-
	(1,524)	530	-	54,163

24 Interest income from continuing operations

	2021 ($'000)	2020 ($'000)
Loans	1,317,034	1,432,918
Securities (Note 24.1)	109,127	247,715
Due from banks	1,222	11,695
	1,427,383	1,692,328

24.1 Securities

	2021 ($'000)	2020 ($'000)
FVTPL	3,631	10,688
FVOCI	23,461	32,903
Dividends	279	343
Amortised cost	81,756	203,781
	109,127	247,715

25 Interest expense from continuing operations

	2021 ($'000)	2020 ($'000)
Customers' deposits	106,239	133,186
Due to banks	628	1,556
Due to affiliates (Note 34)	5,454	23,757
Lease liabilities	8,013	8,371
Other interest bearing liabilities	14,353	14,353
	134,687	181,223

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26 Non-interest income from continuing operations

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

	2021 ($'000)	2020 ($'000)
Non-interest income over time:		
Transaction service fees and commissions	52,875	49,067
Trust and investment management related fees	275,274	257,266
Non-interest income at a point in time:		
Credit related commissions and fees	207,154	207,295
Credit card fees and commissions net of any related expenses	71,256	45,397
Transaction service fees and commissions	73,835	75,171
Net trading income (Note 26.1)	3,974	4,740
Foreign exchange earnings	160,292	217,643
Sundry income	25,099	38,832
	869,759	895,411

26.1 Net trading income from continuing operations

	2021 ($'000)	2020 ($'000)
Securities at FVTPL - realised and unrealised gains	3,767	4,559
Derivative financial instruments - realised and unrealised gains/(losses)	19	(864)
FVOCI securities - realised gains	188	1,045
	3,974	4,740

27 Non-interest expenses from continuing operations

	2021 ($'000)	2020 ($'000)
Staff costs (Note 27.1)	792,626	809,610
Premises and equipment expenses, excluding depreciation and operating lease rentals	224,730	198,826
Advertising	25,186	21,076
Depreciation and amortisation	190,353	221,474
Deposit insurance premium (Note 27.2)	36,328	34,020
Operating lease rentals	35,900	36,189
Directors' fees	2,589	2,545
Auditors' fees	16,447	10,863
Other professional fees	27,766	57,078
Business and capital tax	73,122	78,199
Green fund levy	5,635	6,165
Sundry and fraud losses	26,267	96,280
Other operating expenses	248,097	262,242
	1,705,046	1,834,567

27.1 Staff costs from continuing operations

	2021 ($'000)	2020 ($'000)
Wages and salaries including bonuses	737,105	792,448
Employees' defined contribution pension expense	33,638	43,406
Employees' defined benefit and post-retirement benefit costs	8,428	(29,273)
Share option plan-value of services provided	13,455	3,029
	792,626	809,610

27.2 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.

28 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.

28.1 Units granted under share-based compensation plans

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

	Units granted	2021 Weighted average fair value per unit ($)
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.

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.

28.2 Obligations under share-based compensation plans

	Units	2021 Carrying amount ($'000)
Performance deferred share unit plans	31,105	22,492
RBC share unit plans	955	686
	32,260	23,178

28.3 Compensation expenses recognised under share-based compensation plans

	2021 ($'000)
Performance deferred share unit plans	12,891
RBC share unit plans	775
	13,666

29 Taxation expense

	2021 ($'000)	2020 ($'000)
Current tax charge	118,789	151,354
Prior years	(697)	(24,969)
Net deferred tax charge/(credit) (Note 11)	38,588	(118,209)
Share of tax charge/(credit) of associate company (Note 7.1)	2,659	(359)
Share of tax charge of joint venture (Note 7.3)	2,574	3,757
	161,913	11,574

Our effective tax rate changed from -1% for 2020 to 25% for 2021, principally due to a change in 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:

	2021 ($'000)	2020 ($'000)
Net income/(loss) from continuing operations	658,052	(1,817,785)
Tax calculated at a rate of 35% (2020: 35%)	230,318	(636,225)
Effect of different tax rates in other countries	(56,331)	(789)
Effect of different tax rates on certain sources of income	(15,914)	7,386
Income exempt from tax	(19,376)	(11,636)
Goodwill impairment expense	-	668,850
Expenses not deductible for tax	53,862	34,769
Effect of current year unrecognised tax losses	10,154	12,662
Prior years	(697)	(24,969)
Business levy	1,652	1,858
Other	(41,755)	(40,332)
Tax charge	161,913	11,574

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29 Taxation expense (continued)

	2021 ($'000)	2020 ($'000)
The deferred tax charge/(credit) for the year comprises the following temporary differences:		
Accelerated tax depreciation	1,402	(9,314)
Unrealised gains on derivative financial instruments	499	217
Regulatory loan loss reserve/ (allowance for impairment)	38,441	(120,259)
Investment securities at FVTPL	(1,159)	776
Post-retirement benefits	5,028	15,531
Tax losses	(5,578)	4,991
Other temporary differences	(45)	(7,263)
Amortisation of fair value adjustments	-	(2,888)
Deferred tax charge / (credit)	38,588	(118,209)

30 Dividends

During the year no dividends were declared to the immediate parent company - RBC Holdings (Barbados) Limited (2020: Nil). Dividends are accounted for as an appropriation of retained earnings.

During the year no dividends were paid to non-controlling interests (2020: Nil).

31 Contingent liabilities

a) **Legal proceedings**

As at October 31, 2021, there were certain legal proceedings outstanding against the Group for which a provision has been made of $10 million based on professional advice as to the likely obligations arising from these litigation matters (2020: $8 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.

	2021 ($'000)	2020 ($'000)
Guarantees, indemnities and letters of credit	627,293	597,372

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, 2021 accumulated allowance for credit losses for contingent liabilities amounted to $13 million (2020: $12 million) - Note 19.

32 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.

	Gross maximum exposure	
	2021 ($'000)	2020 ($'000)
Consumer	2,320,945	2,166,161
Manufacturing	39,130	97,589
Distribution	719,870	475,496
Financial services	477,587	508,796
Transport	99,743	78,722
Construction	125,751	231,737
Petroleum	-	-
Agriculture	1,012	5,569
Real estate	107,777	40,010
Tourism	19,508	5,914
Professional services	10,922	12,528
Utilities	56,875	2,607
Health services	61,422	3,541
Government	-	126
Other	1,038,652	1,257,790
	5,079,194	4,886,586

33 Capital commitments

The Group's capital commitments, principally in respect of building renovations and information technology projects were $3 million as at October 31, 2021 (2020 - $15 million).

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 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.

	2021 ($'000)	2020 ($'000)
Outstanding balance		
Loans and receivables		
Other subsidiaries of Royal Bank of Canada	130,412	786,904
Associates and joint venture	267,576	273,357
	397,988	1,060,261
Deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	2,572,362	2,025,527
Associates and joint venture	56,951	72,066
	2,629,313	2,097,593
Interest expense		
Other subsidiaries of Royal Bank of Canada	5,454	23,757
Associates and joint venture	-	-
	5,454	23,757

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

	2021 ($'000)	2020 ($'000)
Share based payment	16,585	5,264
Salaries and other short term benefits	2,656	7,843

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.

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35 Financial risk management

35.1 Consolidated Statement of Financial Position – categorisation

	2021 ($'000)	2020 ($'000)
Assets		
Financial assets at fair value through profit and loss		
Securities	100,668	101,636
	100,668	101,636
Financial assets at fair value through other comprehensive income		
Cash and cash equivalents – treasury bills	4,672,016	7,273,748
Securities – debt instruments	1,477,909	971,603
Securities – equity instruments [1]	30,006	31,752
	6,179 931	8,277,103
Financial assets at amortised cost		
Cash on hand and due from banks	3,631,839	3,045,469
Balances with central banks	9,064,554	11,082,327
Loans	24,565,793	23,004,626
Securities	11,950,548	6,664,075
Due from associates and affiliated companies	397,988	1,060,261
Other assets	130,451	142,784
	49,741,173	44,999,542
Total financial assets	56,021,772	53,378,281
Non-financial assets	6,657,380	8,210,980
Total assets	62,679,152	61,589,261
Liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities	1,343	2,996
Financial liabilities at amortised cost		
Due to banks	389,362	272,522
Customers' deposits	44,898,413	43,368,825
Other funding instruments	29,195	29,334
Other borrowed funds	1,245	1,765
Debt securities in issue	300,000	300,000
Due to associates and affiliated companies	2,629,313	2,097,593
Other liabilities	392,738	399,557
	48,640,266	46,469,596
Total financial liabilities	48,641,609	46,472,592
Non-financial liabilities	1,592,973	3,005,575
Total liabilities	50,234,582	49,478,167
Total equity attributable to owners of parent	12,444,570	12,056,931
Non-controlling interests	-	54,163
Total equity	12,444,570	12,111,094
Total equity and liabilities	62,679,152	61,589,261

Securities - equity instruments designated as at FVOCI [1]

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 2021 ($'000)	Carrying value 2020 ($'000)	Dividends received 2021 ($'000)	Dividends received 2020 ($'000)
Business category					
Economic development	5	20,370	16,886	222	51
Stock exchange	1	6,624	10,488	55	292
Clearing house	2	1,895	3,407	-	-
Financial services	1	606	508	-	-
Other	2	511	463	2	-
Total		30,006	31,752	279	343

(a) During the year ended October, 2021 there were no disposals from the equity shares designated as FVOCI (2020 - Nil), In the prior fiscal year, $7 million was transferred to assets classified as held for sale attributed to the Eastern Caribbean operations which were subsequently sold on April 1, 2021.

35.2 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.

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.

35.3 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.3 Liquidity risk (continued)

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. The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities.

To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans. Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal 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.

35.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

The table below presents the non-derivative financial assets and financial liabilities of the Group by remaining contractual maturities at the Consolidated Statement of Financial Position date.

	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						
Liabilities						
Cash and cash equivalents	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	

	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, 2020						
Assets						
Cash and cash equivalents	10,319,217	-	-	-	-	10,319,217
Balances with central banks	11,082,327	-	-	-	-	11,082,327
Loans	6,454,268	187,744	3,366,470	3,195,462	9,800,682	23,004,626
Securities	1,644,168	911,061	2,126,839	2,380,082	706,916	7,769,066
Due from associates and affiliated companies	1,051,427	-	-	-	8,834	1,060,261
Other assets	31,760	1,512	1,346	3,026	-	37,644
	30,583,167	1,100,317	5,494,655	5,578,570	10,516,432	53,273,141
Liabilities						
Due to banks	272,522	-	-	-	-	272,522
Customers' deposits	41,542,037	394,918	599,744	564,848	267,278	43,368,825
Other funding instruments	29,334	-	-	-	-	29,334
Other borrowed funds	-	-	-	1,765	-	1,765
Debt securities in issue	-	-	-	-	300,000	300,000
Due to associates and affiliated companies	2,097,593	-	-	-	-	2,097,593
Other liabilities	69,493	11,338	21,971	156,821	139,934	399,557
	44,010,979	406,256	621,715	723,434	707,212	46,469,596
Liquidity gap	(13,427,812)	694,061	4,872,940	4,855,136	9,809,220	6,803,545
Cumulative gap	(13,427,812)	(12,733,751)	(7,860,811)	(3,005,675)	6,803,545	

35.3.2 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, 2021				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	(155)	(59)	-	(214)
- Inflow	122	48	-	170
Total outflow	(155)	(59)	-	(214)
Total inflow	122	48	-	170
As at October 31, 2020				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	(250)	(214)	-	(464)
- Inflow	191	169	-	360
Total outflow	(250)	(214)	-	(464)
Total inflow	191	169	-	360

35.3.3 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, 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
As at October 31, 2020				
Guarantees, indemnities and letters of credit	428,845	46,656	121,871	597,372
Credit commitments	4,265,768	126,221	494,597	4,886,586
Capital commitments	10,745	4,718	-	15,463
	4,705,358	177,595	616,468	5,499,421

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35 Financial risk management (continued)

35.4 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.

35.4.1 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.

35.4.2 Interest rate risk

To monitor and control structural interest rate risk (SIRR), 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.

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

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
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
As at October 31, 2020				
Impact before tax				
100 bps increase in rates	(103,943)	(24,767)	(12,116)	(6,020)
100 bps decrease in rates	121,993	28,850	12,116	6,020

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, 2021					
Assets					
Cash and cash equivalents	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
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		
As at October 31, 2020					
Assets					
Cash and cash equivalents	8,754,050	120,000	-	1,445,167	10,319,217
Balances with central banks	4,537,826	1,600,000	-	4,944,501	11,082,327
Loans	9,754,894	3,220,119	9,795,138	234,475	23,004,626
Securities	5,150,207	1,940,218	601,557	77,084	7,769,066
Due from associates and affiliated companies	938,505	-	-	121,756	1,060,261
Other assets	33,004	-	-	109,780	142,784
Total financial assets	29,168,486	6,880,337	10,396,695	6,932,763	53,378,281
Liabilities					
Due to banks	56,530	-	-	215,992	272,522
Customers' deposits	21,912,515	9,253,243	267,278	11,935,789	43,368,825
Other funding instruments	29,334	-	-	-	29,334
Other borrowed funds	-	-	1,765	-	1,765
Debt securities in issue	-	-	300,000	-	300,000
Due to associates and affiliated companies	962,500	-	-	1,135,093	2,097,593
Derivative financial liabilities	-	2,996	-	-	2,996
Other liabilities	35,491	-	-	364,066	399,557
Total financial liabilities	22,996,370	9,256,239	569,043	13,650,940	46,472,592
Interest sensitivity gap	6,172,116	(2,375,902)	9,827,652		

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35 Financial risk management (continued)

35.4 Market risk (continued)

35.4.3 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, 2021				
Loans:				
Retail	1,181,801	1,362,040	389,668	2,933,509
Commercial / corporate	5,307,677	2,614,878	4,882,563	12,805,118
Mortgages	3,554,232	660,589	5,645,235	9,860,056
Gross loans	10,043,710	4,637,507	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
As at October 31, 2020				
Loans:				
Retail	1,134,900	1,549,212	414,679	3,098,791
Commercial / corporate	6,472,423	1,102,643	3,721,480	11,296,546
Mortgages	3,381,022	608,208	5,789,791	9,779,021
Gross loans	10,988,345	3,260,063	9,925,950	24,174,358
Securities:				
Securities at FVTPL	62,417	10,216	29,003	101,636
Securities FVOCI	184,901	207,953	610,501	1,003,355
Securities held-to-collect at amortised cost	5,076,824	1,619,478	-	6,696,302
Gross securities	5,324,142	1,837,647	639,504	7,801,293

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	2,349,463	548,786	35,260	2,933,509
Commercial / corporate	6,515,654	4,691,691	1,597,773	12,805,118
Mortgages	3,386,356	6,213,115	260,585	9,860,056
Gross loans	12,251,473	11,453,592	1,893,618	25,598,683
As at October 31, 2020				
Loans:				
Retail	2,941,554	115,992	41,245	3,098,791
Commercial/corporate	6,755,885	4,201,044	339,617	11,296,546
Mortgages	5,076,767	4,533,541	168,713	9,779,021
Gross loans	14,774,206	8,850,577	549,575	24,174,358

35.4.4 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.

35.5 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.

35.5.1 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, 2020							
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
As at October 31, 2020							
Total financial assets	19,035,719	18,496,081	5,479	6,437,677	6,323,344	3,079,981	53,378,281
Total financial liabilities	17,895,677	12,528,855	5,293	6,043,203	5,573,292	4,426,272	46,472,592
Net statement of financial position	1,140,042	5,967,226	186	394,474	750,052	(1,346,291)	6,905,689
Credit commitments	3,337,292	711,690	47,344	177,437	612,047	776	4,886,586

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.5 Currency risk (continued)

35.5.2 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, 2021, if the TT dollar had weakened 2% (2020 – 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 $4 million lower (2020 – $6 million lower) and other components of equity would have been $49 million higher (2020 – $46 million higher).

35.6 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.

35.6.1 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.

35.6.2 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.

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

	Gross maximum exposure	
	2021 ($'000)	2020 ($'000)
Credit risk exposures relating to financial assets on the Consolidated Statement of Position are as follows:		
Due from banks	2,853,219	2,287,543
Treasury bills	4,672,016	7,273,748
Loans	25,598,683	24,174,358
Securities at FVTPL	100,668	101,636
Securities at FVOCI	1,477,909	971,603
Securities at amortised cost	11,970,792	6,696,302
	46,673,287	41,505,190
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)	627,293	597,372
Credit commitments	5,079,194	4,886,586
	5,706,487	5,483,958
Total credit risk exposure	52,379,774	46,989,148

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.

35.6.4 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	
	2021 ($'000)	2020 ($'000)
Consumer	10,683,791	10,381,953
Manufacturing	187,142	140,068
Distribution	627,502	492,284
Financial services	1,050,026	674,985
Transport	418,385	237,526
Construction	1,331,076	439,026
Petroleum	79,066	51,696
Agriculture	16,256	15,348
Real estate	2,060,053	4,000,581
Tourism	430,123	408,278
Professional services	504,864	334,761
Utilities	339,181	252,028
Health services	542,960	628,098
Government	1,633,970	1,785,634
Other	5,694,288	4,332,092
	25,598,683	24,174,358

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.6 Credit risk (continued)

35.6.5 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, 2021 was $11,852 million (2020: $11,083 million) before taking account of collateral or other credit enhancements.

35.6.6 Credit quality by class of financial assets

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	POCI ($'000)	Total ($'000)
As at October 31, 2021					
Treasury bills	4,672,016	-	-	-	4,672,016
Due from banks	2,853,219	-	-	-	2,853,219
	7,525,235	-	-	-	7,525,235
Loans:					
Retail	2,730,365	154,246	48,898	-	2,933,509
Commercial/corporate	11,558,147	665,480	581,491	-	12,805,118
Mortgages	8,832,208	678,083	349,765	-	9,860,056
Loans (gross)	23,120,720	1,497,809	980,154	-	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	42,762,355	2,112,096	980,154	818,682	46,673,287
As at October 31, 2020					
Treasury bills	7,273,748	-	-	-	7,273,748
Due from banks	2,287,543	-	-	-	2,287,543
	9,561,291	-	-	-	9,561,291
Loans:					
Retail	2,825,395	223,996	49,400	-	3,098,791
Commercial/corporate	10,209,016	577,337	510,193	-	11,296,546
Mortgages	8,771,065	686,888	321,068	-	9,779,021
Loans (gross)	21,805,476	1,488,221	880,661	-	24,174,358
Securities:					
FVTPL (including trading):					
Government	7,138	-	-	-	7,138
Corporate	94,498	-	-	-	94,498
FVOCI:					
Government	168,850	-	-	802,753	971,603
Amortised cost:					
Government	5,509,252	75,107	-	-	5,584,359
Corporate	1,111,943	-	-	-	1,111,943
Securities (gross)	6,891,681	75,107	-	802,753	7,769,541
Total	38,258,448	1,563,328	880,661	802,753	41,505,190

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

35.6.7 Loans past due but not impaired

	1 to 29 days ($'000)	30 to 89 days ($'000)	90 days and greater ($'000)	Total ($'000)
As at October 31, 2021				
Loans:				
Retail	133,869	41,112	8,323	183,304
Commercial/corporate	281,045	238,485	-	519,530
Mortgages	606,916	158,354	-	765,270
	1,021,830	437,951	8,323	1,468,104
As at October 31, 2020				
Loans:				
Retail	182,662	79,975	9,948	272,585
Commercial/corporate	717,242	166,096	-	883,338
Mortgages	706,709	198,928	-	905,637
	1,606,613	444,999	9,948	2,061,560

35.6.8 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	2021 ($'000)	2020 ($'000)
Excellent			
AA	BB+	10,877,315	8,593,875
Very good			
A+	BB	3,058,426	2,887,905
A	BB-	23,385	29,390
Good			
A-	B+	737,574	552,537
B+	B	-	1,023
Special mention			
B	B-	5,325,675	4,285,313
C+	CCC+	-	-
Bad and doubtful			
D	CC+	986,348	970,592
E+	CC	-	-
Virtual certain loss			
E	CC-	-	-
Not rated	NR	65,881	10,197
		21,074,604	17,330,832

35.6.9 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:

	2021 ($'000)	2020 ($'000)
Land	7,385	20,736
Buildings	40,119	104,311
Motor-vehicles[1]	1,807	-
	49,311	125,047

(1) Comparative data not available.

35.7 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% (2020: 10%). The Group's regulatory capital ratio is 24.26% (2020: 22.89%).

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.7 Capital management (continued)

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

	2021	2020
RBC Financial (Caribbean) Limited	24%	23%
RBC Royal Bank (Trinidad & Tobago) Limited	20%	20%
RBC Merchant Bank (Caribbean) Limited	64%	69%
RBC Trust (Trinidad & Tobago) Limited	68%	87%
West Indies Stockbrokers Limited	109%	37%
RBTT Bank Caribbean Limited	N/A%	14%
RBTT Bank (SKN) Limited	N/A%	123%
RBTT Bank Grenada Limited	N/A%	42%
RBC Royal Bank N.V.	19%	15%
RBC Royal Bank International N.V.	230%	203%
RBC Royal Bank (Aruba) N.V.	29%	24%
RBC Investment Management (Caribbean) Limited	72%	70%
RBC Royal Bank (Barbados) Limited	24%	22%
RBC Royal Bank (Cayman) Limited	27%	22%

The licensed banking entities in Barbados are required to maintain a qualifying capital ratio (total regulatory capital to risk-weighted assets) of at least 8%. The Dutch Caribbean include three separate capital adequacy requirements. Within Curaçao 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%.

Despite the ongoing COVID-19 pandemic, 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.

