

Financial Statements 2023

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A bank for all @f you

After 115 years in the Caribbean, we're still committed to listening, so we can truly understand all the aspects of your life. We are a bank for all of you, helping to guide you through whatever life may bring.

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[rbc.com/caribbean/allofyou](https://www.rbc.com/caribbean/allofyou)

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RBC Financial (Caribbean) Limited and its subsidiaries



Financial
Caribbean

Consolidated Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

Chief Executive Officer's Report

RBC Financial (Caribbean) Limited ("the Company") realised after tax net income of \$1,074.5 million for the fiscal year ended October 31, 2023, up \$166.6 million from the prior year net income of \$907.8 million.

The Company saw increased revenue mainly from higher rates on our securities portfolio and placements with other financial institutions, alongside loan volume growth across most of the regions in which we operate, as we were able to capitalise on the continued post-pandemic economic recovery, with loan volumes up \$1.8 billion or 6.9% year on year. Provisions for credit losses is up from 2022 as the prior year included a significant release of provisions taken at the onset of COVID-19 in 2020. Operating costs increased over the prior year from inflationary pressures on several fronts.

Arising from the strong revenue growth, the efficiency ratio improved to 60.9% from 73.6% in the prior year.

The Company's total assets increased by \$400.9 million, with deposits up \$56.2 million year-over-year, whilst our regulatory capital ratio at year-end stood at 27.30%, which is well above regulatory thresholds.

In 2023, the Company continued to invest in ensuring the operational soundness of the business as well as continuing to provide clients with access to and security of their data to conduct financial transactions as and when they need to. We have sought to reaffirm that we are a Bank for All of You by striving to continually make it easier for you to interact with us.

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 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 25, 2024

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, 2023 and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, estimates and judgements and other explanatory information;
- Ensuring that The Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets,

detection/prevention of fraud, and the achievement of Group operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Darryl White
Chief Executive Officer,
RBCFCL
January 25, 2024

Sham Singh
Chief Financial Officer,
RBCFCL
January 25, 2024

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, 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at October 31, 2023;
- the consolidated statement of income and other comprehensive income for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and

- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

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

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

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



Financial
Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements 2023

October 31, 2023 (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.

Private & Confidential
Port of Spain
Trinidad, West Indies
29 January 2024

Consolidated Statement of Financial Position

	Note	October 31, 2023 (\$'000)	October 31, 2022 (\$'000)
Assets			
Cash and short term instruments	3	6,841,132	7,603,464
Balances with central banks	4	9,970,418	9,969,652
Loans	6	27,728,947	25,857,723
Securities	7	14,480,152	14,697,560
Investment in associate companies and joint venture	8	282,436	276,393
Due from associates and affiliated companies	34	692,878	1,040,026
Intangible assets	9	165,054	208,872
Goodwill	10	4,361,852	4,361,852
Premises and equipment	11	726,415	797,978
Corporation tax recoverable		127,916	138,676
Deferred tax assets	12	180,619	201,165
Other assets	13	506,366	507,891
Assets classified as held for sale	14	1,840	3,897
		<u>66,066,025</u>	<u>65,665,149</u>
Liabilities			
Due to banks		211,199	468,202
Customers' deposits	15	45,747,329	45,691,119
Other funding instruments	16	8,610	19,550
Other borrowed funds	17	215	731
Debt securities in issue	18	-	300,000
Due to associates and affiliated companies	34	3,852,345	4,014,491
Derivative financial liabilities		-	92
Post-retirement benefit obligations	19	351,307	381,374
Current income tax liabilities		118,242	89,386
Deferred tax liabilities	12	44,394	42,490
Other liabilities	20	1,449,399	1,433,622
Total liabilities		<u>51,783,040</u>	<u>52,441,057</u>
Equity			
Stated capital	21	12,065,350	12,065,350
Statutory reserves	22	1,349,543	1,297,189
Other components of equity	23	334,704	339,605
Retained Earnings/ (accumulated deficit)		533,388	(478,052)
Equity attributable to parent company		<u>14,282,985</u>	<u>13,224,092</u>
Total equity and liabilities		<u>66,066,025</u>	<u>65,665,149</u>

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

On January 25, 2024, 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 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

Consolidated Statement of Income

	Note	Year ended October 31	
		2023 (\$'000)	2022 (\$'000)
Continuing operations			
Interest income	24	2,297,243	1,562,663
Interest expense	25	(188,729)	(148,782)
Net interest income		2,108,514	1,413,881
Non-interest income	26	1,054,648	1,007,452
Total revenue		3,163,162	2,421,333
Non-interest expenses	27	(1,927,852)	(1,782,059)
Release of credit losses on off balance sheet items		453	10,134
Release of credit losses on loans	6.1	13,061	501,854
Release of credit losses on securities		90,216	37,393
Total non-interest expenses		(1,824,122)	(1,232,678)
Share of profit of associate companies	8.1	7,603	10,715
Share of profit of joint venture	8.3	6,988	9,611
Net income before taxation from continuing operations		1,353,631	1,208,981
Taxation expense	29	(279,168)	(301,155)
Net income after taxation from continuing operations		<u>1,074,463</u>	<u>907,826</u>

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

Consolidated Statement of Other Comprehensive Income

	Note	Year ended October 31	
		2023 (\$'000)	2022 (\$'000)
Net income		<u>1,074,463</u>	<u>907,826</u>
Other comprehensive loss, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised losses on securities at fair value through other comprehensive income		(24,025)	(128,831)
Tax impact		1,206	2,889
		(22,819)	(125,942)
Exchange differences on translating foreign operations	23.2	(3,596)	(15,077)
		<u>(26,415)</u>	<u>(141,019)</u>
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	19.4	14,078	(7,424)
Net unrealised gains on equity securities at fair value through other comprehensive income		563	18,373
Tax impact		(3,796)	1,570
		<u>10,845</u>	<u>12,519</u>
Other comprehensive loss for the year, net of taxes		<u>(15,570)</u>	<u>(128,500)</u>
Total comprehensive income for the year		<u>1,058,893</u>	<u>779,326</u>

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



Financial
Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Consolidated Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

Consolidated Statement of Changes in Equity

	Notes	Stated capital (\$'000) (Note 21)	Statutory reserves (\$'000) (Note 22)	Other components of equity (\$'000) (Note 23)	Retained earnings/ (accumulated deficit) (\$'000)	Attributable to parent company (\$'000)
Balance at October 31, 2022		12,065,350	1,297,189	339,605	(478,052)	13,224,092
Other comprehensive (loss)/income		-	-	(25,561)	9,991	(15,570)
Net income attributable to shareholders		-	-	-	1,074,463	1,074,463
Total comprehensive (loss)/income		-	-	(25,561)	1,084,454	1,058,893
Transfer to statutory reserves	22	-	52,354	-	(52,354)	-
Transfer from general banking risks reserve	23.4	-	-	11,378	(11,378)	-
Other reserve movements	23.2	-	-	9,282	(9,282)	-
Balance at October 31, 2023		12,065,350	1,349,543	334,704	533,388	14,282,985
Balance at October 31, 2021		12,065,350	780,015	218,685	(619,480)	12,444,570
Other comprehensive loss		-	-	(122,429)	(6,071)	(128,500)
Net income attributable to shareholders		-	-	-	907,826	907,826
Total comprehensive (loss)/income		-	-	(122,429)	901,755	779,326
Transfer to statutory reserves	22	-	517,174	-	(517,174)	-
Transfer to general banking risks reserve	23.4	-	-	12,822	(12,822)	-
Other reserve movements	23.2	-	-	230,527	(230,331)	196
Balance at October 31, 2022		12,065,350	1,297,189	339,605	(478,052)	13,224,092

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

Consolidated Statement of Cash Flows

	Note	Year ended October 31			Note	Year ended October 31	
		2023 (\$'000)	2022 (\$'000)			2023 (\$'000)	2022 (\$'000)
Net income before taxation from continuing operations		1,353,631	1,208,981	Investing activities			
Adjustments for:				Purchase of securities		(16,821,325)	(13,472,170)
Release of credit losses		(103,730)	(549,381)	Proceeds from sale and redemption of securities		17,271,956	12,221,447
Post-retirement benefit expense		25,653	28,541	Dividends received from associate companies and joint venture		5,050	1,350
Net investment trading (loss)/income		(253)	5,670	Additions to premises and equipment and intangible assets		(115,738)	(54,584)
Depreciation and amortisation of premises and equipment and intangible assets		208,425	194,910	Proceeds from sale of premises and equipment		21,903	24,672
Loss/(gain) on disposal of premises and equipment and intangible assets		2,848	(4,893)	Cash provided by/(used in) investing activities for continuing operations		361,846	(1,279,285)
Share of profit of associate companies and joint venture		(14,591)	(20,326)	Financing activities			
Unrealised gains on securities		(68)	(35)	Payments on other borrowed funds		(516)	(514)
(Accretion)/amortisation on securities		(166,147)	38,822	Repayment of debt securities in issue		(300,000)	-
Operating income before changes in operating assets and liabilities for continuing operations		1,305,768	902,289	Principal elements of lease payments		(58,655)	(59,431)
(Increase)/decrease in operating assets:				Cash used in financing activities for continuing operations		(359,171)	(59,945)
Balances with central banks		(54,129)	(549,262)	Net decrease in cash and cash equivalents from continuing operations		(815,695)	(353,436)
Loans		(1,858,163)	(790,076)	Cash and cash equivalents at beginning of year		13,255,540	13,600,095
Due from associates and affiliated companies		347,148	(642,038)	Effects of exchange rate changes on cash and cash equivalents		(3,127)	8,881
Other assets		1,525	43,279	Cash and cash equivalents at end of year	5	12,439,845	13,255,540
Increase/(decrease) in operating liabilities:				Interest received		2,265,485	1,566,988
Due to banks		(257,003)	78,840	Interest paid		188,340	(142,908)
Customers' deposits		56,210	792,706				
Other funding instruments		(10,940)	(9,645)				
Due to associates and affiliated companies		(162,146)	1,385,178				
Other liabilities		33,542	(114,025)				
Pension contributions paid		(789)	(734)				
Taxes paid		(216,265)	(110,718)				
Cash (used in)/provided by operating activities for continuing operations		(815,243)	985,794				

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 2023

October 31, 2023 (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. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

Basis of preparation

Statement of compliance

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

Basis of measurement

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

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

Use of estimates and assumptions

In preparing our Consolidated Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Consolidated Financial Statements. Refer to the relevant accounting policies in this Note for details on our use of estimates and assumptions.

Significant judgements

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 6, Note 7
• Employee benefits	Note 2, Note 19
• Share-based compensation	Note 2, Note 28
• Goodwill and other intangibles	Note 2, Note 9, Note 10
• Application of the effective interest method	Note 2
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 12
• Litigation provisions	Note 2, Note 31

Basis of consolidation

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

Consolidation

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

We are not deemed to control an entity when we exercise power over an entity as the agent of a third party or parties. 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.