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 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, 20201							
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	-	-	-	-
As at October 31, 2020							
Securities	6,733,501	-	6,733,501	-	-	-	-
Loans	-	22,277,657	22,277,657	-	-	22,277,657	22,277,657
Other assets	142,784	-	142,784	-	-	-	-
Due to banks	272,522	-	272,522	-	-	-	-
Customers' deposits	37,483,917	5,884,908	43,368,825	-	-	5,884,908	5,884,908
Other funding instruments	29,334	-	29,334	-	-	-	-
Other borrowed funds	-	1,765	1,765	-	-	1,765	1,765
Debt securities in issue	-	302,435	302,435	-	-	302,435	302,435
Other liabilities	399,557	-	399,557	-	-	-	-

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).

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36 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, 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
At October 31, 2020				
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt securities	-	7,138	-	7,138
Corporate debt	-	-	-	-
Money market instruments	94,498	-	-	94,498
	94,498	7,138	-	101,636
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	-	167,837	-	167,837
Government and state-owned enterprises debt securities	-	1,023	802,743	803,766
	-	168,860	802,743	971,603
Securities FVOCI designated				
Equity securities	249	180	31,323	31,752
	249	180	31,323	31,752
	94,747	176,178	834,066	1,104,991

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, 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)

	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, 2020			
Securities at FVOCI	834,066	102,083	(87,128)
	834,066	102,083	(87,128)
Derivative financial instruments – liability	2,996	520	(520)
	831,070	101,563	(86,608)

Sensitivity results

As at October 31, 2021, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $93 million (2020: $102 million) and a reduction of $80 million (2020: $87 million) in fair value, of which an increase of $93 million (2020: $102 million) and a decrease of $80 million (2020: $87 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 $0.3 million (2020: $1 million) and an increase of $0.3 million (2020: $1 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, 2021						
Non-interest income						
Trading revenue	3,797	19	3,816	3,797	19	3,816
For year ended October 31, 2020						
Non-interest income						
Trading revenue	4,559	(864)	3,695	4,559	(864)	3,695

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, 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
As at October 31, 2019	-	805,307	805,307
Additions	-	-	-
Disposal (sale and redemption)	-	-	-
Reclassified to non-current assets held for sale	-	(6,657)	(6,657)
Transfers to Level 3	-	-	-
Gains/(losses) from changes in fair value	-	35,416	35,416
As at October 31, 2020	-	834,066	834,066

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36 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, 2021, 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.

37 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, 2021 totalled $59 billion (as at October 31, 2020 - $56 billion).

38 Principal subsidiaries

	Country of Incorporation	Effective Ownership 2021	Effective Ownership 2020
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%
RBTT Bank Caribbean Limited	St. Vincent and the Grenadines	0%	100%
RBTT Bank (SKN) Limited	St. Kitts & Nevis	0%	95%
RBTT Bank Grenada Limited	Grenada	0%	62%
RBC Royal Bank N.V.	Curaçao	100%	100%
RBC Royal Bank International N.V.	Curaçao	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.	Curaçao	100%	100%
ABC International N.V.	Aruba	100%	100%

38.1 Dissolution of Subsidiary

In the prior year, the Group initiated the dissolution of RBC Royal Bank Holdings (Bahamas) Limited. The approval to wind-up the RBC Royal Bank Holdings (Bahamas) Limited was received from the Central Bank of Barbados in November 2020. The remittance of a final dividend was approved from the Central Bank of Barbados on May 25, 2021 and remitted on June 21, 2021 to bring this dissolution to a close.

RBC Investment Management (Caribbean) Limited

Investment Management
Caribbean

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Chairman's Report

RBC Investment Management (Caribbean) Limited has been providing premier asset management services to select parts of the Caribbean for more than two decades, primarily through its Roytrin Family of Mutual Funds, which provides a wide array of options for investors with diverse risk appetite and has a history of providing solid returns.

For fiscal 2021, RBC Investment Management (Caribbean) Limited recorded a net profit after taxation of $118.0 million, $3.2 million or 2.8% above the prior year's profit of $114.7 million, driven by increased revenues partly offset by higher operating costs. Total revenue increased by $13.9 million year-on-year from higher fee income driven by increases in assets under management.

Assets under management increased by $2 billion year-on-year to end fiscal 2021 at $28 billion. The Company is well capitalised with a capital ratio of 71.6% which is well in excess of required regulatory thresholds.

The Company's ability to record sustained assets under management growth and increase profitability is a testament to the prudent and sound management of our clients' investments, our commitment to growing their wealth and their continued confidence in us, even in the face of a prolonged global pandemic that significantly increased volatility and uncertainty in the markets.

Achieving success in our domestic market, enhancing efficiencies and positioning ourselves for sustainable long-term growth continues to be key areas of focus for management as we look closely at our portfolio of investments to ensure that we offer the best-in-class solution to our clients to preserve and grow their wealth over the long term.

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 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.

Stacey Ann Paty
Chairman
January 17, 2022

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, 2021 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 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 17, 2022

Roxann Granger
Chief Financial Officer
RBC Investment Management (Caribbean) Limited
January 17, 2022

Independent Auditor's Report

To the shareholder of RBC Investment Management (Caribbean) Limited

Report on the audit of the financial statements

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 31 October 2021, 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 2021;
- 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.

Investment Management Caribbean

RBC Investment Management (Caribbean) Limited

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Independent Auditor's Report (continued)

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

- 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
20 January, 2022

Statement of Financial Position

	Notes	As at October 31 2021 ($'000)	2020 ($'000)
Assets			
Cash and cash equivalents	3	313,798	163,575
Intangible assets	4	3,670	4,723
Equipment	5	374	148
Deferred tax asset	6	2,654	2,582
Due from affiliated companies	19	721	109,920
Other assets	7	25,540	23,291
Total assets		346,757	304,239
Liabilities			
Post-retirement benefit obligations	8	8,040	8,606
Current income tax liabilities		14,380	13,703
Deferred tax liabilities	6	619	1,017
Due to affiliated companies	19	5,845	8
Other liabilities	9	3,324	2,588
Total liabilities		32,208	25,922
Shareholder's equity			
Share capital	10	15,019	15,019
Statutory reserve	11	15,019	15,019
Retained earnings		284,511	248,279
Total shareholder's equity		314,549	278,317
Total equity and liabilities		346,757	304,239

The notes form an integral part of these financial statements.

On January 17, 2022, the Board of Directors of RBC Investment Management (Caribbean) Limited authorised these financial statements for issue.

_________________ Director   _________________ Director

Statement of Changes in Equity

	Note	Share capital ($'000)	Statutory reserves ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total ($'000)
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
Year ended October 31, 2020						
Balance at beginning of year		15,019	15,019	-	207,480	237,518
Profit after taxation		-	-	-	114,721	114,721
Other comprehensive income		-	-	-	78	78
Total comprehensive income		-	-	-	114,799	114,799
Dividends	17	-	-	-	(74,000)	(74,000)
Balance at end of year		15,019	15,019	-	248,279	278,317

The notes form an integral part of these financial statements.

Statement of Income and other Comprehensive Income

	Notes	Year ended October 31 2021 ($'000)	2020 ($'000)
Interest income	12	309	907
Non-interest income	13	221,081	206,555
Total revenue		221,390	207,462
Non-interest expenses	14	(52,599)	(43,630)
Total non-interest expenses		(52,599)	(43,630)
Profit before taxation		168,791	163,832
Taxation expense	16	(50,832)	(49,111)
Profit after taxation		117,959	114,721
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	8.5	473	78
Other comprehensive income for the year, net of tax		473	78
Total comprehensive income for the year		118,432	114,799

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Year ended October 31 2021 ($'000)	2020 ($'000)
Cash flows from operating activities		
Profit before taxation	168,791	163,832
Adjustments for:		
Post-retirement benefit obligation expense/(write-back)	110	(870)
Loss on disposal of fixed assets	-	1
Depreciation and amortisation	1,351	4,419
	170,252	167,382
Increase in other assets	(2,249)	(1,108)
Decrease/(increase) in due from affiliated companies	109,199	(86,574)
Increase/(decrease) in other liabilities	1,403	(683)
Increase/(decrease) in due to affiliated companies	5,837	(21)
Corporation tax paid - net of refunds	(51,494)	(38,796)
Net cash generated from operating activities	232,948	40,200
Cash flows from investing activities		
Purchase of equipment and intangible assets	(525)	(8,063)
Net cash used in investing activities	(525)	(8,063)
Cash flows from financing activities		
Dividends paid	(82,200)	(74,000)
Net cash used in financing activities	(82,200)	(74,000)
Net increase/(decrease) in cash and cash equivalents	150,223	(41,863)
Cash and cash equivalents at beginning of year	163,575	205,438
Cash and cash equivalents at end of year (Note 3)	313,798	163,575

The notes form an integral part of these financial statements.

Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

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 Summary of significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars under the historical cost convention.

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

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

- Intangible assets Note 2
- Employee benefits Note 2
- Income taxes Note 2
- Share based compensation Note 2

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

New, revised and amended standards not yet effective

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.

Effective November 1, 2021

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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 card revenue. 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.

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.

Investment Management
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RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Accounts receivable (continued)

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.

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.

Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Provisions (continued)

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 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.

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. 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.

Share 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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

3 Cash and cash equivalents

	2021 ($'000)	2020 ($'000)
Cash at bank	313,798	163,575

Cash and cash equivalents represent deposits held on demand with affiliated company.

4 Intangible assets

	2021 ($'000)	2020 ($'000)
Software		
Opening net book value	4,723	800
Additions	342	8,039
Amortisation	(1,395)	(4,116)
Closing net book value	3,670	4,723
Cost	17,469	17,127
Accumulated amortisation	(13,799)	(12,404)
Net book value	3,670	4,723

5 Equipment

	Computer equipment ($'000)	Electronic equipment ($'000)	Total ($'000)
Year ended October 31, 2021			
Opening net book value	148	-	148
Additions	182	-	182
Depreciation charge	44	-	44
Closing net book value	374	-	374
At October 31, 2021			
Total cost	1,082	18	1,100
Accumulated depreciation	(708)	(18)	(726)
Net book value	374	-	374
Year ended October 31, 2020			
Opening net book value	427	-	427
Additions	24	-	24
Depreciation charge	(303)	-	(303)
Closing net book value	148	-	148
At October 31, 2020			
Total cost	898	18	916
Accumulated depreciation	(750)	(18)	(768)
Net book value	148	-	148

6 Deferred tax assets and liabilities

	2021 ($'000)	2020 ($'000)
The amounts are shown in the Statement of Financial Position:		
Deferred tax asset	2,654	2,582
Deferred tax liabilities	(619)	(1,017)
	2,035	1,565
The movement on the deferred tax account is as follows:		
At beginning of year	1,565	2,372
Charge to Statement of Income (Note 16)	106	(775)
Prior year	568	-
Charge to Statement of Other Comprehensive Income	(204)	(32)
At end of year	2,035	1,565
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax asset		
Post-retirement benefits	2,412	2,582
Accelerated tax depreciation	48	-
Severance	194	-
	2,654	2,582
Deferred tax liabilities		
Accelerated tax depreciation	-	(319)
Foreign exchange translation	(619)	(698)
	(619)	(1,017)

7 Other assets

	2021 ($'000)	2020 ($'000)
Taxation recoverable	4,677	4,677
Accounts receivable	18,328	16,174
Prepayments	2,535	2,440
	25,540	23,291
Current	25,540	23,291

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 2021 was negligible (2020: 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.

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

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
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
October 31, 2020			
Fair value of plan assets	-	(2)	(2)
Post-retirement benefit obligation	5,658	2,950	8,608
Liability in the Statement of Financial Position	5,658	2,948	8,606

8.2 **The movements in the net liability recognised in the Statement of Financial Position and Statement of Income and Other Comprehensive Income are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2021			
At beginning of period	5,658	2,948	8,606
Net benefit cost (Note 8.5)	(444)	(122)	(566)
Benefits paid by Company (Net of retirees' contributions)	-	-	-
Re-measurements	-	4	4
At end of year	5,214	2,830	8,044

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

8 Post-retirement benefit obligations (continued)

8.2 **The movements in the net liability recognised in the Statement of Financial Position and Statement of Income and Other Comprehensive Income are as follows: (continued)**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2020			
At beginning of period	6,586	3,808	10,394
Net benefit cost (Note 8.5)	(928)	(54)	(982)
Benefits paid by Company (Net of retirees' contributions)	-	(808)	(808)
Re-measurements	-	2	2
At end of year	5,658	2,948	8,606

8.3 **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, 2021			
At beginning of year	-	(2)	(2)
Re-measurement gain:	-	(2)	(2)
At end of year	-	(4)	(4)
October 31, 2020			
At beginning of year	-	(6)	(6)
Re-measurement gain:	-	4	4
At end of year	-	(2)	(2)

8.4 **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, 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
October 31, 2020			
At beginning of year	6,586	3,814	10,400
Current service cost	127	32	159
Past service cost	(1,474)	-	(1,474)
Interest expense	366	81	447
Re-measurements:			
Effect of changes in demographic assumptions	(170)	-	(170)
Effect of changes in financial assumptions	(177)	(126)	(303)
Effect of experience adjustments	400	(43)	357
Benefits paid	-	(808)	(808)
At end of year	5,658	2,950	8,608

8.5 **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, 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)
October 31, 2020			
Current service cost	127	30	157
Past service cost	(1,474)	-	(1,474)
Net interest expense	366	81	447
Components of defined benefit costs recognised in profit or loss	(981)	111	(870)
Re-measurement on the net liability:			
Effect of changes in demographic assumptions	(170)	-	(170)
Effect of changes in financial re-measurements	(177)	(126)	(303)
Effect of experience adjustments	400	(43)	357
Return on plan assets (excluding interest income)	-	4	4
Components of defined benefit cost included in other comprehensive income	53	(165)	(112)
Total	(928)	(54)	(982)

8.6 **Investment policy and strategies**

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

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

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

(iii) the financial position of the pension plans;

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

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

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

Composition of defined benefit pension plan assets

	October 31, 2021		October 31, 2020	
	Fair value ($'000)	Percentage of total plan assets	Fair value ($'000)	Percentage of total plan assets
Debt securities				
Alternative investments	(4)	100%	(2)	100%
	(4)	100%	(2)	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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

8 Post-retirement benefit obligations (continued)

8.6 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, 2021	October 31, 2020
Discount rates – medical and life	5.60%	5.30%
Discount rates – pension	5.60%	5.30%
Salary increases	2.00%	1.75%
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

8.7 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	
	2021 ($'000)	2020 ($'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	355	414
Impact of 1.0% increase in discount rate	(225)	(231)
Impact of 0.5% decrease in rate of increase in future compensation	(43)	(22)
Impact of 0.5% increase in rate of increase in future compensation	47	85
Impact of 1 year increase in life expectancy	38	72
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	878	764
Impact of 1.0% increase in discount rate	(707)	(986)
Impact of 0.5% decrease in rate of increase in future compensation	-	(208)
Impact of 0.5% increase in rate of increase in future compensation	-	208
Impact of 1.0% decrease in health care cost trend rate	(142)	(413)
Impact of 1.0% increase in health care cost trend rate	169	16
Impact of 1 year increase in life expectancy	(13)	(190)

9 Other liabilities

	2021 ($'000)	2020 ($'000)
Accruals and payables	462	490
Employee related costs	2,862	2,098
	3,324	2,588
Current	3,324	2,588

10 Share capital

	2021 ($'000)	2020 ($'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

	2021 ($'000)	2020 ($'000)
Interest income on cash and cash equivalents	309	313
Interest income on term deposits	-	894
	309	907

13 Non-interest income from continuing operations

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

	2021 ($'000)	2020 ($'000)
Non-interest income over time:		
Trust and investment management related fees	221,338	206,042
Non-interest income at a point in time:		
Foreign exchange earnings	(264)	502
Sundry income	7	11
	221,081	206,555

14 Non-interest expenses

	2021 ($'000)	2020 ($'000)
Staff costs (Note 14.1)	16,203	14,866
Equipment and intangible assets expenses, excluding depreciation and amortisation	6,915	7,588
Advertising and public relations	532	522
Depreciation and amortisation	1,351	4,419
Management fees	22,386	12,329
Directors' fees	142	98
Auditor's fees	634	312
Other operating expenses	4,436	3,496
	52,599	43,630
14.1 Staff costs		
Wages and salaries including bonuses	15,176	14,795
Employees' defined contribution pension expense	917	941
Employees' defined benefit and other post-retirement benefit costs (Note 8.5)	110	(870)
	16,203	14,866

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:-

15.1 Units granted under share-based compensation plans

	2021	
	Units granted #	Weighted average fair value per unit ($)
Performance deferred share unit plans	471	562
RBC share unit plans	469	565
	940	1,127

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RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

15 Share–based compensation (continued)

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

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 #	2021 Carrying amount ($'000)
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

	2021 ($'000)
Performance deferred share unit plans	512
RBC share unit plans	287
	799

16 Taxation expense

	2021 ($'000)	2020 ($'000)
Current tax charge	50,361	48,573
Prior year deferred tax adjustment	568	-
Prior years	9	(237)
Net deferred tax (credit)/charge (Note 6)	(106)	775
	50,832	49,111
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	168,791	163,832
Prima facie tax calculated at a rate of 30%	50,637	49,150
Expenses not deductible for tax	292	(2)
Prior years	9	(237)
Other	(106)	200
	50,832	49,111
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	200	121
Post-retirement benefits	(33)	503
Other temporary differences	(273)	151
	(106)	775

17 Dividends

During the year, dividends declared and paid to the shareholder was $82.2 million (2020: $74 million).

Dividends are accounted for as an appropriation of retained earnings.

18 Contingent liabilities

As at October 31, 2021 there were no contingent liabilities (2020 - 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.

	2021 ($'000)	2020 ($'000)
Cash and cash equivalents		
Other affiliated companies	313,798	163,575
Due from affiliated companies		
Due from RBCFCL	721	9,026
Term deposit held with other affiliated company	-	100,000
Accrued interest on term deposit held	-	894
	721	109,920
Other assets		
Other affiliated companies	3,392	2,516
Other liabilities		
Due to RBCFCL	5,845	8
Non-interest income		
Due from RBCFCL	2,152	1,888
Other affiliated companies	177,402	166,191
	179,554	168,079
Interest income		
Other affiliated companies	309	907
Other operating expenses		
Due to RBCFCL	23,796	13,743
Other affiliated companies	244	271
	24,040	14,014

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.

	2021 ($'000)	2020 ($'000)
Key management compensation		
Share based payment	187	202
Salaries and other short term benefits	1,379	1,424

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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.1 Risk management (continued)

Operating Committee (OC)

The OC is responsible for the overall risk management approach and for approving the risk strategies and principles.

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 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 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, 2021				
Assets				
Cash and cash equivalents	313,798	-	-	313,798
Intangible assets	-	3,670	-	3,670
Equipment	-	374	-	374
Other assets	18,328	7,212	-	25,540
Due from affiliated company	721	-	-	721
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
As at October 31, 2020				
Assets				
Cash and cash equivalents	163,575	-	-	163,575
Intangible assets	-	4,723	-	4,723
Equipment	-	148	-	148
Other assets	16,174	7,117	-	23,291
Due from affiliated company	109,920	-	-	109,920
Deferred tax asset	-	2,582	-	2,582
Total assets	289,669	14,570	-	304,239
Equity and liabilities				
Other liabilities	490	2,098	-	2,588
Post-retirement benefit obligations	-	8,606	-	8,606
Current income tax liabilities	-	13,703	-	13,703
Due to affiliated company	8	-	-	8
Deferred tax liabilities	-	1,017	-	1,017
Shareholder's equity	-	-	278,317	278,317
Total equity and liabilities	498	25,424	278,317	304,239

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 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.

To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans.

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.

Investment Management Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 Financial assets and liabilities less derivatives

The table below presents the non-derivative financial assets and financial liabilities of the Group by remaining contractual maturities at the Consolidated Statement of Financial Position date.

	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
Securities	-	-	-	-	-	-
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	
As at October 31, 2020						
Assets						
Cash and cash equivalents	163,575	-	-	-	-	163,575
Securities	-	-	-	-	-	-
Due from associated and affiliated companies	9,026	100,894	-	-	-	109,920
Other assets	15,437	680	57	-	-	16,174
Total financial assets less derivatives	188,038	101,574	57	-	-	289,669
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	8	-	-	-	-	8
Other liabilities	472	-	-	18	-	490
Total financial liabilities less derivatives	480	-	-	18	-	498
Liquidity gap	187,558	101,574	57	(18)	-	289,171
Cumulative gap	187,558	289,132	289,189	289,171	289,171	

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 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. 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 net 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 currency-specific parallel and non-parallel yield curve changes and interest rate volatility shocks.

Interest rate risk arises primarily from mismatched maturity and re-pricing dates between assets, liabilities and off-balance sheet transactions and related hedges.

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:

Market Risk: IRRBB Measures

(Thousands of TTD dollars)	NII risk		EVE risk	
	Local currency impact	Hard currency impact	Local currency impact	Hard currency impact
2021				
100 bps increase in rates	(1,109)	770	(201)	(132)
100 bps decrease in rates	1,109	(770)	177	115
200 bps increase in rates	(2,218)	1,539	(401)	(263)
200 bps decrease in rates	2,218	(1,539)	178	115
2020				
100 bps increase in rates	(815)	511	(207)	(90)
100 bps decrease in rates	815	(511)	200	85
200 bps increase in rates	(1,629)	1,022	(414)	(181)
200 bps decrease in rates	1,629	(1,022)	200	85

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, 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	-	-	-	-

Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Interest rate 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, 2020					
Financial assets					
Cash and cash equivalents	60,271	-	-	103,304	163,575
Due from affiliated company	100,894	-	-	9,026	109,920
Other assets	-	-	-	16,174	16,174
Total financial assets	161,165	-	-	128,504	289,669
Financial liabilities					
Due to affiliated company	-	-	-	8	8
Other liabilities	-	-	-	490	490
Total financial liabilities	-	-	-	498	498
Interest sensitivity gap	161,165	-	-	-	-

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 table below summarises the Company's exposure to foreign currency exchange rate risk as at October 31, 2021 and at October 31, 2020.

	TTD ($'000)	USD ($'000)	Total ($'000)
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
As at October 31, 2020			
Financial assets			
Cash and cash equivalents	103,304	60,271	163,575
Due from affiliated company	109,920	-	109,920
Other assets	16,174	-	16,174
Total financial assets	229,398	60,271	289,669
Financial liabilities			
Due to affiliated company	8	-	8
Other liabilities	490	-	490
Total financial liabilities	498	-	498
Net Statement of Financial Position	228,900	60,271	289,171

20.5.2 Foreign currency exchange risk

As at October 31, 2021 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 $892,980 (2020: $602,710).

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	
	2021 ($'000)	2020 ($'000)
Cash and cash equivalents	313,798	163,575
Due from affiliated company	721	109,920
Accounts receivable	18,328	16,174
Total	332,847	289,669

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, 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
As at October 31, 2020				
Cash and cash equivalents	163,575	-	-	163,575
Due from affiliated company	109,920	-	-	109,920
Accounts receivable	15,436	738	-	16,174
Total	288,931	738	-	289,669

20.7 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 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.

The Company is required to maintain regulatory capital at a minimum of 10%. The Company's regulatory capital ratio is 71.58% (2020: 70.05%). 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.

	2021 ($'000)	2020 ($'000)
Tier 1 capital		
Share capital	15,019	15,019
Statutory reserve	15,019	15,019
Retained earnings	284,511	248,279
Total qualifying Tier 1 capital	314,549	278,317
Tier 2 capital		
Other reserve	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital	314,549	278,317
Risk-weighted assets:		
On-Statement of Financial Position	434,298	390,596
Total risk-weighted assets	434,298	390,596
Total regulatory capital to risk weighted assets	71.58%	70.05%

Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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 (2020: Nil).

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, 2021 totalled $28 billion (2020: $26 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.

RBC Royal Bank (Trinidad and Tobago) Limited

Royal Bank

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Managing Director's Report

RBC Royal Bank (Trinidad & Tobago) Limited (the Bank) reported net income of $124.4 million, up $66.5 million compared to the prior year, driven by lower levels of provisions, lower operating costs partially offset by lower revenue, as income streams and product yields remained constrained under the current pandemic environment.

In the prior year, as the Bank tried to estimate the potential impact of the COVID-19 pandemic on future credit losses, a significant increase in its allowance for credit losses was recorded. However, the impact on the credit quality of the portfolio to date has been less severe than expected, allowing for the partial release of those provisions in fiscal 2021.

The Bank reported total assets of $26.5 billion, up $0.2 billion compared to the previous year with a capital ratio of 19.4%, well in excess of regulatory limits.

This year, in the face of the prolonged impact of the pandemic, we continued to adapt to the changing needs of our clients, which at times meant adjusting banking hours and our in-person offerings, 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. Our employees also settled into the "new normal" in a hybrid work from home and/or at the office environment delivering high quality support to our clients.

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 24, 2022

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, 2021 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	Roxann Granger
Managing Director	Chief Financial Officer
January 20, 2022	January 20, 2022

Independent Auditor's Report

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

Report on the audit of the financial statements

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, 2021, 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, 2021;
- 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,

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Independent Auditor's Report (continued)

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

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 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 24, 2022

Statement of Financial Position

	Notes	October 31, 2021 ($'000)	October 31, 2020 ($'000)
Assets			
Cash on hand and due from banks	3	2,692,469	3,455,052
Balances with Central Bank	4	3,412,927	6,137,811
Loans to customers	5	10,435,261	9,358,404
Securities	6	8,517,911	5,992,799
Investment in associate company	7	39,668	36,548
Due from associate and affiliated companies	30	543,452	623,241
Intangible assets - software	8	31,236	38,465
Premises and equipment	9	301,510	295,178
Asset classified as held for sale	10	-	7,624
Taxation recoverable		81,295	80,974
Deferred tax assets	11	183,786	203,496
Other assets	12	245,401	58,364
Total Assets		26,484,916	26,287,956
Liabilities			
Due to banks		17,706	1,981
Customers' deposits	13	22,265,262	22,312,951
Post-retirement benefit obligations	14	243,048	288,068
Debt securities in issue	15	300,000	300,000
Due to associates and affiliated companies	30	856,152	815,651
Deferred tax liabilities	11	8,810	12,529
Taxation payable		20,085	711
Other liabilities	16	610,005	534,452
Total Liabilities		24,321,068	24,266,343
Shareholder's equity			
Share capital	17	403,970	403,970
Statutory reserve	18	836,070	836,070
Other reserves	19	(29,046)	(46,922)
Retained earnings		952,854	828,495
Total Shareholder's Equity		2,163,848	2,021,613
Total Shareholder's Equity and Liabilities		26,484,916	26,287,956

The notes form an integral part of these financial statements.

On January 20, 2022 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, 2021 ($'000)	2020 ($'000)
Interest income	20	693,014	843,295
Interest expense	21	(32,459)	(53,635)
Net interest income		660,555	789,660
Non-interest income	22	320,076	317,474
Net income		980,631	1,107,134
Non-interest expenses	23	(787,480)	(905,291)
Other post-retirement benefit (costs)/write-back	14.5	(7,831)	23,225
Provision for credit losses on loans to customers, net of recoveries		(14,180)	(134,105)
Release of /(provision for) credit losses on contingent liabilities		10	(1,440)
Release of/(provision for) credit losses on securities		12,026	(8,258)
Total non-interest expenses		(797,455)	(1,025,869)
Share of profits of associate company	7	4,277	4,136
Net income before taxation		187,453	85,401
Taxation	25	(63,093)	(27,536)
Net income after taxation		124,360	57,865
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised (losses)/gains on securities at fair value through other comprehensive income		(843)	702
Realised gains on sale of securities		2,213	-
Tax impact		295	(230)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	14.5	24,939	12,529
Tax impact		(8,729)	(4,385)
Other comprehensive gain for the year, net of tax		17,875	8,616
Total comprehensive income for the year		142,235	66,481

The notes form an integral part of these financial statements.

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Statement of Changes in Equity

	Share capital ($'000)	Statutory reserve ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total shareholder's equity ($'000)
Year ended October 31, 2021					
Balance at beginning of year	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
Year ended October 31, 2020					
Balance at beginning of year as previously reported	403,970	836,070	(55,538)	770,630	1,955,132
Other comprehensive gain	-	-	8,616	-	8,616
Net income after taxation	-	-	-	57,865	57,865
Total comprehensive income	-	-	8,616	57,865	66,481
Balance at October 31, 2020	403,970	836,070	(46,922)	828,495	2,021,613

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Year ended October 31, 2021 ($'000)	2020 ($'000)
Operating activities		
Net profit before taxation	187,453	85,401
Adjustment for:		
Depreciation/amortisation	54,755	90,257
Post-retirement benefit (write-back)/expense	(22,812)	(23,225)
Loss on disposal of premises and equipment	553	21,632
Net unrealised losses	616	539
(Release of) /provision for credit losses on securities	(12,026)	8,258
(Release of) /provision for credit losses on loans to customers, net of recoveries	14,170	150,202
Share of profits of associate company	(4,277)	(4,136)
	218,432	328,928
(Increase)/decrease in operating assets:		
Balance with Central Bank	2,724,884	(2,653,865)
Loans to customers	(1,091,027)	161,213
Interest receivable	5,307	(719)
Other assets	(192,344)	6,180
Due from affiliated companies	79,789	312,032
Increase/(decrease) in operating liabilities:		
Due to banks	15,725	1,121
Customers' deposits	(47,689)	2,296,167
Due to affiliated companies	40,501	(1,831,673)
Interest payable on customer deposits	(3,797)	1,883
Other liabilities	81,828	43,417
Taxes and levies paid	(35,806)	(145,823)
Cash from operating activities	1,795,803	1,481,139
Investing activities		
Purchase of securities	(9,218,446)	(6,402,917)
Proceeds from sale of securities	6,705,360	7,237,287
Additions to premises and equipment and intangible assets	(17,005)	(58,628)
Cash (used in)/from investing activities	(2,530,091)	775,742
Financing activities		
Principal elements of lease payments	(28,295)	(32,739)
Cash used in financing activities	(28,295)	(32,739)
Net decrease in cash on hand and due from banks	(762,583)	(738,136)
Cash on hand and due from banks at beginning of period	3,455,052	4,193,188
Cash on hand and due from banks at end of period	2,692,469	3,455,052
Interest received	698,321	842,576
Interest paid	(36,256)	(51,752)

The notes form an integral part of these financial statements.

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (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. 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

Management also exercises judgement that affects the carrying amounts of certain assets and liabilities and the reported amounts of revenue and expenses recorded during the period. 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 5
• Employee benefits	Note 2, Note 14
• Share-based compensation	Note 2, Note 24
• Intangible assets	Note 2, Note 8
• 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 16

New, revised and amended standards not yet effective

Interest rate benchmark reform

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022. The Bank 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 an impact on the Bank's performance, financial position or disclosures. The Bank is in the process of assessing the impact of this amendment on the subsequent financial statements.

Effective November 1, 2021

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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;
- 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.

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Securities (continued)

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 to customers

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

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Measurement of expected credit losses (continued)

The IFRS 9 model is not calibrated for unprecedented events such as the COVID 19 pandemic. In order to appropriately reflect the impact of the COVID 19 pandemic on future credit losses in the portfolio, we applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the 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. We have internal governance in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

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

Expected life

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

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

Assessment of significant increase in credit risk

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

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

1) The instrument is 30 days past due.
2) The account is watch-listed and managed by the Regional Special Loan Unit (RSLU). The RSLU portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.
3) Retail loans receiving business as usual deferrals granted by our collections

Our assessment of significant increases in credit risk is primarily based on the approach described above and our projections of an increase in probability of default (PD) in the portfolio. Additional qualitative reviews and a 30 days past due backstop are also applied. The broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of COVID 19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made as necessary.

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rate, GDP and inflation rate.

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

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

Further details on our forward looking assumptions and scenarios as at October 31, 2021 are provided in Note 5.2.

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the 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 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed loans (Stage 3) (continued)

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

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

Collectively assessed loans (Stage 3)

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

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

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

Write-off of loans

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

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

Due to the impact of the COVID-19 pandemic, we have established relief programs to help personal and business banking clients manage the challenges of the COVID-19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring. In some cases, the original terms of the associated financial asset are renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. For these programs, where there is a substantial change in terms from the original financial asset, we derecognise the financial asset and recognise a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is 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

In the wake of the COVID 19 pandemic announcement in 2020, we provided relief to help personal and business clients to manage the challenges of the COVID 19 pandemic on a case by case basis through our specialised loans teams. A financial asset which is modified under these arrangements will continue to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. In the prior fiscal year, we concluded a relief program to assist clients who were in good standing through payment deferrals over a moratorium period, which resulted in the original maturity of the financial asset postponed by the moratorium period with no other substantial change to the contractual terms of the financial asset resulting in no material modification losses. The modification of the original terms of a financial asset which arose under the relief program arrangement, did not give rise to derecognition of the original financial asset and recognition of the new financial asset. The relief program focused mainly on loans within Stage 1.

Determination of fair value

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

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 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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Determination of fair value (continued)

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 card revenue. 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 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 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.

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

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Employee benefits – Pensions and other post-employment benefits (continued)

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 carryforwards 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 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Translation of foreign currencies (continued)

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.

Share capital

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

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

3 Cash on hand and due from banks

	2021 ($'000)	2020 ($'000)
Cash on hand	365,490	296,108
Due from banks	644,327	758,360
Treasury bills	1,682,652	2,400,584
	2,692,469	3,455,052

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

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

Treasury bills have original maturities up to three months.

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.

At October 31, 2021, the primary reserve requirement was 14% (2020 – 14%) of specific deposit liabilities. This balance is held in a non-interest bearing reserve account.

5 Loans

	2021 ($'000)	2020 ($'000)
Retail	1,863,193	1,910,562
Commercial/Corporate	5,036,586	4,133,841
Mortgages	3,904,286	3,683,341
Gross loans to customers	10,804,065	9,727,744
Allowance for credit losses (Note 5.1)	(368,804)	(369,340)
	10,435,261	9,358,404
Stage 1	9,766,779	9,016,457
Stage 2	702,262	401,516
Stage 3	335,024	309,771
Gross loans to customers	10,804,065	9,727,744
Current	2,021,782	2,298,449
Non-current	8,782,283	7,429,295
Gross loans to customers	10,804,065	9,727,744

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5.1 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, 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
For the year ended October 31, 2020					
Retail	43,441	38,482	(4,228)	-	77,695
Commercial/corporate	163,839	63,607	(768)	-	226,678
Mortgages	33,370	32,010	(413)	-	64,967
	240,650	134,099	(5,409)	-	369,340
Undrawn loan commitments	12,526	25,017	-	-	37,543

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 Stage 1	Stage 2	Impaired Stage 3	Total
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
For the year ended October 31, 2020				
Balance at beginning of period	59,357	19,689	161,604	240,650
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	13,849	(6,689)	(7,160)	-
Transfers in (out) to Stage 2	(1,841)	2,028	(187)	-
Transfers in (out) to Stage 3	(466)	(3,162)	3,628	-
Purchases and originations	18,243	-	-	18,243
Derecognitions and maturities	(5,584)	(5,493)	(25,550)	(36,627)
Remeasurements	4,878	128,748	18,862	152,488
Write-offs	-	-	(20,066)	(20,066)
Recoveries	-	-	14,658	14,658
Excahnge rate and other	(6)	-	-	(6)
Balance at end of period	88,430	135,121	145,789	369,340

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, transition matrices, unemployment rate, GDP and inflation rate.

Further details on the key inputs and assumptions used as at October 31, 2021 are provided in Note 2 and Note 5.2.

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, 2021		
ACL on performing loans (1)	222,147	212,441
As at October 31, 2020		
ACL on performing loans (1)	223,551	222,294

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

Transfers between stages

Further to our current policy for transfers between stages as described in Note 2, as part of our overlay, we qualitatively increased the transfers from stage 1 to stage 2 to reflect the current challenging economic environment. This qualitative adjustment was informed by economic projections, scenario weights and historical behavior of our portfolio.

The 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	
	2021	2020
Performing loans (1)		
ACL - all performing loans in Stage 1	91,839	91,746
Impact of staging	130,307	131,805
Stage 1 and 2 ACL	222,146	223,551

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

5.2 COVID-19 Pandemic

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

Trinidad and Tobago, an energy dependent economy has also experienced an economic downturn due to lower energy prices. The adverse impact on our retail and wholesale clients has been partially mitigated through government support programs, multilateral and other external support (including the IMF, WB, IDB, and CDB) and the rollout of payment deferral programs by the banking sector.

During 2021 many Caribbean economies had a modest recovery largely due to increases in travel and tourism. However, the levels of economic activity continued to be significantly below pre-pandemic levels. The economic recovery is expected to continue during next year as travel and tourism continue to improve relative to pre-pandemic levels, supported by rising domestic vaccination rates and the high vaccine uptake in major tourism source markets. Continued fiscal stimulus and accommodative monetary conditions in some countries will bolster consumer spending and unemployment relief.

The spread of the delta variant and resulting resurgence of virus spread has raised uncertainty with regards to the timing and extent of the economic recovery and impact on expected credit losses. As there is uncertainty on how tourism, economic activity and the portfolio will react to these conditions, the assumptions used to determine our allowances have a higher than usual degree of uncertainty. The inputs used in the calculation of the allowance are inherently subject to change, which may materially impact our estimate of the allowance for expected credit losses.

The Bank's stage 1 and 2 allowance for credit losses on the loan portfolios as at October 31, 2021 reflects a decrease as a result of the recent recovery observed in many economies and the resilience of our portfolio. The IFRS 9 model could not solely be used to determine expected credit losses as it was not designed with events of this magnitude in mind. As a consequence, a model overlay was used to account for incremental expected losses not captured by the IFRS 9 model.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5 Loans to customers (continued)

5.2 COVID-19 Pandemic (continued)

To address the uncertainties inherent in the current environment and to reflect all relevant risk factors not captured in our model, we applied expert credit judgement in the design of the overlay and the determination of inputs used in the calculation of the allowance. In light of the significant uncertainty, the impact of expert credit judgement on our allowances increased during 2020-2021 as compared to 2019. We applied qualitative adjustments to macroeconomic projections, the assumed credit response of the portfolio to the macroeconomic conditions, levels of loss severity and the determination of significant increase in credit risk.

Key inputs and assumptions

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

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

Forward looking macroeconomic projections

The PD and LGD inputs used to predict expected credit losses are primarily based on GDP growth projections. The assumed level of response of the PD to the level of economic contraction was informed by historical events, recent portfolio performance and expert judgement. The LGDs used in the calculation of our allowance were qualitatively adjusted upwards to reflect higher expected time to resolution for future defaults secured with real estate collateral. Our allowance for credit losses reflect our economic outlook as at October 31, 2021. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Our base scenario accounts for the expected gradual recovery of Caribbean economies during 2021-2022. Current volatility of tourism travel, impacted by local and international COVID infection spikes, continued travel and quarantine protocols and adverse travel advisories lend support to the consensus expectation by governments, central banks, the IMF and tourism authorities that full sustainable air travel recovery across the Caribbean will not happen until 2023 - 2024. In the case of the Trinidad and Tobago economy we considered the recent reduction of energy prices. As a small energy exporter, Trinidad and Tobago is a price taker. Global price volatility increased at the onset of the COVID-19 pandemic, with record low demand for oil coupled with a global oversupply pushing prices to lower levels. Prices have since rebounded somewhat. On a WTI basis, the oil price is currently averaging US$39 per barrel, with forecasters expecting a slight increase to $45 per barrel in 2021. This is well below the consensus WTI price of US$60 per barrel at the end of 2019.

Our downside scenario reflects a reversal of tourism gains experienced over the last 6 months and a downturn of oil prices which adversely impacts the energy dependent economy of Trinidad and Tobago. Our upside scenario considers a marginal improvement on base conditions resulting from a higher and faster than expected economic recovery. The forecasts of GDP growth rates were informed by external benchmarks and our own internal views which reflect the opinion and feedback from our economist, management and the business.

Internal assessment of the level of resilience of large wholesale clients

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

Recent portfolio performance

The PD used for different portfolio segments were qualitatively adjusted to take into account recent portfolio performance. Portfolios which have shown high resilience to the pandemic would have lower PD levels than portfolio with higher default rates.

Changes in scenario design and the weights associated to each scenario

Our approach to set scenarios and scenario weights was described in Note 2. All scenarios considered in our analysis include the impact of the pandemic as at October 31, 2021; reflective of current economic conditions. In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weigh the downside scenarios relative to October 31, 2020. Since the onset of the global spread of the COVID 19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios.

The impact of weighting multiple scenarios on our final allowance was illustrated in section 5.1; where we compare the final allowance versus expected credit loss predictions under the base scenario.

We have established relief programs to help clients manage through challenges of the COVID-19 pandemic through payment deferrals, interest rate reductions, covenant waivers, and refinancing or credit restructuring. In some cases, the original terms of the associated loans were renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms of which were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2021, the amortised cost of the loans whose contractual terms were modified at the quarter ended before the modification was $59million, resulting in no material modification gains or losses. The gross carrying amount of loans transferred to Stage 1 whose contractual terms were previously modified while in Stage 2 or Stage 3 was not material for the year ended October 31, 2021.

6 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, 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							
Equities (3)							
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
As at October 31, 2020							
Fair value through profit or loss (2)							
Government and state owned enterprises debt	-	-	-	7,138	-	-	7,138
Money market instruments	-	-	-	-	-	14,815	14,815
	-	-	-	7,138	-	14,815	21,953
Fair value through other comprehensive income							
Equities (3)							
Cost	-	-	-	-	-	991	991
Fair value	-	-	-	-	-	1,909	1,909
	-	-	-	-	-	1,909	1,909
Amortised cost (4)							
Amortised cost	1,374,161	2,555,287	2,028,809	10,680	-	-	5,968,937
Fair value	1,385,385	2,579,648	2,053,835	13,509	-	-	6,032,377
	1,374,161	2,555,287	2,028,809	10,680	-	-	5,968,937
Total carrying value of securities (1)	1,374,161	2,555,287	2,028,809	17,818	-	16,724	5,992,799

(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.

(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

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

Carrying value of securities (continued)

6.1 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.

Securities at FVOCI

	Cost/ amortised cost ($'000)	Gross unrealised gains (1) ($'000)	Gross unrealised losses (1) ($'000)	Fair value ($'000)
As at October 31, 2021				
Equities	69	208	-	277
As at October 31, 2020				
Equities	991	918	-	1,909

(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.

6.2 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:

	2021 ($'000)	2020 ($'000)
Gross exposures		
Stage 1	8,515,539	5,925,473
Stage 2	-	75,107
Total securities	8,515,539	6,000,580
Less: allowance for credit losses	(19,725)	(31,643)
Securities net of expected credit losses	8,495,814	5,968,937

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		
	Stage 1 ($'000)	Stage 2 ($'000)	Total ($'000)
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

	Performing		
	Stage 1 ($'000)	Stage 2 ($'000)	Total ($'000)
For the year ended October 31, 2020			
Balance at beginning of period	20,322	3,063	23,385
Provision for credit losses			
Transfers in (out) to Stage 1	(14)	14	-
Transfers in (out) to Stage 2	-	-	-
Purchases and originations	35,439	-	35,439
Derecognitions and maturities	(6,623)	(239)	(6,862)
Remeasurements	(18,580)	(1,739)	(20,319)
Balance at end of period	30,544	1,099	31,643

Allowance for credit losses – securities at FVOCI

	Performing		
	Stage 1 ($'000)	Stage 2 ($'000)	Total ($'000)
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
For the year ended October 31, 2020			
Balance at beginning of period	149	-	149
Provision for credit losses			
Purchases and originations	156	-	156
Derecognitions and maturities	(48)	-	(48)
Remeasurements	(1)	-	(1)
Balance at end of period	256	-	256

6.3 COVID-19 Pandemic

The Bank's allowance for credit losses on the securities portfolios as at October 31, 2021 included expected credit losses related to the impact of the COVID-19 global pandemic ("COVID-19"). The pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio because it was not designed with events of this magnitude in mind; which include a very severe economic contraction and support programs from governments, multilateral institutions and the banking sector. As a consequence, a model overlay was recorded to account for the impact on expected credit losses not captured by the IFRS 9 model.