Investments in associates and joint ventures

Our investments in associated corporations 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.

Changes in accounting policies

Updates to Interest Rate Benchmark Reform

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

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

Progress in and risks arising from the transition to ABRs

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

As part of the interest rate benchmark reform, the publication of all remaining USD LIBOR settings ceased on June 30, 2023 and consistent with our transition plan, our exposure to non-derivative financial assets referencing USD LIBOR interest rates is Nil as at October 31, 2023 (October 31, 2022 - \$ 376,616,000).



Financial
Caribbean

RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

Classification of financial assets

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

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

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

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 35, and the activities taken to manage those risks;
- Historical and future expectations of sales of the loans and securities managed as part of a business model; and
- The compensation structures for managers of the businesses within The Group, to the extent that these are directly linked to the economic performance of the business model.

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

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

SPPI assessment

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

Securities

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

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

Investment securities carried at amortised cost are measured using the effective interest rate method, and are presented net of any allowance for credit losses, calculated in accordance with The Group's policy for allowance for credit losses, as described below. Interest income, including the amortisation of premiums and discounts on securities

measured at amortised cost are recorded in net interest income. Impairment gains or losses recognised on amortised cost securities are recorded in provision for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of sale is recorded as a net gain (loss) on investment securities in non-interest income.

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

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

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

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

Assets purchased under reverse repurchase agreements

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

Fair value option

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

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

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

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

Derivatives

Derivatives are primarily used in trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and



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

Other significant accounting policies (continued)

Derivatives (continued)

forward rate agreements, equity swaps and credit derivatives. All derivative instruments are initially recorded on our Consolidated Statement of Financial Position at fair value.

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

Loans

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

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

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

Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, securities, interest-bearing deposits with banks and accounts receivable. ACL on financial assets is disclosed in the notes to the consolidated financial statements. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the Consolidated Statement of Other Comprehensive Income and the ACL on debt securities measured at FVOCI is presented in other components of equity on the Consolidated Statement of Financial Position. Financial assets carried at amortised cost are presented net of ACL on the Consolidated Statement of Financial Position. 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. Judgement is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

Measurement of expected credit losses

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

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

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

Expected life

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

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

Assessment of significant increase in credit risk

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

Our assessment of significant increases in credit risk remains largely the same and is based on factors such as delinquency status and whether or not the account is watch-listed and managed by the special loans group.

If any of the following conditions is met, the instrument is moved from Stage 1 to Stage 2:

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

Our assessment of significant increases in credit risk is primarily based on the approach described above.



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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 macroeconomic scenarios. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period.

Further details on our forward looking assumptions and scenarios as at October 31, 2023 are provided in Note 6.1.

Scenario design

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

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

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail 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 judgement.

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

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

Write-off of loans

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

Modifications

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

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

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

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



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Other significant accounting policies (continued)

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 transfer the service to the customer and the receipt of the contract consideration.

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

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit card fees and commissions. 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 judgement.

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.



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Notes to the Consolidated Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Cash and short term instruments

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

Derecognition of financial assets

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

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

Derecognition of financial liabilities

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

Guarantees

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

Employee benefits – Pensions and other post-employment benefits

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

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

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

statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations, expenses and remeasurements that we recognise. Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

Share-based compensation

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

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

Green fund levy

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

Income taxes

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

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

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

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

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

The Group complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. The Group is subject to income tax laws in various jurisdictions where The Group operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of The Group's tax



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Income taxes (continued)

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. 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,
- 3 to 10 years for computer equipment,
- 5 to 15 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.

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RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2023

October 31, 2023 (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)

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 short term instruments

	2023 (\$'000)	2022 (\$'000)
Cash on hand	782,145	733,357
Treasury bills	3,309,452	4,055,164
Due from other banks	2,749,535	2,814,943
	<u>6,841,132</u>	<u>7,603,464</u>

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

	2023 (\$'000)	2022 (\$'000)
Monetary reserves	4,371,705	4,317,576
Cash balances	4,878,762	4,590,670
Certificates of deposit	719,951	1,061,406
	<u>9,970,418</u>	<u>9,969,652</u>

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

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

5 Cash and cash equivalents

	2023 (\$'000)	2022 (\$'000)
Cash and short term instruments (Note 3)	6,841,132	7,603,464
Cash balances at Central Bank (Note 4)	4,878,762	4,590,670
Certificates of deposit at Central Bank (Note 4)	719,951	1,061,406
	<u>12,439,845</u>	<u>13,255,540</u>

6 Loans

	2023 (\$'000)	2022 (\$'000)
Retail	3,168,018	2,941,556
Commercial/corporate	15,730,006	14,576,661
Mortgages	9,285,086	8,838,150
Gross loans	28,183,110	26,356,367
Unearned interest	(584)	(3,977)
	<u>28,182,526</u>	<u>26,352,390</u>
Allowance for credit losses (Note 6.1)	(453,579)	(494,667)
	<u>27,728,947</u>	<u>25,857,723</u>
Stage 1	26,627,134	24,532,262
Stage 2	814,667	995,197
Stage 3	741,309	828,908
Gross loans	28,183,110	26,356,367
Current	5,223,860	5,838,456
Non-current	22,959,250	20,517,911
	<u>28,183,110</u>	<u>26,356,367</u>