In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weight the downside scenarios relative to October 31, 2020. Since the onset of the global spread of the COVID 19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios.

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

6.4 Securities at amortised cost

	2021 ($'000)	2020 ($'000)
Government and state-owned enterprises debt securities	7,758,735	5,317,438
Corporate debt securities	737,079	651,499
	8,495,814	5,968,937
Current	5,023,346	4,587,236
Non-current	3,472,468	1,381,701
	8,495,814	5,968,937

6.5 Movement in securities

	FVTPL ($'000)	FVOCI ($'000)	Amortised Cost ($'000)	Total ($'000)
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	(13,894)	(13,523)
Allowance for credit losses	-	-	12,026	12,026
As at October 31, 2021	21,820	277	8,495,814	8,517,911

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

6.5 Movement in securities (continued)

	FVTPL ($'000)	FVOCI ($'000)	Amortised Cost ($'000)	Total ($'000)
As at November 1, 2019	29,220	1,773	6,804,135	6,835,128
Additions	-	-	6,402,917	6,402,917
Disposal (sale and redemption)	(6,728)	-	(7,229,857)	(7,236,585)
(Losses)/gains from changes in fair value	(539)	136	-	(403)
Allowance for credit losses	-	-	(8,258)	(8,258)
As at October 31, 2020	21,953	1,909	5,968,937	5,992,799

7 Investment in associate company

7.1 Movement of investment in associate companies

	2021 ($'000)	2020 ($'000)
Balance at beginning of the period	36,548	33,418
Share of current period's profits before tax	4,277	4,136
Share of current period's tax (Note 25)	(1,157)	(1,006)
Dividends	-	-
Balance at end of the period	39,668	36,548

7.2 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 2021	Percentage of equity capital held 2020
Infolink Services Limited	Clearing facility for electronic funds transfer	Trinidad & Tobago	25.0%	25.0%

Infolink Services Limited

	2021 ($'000)	2020 ($'000)
Current assets	127,408	134,489
Non-current assets	39,147	20,482
Current liabilities	(4,889)	(4,486)
Non-current liabilities	(2,995)	(4,293)
Total comprehensive income	12,139	12,498
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	158,671	146,192
Proportion of ownership interest	25%	25%
Carrying amount of interest in Infolink Services Limited	39,668	36,548

8 Intangible assets

	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
2021			
Opening net carrying value	37,792	673	38,465
Additions	-	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
2020			
Opening net carrying value	44,006	-	44,006
Additions	-	32,335	32,335
Transfers	31,662	(31,662)	-
Amortisation	(37,876)	-	(37,876)
Closing net carrying value	37,792	673	38,465
Cost	373,904	673	374,577
Accumulated amortisation	(336,112)	-	(336,112)
Net carrying value	37,792	673	38,465

During the year, assets fully depreciated and retired amounted to $267 million (2020 - $0 million).

There were no contractual commitments to acquire intangible assets in 2021 or 2020.

9 Premises and equipment

	2021 ($'000)	2020 ($'000)
Premises and equipment owned (Note 9.1)	175,259	174,278
Right-of-use leased assets (Note 9.2)	126,251	120,900
	301,510	295,178

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

9.1 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, 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
Year ended October 31, 2020						
Opening net book value	99,564	1,159	41,348	24,097	28,261	194,429
Additions	-	-	-	-	26,293	26,293
Transfers	-	-	11,235	12,738	(23,973)	-
Disposals	(261)	-	(21,371)	-	-	(21,632)
Depreciation charge	(2,142)	(129)	(6,866)	(15,675)	-	(24,812)
Closing net book value	97,161	1,030	24,346	21,160	30,581	174,278
At October 31, 2020						
Total cost	144,705	1,316	89,469	182,930	30,581	449,001
Accumulated depreciation	(47,544)	(286)	(65,123)	(161,770)	-	(274,723)
Net book value	97,161	1,030	24,346	21,160	30,581	174,278

Impairment of property

There was no impairment in 2021 (2020 - Nil).

Assets pledged as security

There were no land and buildings pledged to secure borrowings of the Bank in 2021 or 2020.

9.2 Right-of-use leased assets

	Properties ($'000)	Total ($'000)
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
Year ended October 31, 2020		
Opening net book value	-	-
Transition adjustment on adoption of IFRS 16	128,475	128,475
Adjusted opening net book value	128,475	128,475
Additions	19,994	19,994
Disposals	-	-
Depreciation charge	(27,569)	(27,569)
Closing net book value	120,900	120,900
At October 31, 2020		
Total cost	148,469	148,469
Accumulated depreciation	(27,569)	(27,569)
Net book value	120,900	120,900

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

9 Premises and equipment (continued)

9.2 Right-of-use leased assets (continued)

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, 2021 was $28 million (2020 -$33 million).

10 Asset classified as held for sale

	2021 ($'000)	2020 ($'000)
Properties:		
Opening balance	7,624	7,624
Disposal of property	-	-
Amounts reclassed from premises and equipment	(7,624)	-
Closing balance	-	7,624

Asset being reclassed to premises and equipment as the requirements to be classified as held for sale has not been met as the property has not been sold three years since the initial classification due to legal issues associated with the property. The impact was $312,000 depreciation expense taken for the period classified as held for sale.

11 Deferred tax assets and liabilities

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

	2021 ($'000)	2020 ($'000)
Deferred tax assets	183,786	203,496
Deferred tax liabilities	(8,810)	(12,529)
	174,976	190,967
The movement on the deferred tax account is as follows:		
At beginning of year	190,967	146,390
Deferred tax (charge)/credit (Note 25)	(7,557)	49,192
Other comprehensive income:		
- Remeasurement of post-retirement benefit obligation	(8,729)	(4,385)
- Fair value gains/(losses) on securities	295	(230)
At end of year	174,976	190,967
Deferred tax asset and liability are attributable to the following items:		
Deferred tax assets		
Post-retirement benefits	87,942	100,824
Allowance for credit losses	85,701	90,372
Accelerated tax depreciation	4,201	6,279
Other	5,942	6,021
	183,786	203,496
Deferred tax liabilities		
Accelerated tax depreciation	-	-
Securities	(1,256)	(1,515)
Unrealised income	(7,554)	(11,014)
	(8,810)	(12,529)

12 Other assets

	2021 ($'000)	2020 ($'000)
Accounts receivable	7,969	9,473
Interest receivable	39,999	45,306
Items in transit	191,896	228
Other	5,540	3,358
	245,404	58,365
Allowance for credit losses	(3)	(1)
	245,401	58,364
Current	245,404	58,365

13 Customers' deposits

	2021 ($'000)	2020 ($'000)
Savings	13,937,849	13,243,733
Term deposits	838,416	743,880
Current accounts	7,488,997	8,325,338
	22,265,262	22,312,951
Sectoral analysis		
Consumers	11,228,218	11,270,028
Private sector	9,394,773	9,785,006
State sector	1,455,077	1,087,233
Other	187,194	170,684
	22,265,262	22,312,951
Current	22,263,497	22,311,891
Non-current	1,765	1,060
	22,265,262	22,312,951

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, 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
October 31, 2020			
Fair value of plan assets	-	(164)	(164)
Post-retirement benefit obligation	204,819	83,413	288,232
Liability in the statement of financial position	204,819	83,249	288,068

14.2 The movements in the net liability recognised in the Statement of Financial Position and Statement of Income and Other Comprehensive Income are as follows:

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2021			
At beginning of period	204,819	83,249	288,068
Net benefit cost (note 14.5)	(14,229)	(2,879)	(17,108)
Net benefits paid	(5,375)	(22,537)	(27,912)
At end of year	185,215	57,833	243,048
October 31, 2020			
At beginning of period	235,722	107,576	343,298
Net benefit cost (Note 14.5)	(30,903)	(4,851)	(35,754)
Net benefits paid	-	(19,476)	(19,476)
At end of year	204,819	83,249	288,068

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

14 Post-retirement benefit obligations (continued)

14.3 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, 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
October 31, 2020			
At beginning of year	-	313	313
Interest income	-	17	17
Return on plan assets (excluding interest income)	-	(17)	(17)
Benefits paid by the Bank	-	(149)	(149)
At end of year	-	164	164

14.4 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, 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
October 31, 2020			
At beginning of year	235,722	107,889	343,611
Current service cost	4,233	2,570	6,803
Past service cost	(49,055)	-	(49,055)
Interest expense	12,179	6,848	19,027
Re-measurements:			
Effect of changes in demographic assumptions	(5,671)	-	(5,671)
Effect of changes in financial assumptions	(5,895)	(10,615)	(16,510)
Effect of experience adjustments	13,306	(3,654)	9,652
Benefits paid	-	(19,625)	(19,625)
At end of year	204,819	83,413	288,232

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

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
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)
October 31, 2020			
Current service cost	4,233	2,570	6,803
Past service cost	(49,055)	-	(49,055)
Net interest expense	12,179	6,848	19,027
Components of defined benefit costs recognised in profit or loss	(32,643)	9,418	(23,225)
Remeasurement on the net liability:			
Effect of changes in demographic assumptions	(5,671)	-	(5,671)
Effect of changes in financial assumptions	(5,895)	(10,632)	(16,527)
Effect of experience adjustments	13,306	(3,654)	9,652
Return on plan assets	-	17	17
Components of defined benefit costs recognised in other comprehensive income	1,740	(14,269)	(12,529)
Total	(30,903)	(4,851)	(35,754)

14.6 Investment policy and strategies

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

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

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

Composition of defined benefit pension plan assets

	October 31, 2021 Fair value ($'000)	October 31, 2021 Percentage of total plan assets	October 31, 2020 Fair value ($'000)	October 31, 2020 Percentage of total plan assets
Alternative investments	164	100%	164	100%
	164	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:

Overall expected long-term rate of return on assets

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

Discount rate

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

Summary of principal assumptions

	October 31, 2021	October 31, 2020
Discount rates – medical and life	5.60%	5.30%
Discount rates – pension	5.60%	5.30%
Salary increases	2.00%	1.75%
Health care cost trend rates		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

14.7 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

14 Post-retirement benefit obligations (continued)

14.7 **Sensitivity analysis (continued)**

	Increase/(decrease) in obligation	
	2021 ($'000)	**2020 ($'000)**
Pension plan:		
Impact of 1.0% decrease in discount rate	26,819	34,953
Impact of 1.0% increase in discount rate	(17,008)	(19,518)
Impact of 0.5% decrease in rate of increase in future compensation	(3,230)	(1,822)
Impact of 0.5% increase in rate of increase in future compensation	3,556	7,151
Impact of 1 year increase in life expectancy	2,901	6,089
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	28,148	25,428
Impact of 1.0% increase in discount rate	(22,664)	(32,805)
Impact of 0.5% decrease in rate of increase in future compensation	-	(6,922)
Impact of 0.5% increase in rate of increase in future compensation	-	(6,922)
Impact of 1% decrease in health care cost trend rate	(4,567)	(13,743)
Impact of 1% increase in health care cost trend rate	5,412	516
Impact of 1 year increase in life expectancy	(417)	(6,329)

15 Debt securities in issue

	2021 ($'000)	**2020 ($'000)**
Debt securities in issue	300,000	300,000

A unsecured debt security was issued on November 1, 2012. Interest is payable semi-annually in arrears with the principal repayable in full at maturity:

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

	2021 ($'000)	**2020 ($'000)**
Non-current - principal	300,000	300,000
	300,000	300,000

16 Other liabilities

	2021 ($'000)	**2020 ($'000)**
Accruals and payables	23,246	23,615
Interest payable	8,210	12,007
Employee related costs	50,959	50,797
Deferred income	73,054	67,847
Contract liabilities[(1)]	11,428	11,144
Lease liabilities[(2)]	129,408	122,562
Allowance for credit losses	3,002	3,012
Items in transit	299,834	209,457
Other	10,864	34,011
	610,005	534,452
Current	502,655	431,944
Non current	107,350	102,508
	610,005	534,452

(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 on the date the contract starts over its lease term. This amount is computed using the incremental borrowing rate.

17 Share capital

	2021 ($'000)	**2020 ($'000)**
Issued and fully paid: 147,428,485 ordinary shares of no par value	403,970	403,970

18 Statutory reserve

	2021 ($'000)	**2020 ($'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

	2021 ($'000)	**2020 ($'000)**
Investment revaluation reserve (Note 19.1)	2,425	760
General reserve	604	604
Capital reserve	45,672	45,672
Other comprehensive income: pension and plan employee benefit experience	(77,747)	(93,958)
	(29,046)	(46,922)
19.1 **Investment revaluation reserve – securities FVOCI**		
Balance at beginning of year	760	288
Net gains arising during the year on debt securities, net of tax	1,735	402
Net change in allowance for credit losses on securities carried at FVOCI net of tax	(70)	70
Balance at end of year	2,425	760

20 Interest income

	2021 ($'000)	**2020 ($'000)**
Loans	612,129	683,763
Securities (Note 20.1)	73,756	148,098
Due from affiliated companies	5,810	6,101
Due from banks	1,319	4,814
Other	-	519
	693,014	843,295
20.1 **Interest income on Securities**		
FVTPL	499	550
Amortised cost	73,257	147,548
	73,756	148,098

21 Interest expense

	2021 ($'000)	**2020 ($'000)**
Customers' deposits	14,799	22,881
Due to banks	-	27
Due to affiliated companies	319	13,505
Lease liabilities	2,988	2,869
Debt securities in issue	14,353	14,353
	32,459	53,635

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

22 Non-interest income

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

	2021 ($'000)	2020 ($'000)
Non-interest income over time:		
Transaction service fees and commissions	73,803	69,496
Trust and investment management related fees	19,954	24,800
Non-interest income at a point in time:		
Credit related fees and commissions	47,128	36,627
Other fees and commissions	58,377	55,011
Affiliate income	63,994	45,410
Net trading income	616	25
Foreign exchange earnings	56,204	86,105
	320,076	317,474

22.1 **Fees and commissions**

	2021 ($'000)	2020 ($'000)
Net transaction service fees/commissions	73,803	69,496
Credit related fees and commissions	47,128	36,627
Trust and investment management related fees	19,954	24,800
Other fees and commissions	58,377	55,011
	199,262	185,934

23 Non-interest expenses

	2021 ($'000)	2020 ($'000)
Staff costs (Note 23.1)	310,291	330,422
Other premises and equipment expenses excluding depreciation and operating lease rentals	67,558	69,532
Marketing and promotions	10,436	9,796
Amortisation charge on intangible assets	11,869	37,876
Depreciation charge on premises and equipment	42,886	52,381
Loss on disposal of asset	553	21,632
Deposit insurance premium (Note 23.2)	33,297	30,845
Operating lease rentals	21,520	26,130
Green fund levy	3,965	4,200
Directors' remuneration	112	84
Auditors' remuneration	1,742	657
Management fees	149,975	146,471
Sundry and fraud losses	17,662	46,583
Other operating expenses	115,614	128,682
	787,480	905,291

23.1 **Staff costs**

	2021 ($'000)	2020 ($'000)
Wages and salaries	194,111	200,457
Bonuses	36,772	33,005
Employees' pension benefit expense	19,008	19,278
Other staff costs	60,400	77,682
	310,291	330,422

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**

	Units granted	2021 Weighted average fair value per unit ($)
Performance deferred share unit plans	5,230	562
RBC share unit plans	4,833	548
	10,063	1,110

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**

	Units	2021 Carrying amount ($'000)
Performance deferred share unit plans	8,852	6,359
RBC share unit plans	340	245
	9,192	6,604

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

	2021 ($'000)
Performance deferred share unit plans	4,599
RBC share unit plans	173
	4,772

25 Taxation expense

	2021 ($'000)	2020 ($'000)
Current tax charge	54,727	77,249
Prior years	(348)	(1,527)
Deferred tax charge/(credit) (Note 11)	7,557	(49,192)
Share of tax charge of associate company (Note 7)	1,157	1,006
	63,093	27,536
The tax on income differs from the theoretical amount that would arise using the basic tax rate as follows:		
Net income before taxation	187,453	85,401
Prima facie tax calculated at a rate of 35%	65,609	29,890
Income exempt from tax	(538)	(2,681)
Expenses not deductible for tax	448	818
Prior years	(348)	(1,527)
Other	(2,078)	1,036
	63,093	27,536
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	(1,463)	(12,002)
Allowance for credit losses	(4,703)	(53,968)
Other	2,762	1,833
Post-retirement medical benefits	(4,153)	14,945
	(7,557)	(49,192)

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

25 Taxation expense (continued)

	2021 ($'000)	2020 ($'000)
Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of securities	295	(230)
Re-measurement of post-retirement benefit obligation	(8,729)	(4,385)
	(8,434)	(4,615)

26 Dividends

No dividends were declared or paid to shareholders during the financial year (2020 - $Nil).

27 Contingent liabilities

Legal proceedings

As at October 31, 2021, there were certain legal proceedings outstanding against the Bank for which a provision has been made of $4 million based on professional advice as to the likely obligations arising from these litigation matters (2020: $6 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.

	2021 ($'000)	2020 ($'000)
Bonds outstanding, indemnities and letters of credit	218,753	209,812
Sectoral analysis		
Private sector	190,526	184,215
State sector	20,122	18,689
Consumers	7,957	6,733
Other	148	175
	218,753	209,812

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, 2021 allowance for credit losses for contingent liabilities amounted to $3,001,839 (2020: $3,012,268).

28 Credit commitments

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

	Gross maximum exposure	
	2021 ($'000)	2020 ($'000)
Consumer	1,696,391	1,692,903
Distribution	448,380	200,355
Financial services	297,218	338,444
Transport	54,566	51,536
Construction	95,258	169,443
Real estate	14,114	20,039
Other	826,532	973,545
	3,432,459	3,446,265

29 Capital commitments

The Bank's capital commitments primarily in respect of building construction, renovation and information technology projects amounting to $0 million (2020: $5 million).

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.

	2021 ($'000)	2020 ($'000)
Outstanding balances		
Due from banks and short term investments		
Other subsidiaries of Royal Bank of Canada	8,615	12,998
Due from associate and affiliated companies	269,789	345,987
	278,404	358,985
Loans and securities		
Due from associate and affiliated companies	259,917	261,904
Directors and key management personnel	870	2,381
	260,787	264,285
Derivatives		
Due from affiliated company	5,131	2,352
Customers' deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	39,649	62,681
Due to associate and affiliated companies	816,503	752,970
Directors and key management personnel	557	677
	856,709	816,328
Interest income		
Due from associate and affiliated companies	5,810	6,101
Directors and key management personnel	-	76
	5,810	6,177
Non-interest income		
Other subsidiaries of Royal Bank of Canada	4,336	1,392
Due from associate and affiliated companies	58,380	44,018
	62,716	45,410
Interest expense		
Due to associate and affiliated companies	319	13,505
Directors and key management personnel	39	2
	358	13,507
Operating expenses		
Other subsidiaries of Royal Bank of Canada	19,416	22,769
Due to associate and affiliated companies	159,074	153,487
	178,490	176,256
Key management compensation		
Share based payments	555	464
Salaries and other short term benefits	3,148	2,342
	3,703	2,806

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

31 Financial risk management

31.1 Statement of Financial Position - categorisation

	2021 ($'000)	2020 ($'000)
Assets		
Financial assets at fair value through profit or loss		
Securities	21,820	21,953
Financial assets at fair value through other comprehensive income		
Cash on hand and due from banks	1,682,652	2,400,584
Securities – equity instruments (1)	277	1,909
	1,682,929	2,402,493
Financial assets at amortised cost		
Cash on hand and due from banks	1,009,817	1,054,468
Balances with Central Bank	3,412,927	6,137,811
Loans to customers	10,435,261	9,358,404
Securities	8,495,814	5,968,937
Due from associate and affiliated companies	543,452	623,241
Other assets	39,999	45,306
	23,937,270	23,188,167
Total financial assets	25,642,019	25,612,613
Non-financial assets	842,897	675,343
Total assets	26,484,916	26,287,956
Liabilities		
Financial liabilities at amortised cost		
Due to banks	17,706	1,981
Customers' deposits	22,265,262	22,312,951
Debt securities in issue	300,000	300,000
Due to associate and affiliated companies	856,152	815,651
Other liabilities	137,618	12,007
Total financial liabilities	23,576,738	23,442,590
Non-financial liabilities	744,330	823,753
Total liabilities	24,321,068	24,266,343
Total equity	2,163,848	2,021,613
Total equity and liabilities	26,484,916	26,287,956

Securities - equity instruments designated as at FVOCI[1]

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 2021 ($'000)	Carrying value 2020 ($'000)
Business category				
Economic development	1	100	-	-
Clearing house	1	922	-	1,660
Financial services	1	14	277	249
Total			277	1,909

(a) During the year ended October 31, 2021 there were disposals of the Clearing house equity shares designated as FVOCI portfolio 922 (2020 - Nil).

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 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.

Board of Directors

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

Group Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit 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.

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 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 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 autorised 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 Bank's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions.

The Bank's liquidity management process is carried out by the Treasury department and monitored by Caribbean Treasury and Group ALCO. The Bank's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-balance sheet or off-balance sheet liabilities.