6.1 Allowance for credit losses

	Balance at beginning of period (\$'000)	Provision for credit losses (\$'000)	Net write-offs (\$'000)	Exchange rate and other (\$'000)	Balance at end of period (\$'000)
For the year ended October 31, 2023					
Retail	45,471	1,920	(3,816)	3,104	46,679
Commercial/corporate	328,705	(24,474)	(5,550)	(9,631)	289,050
Mortgages	120,491	9,493	(1,485)	(10,649)	117,850
	<u>494,667</u>	<u>(13,061)</u>	<u>(10,851)</u>	<u>(17,176)</u>	<u>453,579</u>
Undrawn loan commitments	19,244	2,276	-	-	21,520
For the year ended October 31, 2022					
Retail	133,136	(96,639)	1,557	7,417	45,471
Commercial/corporate	565,012	(218,736)	(7,552)	(10,019)	328,705
Mortgages	329,813	(186,479)	(11,798)	(11,045)	120,491
	<u>1,027,961</u>	<u>(501,854)</u>	<u>(17,793)</u>	<u>(13,647)</u>	<u>494,667</u>
Undrawn loan commitments	73,090	(53,846)	-	-	19,244



RBC Financial (Caribbean) Limited and its subsidiaries

Notes to the Consolidated Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

6 Loans (continued)

6.1 Allowance for credit losses (continued)

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

Reconciling items include the following:

- Model Changes. There was no update to the existing model during the year. In the previous year, an update was made to the existing model used to derive an estimate of credit losses. Key data elements were updated to better reflect actual historical behaviours. The impact of this model update is disclosed as a model change in the reconciliation below.
- 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, 2023				
Balance at beginning of period	107,721	61,636	325,310	494,667
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	16,729	(15,449)	(1,280)	-
Transfers in (out) to Stage 2	(1,579)	14,264	(12,685)	-
Transfers in (out) to Stage 3	(290)	(8,335)	8,625	-
Purchases and originations	27,748	-	-	27,748
Derecognitions and maturities	(10,013)	(10,459)	(47,495)	(67,967)
Remeasurements	(25,158)	12,155	40,161	27,158
Write-offs	-	-	(43,921)	(43,921)
Recoveries	-	-	33,070	33,070
Exchange rate and other	(19)	(17)	(17,140)	(17,176)
Balance at end of period	<u>115,139</u>	<u>53,795</u>	<u>284,645</u>	<u>453,579</u>
For the year ended October 31, 2022				
Balance at beginning of period	247,210	392,077	388,674	1,027,961
Provision for credit losses				
Model changes	(95,197)	(13,162)	-	(108,359)
Transfers in (out) to Stage 1	244,283	(241,723)	(2,560)	-
Transfers in (out) to Stage 2	(8,564)	37,235	(28,671)	-
Transfers in (out) to Stage 3	(1,457)	(26,636)	28,093	-
Purchases and originations	24,870	-	-	24,870
Derecognitions and maturities	(25,169)	(38,645)	(69,300)	(133,114)
Remeasurements	(278,398)	(47,709)	40,856	(285,251)
Write-offs	-	-	(56,651)	(56,651)
Recoveries	-	-	38,858	38,858
Exchange rate and other	143	199	(13,989)	(13,647)
Balance at end of period	<u>107,721</u>	<u>61,636</u>	<u>325,310</u>	<u>494,667</u>

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include our internal historical default rates, changes in credit quality, real GDP growth rates and non-energy GDP (for Trinidad and Tobago entities).

The global economy is showing signs of improvement, but the upturn remains weak, as headwinds persist. Weakening growth prospects in some of the major global markets, elevated core inflation, restrictive monetary conditions, and heightened uncertainties particularly from the protracted war in Ukraine and more recently by the slower than expected rebound of the Chinese economy weigh heavily on the global outlook. Our base scenario considers the ongoing recovery of 2023 in the Caribbean and the moderating of real GDP growth rates in 2023-2025 as the economies revert to their steady state. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

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

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

- A 100 basis points increase will lower the allowance for credit losses by \$9.0 million (2022 - \$7.4 million).
- A 100 basis points decrease will increase the allowance for credit losses by \$11.4 million (2022 - \$10.0 million).

Further details on the key inputs and assumptions used as at October 31, 2023 are provided in Note 2 and Note 6.2.

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	Carrying value (\$'000)	Base Scenario (\$'000)
As at October 31, 2023		
ACL on performing loans ⁽¹⁾	168,934	138,033
As at October 31, 2022		
ACL on performing loans ⁽¹⁾	169,357	144,097

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

Transfers between stages

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

	As at October 31, 2023 (\$'000)	As at October 31, 2022 (\$'000)
Performing loans ⁽¹⁾		
ACL - all performing loans in Stage 1	118,011	111,483
Impact of staging	<u>50,923</u>	<u>57,874</u>
Stage 1 and 2 ACL	<u>168,934</u>	<u>169,357</u>

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

Staging is based on 30 days past due, centrally managed accounts, retail loans receiving business as usual deferrals granted by The Group, loans of clients who had a prior default during the last three years and increases in probability of default at the loan level.

6.2 Loan modifications

Relief provided to clients has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2023, the amortised cost of Stage 2 and Stage 3 loans whose contractual terms were modified was \$965 million (2022: \$ 749 million), resulting in no material modification gains or losses.



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7 Securities

Carrying value of securities

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

	Within 3 months (\$'000)	3 months to 1 year (\$'000)	Term to maturity ⁽¹⁾			With no specific maturity (\$'000)	Total (\$'000)
			1 year to 5 years (\$'000)	5 years to 10 years (\$'000)	Over 10 years (\$'000)		
As at October 31, 2023							
Fair value through profit or loss⁽²⁾							
Government and state-owned enterprises debt	-	-	-	4,513	-	-	4,513
Money market funds	-	-	-	-	-	79,085	79,085
	-	-	-	4,513	-	79,085	83,598
Fair value through other comprehensive income							
Treasury bills and treasury notes ⁽³⁾							
Amortised cost	605,210	986,789	-	-	-	-	1,591,999
Fair value	604,358	984,335	-	-	-	-	1,588,693
Government and state-owned enterprises debt ⁽³⁾							
Amortised cost	-	57,418	227,211	279,380	20,403	-	584,412
Fair value	-	72,149	287,114	343,730	23,291	-	726,284
Equities ⁽⁴⁾							
Cost	-	-	-	-	-	4,367	4,367
Fair value	-	-	-	-	-	32,030	32,030
	604,358	1,056,484	287,114	343,730	23,291	32,030	2,347,007
Amortised Cost⁽⁵⁾							
Amortised cost	3,560,569	6,122,425	2,366,553	-	-	-	12,049,547
Fair value	3,555,214	6,101,940	2,290,475	-	-	-	11,947,629
	3,560,569	6,122,425	2,366,553	-	-	-	12,049,547
Total carrying value of securities	4,164,927	7,178,909	2,653,667	348,243	23,291	111,115	14,480,152
As at October 31, 2022							
Fair value through profit or loss⁽²⁾							
Government and state-owned enterprises debt	-	-	-	5,127	-	-	5,127
Money market funds	-	-	-	-	-	78,830	78,830
	-	-	-	5,127	-	78,830	83,957
Fair value through other comprehensive income							
Treasury bills and treasury notes ⁽³⁾							
Amortised cost	848,157	86,322	-	-	-	-	934,479
Fair value	847,989	86,168	-	-	-	-	934,157
Government and state-owned enterprises debt ⁽³⁾							
Amortised cost	-	57,502	284,742	279,492	20,411	-	642,147
Fair value	-	69,399	337,980	320,800	20,886	-	749,065
Equities ⁽⁴⁾							
Cost	-	-	-	-	-	4,368	4,368
Fair value	-	-	-	-	-	31,468	31,468
	847,989	155,567	337,980	320,800	20,886	31,468	1,714,690
Amortised Cost⁽⁵⁾							
Amortised cost	2,826,317	7,804,984	2,258,872	8,740	-	-	12,898,913
Fair value	2,827,640	7,720,921	2,200,498	9,673	-	-	12,758,732
	2,826,317	7,804,984	2,258,872	8,740	-	-	12,898,913
Total carrying value of securities	3,674,306	7,960,551	2,596,852	334,667	20,886	110,298	14,697,560

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

⁽²⁾ Trading securities are recorded at fair value.

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

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

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

Purchased or Originated Credit-Impaired (POCI) Securities

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

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

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

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

At the date of exchange the difference between the notional value and the fair value of the bonds was \$343 million. As at October 31, 2023 the life to date change in fair value due to risk free interest rate is \$58 million (2022 - \$37 million). The life to date movement attributed to accrued interest was \$17 million (2022 - \$31 million). For the year ended October 31 2023, \$183 million was recorded as the change in expected credit losses (2022 - \$112 million) in the Consolidated Statement of Income.

The COVID 19 pandemic was projected to have significant impact on the future economic environment of Barbados, primarily due to the country's reliance on tourism. As a result of the anticipated impact, during 2020, management determined that the U.S treasury curve plus the credit spread between the US treasury curve and the BVAL US Corp B curve no longer accurately reflected the economics of the government securities. Since 2020, the fair value of these securities was determined by applying a discount yield to each maturity, which is calculated by combining the following three components:

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

In 2022, management decided to maintain the 2020 yield assumptions noted above and delayed the release of the COVID Adjustment given the global economic uncertainties. Management now considers the current and near-term macroeconomic position of Barbados as stable and trending positively as the inflation rate continues to decelerate, and the unemployment rate has returned to pre-pandemic levels. Based on the overall economic performance of this market and the removal of other COVID overlays in 2022, management has removed the COVID adjustment when valuing these POCI securities as at October 31, 2023.

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

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

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

	Cost/ Amortised cost (\$'000)	Gross unrealised gains ⁽¹⁾ (\$'000)	Gross unrealised losses ⁽¹⁾ (\$'000)	Fair value (\$'000)
As at October 31, 2023				
FVOCI				
Treasury bills and treasury notes	1,591,999	-	(3,306)	1,588,693
Government and state-owned enterprises debt	584,412	141,872	-	726,284
Equities ⁽²⁾	4,367	27,967	(304)	32,030
	2,180,778	169,839	(3,610)	2,347,007
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	934,479	-	(322)	934,157
Government and state-owned enterprises debt	642,147	106,918	-	749,065
Equities ⁽²⁾	4,368	27,444	(344)	31,468
	1,580,994	134,362	(666)	1,714,690



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7 Securities (continued)

7.1 Unrealised gains and losses on securities at fair value through other comprehensive income (continued)

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

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

7.2 Allowance for credit losses on securities

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

	2023 (\$'000)	2022 (\$'000)
Gross exposures		
Stage 1	12,075,402	12,931,034
Stage 2	-	-
Total securities	12,075,402	12,931,034
Less: allowance for credit losses	(25,855)	(32,121)
Securities net of expected credit losses	<u>12,049,547</u>	<u>12,898,913</u>

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, 2023				
Balance at beginning of period	32,121	-	-	32,121
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	37,631	-	-	37,631
Derecognitions and maturities	(2,134)	-	-	(2,134)
Remeasurements	(41,763)	-	-	(41,763)
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>25,855</u>	-	-	<u>25,855</u>
For the year ended October 31, 2022				
Balance at beginning of period	20,244	-	-	20,244
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	55,783	-	-	55,783
Derecognitions and maturities	(5,564)	-	-	(5,564)
Remeasurements	(38,342)	-	-	(38,342)
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>32,121</u>	-	-	<u>32,121</u>