To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans. Our liquidity risk measurement and control activities are divided into three categories as follows:

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

31 Financial risk management (continued)

31.3 Liquidity risk (continued)

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

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

	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	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	
As at October 31, 2020						
Assets						
Cash and cash equivalents	3,455,052	-	-	-	-	3,455,052
Balances with central banks	6,137,811	-	-	-	-	6,137,811
Loans	4,511,860	111,683	3,204,897	1,413,468	116,496	9,358,404
Securities	1,374,161	877,180	1,678,107	2,028,809	34,542	5,992,799
Due from associates and affiliated companies	361,337	-	-	3,727	258,177	623,241
Other assets	45,306	-	-	-	-	45,306
Total financial assets less derivatives	15,885,527	988,863	4,883,004	3,446,004	409,215	25,612,613
Liabilities						
Due to banks	1,981	-	-	-	-	1,981
Customers' deposits	21,840,013	138,388	333,490	1,060	-	22,312,951
Debt securities in issue	-	-	-	-	300,000	300,000
Due to associated and affiliated companies	715,651	100,000	-	-	-	815,651
Other liabilities	12,007	-	-	-	-	12,007
Total financial liabilities less derivatives	22,569,652	238,388	333,490	1,060	300,000	23,442,590
Liquidity gap	(6,684,125)	750,475	4,549,514	3,444,944	109,215	2,170,023
Cumulative gap	(6,684,125)	(5,933,650)	(1,384,136)	2,060,808	2,170,023	

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, 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
As at October 31, 2020				
Guarantees, bonds, indemnities and letters of credit	99,721	26,622	83,469	209,812
Credit commitments	2,936,365	104,507	405,393	3,446,265
Capital commitments	4,640	-	-	4,640
	3,040,726	131,129	488,862	3,660,717

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.

31.4.2 Interest rate risk

To monitor and control structural interest rate risk (SIRR), 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.

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

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

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

31 Financial risk management (continued)

31.4 Market risk (continued)

31.4.2 Interest rate risk (continued)

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
As at October 31, 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
As at October 31, 2020				
Impact before tax				
100 bps increase in rates	68,566	(17,283)	(3,327)	(3,564)
100 bps decrease in rates	(72,727)	17,455	3,327	3,564

31.4.3 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, 2021					
Assets					
Cash on hand and due from banks	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		
As at October 31, 2020					
Assets					
Cash on hand and due from banks	3,335,052	120,000	-	-	3,455,052
Balances with Central Bank	4,537,811	1,600,000	-	-	6,137,811
Loans to customers	7,828,440	1,413,468	116,496	-	9,358,404
Securities at FVTPL	6,093	10,216	5,644	-	21,953
Securities at FVOCI	1,909	-	-	-	1,909
Securities at amortised cost	4,587,236	1,381,701	-	-	5,968,937
Due from associate and affiliated companies	361,337	3,727	258,177	-	623,241
Other assets	-	-	-	45,306	45,306
Total financial assets	20,657,878	4,529,112	380,317	45,306	25,612,613
Liabilities					
Due to banks	1,981	-	-	-	1,981
Customers' deposits	13,623,538	8,689,413	-	-	22,312,951
Debt securities in issue	-	-	300,000	-	300,000
Due to associate and affiliated companies	815,651	-	-	-	815,651
Other liabilities	-	-	-	12,007	12,007
Total financial liabilities	14,441,170	8,689,413	300,000	12,007	23,442,590
Interest sensitivity gap	6,216,708	(4,160,301)	80,317		

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, 2021				
Loans to customers:				
Retail	810,353	923,282	129,558	1,863,193
Commercial/corporate	2,610,316	1,539,311	886,959	5,036,586
Mortgages	3,513,860	390,426	-	3,904,286
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
As at October 31, 2020				
Loans to customers:				
Retail	812,932	981,134	116,496	1,910,562
Commercial/corporate	4,069,841	64,000	-	4,133,841
Mortgages	3,315,007	368,334	-	3,683,341
Gross loans to customers	8,197,780	1,413,468	116,496	9,727,744
Securities:				
Securities at FVTPL	6,093	10,216	5,644	21,953
Securities FVOCI	1,909	-	-	1,909
Securities held-to-collect at amortised cost	4,618,879	1,381,701	-	6,000,580
Gross securities	4,626,881	1,391,917	5,644	6,024,442

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, 2021				
Loans to customers:				
Retail	1,718,012	129,881	15,300	1,863,193
Commercial/corporate	3,012,336	1,751,622	272,628	5,036,586
Mortgages	228,891	3,558,733	116,662	3,904,286
Gross loans to customers	4,959,239	5,440,236	404,590	10,804,065
As at October 31, 2020				
Loans to customers:				
Retail	1,869,757	18,847	21,958	1,910,562
Commercial/corporate	2,591,659	1,276,637	265,545	4,133,841
Mortgages	143,427	3,467,501	72,413	3,683,341
Gross loans to customers	4,604,843	4,762,985	359,916	9,727,744

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 shareholders' equity.

Change in price	Effect on equity	
	2021 ($'000)	2020 ($'000)
+1%	3	19
-1%	(3)	(19)

Royal Bank

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

31 Financial risk management (continued)

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, 2021				
Assets				
Cash on hand and due from banks	389,866	2,229,492	73,111	2,692,469
Balances with Central Bank	3,412,927	-	-	3,412,927
Loans to customers	9,461,902	973,359	-	10,435,261
Securities at FVTPL	9,549	9,415	2,856	21,820
Securities at FVOCI	277	-	-	277
Securities at amortised cost	4,717,424	3,778,390	-	8,495,814
Due from associate and affiliated companies	492,122	43,970	7,360	543,452
Other assets	23,605	16,394	-	39,999
Total financial assets	18,507,672	7,051,020	83,327	25,642,019
Liabilities				
Due to banks	2,121	15,585	-	17,706
Customers' deposits	16,560,304	5,640,751	64,207	22,265,262
Due to associate and affiliated companies	432,995	422,136	1,021	856,152
Debt securities in issue	300,000	-	-	300,000
Other liabilities	137,178	440	-	137,618
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
As at October 31, 2020				
Total financial assets	18,914,485	6,619,827	78,301	25,612,613
Total financial liabilities	17,877,168	5,517,608	47,814	23,442,590
Net Statement of Financial Position	1,037,317	1,102,219	30,487	2,170,023
Credit commitments	3,187,291	258,974	-	3,446,265

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, 2021			
Currency			
USD	(1)	(4,226)	-
October 31, 2020			
Currency			
USD	(1)	(5,491)	-

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.

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.

31.6.1 Credit risk management

The Bank's internal ratings scale and mapping of external ratings are as follows:

a) Loans

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.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced. 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.

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

30 Financial risk management (continued)

31.6 Credit risk (continued)

31.6.3 **Maximum exposure to credit risk before collateral held or other credit enhancements**

	Gross maximum exposure	
	2021 ($'000)	2020 ($'000)
Credit risk exposures relating to financial assets on the Statement of Financial Position are as follows:		
Due from banks and treasury bills	2,326,979	3,158,944
Loans to customers	10,804,065	9,727,744
Securities at FVTPL	21,820	21,953
Securities at amortised cost	8,515,538	6,000,580
Due from associate and affiliated companies	543,452	623,241
	22,211,854	19,532,462
Credit risk exposures relating to financial assets not on the Statement of Financial Position are as follows:		
Guarantees, acceptances, indemnities and letters of credit	218,753	209,812
Credit commitments	3,432,459	3,446,265
	3,651,212	3,656,077
Total credit risk exposure	25,863,066	23,188,539

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	
	2021 ($'000)	2020 ($'000)
Consumer	5,001,462	4,993,265
Manufacturing	82,260	57,624
Distribution	141,201	93,240
Financial services	4,810,100	6,857,742
Transport	146,256	152,351
Construction	500,078	170,972
Petroleum	79,066	51,696
Agriculture	4,105	4,578
Real estate	295,211	357,810
Tourism	4,748	5,216
Professional services	203,134	2,258
Utilities	138,617	75,247
Health services	166,844	177,805
Government	7,214,193	3,398,022
Other	3,424,579	3,134,636
	22,211,854	19,532,462

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, 2021, was $6,329,903,000 (2020: $4,549,887,000) 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, 2021				
Due from banks	2,326,979	-	-	2,326,979
Loans to customers:				
Retail	1,750,101	96,169	16,923	1,863,193
Commercial/corporate	4,489,473	316,556	230,557	5,036,586
Mortgages	3,527,205	289,537	87,544	3,904,286
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	21,174,568	702,262	335,024	22,211,854
As at October 31, 2020				
Due from banks	3,158,944	-	-	3,158,944
Loans to customers:				
Retail	1,782,719	109,291	18,552	1,910,562
Commercial/corporate	3,800,704	127,047	206,090	4,133,841
Mortgages	3,433,034	165,178	85,129	3,683,341
Loans to customers (gross)	9,016,457	401,516	309,771	9,727,744
Securities:				
FVTPL (including trading):				
Government	7,138	-	-	7,138
Other	14,815	-	-	14,815
Amortised cost:				
Government	5,273,889	75,107	-	5,348,996
Corporate	651,584	-	-	651,584
Securities (gross)	5,947,426	75,107	-	6,022,533
Due from associate and affiliated companies	623,241	-	-	623,241
Total	18,746,068	476,623	309,771	19,532,462

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

31.6.7 **Loans past due but not impaired**

	1 to 29 days ($'000)	30 to 89 days ($'000)	90 days and greater ($'000)	Total ($'000)
As at October 31, 2021				
Loans:				
Retail	97,654	26,148	5,806	129,608
Commercial/corporate	147,150	178,053	-	325,203
Mortgages	308,083	36,159	-	344,242
	552,887	240,360	5,806	799,053
As at October 31, 2020				
Loans:				
Retail	116,950	51,455	6,061	174,466
Commercial/corporate	241,784	46,281	-	288,065
Mortgages	294,215	60,062	-	354,277
	652,949	157,798	6,061	816,808

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

30 Financial risk management (continued)

31.6 **Credit risk (continued)**

31.6.8 **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	2021 ($'000)	2020 ($'000)
Excellent			
AA	BB+	2,469,187	1,586,675
Very good			
A+	BB	2,456,831	2,779,563
A	BB-	5,929,270	5,683,155
Good			
A-	B+	5,000,175	4,080,077
B+	B		-
Special mention			
B	B-	6,039,831	5,032,365
C+	CCC+		-
Unacceptable			
C	CCC	200,956	278,213
D+	CCC-		-
Bad and doubtful			
D	CC+	31,332	34,047
E+	CC		-
Virtual certain loss			
E	CC-	84,272	58,367
		22,211,854	19,532,462

31.6.9 **Repossessed collateral**

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

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

	2021 ($'000)	2020 ($'000)
Land	232	1,215
Buildings	1,524	1,675
Motor-vehicles[1]	-	-
	1,756	2,890

(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% (2020: 10%). The Bank's regulatory capital ratio is 19.35% (2020: 19.31%).

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 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.

	2021 ($'000)	2020 ($'000)
Tier 1 capital		
Share capital (net of the treasury shares)	403,970	403,970
Statutory reserve	836,070	836,070
Capital Reserve	45,672	45,672
Retained earnings	945,187	828,495
Total qualifying Tier 1 capital	2,230,899	2,114,207
Tier 2 capital		
Debt securities in issue	300,000	300,000
General reserves	604	604
General impairment	35,967	27,621
Revaluation reserve –securities	2,425	760
Other reserve IAS 19R	(73,707)	(93,958)
Total qualifying Tier 2 capital	265,289	235,027
Total regulatory capital	2,496,188	2,349,234
Total risk-weighted assets	12,900,130	12,167,904
Regulatory capital ratio	19.35%	19.31%

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, 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	-	-	-	-

Royal Bank

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

32 Fair value of financial assets and liabilities (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, 2020							
Loans	-	9,647,934	9,647,934	-	-	9,647,934	9,647,934
Other assets	58,364	-	58,364	-	-	-	-
Investment securities	-	6,032,377	6,032,377	6,032,377	-	-	6,032,377
Due to banks	1,981	-	1,981	-	-	-	-
Customers' deposits	21,569,071	743,582	22,312,653	-	-	743,582	743,582
Debt securities in issue	-	302,435	302,435	-	-	302,435	302,435
Other liabilities	534,452	-	534,452	-	-	-	-

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).

	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.

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at October 31, 2020				
Securities at FVTPL				
Securities FVTPL classified				
Debt securities	-	7,138	-	7,138
Money market instruments	14,815	-	-	14,815
	14,815	7,138	-	21,953
Securities at FVOCI				
Securities FVOCI classified				
Equity securities	249	-	1,660	1,909
	249	-	1,660	1,909

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, 2021			
Securities at FVOCI	277	-	-
	277	-	-
As at October 31, 2020			
Securities at FVOCI	1,660	572	(738)
	1,660	572	(738)

Sensitivity results

As at October 31, 2021, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $0.0 million (2020: $0.6 million) and a reduction of $0.0 million (2020: $0.7 million) in fair value, of which an increase of $0.0 million (2020: $0.6 million) and a decrease of $0.0 million (2020: $0.7 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 decrease (2020: $0 million) and $0 increase (2020: $0 million) in fair value.

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

	Total realized / unrealized gains (losses) included in earnings			Changes in unrealized 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, 2021						
Non-interest income						
Trading revenue	-	-	-	-	-	-
For year ended October 31, 2020						
Non-interest income						
Trading revenue	-	-	-	-	-	-

Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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, 2020	1,660	1,660
Gains from change in fair value	(1,660)	(1,660)
As at October 31, 2021	-	-
As at November 1, 2019	1,522	1,522
Gains from change in fair value	138	138
As at October 31, 2020	1,660	1,660

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, 2021, 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.

Merchant Bank
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Chairman's Report

RBC Merchant Bank (Caribbean) Limited (the Company) recorded a net loss after taxation of $8.4 million for the financial year ended October 31, 2021. This represents an improvement when compared to the prior year net loss of $24.0 million, driven by better results from our share of profits from associates, lower provisions and positive tax adjustments and partly offset by higher expenses from unrealized revaluation losses and other fees.

While the prolonged impact of the coronavirus pandemic has continued to constrain revenue generation opportunities , the negative impact on the credit quality of the Company's loan book has been less severe than anticipated, resulting in a lower provision expense this year amid overall net portfolio year over year growth of $90.4 million.

Total assets amounted to $1.9 billion, up $720.5 million with total deposits increasing by $59.0 million to $342.0 million. The Company is well capitalised with a capital ratio of 47.97%, 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 21, 2022

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, 2021 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 21, 2022

Roxann Granger
Chief Financial Officer, RBC Merchant Bank (Caribbean) Limited
January 21, 2022

Independent Auditor's Report

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 October 31, 2021, 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, 2021;
- 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.

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.

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

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Independent Auditor's Report (continued)

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
January 24, 2022

Statement of Financial Position

	Notes	As at October 31, 2021 ($'000)	2020 ($'000)
Assets			
Cash and cash equivalents	3	302,364	300,776
Balances with Central Bank	4	84,175	112,792
Loans	5	449,129	358,707
Securities	6	681,627	1,113
Investment in associated company and joint venture	7	204,404	198,257
Due from affiliated companies	8	28,878	66,604
Intangible assets	9	894	1,036
Equipment	10	1,075	1,130
Taxation recoverable		73,724	75,289
Deferred tax assets	11	29,647	21,531
Other assets	12	5,983	4,173
Total assets		1,861,900	1,141,408
Liabilities			
Customers' deposits	13	342,017	283,058
Other funding instruments	14	29,195	29,334
Due to affiliated companies	15	657,829	1,081
Derivative financial liabilities	16	1,343	2,996
Post-retirement benefit obligation	17	11,803	12,270
Deferred tax liabilities	11	10,370	10,505
Other liabilities	18	22,001	6,803
Total liabilities		1,074,558	346,047
Shareholder's equity			
Share capital	19	140,000	140,000
Statutory reserve	20	140,000	140,000
Other components of equity		(1,651)	(2,157)
Investment revaluation reserve	21	2	92
Contributed surplus		1,211	1,211
Retained earnings		507,780	516,215
Total shareholder's equity		787,342	795,361
Total liabilities and equity		1,861,900	1,141,408

The notes form an integral part of these financial statements.

On January 21, 2022, 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, 2021 ($'000)	2020 ($'000)
Interest income	22	13,846	17,046
Interest expense	23	(7,819)	(7,230)
Net interest income		6,027	9,816
Non-interest income	24	560	6,379
Net income		6,587	16,195
Non-interest expenses	25	(34,244)	(26,911)
Provision for credit losses on loans to customers, net of recoveries		(94)	(5,097)
Total non-interest expenses		(34,338)	(32,008)
Share of profits/(losses) of associated company	7.1	7,660	(1,819)
Share of profits of joint venture	7.2	7,414	11,731
Loss before taxation		(12,677)	(5,901)
Taxation credit/(charge)	27	4,242	(18,052)
Loss after taxation		(8,435)	(23,953)
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on securities at FVOCI	21	(90)	(1)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	17.5	506	280
Other comprehensive income for the year, net of tax		416	279
Total comprehensive loss for the year		(8,019)	(23,674)

The notes form an integral part of these financial statements.

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Statement of Changes in Equity

	Share capital ($'000)	Statutory reserve ($'000)	Other components of equity ($'000)	Investment revaluation reserve ($'000)	Contributed surplus ($'000)	Retained earnings ($'000)	Total ($'000)
Year ended October 31, 2021							
Balance at beginning of year	140,000	140,000	(2,157)	92	1,211	516,215	795,361
Other comprehensive income	-	-	506	(90)	-	-	416
Loss after taxation	-	-	-	-	-	(8,435)	(8,435)
Total comprehensive loss	-	-	506	(90)	-	(8,435)	(8,019)
Balance at end of year	140,000	140,000	(1,651)	2	1,211	507,780	787,342
Year ended October 31, 2020							
Balance at beginning of year	140,000	140,000	(2,437)	93	1,211	540,168	819,035
Other comprehensive income	-	-	280	(1)	-	-	279
Loss after taxation	-	-	-	-	-	(23,953)	(23,953)
Total comprehensive income	-	-	280	(1)	-	(23,953)	(23,674)
Balance at end of year	140,000	140,000	(2,157)	92	1,211	516,215	795,361

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended October 31, 2021 ($'000)	2020 ($'000)
Operating activities			
Loss before taxation		(12,677)	(5,901)
Adjustment for:			
Provision for credit losses on loans to customers, net of recoveries		94	5,097
Post-retirement benefit expense		251	(149)
Net investment trading income		102	58
Unrealised gains on derivatives		(1,634)	(758)
Depreciation and amortisation		486	1,265
Share of profits of associated company and joint venture		(12,172)	(9,912)
Dividends received from associated company and joint venture		2,024	3,308
Loss before changes in operating assets/liabilities		(23,526)	(6,992)
(Increase)/decrease in operating assets:			
Balances with Central Bank		28,617	(41,635)
Loans to customers		(90,516)	(202,096)
Due from affiliated companies		37,726	(2,474)
Other assets		(1,811)	(2,759)
Increase/(decrease) in operating liabilities:			
Customers' deposits		58,959	164,781
Other funding instruments		(139)	112
Due to affiliated companies		656,748	236
Other liabilities		15,046	(9,762)
Corporation taxes paid		1,288	(297)
Cash generated from/ (used in) operating activities		682,391	(100,886)
Investing activities			
Purchase of securities		(873,351)	-
Sale of securities		192,837	506
Purchase of equipment		(27)	(47)
Purchase of intangible assets		(261)	(312)
Cash (used in)/generated from investing activities		(680,802)	147
Net increase/(decrease) in cash and cash equivalents		1,588	(100,739)
Cash and cash equivalents at beginning of year		300,776	401,515
Cash and cash equivalents at end of year	3	302,364	300,776
Supplemented information:			
Interest received		14,806	17,042
Interest paid		7,860	6,571

The notes form an integral part of these financial statements.

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. 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 judgements

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

• Fair value of financial instruments	Note 2, Note 35
• Leases	Note 2
• Revenue recognition	Note 2
• Allowance for credit losses	Note 2, Note 5, Note 6
• Employee benefits	Note 2, Note 17
• Share-based compensation	Note 2, Note 26
• Application of the effective interest method	Note 2
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 27
• Provisions	Note 2, Note 30

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

New, revised and amended standards not yet effective

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 an impact on the Company's performance, financial position or disclosures. The Company is in the process of assessing the impact of this amendment on the subsequent financial statements.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

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

Effective November 1, 2021

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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 34, 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.

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.

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

Financial assets designated as FVTPL are initially recorded at fair value and any 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

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Derivatives (continued)

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 period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

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

The IFRS 9 model is not calibrated for unprecedented events such as the COVID 19 pandemic. In order to appropriately reflect the impact of the COVID 19 pandemic on future credit losses in the portfolio, we applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the 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. We have internal governance in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections.

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

Expected life

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

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. 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 is based on factors such as delinquency status and whether or not the account is watch-listed and managed by the special loans group. If any of the following conditions is met, the instrument is moved from Stage 1 to Stage 2:

1) The instrument is 30 days past due.
2) The account is watch-listed and managed by the Regional Special Loan Unit (RSLU). The RSLU portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.
3) Retail loans receiving business as usual deferrals granted by our collections team.

Our assessment of significant increases in credit risk is primarily based on the approach described above and our projections of an increase in probability of default (PD) in the portfolio. Additional qualitative reviews and a 30 days past due backstop are also applied. The broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of COVID 19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made as necessary.

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rate, GDP and inflation rate.

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

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

Further details on our forward looking assumptions and scenarios as at October 31, 2021 are provided in Note 5.2.