Allowance for credit losses – securities at FVOCI⁽¹⁾

	Performing		Impaired		Total (\$'000)
	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	POCI (\$'000)	
For the year ended October 31, 2023					
Balance at beginning of period	1,738	-	-	(112,564)	(110,826)
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	7,389	-	-	-	7,389
Derecognitions and maturities	(889)	-	-	-	(889)
Remeasurements	(3,906)	-	-	(81,654)	(85,560)
Write-offs	-	-	-	-	-
Remeasurements	-	-	-	10,235	10,235
Exchange rate and other	-	-	-	(50)	(50)
Balance at end of period	<u>4,332</u>	-	-	<u>(184,033)</u>	<u>(179,701)</u>
For the year ended October 31, 2022					
Balance at beginning of period	439	3	-	(64,490)	(64,048)
Provision for credit losses					
Model changes	-	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-	-
Purchases and originations	3,810	-	-	-	3,810
Derecognitions and maturities	(974)	-	-	-	(974)
Remeasurements	(1,537)	(3)	-	(48,024)	(49,564)
Write-offs	-	-	-	-	-
Exchange rate and other	-	-	-	(50)	(50)
Balance at end of period	<u>1,738</u>	-	-	<u>(112,564)</u>	<u>(110,826)</u>

(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 the Consolidated Statement of Income is presented in other components of equity.

7.3 Securities at amortised cost

	2023 (\$'000)	2022 (\$'000)
Government and state-owned enterprises debt securities	10,713,901	12,337,022
Corporate debt securities	1,335,646	561,891
	<u>12,049,547</u>	<u>12,898,913</u>
Current	9,683,005	10,656,129
Non-current	2,366,542	2,242,784
	<u>12,049,547</u>	<u>12,898,913</u>

7.4 Movement in securities

	FVTPL (\$'000)	FVOCI (\$'000)	Amortised cost	
			(\$'000)	Total (\$'000)
As at October 31, 2022	83,957	1,714,690	12,898,913	14,697,560
Additions	-	2,097,351	14,814,190	16,911,541
Disposal (sale and redemption)	(769)	(1,526,313)	(15,816,164)	(17,343,246)
Gains from changes in fair value	253	46,488	-	46,741
Amortisation of premium	-	20,172	145,975	166,147
Allowance for credit losses	-	-	6,266	6,266
Foreign exchange adjustment	157	(5,381)	367	(4,857)
As at October 31, 2023	<u>83,598</u>	<u>2,347,007</u>	<u>12,049,547</u>	<u>14,480,152</u>
As at October 31, 2021	100,668	1,507,915	11,950,548	13,559,131
Additions	-	1,507,577	11,964,593	13,472,170
Disposal (sale and redemption)	(11,103)	(1,236,308)	(10,968,366)	(12,215,777)
Losses from changes in fair value	(5,670)	(64,675)	-	(70,345)
Amortisation of premium	-	(582)	(38,240)	(38,822)
Write back of credit losses	-	-	(11,877)	(11,877)
Foreign exchange adjustment	62	763	2,255	3,080
As at October 31, 2022	<u>83,957</u>	<u>1,714,690</u>	<u>12,898,913</u>	<u>14,697,560</u>

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8 Investment in associate companies and joint venture

	2023 (\$'000)	2022 (\$'000)
Associate companies (Note 8.1)	91,228	85,398
Joint venture (Note 8.3)	191,208	190,995
	<u>282,436</u>	<u>276,393</u>

	2023 (\$'000)	2022 (\$'000)
8.1 Movement of investment in associate companies		
Balance at beginning of year	85,398	77,185
Share of current period's profits before tax	7,603	10,715
Share of current period's tax (Note 29)	(1,765)	(3,391)
Other adjustments	742	2,239
Dividends	(750)	(1,350)
Balance at end of year	<u>91,228</u>	<u>85,398</u>

8.2 Associate companies

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

	Principal activity	Place of incorporation	Percentage of equity capital held	
			2023	2022
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%

	2023 (\$'000)	2022 (\$'000)
<u>Infolink Services Limited</u>		
Current assets	167,112	139,925
Non-current assets	40,059	40,136
Current liabilities	(4,860)	(4,393)
Non-current liabilities	(7,089)	(1,956)
Total comprehensive income	<u>21,510</u>	<u>15,041</u>

Reconciliation to the carrying amount recognised in the consolidated financial statements:

Net assets of associate	195,222	173,712
Proportion of ownership interest	25%	25%
Carrying amount of interest in Infolink Services Limited	<u>48,806</u>	<u>43,428</u>

	2023 (\$'000)	2022 (\$'000)
<u>Park Court Limited</u>		
Current assets	13,011	10,077
Non-current assets	411,504	412,966
Current liabilities	(5,759)	(13,189)
Non-current liabilities	(304,208)	(303,653)
Total comprehensive income	<u>5,036</u>	<u>35,741</u>

Reconciliation to the carrying amount recognised in the consolidated financial statements:

Net assets of associate	114,548	106,201
Proportion of ownership interest	20%	20%
Other adjustments	2,208	4,584
Carrying amount of interest in Park Court Limited	<u>25,118</u>	<u>25,824</u>