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the 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 realizable value by recording an individually assessed ACL to cover identified credit losses. The individually assessed ACL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

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

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

Collectively assessed loans (Stage 3)

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

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 realizable 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 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Allowance for credit losses (continued)

Client relief programs under COVID 19

In the wake of the COVID 19 pandemic announcement in 2020, we provided relief to help personal and business clients to manage the challenges of the COVID 19 pandemic on a case by case basis through our specialised loans teams. A financial asset which is modified under these arrangements will continue to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. In the prior fiscal year, we concluded a relief program to assist clients who were in good standing through payment deferrals over a moratorium period, which resulted in the original maturity of the financial asset postponed by the moratorium period with no other substantial change to the contractual terms of the financial asset resulting in no material modification losses. The modification of the original terms of a financial asset which arose under the relief program arrangement, did not give rise to derecognition of the original financial asset and recognition of the new financial asset. The relief program focused mainly on loans within Stage 1.

Determination of fair value

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

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.

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. 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 cash equivalents comprise 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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

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 utilizing 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 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.

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

Other significant accounting policies (continued)

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into 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.

Share capital

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

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

Comparative Information

Where necessary, comparative information have been adjusted to conform to the presentation in the current year.

3 Cash and cash equivalents

	2021 ($'000)	2020 ($'000)
Short term investments – Treasury Bills	67,310	135,502
Due from banks	139,006	67,705
Due from affiliated companies	62,577	63,907
Items in the course of collection from other banks	33,471	33,662
	302,364	300,776

Short-term investments are funds 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

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 Loans

Sectoral analysis

	2021 ($'000)	2020 ($'000)
Commercial/corporate	444,992	344,952
Mortgages	9,244	13,014
Finance leases	11,957	17,514
Gross loans	466,193	375,480
Unearned interest	(34)	(34)
Allowance for credit losses	(17,030)	(16,739)
	449,129	358,707
Analysis of gross loans:		
Stage 1	441,889	348,890
Stage 2	689	4,570
Stage 3	23,615	22,020
Gross loans	466,193	375,480

During the fiscal period, no loans (2020 - $nil) have been pledged for the benefit of investors in other funding instruments.

	2021 ($'000)	2020 ($'000)
Current	240,707	334,494
Non-current	225,486	40,986
Gross loans	466,193	375,480

5.1 **Allowance for credit losses on loans**

For the year ended October 31, 2021

	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)
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

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5 Loans (continued)

5.1 Allowance for credit losses on loans (continued)

For the year ended October 31, 2020

	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)
Commercial/corporate	11,311	4,996	84	(1)	16,390
Mortgages	236	113	-	-	349
	11,547	5,109	84	(1)	16,739
Undrawn loan commitments	-	570	-	-	570

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 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	
Commercial/Corporate/Mortgages	Stage 1	Stage 2	Stage 3	Total
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
For the year ended October 31, 2020				
Balance at beginning of period	699	27	10,821	11,547
Provision for credit losses				
Transfers in (out) to Stage 1	10	(10)	-	-
Transfers in (out) to Stage 2	(30)	30	-	-
Transfers in (out) to Stage 3	(4)	(17)	21	-
Purchases and originations	1,096	-	-	1,096
Derecognitions and maturities	(5)	-	(58)	(63)
Remeasurements	2,502	1,609	(35)	4,076
Write-offs	-	-	(2)	(2)
Recoveries	-	-	86	86
Exchange rate and other	-	-	(1)	(1)
Balance at end of period	4,268	1,639	10,832	16,739

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, transition matrices, unemployment rate, GDP and inflation rate.

Further details on the key inputs and assumptions used as at October 31, 2021 are provided in Note 2 and Note 5.2.

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, 2021		
ACL on performing loans (1)	5,750	5,579
As at October 31, 2020		
ACL on performing loans(1)	5,908	5,888

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

Transfers between stages

Further to our current policy for transfers between stages as described in Note 2, as part of our overlay, we qualitatively increased the transfers from stage 1 to stage 2 to reflect the current challenging economic environment. This qualitative adjustment was informed by economic projections, scenario weights and historical behaviour of our portfolio.

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, 2021 Performing loans (1) ($'000)	As at October 31, 2020 Performing loans (1) ($'000)
ACL - all performing loans in Stage 1	4,473	4,320
Impact of staging	1,277	1,588
Stage 1 and 2 ACL	5,750	5,908

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

5.2 COVID-19 Pandemic

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

In the case of the Caribbean, the level of economic contraction has been severe as a result of the reduction of tourist inflows to the region. Energy dependent economies, such as Trinidad and Tobago also experienced an economic downturn due to lower energy prices. The adverse impact on our retail and wholesale clients has been partially mitigated through government support programs, multilateral and other external support (including the IMF, WB, IDB, CDB and the Government of the Netherlands) and the rollout of payment deferral programs by the banking sector.

During 2021 many Caribbean economies had a modest economic recovery largely due to increases in travel and tourism. However, the levels of economic activity continued to be significantly below pre-pandemic levels. The economic recovery is expected to continue during next year as travel and tourism continue to improve relative to pre-pandemic levels, supported by rising domestic vaccination rates and the high vaccine uptake in major tourism source markets. Continued fiscal stimulus and accommodative monetary conditions in some countries will bolster consumer spending and unemployment relief.

The spread of the delta variant and resulting resurgence of virus spread has raised uncertainty with regards to the timing and extent of the economic recovery and impact on expected credit losses. As there is uncertainty on how tourism, economic activity and the portfolio will react to these conditions, the assumptions used to determine our allowances have a higher than usual degree of uncertainty. The inputs used in the calculation of the allowance are inherently subject to change, which may materially impact our estimate of the allowance for expected credit losses.

The Company's stage 1 and 2 allowance for credit losses on the loan portfolios as at October 31, 2021 reflects a decrease as a result of the recent recovery observed in many economies and the resilience of our portfolio. The IFRS 9 model could not solely be used to determine expected credit losses as it was not designed with events of this magnitude in mind. As a consequence, a model overlay was used to account for incremental expected losses not captured by the IFRS 9 model.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

5 Loans (continued)

5.2 COVID-19 Pandemic (continued)

To address the uncertainties inherent in the current environment and to reflect all relevant risk factors not captured in our model, we applied expert credit judgement in the design of the overlay and the determination of inputs used in the calculation of the allowance. In light of the significant uncertainty, the impact of expert credit judgement on our allowances during 2020-2021 increased as compared to 2019. We applied qualitative adjustments to macroeconomic projections, the assumed credit response of the portfolio to the macroeconomic conditions, levels of loss severity and the determination of significant increase in credit risk

Key inputs and assumptions

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

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

Forward looking macroeconomic projections

The PD and LGD inputs used to predict expected credit losses are primarily based on GDP growth projections. The assumed level of response of the PD to the level of economic contraction was informed by historical events and expert judgement. The LGDs used in the calculation of our allowance were qualitatively adjusted upwards to reflect higher expected time to resolution for future defaults secured with real estate collateral. Our allowance for credit losses reflect our economic outlook as at October 31, 2021. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Our base scenario accounts for the expected gradual recovery of Caribbean economies during 2021-2022. Current volatility of tourism travel, impacted by local and international COVID infection spikes, continued travel and quarantine protocols and adverse travel advisories lend support to the consensus expectation by governments, central banks, the IMF and tourism authorities that full sustainable air travel recovery across the Caribbean will not happen until 2023 - 2024.

Our downside scenario reflects a reversal of tourism gains experienced over the last 6 months and a downturn of oil prices which adversely impacts the energy dependent economy of Trinidad and Tobago.. Our upside scenario considers a marginal improvement on base conditions resulting from a higher and faster than expected economic recovery. The forecasts of GDP growth rates were informed by external benchmarks and our own internal views which reflect the opinion and feedback from our economist, management and the business.

Internal assessment of the level of resilience of large wholesale clients

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

Recent portfolio performance

The PD used for different portfolio segments were qualitatively adjusted to take into account recent portfolio performance. Portfolios which have shown high resilience to the pandemic would have lower PD levels than portfolio with higher default rates.

Changes in scenario design and the weights associated to each scenario

Our approach to set scenarios and scenario weights was described in Note 2. All scenarios considered in our analysis include the impact of the pandemic as at October 31, 2021; reflective of current economic conditions. In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weigh the downside scenarios relative to October 31, 2020. Since the onset of the global spread of the COVID 19 pandemic, we have reflected continued uncertainty and downside risk of a prolonged recovery by shifting additional weighting to our pessimistic scenarios.

The impact of weighting multiple scenarios on our final allowance was illustrated in section 5.1; where we compare the final allowance versus expected credit loss predictions under the base scenario.

5.3 Maturity profile of gross investments in leased assets

	2021 ($'000)	2020 ($'000)
Within 1 year	1,342	3,822
1 to 2 years	4,433	3,149
2 to 3 years	1,966	7,246
3 to 4 years	3,192	3,297
4 to 5 years	1,024	-
	11,957	17,514

6 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, 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]							
Government an state-owned enterprise debt [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**
As at October 31, 2020							
Fair value through other comprehensive income [2]							
Government and state-owned enterprise debt [2]							
Cost	-	-	1,011	-	-	-	1,011
Fair value	-	-	1,023	-	-	-	1,023
Equities							
Cost	-	-	-	-	-	25	25
Fair value [3]	-	-	-	-	-	90	90
	-	-	**1,023**	-	-	**90**	**1,113**
Total carrying value of securities	-	-	**1,023**	-	-	**90**	**1,113**

(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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

6.1 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, 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
As at October 31, 2020				
FVOCI				
Government and state-owned enterprises debt	1,011	12	-	1,023
Equities [2]	25	65	-	90
	1,036	77	-	1,113

(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.

6.2 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:

	2021 ($'000)	2020 ($'000)
Gross exposures		
Stage 1	67,240	1,023
Stage 2	614,287	-
Total securities	681,527	1,023
Less: allowance for credit losses	(5)	(54)
Securities net of expected credit losses	681,522	969

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, 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	-	-	-	-
For the year ended October 31, 2020				
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	-	-	-	-
Derecognitions and maturities	-	-	-	-
Remeasurements	-	-	-	-
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, 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
For the year ended October 31, 2020				
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	1	-	-	1
Derecognitions and maturities	-	-	-	-
Remeasurements	-	(13)	-	(13)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	66	-	66
Balance at end of period	1	53	-	54

(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.

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Securities (continued)

6.3 COVID-19 Pandemic

The Company's allowance for credit losses on the securities portfolios as at October 31, 2021 included expected credit losses related to the impact of the COVID 19 global pandemic ("COVID 19"). The pre-existing IFRS 9 model could not solely be used to determine expected credit losses on the portfolio because it was not designed with events of this magnitude in mind; which include a very severe economic contraction and support programs from governments, multilateral institutions and the banking sector. As a consequence, a model overlay was recorded to account for the impact on expected credit losses not captured by the IFRS 9 model.

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

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

6.4 Securities – movement for the year

	Amortised Cost 2021 ($'000)	Amortised Cost 2020 ($'000)
As at November 1	-	-
Additions	353,008	-
Disposals	(158,545)	-
Amortised costs	(3,784)	-
Foreign exchange adjustment	(702)	-
As at October 31	189,977	-

6.5 Investment securities - movement for the year

	FVOCI 2021 ($'000)	FVOCI 2020 ($'000)
As at November 1	1,113	1,611
Additions	492,858	-
Disposals	(507)	(506)
Unrealised (losses)/ gains from changes in fair value in the year	(6)	2
Foreign exchange adjustment	(1,808)	6
As at October 31	491,650	1,113

6.6 Allowance for impairment

The allowance for impairment for the year ended October 31, 2021 is $5,000 (2020 – $54,000).

7 Investment in associated company and joint venture

	2021 ($'000)	2020 ($'000)
Associated company	20,820	17,489
Joint venture	183,584	180,768
	204,404	198,257

7.1 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%:

	2021 ($'000)	2020 ($'000)
Statement of Financial Position		
Assets		
Non-current assets	390,276	388,214
Current assets	11,882	8,144
Total assets	402,158	396,358
Liabilities		
Non-current liabilities	302,879	302,913
Current liabilities	6,224	17,043
Total liabilities	309,103	319,956
Net assets	93,055	76,402
The above amounts of assets and liabilities include the following:		
Non-current financial liabilities (excluding trade and other payables and allowances)	302,879	302,913

Statement of Income and Other Comprehensive Income

	2021 ($'000)	2020 ($'000)
Total revenue	37,385	25,842
Total comprehensive income	13,442	8,685

The financial year end of the associate is December. For the purpose of applying the equity method of accounting the financial statements for September 2021 (2020: July 2020) have been used and appropriate adjustments have been made for the effects of significant transactions between July 31 and October 31 each year.

	2021 ($'000)	2020 ($'000)
Balance at beginning of the period	17,489	20,379
Share of current period profits/(losses), before tax	7,660	(1,819)
Share of current period tax	(1,427)	1,237
Dividends	-	(2,308)
Transfer dividend accrual to Accounts Receivable	(2,902)	-
Capital injection	-	-
Balance at end of the period	20,820	17,489

7.2 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 2021 (2020: September 2020) 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:

	2021 ($'000)	2020 ($'000)
Statement of Financial Position		
Assets		
Investment properties	790,312	811,124
Other non-current assets	11,135	9,179
	801,447	820,303
Current assets	86,621	76,984
Total assets	888,068	897,287
Liabilities		
Non-current liabilities	308,023	324,139
Current liabilities	28,852	30,404
Total liabilities	336,875	354,543
Net assets	551,193	542,744
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	50,434	46,173
Current financial liabilities (excluding trade and other payables and allowances)	5,951	5,650
Non-current financial liabilities (excluding trade and other payables and allowances)	308,023	324,139
Statement of Income and Other Comprehensive Income		
Income	121,446	129,599
Expenses	(88,915)	(89,917)
Profit before tax	32,531	39,682
Taxation	(4,653)	(7,553)
Profit after tax	27,878	32,129
Proportionate interest in joint venture's commitments	-	-
Balance at beginning of the period	180,768	173,794
Share of current period profits before tax	7,414	11,731
Tax on share of current period profits	(2,574)	(3,757)
Dividends received	(2,024)	(1,000)
Balance at end of the period	183,584	180,768

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

8. Due from affiliated companies

	2021 ($'000)	2020 ($'000)
Due from RBC Royal Bank (Trinidad & Tobago) Limited	14,263	-
Due from RBC Royal Bank (Barbados) Limited	13,498	13,498
Due from RBC Royal Bank (Bahamas) Limited	-	45,928
Due from RBC Financial (Caribbean) Limited	1,117	6,933
Due from RBTT Bank Caribbean Limited	-	245
	28,878	66,604

9 Intangible assets

2021	Computer Software ($'000)	Work in Progress ($'000)	Total ($'000)
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
2020			
Opening net carrying value	1,902	-	1,902
Additions	312	-	312
Disposals	-	-	-
Transfers	-	-	-
Amortisation	(1,178)		(1,178)
Closing net carrying value	1,036	-	1,036
Cost	14,683	-	14,683
Accumulated amortisation	(13,647)	-	(13,647)
Net carrying value	1,036	-	1,036

10 Equipment

	Computer equipment ($'000)	Furniture and equipment ($'000)	Total ($'000)
Year ended October 31, 2021			
Opening net book value	164	966	1,130
Additions	26	-	26
Depreciation charge	(79)	(2)	(81)
Closing net book value	111	964	1,075
At October 31, 2021			
Total cost	5,811	4,946	10,757
Accumulated depreciation	(5,700)	(3,982)	(9,682)
Net book value	111	964	1,075
Year ended October 31, 2020			
Opening net book value	204	966	1,170
Additions	47	-	47
Depreciation charge	(87)	-	(87)
Closing net book value	164	966	1,130
At October 31, 2020			
Total cost	5,785	4,946	10,731
Accumulated depreciation	(5,621)	(3,980)	(9,601)
Net book value	164	966	1,130

11 Deferred tax assets and liabilities

	2021 ($'000)	2020 ($'000)
Deferred tax assets	29,647	21,531
Deferred tax liabilities	(10,370)	(10,505)
	19,277	11,026

	2021 ($'000)	2020 ($'000)
The movement on the deferred tax account is as follows:		
At the beginning of the period	11,026	26,511
Investment revaluation reserve:		
- fair value gains	(179)	(120)
Statement of income and other comprehensive income (see Note 27):		
- current period	8,430	2,795
- prior period	-	(18,160)
At the end of the period	19,277	11,026
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Allowance for impairment losses on loans and financial assets	1,726	1,772
Defined pension benefit	3,541	2,724
Other	11	1,287
Derivative financial instruments	403	899
Leases	1,807	835
Tax Losses	22,159	14,014
	29,647	21,531
Deferred tax liabilities		
Accelerated tax depreciation	354	412
Foreign currency translation	10,012	10,070
Financial assets at FVOCI	-	23
Other	4	-
	10,370	10,505

The recognition of deferred tax asset on carried forward losses of $22.1 million (2020 – $14 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.

12 Other assets

	2021 ($'000)	2020 ($'000)
Other taxes recoverable	165	-
Accounts receivable	3,172	567
Accrued interest receivable	2,646	3,606
	5,983	4,173
Current	5,818	4,173
Non-current	165	-
	5,983	4,173

During the year, provision for credit losses for accounts receivable amounted to $nil (2020: $12). The accumulated credit losses on accounts receivable as at October 31, 2021 is $nil (2020: $40).

Due from affiliated companies in the amount of $66.6 million in the prior year was reclassified from other assets to due from affiliated companies to align with the presentation in the current year.

13 Customers' deposits

	2021 ($'000)	2020 ($'000)
Deposit balances	342,017	283,058
	342,017	283,058
Sectoral analysis – deposit balances		
Individuals	19,340	20,364
Private sector-commercial	69,990	641
Financial institutions	252,687	262,053
	342,017	283,058
Current	292,389	278,685
Non-current	49,628	4,373
	342,017	283,058

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

14 Other funding instruments

	2021 ($'000)	2020 ($'000)
Other funding instruments	29,195	29,334
	29,195	29,334
Sectoral analysis		
Individuals	6,741	6,752
Private sector	1,486	1,428
Financial institutions	20,968	21,154
	29,195	29,334
Current	29,195	29,334
Non-current	-	-
	29,195	29,334

The Company holds pooled assets in cash, securities and loans to cover other funding instruments in 2021. Securities held pledged for the benefit of investors in other funding instruments in 2020 - $1,023.

15 Due to affiliated companies

	2021 ($'000)	2020 ($'000)
Due to RBC Royal Bank of Canada	210	131
Due to RBC Funding (Barbados) Ltd	657,619	-
Due to RBC Financial (Caribbean) Limited	-	950
	657,829	1,081

16 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, 2021			
Derivatives held for trading			
Interest rate swaps	Aug 2023	202,329	1,343
			1,343
Year ended October 31, 2020			
Derivatives held for trading			
Interest rate swaps	Aug 2023	202,329	2,996
			2,996

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.

17 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.

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

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
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)
October 31, 2020			
Fair value of plan assets	-	5	5
Post-retirement benefit obligation	(4,464)	(7,811)	(12,275)
Liability in the statement of financial position	(4,464)	(7,806)	(12,270)

17.2 **The movements in the liability recognised in the Statement of Financial Position and Statements of Income and Other Comprehensive Income are as follows:**

	Other post-retirement plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2021			
At beginning of period	4,464	7,811	12,275
Net benefit cost (Note 17.5)	5	246	251
Other comprehensive income	(176)	(547)	(723)
Other	-	10	10
At end of year	4,293	7,520	11,813
October 31, 2020			
At beginning of period	4,869	7,958	12,827
Net benefit cost (note 17.5)	(428)	279	(149)
Other comprehensive income	23	(303)	(280)
Benefits paid by Company (Net of retirees contributions)			
Other	-	(123)	(123)
At end of year	4,464	7,811	12,275

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17 Post-retirement benefit obligations (continued)

17.3 **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, 2021			
At beginning of period	-	5	5
Remeasurement gain:			
Return on plan assets (excluding amounts included in net interest expense)	-	5	5
At end of year	-	10	10
October 31, 2020			
At beginning of period	-	9	9
Remeasurement loss:			
Return on plan assets (excluding amounts included in net interest expense)	-	(4)	(4)
At end of year	-	5	5

17.4 **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, 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
October 31, 2020			
At beginning of period	4,869	7,958	12,827
Current service cost	55	76	131
Past service cost	(643)	-	(643)
Interest cost	160	203	363
Remeasurements:			
Effect of changes in demographic assumptions	(74)	-	(74)
Effect of changes in financial assumptions	(77)	(315)	(392)
Effect of experience adjustments	174	12	186
Other	-	(123)	(123)
At end of year	4,464	7,811	12,275

17.5 **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, 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 25.1)	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)
October 31, 2020			
Current service cost	55	76	131
Past service cost	(643)	-	(643)
Net interest cost	160	203	363
Components of defined benefit costs recognised in profit or loss (note 25.1)	(428)	279	(149)
Remeasurements:			
Effect of changes in demographic assumptions	(74)	-	(74)
Effect of changes in financial assumptions	(77)	(315)	(392)
Effect of experience adjustments	174	12	186
Other	-	-	-
Components of defined benefit costs recognised in other comprehensive income	23	(303)	(280)
Total	(405)	(24)	(429)

17.6 **Investment policy and strategies**

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

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

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

(iii) the financial position of the pension plans;

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

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

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

Composition of defined benefit pension plan assets

	2021 Fair value ($'000)	2021 %	2020 Fair value ($'000)	2020 %
Alternative investments	10	100	5	100
	10	100	5	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, 2021	October 31, 2020
Discount rates – medical and life	5.60%	5.30%
Discount rates – pension	5.60%	5.30%
Expected return on plan assets	0.00%	0.00%
Salary increases	2.00%	1.75%
Health care costs trend rate increases:		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

17.7 **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:

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October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

17 Post-retirement benefit obligations (continued)

17.7 **Sensitivity analysis (continued):**

	Increase / (decrease) in obligation 2021 ($'000)	2020 ($'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	888	1,034
Impact of 1.0% increase in discount rate	(563)	(577)
Impact of 0.5% decrease in rate of increase in future compensation	(107)	(54)
Impact of 0.5% increase in rate of increase in future compensation	118	212
Impact of 1 year increase in life expectancy	96	180
Other post-retirement plans:		
Impact of 1.0% decrease in discount rate	338	333
Impact of 1.0% increase in discount rate	(272)	(430)
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	(55)	(180)
Impact of 1% increase in health care cost trend rate	65	7
Impact of 1 year increase in life expectancy	(5)	(83)

18 Other liabilities

	2021 ($'000)	2020 ($'000)
Accruals and payables	10,513	11,398
Employee related costs	2,696	2,661
Interest payable	7,893	7,955
In-transit (includes suspense and in transit) accounts	899	(15,225)
Other	-	14
	22,001	6,803
Current	12,137	(2,817)
Non-current	9,864	9,620
	22,001	6,803

19 Share capital

	2021 ($'000)	2020 ($'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

20 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.

21 Investment revaluation reserve – FVOCI

	2021 ($'000)	2020 ($'000)
Balance at beginning of period	92	93
Net losses arising during the period, net of tax	(90)	(1)
	2	92

22 Interest income

	2021 ($'000)	2020 ($'000)
Securities (Note 22.1)	305	763
Loans	12,891	14,851
Finance leases	641	1,044
Due from banks	9	388
	13,846	17,046

22.1 **Securities**

	2021 ($'000)	2020 ($'000)
Fees and Amortised cost	166	-
FVOCI	139	763
	305	763

23 Interest expense

	2021 ($'000)	2020 ($'000)
Customers' deposits	7,253	6,410
Other funding instruments	563	587
Other borrowed funds	3	233
	7,819	7,230

24 Non-interest income

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

	2021 ($'000)	2020 ($'000)
Non-interest income at a point in time:		
Transaction service fees/ commissions	642	4,385
Net trading income (Note 24.1)	(83)	(922)
Foreign exchange gains	-	2,716
Dividend income	1	200
	560	6,379

24.1 **Net trading income**

	2021 ($'000)	2020 ($'000)
Securities at FVTPL:		
- realised and unrealised losses	(102)	(58)
Derivative financial instruments:		
- realised and unrealised gains/ (losses)	19	(864)
	(83)	(922)

25 Non-interest expenses

	2021 ($'000)	2020 ($'000)
Staff costs (Note 25.1)	12,777	13,292
Foreign exchange losses	3,447	-
Depreciation and amortisation	485	1,265
Deposit insurance premium (Note 25.2)	354	270
Directors' fees	138	138
Auditor's fees	918	566
Green fund levy	109	107
Management fees, net of expense recovery	8,722	3,285
Administrative and other expenses	7,294	7,988
	34,244	26,911

25.1 **Staff costs include:**

	2021 ($'000)	2020 ($'000)
Wages and salaries including bonuses	12,526	13,441
Post-retirement benefits – defined benefit plan (Note 17.5)	251	(149)
	12,777	13,292

25.2 **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.

26 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

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26 Share–based compensation (continued)

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:-

26.1 Units granted under share-based compensation plans

	Units granted ('000)	2021 Weighted average fair value per unit ($'000)
Performance deferred share unit plans	471	562
RBC share unit plans	235	675
	706	1,237

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.

26.2 Obligations under share-based compensation plans

	Units ('000)	2021 Carrying amount ($'000)
Performance deferred share unit plans	1,527	1,096
RBC share unit plans	41	29
	1,568	1,125

26.3 Compensation expenses recognizsed under share-based compensation plans

	2021 ($'000)
Performance deferred share unit plans	493
RBC share unit plans	24
	517

27 Taxation expense

	2021 ($'000)	2020 ($'000)
Corporation tax:		
- current tax - business levy	187	191
- prior period (over)/under provision	-	(24)
Deferred tax (Note 11):		
- current period credit	(8,430)	(2,795)
- prior period credit	-	18,160
Share of tax of joint venture and associate	4,001	2,519
	(4,242)	18,052

The tax on the loss before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021 ($'000)	2020 ($'000)
Loss before taxation	(12,677)	(5,901)
Prima facie tax calculated at a rate of 30%	(3,803)	(1,770)
Income exempt from tax	(955)	(812)
Expenses not deductible for tax purposes	727	3,652
Business levy and green fund	187	191
Prior period	-	432
Leases	(32)	17,327
Other	(366)	(968)
	(4,242)	18,052

The deferred income tax (credit)/ charge for the period comprises the following temporary differences:

	2021 ($'000)	2020 ($'000)
Accelerated tax depreciation	(59)	(291)
Financial assets at FVTPL	(1,143)	806
Allowance for impairment losses on loans and financial assets	47	(1,554)
Derivative financial instruments	499	217
Defined pension benefit	(111)	45
Tax losses	(7,718)	(1,218)
Leases	42	17,327
Other	13	33
	(8,430)	15,365

Corporation tax rates used 2021 - 30% (2020 - 30%).

28 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.

29 Dividends

No dividends were paid for the year ended October 31, 2021 (2020: Nil)

30 Contingent liabilities, guarantees and operating lease commitments

Legal proceedings

As at October 31, 2021, 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, 2021 (2020: $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, 2021 is nil.

31 Credit commitments

Commitments of a credit nature which fall within the capital adequacy requirements specified in the Financial Institutions (Prudential Criteria) Regulations 1994 are $150.0 million (2020 - $150.0 million).

32 Capital commitments

There are no commitments for capital expenditure at year-end (2020 - nil).

33 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.

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33 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 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.

	2021 ($'000)	2020 ($'000)
Outstanding balances		
Cash and cash equivalents		
Other subsidiaries of Royal Bank of Canada	62,577	63,907
Loans and receivables		
Other subsidiaries of Royal Bank of Canada	28,878	66,604
Deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	657,829	1,081
Interest expense		
Other subsidiaries of Royal Bank of Canada	3	-
Non-interest expense		
Other subsidiaries of Royal Bank of Canada	8,722	3,285

Compensation of key management personnel and Directors

The following tables present the compensation paid to key management personnel and Directors:

	2021 ($'000)	2020 ($'000)
Key management compensation		
Share based payment	305	410
Salaries and other short term benefits	1,626	1,712

34 Financial risk management

34.1 **Statement of Financial Position - categorisation**

	2021 ($'000)	2020 ($'000)
Assets		
Financial assets at fair value through other comprehensive income		
Cash and cash equivalents – Treasury Bills	67,310	135,502
Securities	491,650	1,113
	558,960	136,615
Financial assets at amortised cost		
Cash on hand and due from banks	235,054	165,274
Balances with central banks	84,175	112,792
Securities	189,977	-
Loans	449,129	358,707
Due from affiliated companies	28,878	-
Other assets	2,646	3,627
	989,859	640,400
Total financial assets	1,548,819	777,015
Non-financial assets	313,081	364,393
Total assets	1,861,900	1,141,408

	2021 ($'000)	2020 ($'000)
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	1,343	2,996
Financial liabilities at amortised cost		
Customers' deposits	342,017	283,058
Other funding instruments	29,195	29,334
Due to affiliated companies	657,829	-
Other liabilities	7,913	7,955
	1,036,954	320,347
Total financial liabilities	1,038,297	323,343
Non-financial liabilities	36,261	22,704
Total liabilities	1,074,558	346,047
Total equity	787,342	795,361
Total equity and liabilities	1,861,900	1,141,408

34.2 **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.

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 (Company Market Risk, Company Credit Risk and Company 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.

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 parent Board Audit Committee and subsidiary Boards' Audit Committees.

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.

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34 Financial risk management (continued)

34.2 **Risk management (continued)**

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.

34.3 **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.

The Company's liquidity management process is carried out by the Treasury department of each business unit and monitored by Caribbean Treasury and Group 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.

To manage liquidity risk within our liquidity risk appetite, limits are set on various metrics reflecting a range of time horizons and severity of stress conditions and develop contingency plans. Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal 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.

Financial assets and liabilities less derivatives

The table below presents the non-derivative financial assets and financial liabilities of the Company by remaining contractual maturities at the Statement of Financial Position date.

	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	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
Total financial liabilities less derivatives	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	

The table below presents the non-derivative financial assets and financial liabilities of the Group by remaining contractual maturities at the Consolidated Statement of Financial Position date.

	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, 2020						
Assets						
Cash and cash equivalents	300,776	-	-	-	-	300,776
Balances with central banks	112,792	-	-	-	-	112,792
Loans	205,589	1,513	1,002	13,692	136,911	358,707
Securities	90	-	-	1,023	-	1,113
Due from associates and affiliated companies	-	-	-	-	-	-
Other assets	3,606	-	-	-	21	3,627
Total financial assets less derivatives	622,853	1,513	1,002	14,715	136,932	777,015
Liabilities						
Customers' deposits	196,064	73,739	8,882	4,373	-	283,058
Other funding instruments	29,334	-	-	-	-	29,334
Due to associates and affiliated companies	-	-	-	-	-	-
Other liabilities	7,575	353	20	7	-	7,955
Total financial liabilities less derivatives	232,973	74,092	8,902	4,380	-	320,347
Liquidity gap	389,880	(72,579)	(7,900)	10,335	136,932	456,668
Cumulative gap	389,880	317,301	309,401	319,736	456,668	

34.3.2 **Derivative cash flows**

The 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

In USD $'000	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'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

In USD $'000	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2020				
Interest rate derivatives				
- Outflow	(250)	(214)	-	(464)
- Inflow	191	169	-	360
In TTD $'000				
Total outflow	(1,692)	(1,451)	-	(3,143)
Total inflow	1,293	1,146	-	2,440

34.3.3 **Contingent liabilities and commitments**

The contingent liabilities and commitments based on contractual maturity dates at year-end was $150 million (2020 - $150.0 million).

34.4 **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.

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34 Financial risk management (continued)

34.4 Market risk (continued)

The market risks arising from trading and non-trading activities are measured separately by the Company Market Risk department who submits reports to the Company Asset/Liability Committee on a regular basis. Additionally, on a quarterly basis, the Company Investment and Capital Committee reviews and approves the valuation of all investment 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 investments.

34.4.1 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. Company Market Risk performs 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.

To monitor and control structural interest rate risk (SIRR), 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.

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

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

	EVE Risk		NII Risk	
	Local Currency ($'000)	Hard Currency ($'000)	Local Currency ($'000)	Hard Currency ($'000)
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)
200 bps increase in rates	(10,218)	1,249	(7,320)	11,812
200 bps decrease in rates	16,592	2,148	7,320	(11,812)
As at October 31, 2020				
Impact before tax				
100 bps increase in rates	10,659	(6,653)	(4,173)	3,415
100 bps decrease in rates	(11,256)	7,445	4,173	(3,415)
200 bps increase in rates	20,717	(12,571)	(8,345)	6,830
200 bps decrease in rates	(14,517)	12,895	8,345	(6,830)

34.5.2 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, 2021					
Assets					
Cash and cash equivalents	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
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		
As at October 31, 2020					
Assets					
Cash and cash equivalents	300,776	-	-	-	300,776
Balances with Central Bank	-	-	-	112,792	112,792
Securities	-	1,023	-	90	1,113
Loans	27,898	71,946	258,863	-	358,707
Other assets	-	-	-	3,627	3,627
Total financial assets	328,674	72,969	258,863	116,509	777,015
Liabilities					
Customers' deposits	278,685	4,373	-	-	283,058
Other funding instruments	29,334	-	-	-	29,334
Derivative financial liabilities	-	2,996	-	-	2,996
Other liabilities	-	-	-	7,955	7,955
Total financial liabilities	308,019	7,369	-	7,955	323,343
Interest sensitivity gap	20,655	65,600	258,863		

34.5.3 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, 2021				
Loans:				
Commercial / Corporate	238,346	67,500	139,146	444,992
Mortgages	6,692	1,804	748	9,244
Finance Leases	2,441	9,516	-	11,957
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
As at October 31, 2020				
Loans:				
Commercial / Corporate	27,836	58,253	258,863	344,952
Mortgages	13,014	-	-	13,014
Finance Leases	3,821	13,693	-	17,514
Gross loans to customers	44,671	71,946	258,863	375,480
Securities:				
Securities at FVOCI	90	1,023	-	1,113
Gross investments	90	1,023	-	1,113

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, 2021				
Loans:				
Commercial / Corporate	161,868	283,124	-	444,992
Mortgages	2,809	6,435	-	9,244
Finance Leases	189	11,768	-	11,957
Gross loans to customers	164,866	301,327	-	466,193
As at October 31, 2020				
Loans:				
Commercial / Corporate	27,836	317,116	-	344,952
Mortgages	-	13,014	-	13,014
Finance Leases	17,514	-	-	17,514
Gross loans to customers	45,350	330,130	-	375,480

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34 Financial risk management (continued)

34.6 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.

34.6.1 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, 2021						
Assets						
Cash and cash equivalents	46,661	237,452	9,674	369	8,208	302,364
Balances with Central Bank	84,175	-	-	-	-	84,175
Securities	100	681,527	-	-	-	681,627
Loans	173,674	275,455	-	-	-	449,129
Due from affiliated companies	28,878	-	-	-	-	28,878
Other assets	339	2,307	-	-	-	2,646
Total financial assets	333,827	1,196,741	9,674	369	8,208	1,548,819
Liabilities						
Customer's deposits	337,477	2,528	2,012	-	-	342,017
Other funding instruments	7,912	19,236	1,991	-	56	29,195
Derivative financial liabilities	-	1,343	-	-	-	1,343
Due to affiliated companies		657,829				657,829
Other liabilities	836	5,684	1,393	-	-	7,913
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
As at October 31, 2020						
Total financial assets	271,322	487,523	9,446	372	8,352	777,015
Total financial liabilities	287,889	30,105	5,293	-	56	323,343
Net balance sheet position	(16,567)	457,418	4,153	372	8,296	453,672

34.6.2 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, 2021 and October 31, 2020 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, 2021			
Increase in exchange rates			
USD	1.00	(62)	1
XCD	1.00	1	-
EUR	1.00	1	-
BBD	1.00	-	-
		(60)	1
Decrease in exchange rates			
USD	1.00	62	(1)
XCD	1.00	(1)	-
EUR	1.00	(1)	-
BBD	1.00	-	-
		60	(1)
Year ended October 31, 2020			
Increase in exchange rates			
USD	1.00	4,574	-
XCD	1.00	42	-
EUR	1.00	83	-
BBD	1.00	4	-
		4,703	-

	Change in exchange rates (%)	Effect on profit before tax ($'000)	Effect on other comprehensive income ($'000)
Decrease in exchange rates			
USD	1.00	(4,574)	-
XCD	1.00	(42)	-
EUR	1.00	(83)	-
BBD	1.00	(4)	-
		(4,703)	-

34.7 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.

34.7 .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.

34.7.2 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.

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34 Financial risk management (continued)

34.7 **Credit risk (continued)**

34.7.2 **Risk limit control and mitigation policies (continued)**

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.

34.7.3 **Maximum exposure to credit risk before collateral held or other credit enhancements**

Credit risk exposures relating to on-balance sheet financial assets are as follows:

	Gross maximum exposure 2021 ($'000)	Gross maximum exposure 2020 ($'000)
Due from banks	235,054	165,274
Treasury bills	67,310	135,502
Loans	466,193	375,480
Securities at amortised cost	189,977	-
Securities at FVOCI, excluding equities	491,550	1,023
Due from affiliated companies	28,878	66,604
Total	1,478,962	743,883

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.

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 2021 ($'000)	Gross maximum exposure 2020 ($'000)
Manufacturing	-	12,036
Financial services	331,242	367,380
Construction	126,528	56,911
Real estate	105,328	107,121
Tourism	-	45
Utilities	107,347	58,252
Government	789,223	121,952
Other	18,952	20,186
	1,478,962	743,883

The maximum credit exposure to any client or counterparty as at October 31, 2021 was $558,345 (2020: $121,952) before taking account of collateral or other credit enhancements.

34.7.5 **Credit quality by class of financial assets**

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2021				
Treasury bills	67,310	-	-	67,310
Due from banks	235,054	-	-	235,054
	302,364	-	-	302,364
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	421,689	-	23,302	444,991
Mortgages	8,243	689	313	9,245
Finance leases	11,957	-	-	11,957
Loans – gross	441,889	689	23,615	466,193
Due from affiliated companies	28,878	-	-	28,878
Total	840,371	614,976	23,615	1,478,962
As at October 31, 2020				
Treasury bills	135,502	-	-	135,502
Due from banks	165,274	-	-	165,274
	300,776	-	-	300,776
Securities:				
FVOCI:				
Government and state-owned enterprises debt	1,023	-	-	1,023
Securities – gross	1,023	-	-	1,023
Loans:				
Commercial/corporate	319,464	3,978	21,510	344,952
Mortgages	11,912	592	510	13,014
Finance leases	17,514	-	-	17,514
Loans – gross	348,890	4,570	22,020	375,480
Due from affiliated companies	66,604	-	-	66,604
Total	717,293	4,570	22,020	743,883

For those exposures that are stage 1, the majority are rated between standard (good) to excellent, which is high grade.

34.7.6 **Loans past due but not impaired**

	1 to 29 days ($'000)	30 to 89 days ($'000)	90 days & greater ($'000)	Total ($'000)
As at October 31, 2021[1]				
Loans:				
Commercial/corporate	421,693	-	-	421,693
Mortgages	8,249	684	-	8,933
Finance leases	11,957	-	-	11,957
	441,899	684	-	442,583
As at October 31, 2020)				
Loans:				
Commercial/corporate	317,135	7	-	317,142
Mortgages	12,092	461	-	12,553
Finance leases	17,514	-	-	17,514
	346,741	468	-	347,209

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

Merchant Bank
Caribbean

RBC Merchant Bank (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

34 Financial risk management (continued)

34.7 **Credit risk (continued)**

34.7.7 **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 2021 ($'000)	Total 2020 ($'000)
Excellent			
AA	BB+	983,386	300,776-
Very good			
A+	BB	196,730	276,240-
Good			
A-	B+	274,542	143,824
B+	B	-	1,023
Special mention			
B	B-	689	-
Bad and doubtful			
D	CC+	22,786	21,510
Virtual certain loss			
E	CC-	829	510
		1,478,962	743,883

34.7.8 **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:

	2021 ($'000)	2020 ($'000)
Buildings	-	925
	-	925

34.8 **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, 2021 and October 31, 2020. During those two periods, the Company complied with all of the externally imposed capital requirements to which they are subject.

	2021 ($'000)	2020 ($'000)
Tier 1 capital		
Share capital	140,000	140,000
Statutory reserve	140,000	140,000
Retained earnings	507,780	516,215
Total qualifying Tier 1 capital	787,780	796,215
Tier 2 capital		
Revaluation reserve – FVOCI securities	2	92
Allowance for credit losses	17,030	16,739
Total qualifying Tier 2 capital	17,032	16,831
Less: investment in associate & joint venture	(204,404)	(198,257)
Total regulatory capital	600,408	614,787
Risk-weighted assets:		
On-balance sheet	1,251,682	1,177,684
Off-balance sheet	-	-
Total risk-weighted assets	1,251,682	1,177,684
Total regulatory capital to risk-weighted assets	47.97%	52.20%

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.

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.

34.9 **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 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

As At October 31, 2021

	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)
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	-	-	-	-

Merchant Bank Caribbean

RBC Merchant Bank (Caribbean) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

35 Fair value of financial assets and liabilities (continued)

As At October 31, 2020

	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)
Loans	-	378,683	378,683	-	-	378,683	378,683
Other assets	3,627	-	3,627	-	-	-	-
Derivative financia liabilities	2,996	-	2,996	-	-	-	-
Customers' deposits	278,685	4,373	283,058	-	-	4,373	4,373
Other funding instruments	29,334	-	29,334	-	-	-	-
Other liabilities	7,955	-	7,955	-	-	-	-

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, 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
As at October 31, 2020				
Securities at FVOCI				
Government and state-owned enterprises debt securities	-	1,023	-	1,023
Equity securities	-	90	-	90
	-	1,113	-	1,113

Equity securities were transferred from level 2 to level 1.

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, 2021			
Derivative financial instruments – liability	1,343	267	(267)
	(1,343)	(267)	(267)
As at October 31, 2020			
Derivative financial instruments – liability	2,996	520	520
	(2,996)	(520)	(520)

Sensitivity results

As at October 31, 2021, the effects of applying these assumptions to the Level 3 liability positions would result in a decrease of $0.3 million (2020: $0.5 million) and an increase of $ 0.3 million (2020: $0.5 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 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Chairman's Report

For the financial year ended 31 October 2021, RBC Trust (Trinidad & Tobago) Limited recorded net income after taxation of $3.7 million, representing a decline of $1.5 million compared to the prior year, as higher revenue was offset by higher impairment provisions and higher non interest expenses.

Assets under administration totalled $19 billion, relatively stable year-over-year, as declines from maturities on the bond portfolio were offset by mark to market gains. The Company is well capitalised with a capital base of $41.7 million and a capital ratio of 73.1%, which is well in excess of required regulatory thresholds.

Over the past few years the Company has adapted to the changing needs and expectations of our clients, focusing on innovation and providing simplified, accessible and relevant financial solutions to help our clients realise their financial and life goals in keeping with our broader purpose of helping 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 in 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, enable us to excel and position us for sustainable long-term growth and success.

Jason Cummings
Chairman
January 21, 2022

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, 2021 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 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.