	2023 (\$'000)	2022 (\$'000)
<u>KF Real Estate C.V.</u>		
Current assets	836	1,718
Non-current assets	61,575	61,599
Current liabilities	(2,509)	(3,939)
Non-current liabilities	(7,934)	(10,920)
Total comprehensive income	<u>795</u>	<u>799</u>

Reconciliation to the carrying amount recognised in the consolidated financial statements:

Net assets of associate	51,968	48,458
Proportion of ownership interest	33.3%	33.3%
Other adjustments	(1)	10
Carrying amount of interest in KF Real Estate C.V.	<u>17,304</u>	<u>16,146</u>

8.3 Movement in investment in joint venture

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of year	190,995	183,584
Share of current year's profits, before tax	6,988	9,611
Share of current year's tax (Note 29)	(2,475)	(2,200)
Dividends	(4,300)	-
Balance at end of year	<u>191,208</u>	<u>190,995</u>

8.4 Interest in joint venture

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

	2023 (\$'000)	2022 (\$'000)
Current assets	104,926	101,755
Non-current assets	780,237	788,397
Total assets	885,163	890,152
Current liabilities	(38,270)	(25,867)
Non-current liabilities	(272,829)	(290,859)
Total liabilities	(311,099)	(316,726)
Revenue	137,807	124,797
Profit before tax	25,479	33,274

	2023 (\$'000)	2022 (\$'000)
Reconciliation to the carrying amount recognised in the consolidated financial statements:		
Net assets of associate	574,064	573,426
Proportion of ownership interest	33.3%	33.3%
Other adjustments	45	44
Carrying amount of interest in RGM Limited	<u>191,208</u>	<u>190,995</u>

9 Intangible assets

	Computer Software (\$'000)	Work in Progress (\$'000)	Total (\$'000)
Year ended October 31, 2023			
Opening net carrying value	155,734	53,138	208,872
Translation adjustment	(9)	-	(9)
Adjusted opening net book value	155,725	53,138	208,863
Additions	3,186	52,619	55,805
Disposals	(34)	(16,293)	(16,327)
Transfers ⁽¹⁾	54,333	(47,693)	6,640
Amortisation	(89,927)	-	(89,927)
Closing net carrying value	<u>123,283</u>	<u>41,771</u>	<u>165,054</u>
Cost	692,874	41,771	734,645
Accumulated amortisation	(569,591)	-	(569,591)
Net carrying value	<u>123,283</u>	<u>41,771</u>	<u>165,054</u>
Year ended October 31, 2022			
Opening net carrying value	196,181	77,176	273,357
Translation adjustment	43	-	43
Adjusted opening net book value	196,224	77,176	273,400
Additions	584	37,150	37,734
Disposals	8,124	(9,624)	(1,500)
Transfers ⁽¹⁾	44,510	(51,564)	(7,054)
Amortisation	(93,708)	-	(93,708)
Closing net carrying value	<u>155,734</u>	<u>53,138</u>	<u>208,872</u>
Cost	667,344	53,138	720,482
Accumulated amortisation	(511,610)	-	(511,610)
Net carrying value	<u>155,734</u>	<u>53,138</u>	<u>208,872</u>

⁽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 \$32 million (2022 - \$60 million).

There were no contractual commitments to acquire intangible assets in 2023 or 2022.

10 Goodwill

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of year	4,361,852	4,361,852
Balance at end of year	<u>4,361,852</u>	<u>4,361,852</u>

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, 2023, a surplus of \$150 million was observed as at October 31, 2023 (2022 – a surplus of \$357 million) as the recoverable amount of the assets exceeded its carrying amount.



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10 Goodwill (continued)

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

Revenue

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

Provision for credit losses

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

Non-interest expenses

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

Taxation

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

Summary of principal assumptions

	October 31, 2023	October 31, 2022
Terminal revenue growth rates	3.83%	4.50%
Terminal net income growth rates	3.50%	3.50%
Discount rates	11.80%	11.48%

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 judgement to determine inputs to the discounted cash flow model which are most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. The sensitivity of the fair value less costs of disposal to key inputs and assumptions was tested by recalculating the recoverable amount using reasonably possible change to those parameters.

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

	Rate Changes		Movement in Surplus	
	From %	To %	From \$'MM	To \$'MM
2023				
Terminal revenue growth rate - 75 bps decline	3.83%	3.08%	150	5
Terminal net income growth rate - 25 bps decline	3.50%	3.25%	150	(155)
Discount rate - 25 bps increase	11.80%	12.05%	150	(249)
2022				
Terminal revenue growth rate - 75 bps decline	4.50%	3.75%	357	215
Terminal net income growth rate - 25 bps decline	3.50%	3.25%	357	43
Discount rate - 25 bps increase	11.48%	11.73%	357	(49)

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

11 Premises and equipment

	2023 (\$'000)	2022 (\$'000)
Premises and equipment owned (Note 11.1)	459,334	489,009
Right-of-use leased assets (Note 11.2)	267,081	308,969
	<u>726,415</u>	<u>797,978</u>