Carver Trim
Senior Manager – Trust Services
RBC Trust (Trinidad & Tobago) Limited
January 21, 2022

Roxann Granger
Chief Financial Officer
RBC Trust (Trinidad & Tobago) Limited
January 21, 2022

RBC Trust
Trinidad and Tobago

RBC Trust (Trinidad & Tobago) Limited

Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars)

Independent Auditor's Report

To the shareholder of RBC Trust (Trinidad & Tobago) Limited

Report on the audit of the financial statements

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 2021, 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 2021;
- 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
24 January 2022

RBC Trust
Trinidad and Tobago

RBC Trust (Trinidad & Tobago) Limited

Financial Statements 2021

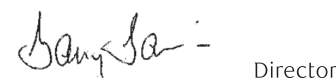
October 31, 2021 (expressed in Trinidad & Tobago dollars)

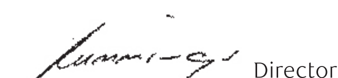
Statement of Financial Position

	Notes	2021 ($'000)	2020 Restated ($'000)	2019 Restated ($'000)
		As at October 31		
Assets				
Cash and cash equivalents	3	31,101	39,001	35,349
Securities	4	100	90	91
Equipment	5	217	257	260
Intangible assets	6	436	557	671
Deferred tax assets	7	198	288	405
Due from affiliate	19	1,979	496	773
Other assets	8	19,823	19,756	19,328
Total assets		53,854	60,445	56,877
Liabilities				
Post-retirement benefit obligations	9	730	1,011	1,415
Due to affiliate	19	5,702	-	42
Other liabilities	10	5,223	6,041	7,198
Total liabilities		11,655	7,052	8,655
Share capital	11	15,000	15,000	15,000
Statutory reserve	12	15,000	15,000	15,000
Other reserves		45	38	46
Retained earnings		12,154	23,355	18,176
Total shareholder's equity		42,199	53,393	48,222
Total equity and liabilities		53,854	60,445	56,877

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

On January 21, 2022, 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	2021 ($'000)	2020 Restated ($'000)
		Year ended October 31	
Interest income	13	1	-
Fees, commissions and other income	14	29,702	24,756
Total income		29,703	24,756
Impairment provision, net of recoveries		(2,802)	(1,108)
Non-interest expenses	15	(21,643)	(16,438)
Total non-interest expenses		(24,445)	(17,546)
Profit before taxation		5,258	7,210
Taxation expense	16	(1,606)	(2,015)
Profit after taxation		3,652	5,195
Other comprehensive income/(loss), net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gains / (losses) on securities		7	(8)
Re-measurement of post-retirement benefit obligations		147	(16)
Other comprehensive income/(loss) for the year, net of tax		154	(24)
Total comprehensive income for the year		3,806	5,171

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

Statement of Changes in Equity

	Share capital ($'000)	Statutory reserves ($'000)	Other reserves ($'000)	Retained earnings ($'000)	Total ($'000)
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 (Note 17)	-	-	-	(15,000)	(15,000)
Balance at end of year	15,000	15,000	45	12,154	42,199
Year ended October 31, 2020					
Balance at beginning of year (as previously reported)	15,000	15,000	46	15,552	45,598
Prior period adjustment (Note 25)	-	-	-	2,624	2,624
Balance at beginning of year (restated)	15,000	15,000	46	18,176	48,222
Profit after taxation (restated)	-	-	-	5,195	5,195
Other comprehensive loss	-	-	(8)	(16)	(24)
Total comprehensive income	-	-	(8)	5,179	5,171
Dividends (Note 17)	-	-	-	-	-
Balance at end of year	15,000	15,000	38	23,355	53,393

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

Statement of Cash Flows

	2021 ($'000)	2020 ($'000)
	Year ended October 31	
Cash flows from operating activities		
Profit before taxation	5,258	7,210
Adjustments for:		
Post-retirement benefit obligation	(71)	(427)
(Release of)/provisions for credit losses	2,802	1,108
Depreciation and amortisation	182	350
	8,171	8,241
(Increase)/decrease in due from affiliates	(1,484)	278
Increase in operating assets	(2,869)	(1,384)
Increase/(decrease) in due to affiliates	5,702	(42)
Decrease in other liabilities	(248)	(282)
Corporation tax paid - net of refunds	(2,151)	(2,926)
Net cash generated from operating activities	7,121	3,885
Cash flows from investing activities		
Additions to equipment and intangible assets	(21)	(233)
Net cash used in investing activities	(21)	(233)
Cash flows from financing activities		
Dividends paid	(15,000)	-
Net cash used in financing activities	(15,000)	-
Net (decrease)/increase in cash and cash equivalents	(7,900)	3,652
Cash and cash equivalents at beginning of year	39,001	35,349
Cash and cash equivalents at end of year	31,101	39,001

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

RBC Trust
Trinidad and Tobago

RBC Trust (Trinidad & Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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. 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, under the historical cost convention as modified by the revaluation of securities.

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. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgements

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

- Employee benefits — Note 2
- Intangible assets — Note 2
- Income taxes — Note 2
- Provisions — Note 2

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

New, revised and amended standards not yet effective

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 an impact on the Company's performance, financial position or disclosures.

Effective November 1, 2021

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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.

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. 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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Significant accounting policies (continued)

Determination of fair value (continued)

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 from an annual fee agreement with the investment manager of the Funds. 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 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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Significant accounting policies (continued)

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.

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.

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

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

Significant accounting policies (continued)

Employee benefits – Pensions and other post-employment benefits (continued)

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.

Share 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. Restatement adjustments for fiscal 2020 and 2019 are disclosed in Note 25 - Restatement.

3 Cash and cash equivalents

	2021 ($'000)	2020 ($'000)
Cash at bank	31,101	39,001

Cash and cash equivalents represent deposits held on demand with affiliated company.

4 Securities

	2021 ($'000)	2020 ($'000)
FVOCI		
Money market instruments	100	90
	100	90
The movement in investment securities may be summarised as follows:		
Balance at beginning of year	90	91
Fair value gains/(losses) arising during the year	10	(1)
Balance at end of year	100	90

5 Equipment

	Equipment ($'000)	Computer equipment ($'000)	Total ($'000)
Year ended October 31, 2021			
Opening net book value	63	194	257
Additions	6	15	21
Depreciation charge	(9)	(52)	(61)
Closing net book value	60	157	217
At October 31, 2021			
Cost	898	507	1,405
Accumulated depreciation	(838)	(350)	(1,188)
Net book value	60	157	217
Year ended October 31, 2020			
Opening net book value	123	137	260
Additions	23	203	226
Depreciation charge	(83)	(146)	(229)
Closing net book value	63	194	257
At October 31, 2020			
Cost	892	492	1,384
Accumulated depreciation	(829)	(298)	(1,127)
Net book value	63	194	257

6 Intangible assets

	Computer software ($'000)	Total ($'000)
Year ended October 31, 2021		
Opening net book value	557	557
Additions	-	-
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

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Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

6 Intangible assets (continued)

	Computer software ($'000)	Total ($'000)
Year ended October 31, 2020		
Opening net book value	671	671
Additions	7	7
Amortisation charge	(121)	(121)
Closing net book value	557	557
At October 31, 2020		
Cost	1,536	1,536
Accumulated amortisation	(979)	(979)
Net book value	557	557

7 Deferred tax asset

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

	2021 ($'000)	2020 ($'000)
Deferred tax assets	198	288
	198	288
The movement on the deferred tax account is as follows:		
At beginning of year	288	405
(Charge)/credit to Statement of Income (Note 16)	(24)	118
Credit/(charge) to Statement of Other Comprehensive Income	(66)	(235)
At end of year	198	288
Deferred tax assets are attributable to the following items:		
Accelerated tax depreciation	9	12
Post-retirement benefits	37	65
Other	152	211
	198	288

8 Other assets

	2021 ($'000)	2020 ($'000)
Accounts receivable (Note 8.1)	12,501	12,461
Taxation recoverable	6,610	6,610
Prepayments	626	554
Other	86	131
	19,823	19,756
Current	17,131	17,684
Non-current	2,692	2,072
	19,823	19,756
8.1 **Accounts receivable**		
Accounts receivable	15,193	14,533
Provision for impairment (Note 8.2)	(2,692)	(2,072)
Net accounts receivable	12,501	12,461
8.2 **Movement in provision for impairment losses**		
At beginning of year	(2,072)	(1,378)
Reversals	818	654
Amounts written off	2,182	414
Net increase in provision	(3,620)	(1,762)
At end of year	(2,692)	(2,072)

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, 2021			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	730	-	730
Liability in the statement of financial position	730	-	730
October 31, 2020			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	1,011	-	1,011
Liability in the statement of financial position	1,011	-	1,011

9.2 **The movements in the net liability recognised in the Statement of Financial Position and Statement of Income and Other Comprehensive Income are as follows:**

	Other post-employment plans ($'000)	Pension ($'000)	Total ($'000)
October 31, 2021			
At beginning of period	1,011	-	1,011
Net benefit cost (Note 9.4)	(281)	-	(281)
At end of year	730	-	730
October 31, 2020			
At beginning of period	1,415	-	1,415
Net benefit cost (Note 9.4)	(404)	-	(404)
At end of year	1,011	-	1,011

9.3 **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, 2021			
At beginning of year	1,011	-	1,011
Current service cost	15	-	15
Past service cost	(151)	-	(151)
Interest cost	142	-	142
Benefits paid	(77)	-	(77)
Effect of experience adjustments	(210)	-	(210)
At end of year	730	-	730
October 31, 2020			
At beginning of year	1,415	-	1,415
Current service cost	55	-	55
Past service cost	(642)	-	(642)
Interest cost	160	-	160
Benefits paid	-	-	-
Effect of experience adjustments	23	-	23
At end of year	1,011	-	1,011

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9 Post retirement benefit obligations (continued)

9.4 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, 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)
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)
October 31, 2020			
Current service cost	55	-	55
Past service cost	(642)	-	(642)
Net interest cost	160	-	160
Components of defined benefit costs recognised in profit or loss	(427)	-	(427)
Re-measurement on the net liability:			
Effect of experience adjustments	23	-	23
Components of defined benefit costs recognised in other comprehensive income	-	-	-
Total	(404)	-	(404)

9.5 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, 2021	October 31, 2020
Discount rates – medical and life	5.60%	5.30%
Salary increases	2.00%	1.75%
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

9.6 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) 2021 ($'000)	2020 ($'000)
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	405	333
Impact of 1.0% increase in discount rate	(326)	(430)
Impact of 0.5% decrease in rate of increase in future compensation	-	(91)
Impact of 0.5% increase in rate of increase in future compensation	-	91
Impact of 1.0% decrease in health care cost trend rate	(66)	(180)
Impact of 1.0% increase in health care cost trend rate	78	7
Impact of 1year increase in life expectancy	(6)	(83)

10 Other liabilities

	2021 ($'000)	2020 ($'000)
Accounts payable and accruals	3,090	3,426
Taxation payable	1,620	2,090
Employee related costs	513	525
	5,223	6,041
Current	5,223	6,041

11 Share capital

	2021 ($'000)	2020 ($'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

	2021 ($'000)	2020 ($'000)
Securities	1	-
Deposits with banks	-	-
	1	-

14 Non-interest income from continuing operations

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

	2021 ($'000)	2020 ($'000)
Non-interest income over time:		
Trust and investment management related fees	29,685	24,754
Non-interest income at a point in time:		
Sundry income	17	2
	29,702	24,756

Fee income presented above is recognised over time as the relevant services are provided during the period.

15 Non-interest expenses

	2021 ($'000)	2020 ($'000)
Staff costs (Note 15.1)	4,953	4,652
Equipment and intangible assets expenses, excluding depreciation and amortisation	2,533	2,352
Advertising and public relations	58	29
Amortisation and depreciation	182	350
Directors' fees	84	102
Auditor's fees	490	232
Management fees	10,936	7,320
Other operating expenses	2,407	1,401
	21,643	16,438
15.1 Staff costs		
Staff costs include:		
Wages and salaries including bonuses	4,747	4,831
Employee share ownership plan settlement	-	-
Employees' other post-retirement benefit costs (Note 9.4)	(71)	(427)
Employees' defined contribution pension expense	277	248
	4,953	4,652

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16 Taxation expense

	2021 ($'000)	2020 ($'000)
Current tax charge	1,582	2,051
Green fund levy	-	-
Prior years	-	(154)
Deferred tax charge/(credit) (Note 7)	24	118
	1,606	2,015
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	5,258	7,210
Prima facie tax at the rate of 30%	1,577	2,163
Income exempt from tax	-	-
Non allowable expenses	13	(3)
Green fund levy	-	-
Prior years	16	-
Other	-	(145)
	1,606	2,015

17 Dividends

During the year, dividends declared and paid to the shareholder was $15 million (2020 - nil).

Dividends are accounted for as an appropriation of retained earnings.

18 Contingent liabilities and commitments

Legal proceedings

As at October 31, 2021, there were certain legal proceedings relating to 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 contingent liabilities as at October 31, 2021 (2020 –: 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.

	2021 ($'000)	2020 ($'000)
Cash and cash equivalents		
Due to RBCFCL Subsidiaries	31,101	39,001
Due from affiliate		
Due to RBCFCL Subsidiaries	1,979	496
Other assets		
Other affiliated companies	338	328
Due to affiliate		
Due to RBCFCL Subsidiaries	5,702	-
Interest income		
Other affiliated company	-	-
Non-Interest income		
Other affiliated companies	8,318	4,067
Other operating expenses		
Due to RBCFCL Subsidiaries	12,274	8,547

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.

	2021 ($'000)	2020 ($'000)
Salaries and short-term benefits	639	683

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. As a subsidiary of the RBC Financial (Caribbean) Limited, there are several Committees which have been set up at a Company level to address risk management throughout the Company 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.

Risk Management Unit

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.

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 complete capture of the risks in the risk measurement and reporting systems.

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 Audit Committee.

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.

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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 ($'000)	Equity instruments ($'000)	Total ($'000)
As at October 31, 2021					
Assets					
Cash and cash equivalents	-	31,101	-	-	31,101
Securities	100	-	-	-	100
Equipment	-	-	217	-	217
Intangible assets	-	-	436	-	436
Deferred tax assets	-	-	198	-	198
Due from affiliate	-	1,979	-	-	1,979
Other assets	-	12,501	7,322	-	19,823
Total assets	100	45,581	8,173	-	53,854
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	730	-	730
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	4,748	42,199	53,854
As at October 31, 2020					
Assets					
Cash and cash equivalents	-	39,001	-	-	39,001
Securities	90	-	-	-	90
Equipment	-	-	257	-	257
Intangible assets	-	-	557	-	557
Deferred tax assets	-	-	288	-	288
Due from affiliate	-	496	-	-	496
Other assets	-	12,461	7,295	-	19,756
Total assets	90	51,958	8,397	-	60,445
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	1,011	-	1,011
Other liabilities	-	1,612	4,429	-	6,041
Shareholders' equity	-	-	-	53,393	53,393
Total equity and liabilities	-	1,612	5,440	53,393	60,445

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 table below presents the non-derivative financial assets and financial liabilities of the Company remaining contractual maturities at the Company's Statement of Financial Position date.

	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	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	
As at October 31, 2020						
Assets						
Cash and cash equivalents	39,001	-	-	-	-	39,001
Securities	90	-	-	-	-	90
Due from associated and affiliated companies	496	-	-	-	-	496
Other assets	11,154	813	494	-	-	12,461
Total financial assets less derivatives	50,741	813	494	-	-	52,048
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	-	-	-	-	-	-
Other liabilities	490	-	1,122	-	-	1,612
Total financial liabilities less derivatives	490	-	1,122	-	-	1,612
Liquidity gap	50,251	813	(628)	-	-	50,436
Cumulative gap	50,251	51,064	50,436	50,436	50,436	

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 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 department 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. 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.

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20 Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Interest rate risk

The following table reflects the results before the impact of tax:

Market Risk: IRRBB Measures

	NII risk		EVE risk	
	Local currency impact ($'000)	Hard currency impact ($'000)	Local currency impact ($'000)	Hard currency impact ($'000)
2021				
100 bps increase in rates	(49)	-	(47)	-
100 bps decrease in rates	49	-	41	-
200 bps increase in rates	(99)	-	(94)	-
200 bps decrease in rates	99	-	41	-
2020				
100 bps increase in rates	(56)	-	(54)	-
100 bps decrease in rates	56	-	52	-
200 bps increase in rates	(111)	-	(108)	-
200 bps decrease in rates	111	-	52	-

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, 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	31,101	-	-	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	-	-	-	-
As at October 31, 2020					
Financial assets					
Cash and cash equivalents	39,001	-	-	-	39,001
Securities	-	-	-	90	90
Other assets	-	-	-	12,461	12,461
Due from affiliates	-	-	-	496	496
Total financial assets	39,001	-	-	13,047	52,048
Financial liabilities					
Due to affiliate	-	-	-	-	-
Other liabilities	-	-	-	1,612	1,612
Total financial liabilities	-	-	-	1,612	1,612
Interest sensitivity gap	39,001	-	-	-	-

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 (2020: Nil).

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	
	2021 ($'000)	2020 ($'000)
Cash and cash equivalents	31,101	39,001
Securities	100	90
Other assets	12,501	12,461
Due from affiliates	1,979	496
Total	45,681	52,048

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, 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
As at October 31, 2020				
Cash and cash equivalents	39,001	-	-	39,001
Securities	90	-	-	90
Other assets	10,389	-	2,072	12,461
Due from affiliates	496	-	-	496
Total	49,976	-	2,072	52,048

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, 2021. 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 $100,100 (2020: $90,000) 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.

The Company is required to maintain regulatory capital at a minimum of 10%. The Company's regulatory capital ratio is 73.13% (2020: 86.78%). 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.

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20 Financial risk management (continued)

20.7 **Capital management (continued)**

	2021 ($'000)	2020 ($'000)
Tier 1 capital		
Share capital	15,000	15,000
Statutory reserve	15,000	15,000
Retained earnings	11,688	23,355
Total qualifying Tier 1 capital	41,688	53,355
Tier 2 capital		
Revaluation reserve – securities	45	38
Other reserve	-	-
Total qualifying Tier 2 capital	45	38
Total regulatory capital	41,733	53,393
Risk-weighted assets:		
On-Statement of Financial Position	57,071	57,573
Total risk-weighted assets	57,071	57,573
Total regulatory capital to risk weighted assets	73.13%	86.78%

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.

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities at FVOCI - Year ended October 31, 2021				
Mutual funds	100	-	-	100
Total investments	100	-	-	100
Year ended October 31, 2020				
Mutual funds	90	-	-	90
Total investments	90	-	-	90

Reconciliation of Level 2 fair value measurements of financial assets –

Year ended October 31, 2021

	FVOCI ($'000)
As at November 1, 2020	91
Gains from changes in fair value	10
As at October 31, 2021	100
As at November 1, 2019	91
Gains from changes in fair value	(1)
As at October 31, 2020	90

22 Financing arrangements

The Company has access to an overdraft facility in the amount of $20 million (2020: $23 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, 2021 totalled $19 billion (2020: $19 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.

25 Restatement

The financial statements have been restated for the effect of an error on the statement of financial position and statement of income and other comprehensive income for 2020 and 2019. These adjustments relate to amounts not previously accrued in prior periods for non-interest income, specifically employee benefit fees totalling $4.1 million which were billed in the current year as well as the related tax impact. The effect of these adjustments on the previously reported financial statements have been summarised in the tables below:

Notes

(1) Adjustment to record the income earned in the prior periods not previously recorded along with the related receivable.

(2) Adjustment to record the tax impact of the adjustments to non- interest income and impairment provision.

	Notes	As previously reported ($'000)	Prior period adjustment ($'000)	Restated ($'000)
Statement of Financial Position October 31, 2020				
Assets				
Cash and cash equivalents		39,001	-	39,001
Securities		90	-	90
Equipment		257	-	257
Intangible assets		557	-	557
Deferred tax assets		288	-	288
Due from affiliates		496		496
Other assets	(1)	15,645	4,111	19,756
Total assets		56,334	4,111	60,445
Liabilities				
Post- retirement benefit obligations		1,011	-	1,011
Due to affiliate		-	-	-
Other liabilities	(2)	4,807	1,234	6,041
Total liabilities		5,818	1,234	7,052
Share capital		15,000	-	15,000
Statutory reserve		15,000	-	15,000
Other reserves		38	-	38
Retained earnings	(1) – (2)	20,478	2,877	23,355
Total shareholders' equity		50,516	2,877	53,393
Total equity and liabilities		56,334	4,111	60,445
October 31, 2019				
Assets				
Cash and cash equivalents		35,349	-	35,349
Securities		91	-	91
Equipment		260	-	260
Intangible assets		671	-	671
Deferred tax assets		405	-	405
Due from affiliates		773	-	773
Other assets	(1)	15,579	3,749	19,328
Total assets		53,128	3,749	56,877
Liabilities				
Post- retirement benefit obligations		1,415	-	1,415
Due to affiliate		42	-	42
Other liabilities	(2)	6,073	1,125	7,198
Total liabilities		7,530	1,125	8,655
Share capital		15,000	-	15,000
Statutory reserve		15,000	-	15,000
Other reserves		46	-	46
Retained earnings	(1) – (2)	15,552	2,624	18,176
Total shareholders' equity		45,598	2,624	48,222
Total equity and liabilities		53,128	3,749	56,877

RBC Trust (Trinidad & Tobago) Limited

Notes to the Financial Statements 2021

October 31, 2021 (expressed in Trinidad & Tobago dollars) (continued)

25 Restatement (continued)

	Notes	As previously reported ($'000)	Prior period adjustment ($'000)	Restated ($'000)
Statement of Income and Other Comprehensive Income Year ended October 31, 2020				
Interest income		-	-	-
Fee, commission and other income	(1)	24,394	362	24,756
Total income		24,394	362	24,756
Impairment provision		(1,108)	-	(1,108)
Non-interest expenses		(16,438)	-	(16,438)
Total non-interest expenses		(17,546)	-	(17,546)
Profit before taxation		6,848	362	7,210
Taxation expense	(2)	(1,906)	(109)	(2,015)
Net profit after taxation		4,942	253	5,195
Other comprehensive loss, net of taxes:				
Items that may be reclassified subsequently to profit or loss:				
Net decrease in value on securities		(8)	-	(8)
Re-measurement of post-retirement benefit obligations		(16)	-	(16)
Other comprehensive loss for the period, net of tax		(24)	-	(24)
Total comprehensive income for the year		4,918	253	5,171

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