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

11.1 Premises and equipment owned

	Freehold properties (\$'000)	Leasehold properties (\$'000)	Leasehold improvements (\$'000)	Equipment (\$'000)	Work in progress (\$'000)	Total (\$'000)
Year ended October 31, 2023						
Opening net book value	343,510	4,970	68,258	56,556	15,715	489,009
Translation adjustment	(64)	-	(5)	1,281	(4)	1,208
Adjusted opening net book value	343,446	4,970	68,253	57,837	15,711	490,217
Additions ⁽¹⁾	-	-	4,273	11,212	21,718	37,203
Disposals	(3,917)	-	(13)	(158)	(803)	(4,891)
Reinstatement from non-current assets held for sale	-	2,056	-	-	-	2,056
Transfers	-	-	4,380	16,851	(24,755)	(3,524)
Depreciation charge	(21,657)	(745)	(11,757)	(26,255)	(1,313)	(61,727)
Closing net book value	<u>317,872</u>	<u>6,281</u>	<u>65,136</u>	<u>59,487</u>	<u>10,558</u>	<u>459,334</u>
At October 31, 2023						
Total cost	550,144	14,501	149,801	193,244	10,558	918,248
Accumulated depreciation	(232,272)	(8,220)	(84,665)	(133,757)	-	(458,914)
Net book value	<u>317,872</u>	<u>6,281</u>	<u>65,136</u>	<u>59,487</u>	<u>10,558</u>	<u>459,334</u>

⁽¹⁾ Included in additions are nil transfers (2022 - \$6 million) from intangibles (Note 9).

During the year, assets fully depreciated and retired amounted to \$89 million (2022 - \$84 million).

Year ended October 31, 2022

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

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

Impairment of property

There was no impairment within The Group for the year ended October 31, 2023 (2022 - nil).

Assets pledged as security

There were no land and buildings pledged to secure borrowings of The Group in 2023 or 2022.

11.2 Right-of-use leased assets

	Properties (\$'000)
Year ended October 31, 2023	
Opening net book value	308,969
Translation adjustment	(28)
Adjusted opening net book value	308,941
Additions	14,977
Disposals	(409)
Remeasurements	343
Depreciation charge	(56,771)
Closing net book value	<u>267,081</u>
At October 31, 2023	
Total cost	470,285
Accumulated depreciation	(203,204)
Net book value	<u>267,081</u>



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11 Premises and equipment (continued)

11.2 Right-of-use leased assets (continued)

	Properties (\$'000)
Year ended October 31, 2022	
Opening net book value	340,416
Translation adjustment	45
Adjusted opening net book value	340,461
Additions	51,825
Disposals	(29,911)
Remeasurements	(662)
Depreciation charge	(52,744)
Closing net book value	<u>308,969</u>
At October 31, 2022	
Total cost	455,411
Accumulated depreciation	(146,442)
Net book value	<u>308,969</u>

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, 2023 was \$59 million (2022 - \$59 million).

12 Deferred tax assets and liabilities

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

	2023 (\$'000)	2022 (\$'000)
Deferred tax assets (Note 12.1)	177,505	201,165
Deferred tax liabilities (Note 12.2)	(41,280)	(42,490)
	<u>136,225</u>	<u>158,675</u>
The movement on the deferred tax account is as follows:		
At beginning of year	158,675	275,555
Effect of changes in exchange rates	(189)	528
Consolidated Statement of Comprehensive Income (Note 29)	(20,324)	(121,798)
Investment revaluation reserve:		
Fair value losses	1,875	2,769
(Loss)/gain transferred to the Consolidated Statement of Comprehensive Income	(163)	2,371
Fair value adjustment relating to acquisition	-	4
Other	(3,649)	(754)
At end of year	<u>136,225</u>	<u>158,675</u>
Deferred tax assets and liabilities are attributable to the following items:		
12.1 Deferred tax assets		
Securities FVOCI	-	(7,084)
Unrealised losses on derivatives	-	27
Post-retirement benefits	89,168	89,469
Accelerated tax depreciation	3,639	4,491
Recognised tax losses	39,491	67,104
Allowance for credit losses	37,870	34,828
Other	10,450	12,330
	<u>180,620</u>	<u>201,165</u>
12.2 Deferred tax liabilities		
Accelerated tax depreciation	(17,441)	(21,800)
Securities FVOCI	(6,668)	(2,081)
Other	(20,284)	(18,609)
	<u>(44,394)</u>	<u>(42,490)</u>

The tax loss carryforward amounts of deferred tax assets of \$39 million (October 31, 2022 - \$67 million) were recognised in respect of tax losses incurred in current or preceding years which recognition is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax-planning strategies implemented in relation to such support.

13 Other assets

	2023 (\$'000)	2022 (\$'000)
Other taxes recoverable	4,247	10,595
Accounts receivable	65,695	50,701
Interest receivable	117,318	85,560
Items in transit	304,635	344,405
Other	14,478	16,637
	<u>506,373</u>	<u>507,898</u>
Allowance for credit losses	(7)	(7)
	<u>506,366</u>	<u>507,891</u>
Current	504,924	505,547
Non-current	1,449	2,351
	<u>506,373</u>	<u>507,898</u>

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

	2023 (\$'000)	2022 (\$'000)
Land	227	227
Buildings	1,613	3,670
	<u>1,840</u>	<u>3,897</u>

Assets held for sale – Land and Buildings

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

	2023 (\$'000)	2022 (\$'000)
Land		
Cost	227	227
Impairment	-	-
Net book value transferred from premises and equipment	<u>227</u>	<u>227</u>
Buildings		
Cost	4,193	8,999
Impairment	-	-
Accumulated depreciation	(2,580)	(5,329)
Net book value transferred from premises and equipment	<u>1,613</u>	<u>3,670</u>
Land:		
Opening balance	227	848
Disposal of property	-	-
Amounts reclassified to premises and equipment owned	-	(621)
Closing balance	<u>227</u>	<u>227</u>
Buildings:		
Opening balance	3,670	4,939
Disposal of property	-	-
Amounts reclassified to premises and equipment owned	(2,057)	(1,269)
Closing balance	<u>1,613</u>	<u>3,670</u>

15 Customers' deposits

	2023 (\$'000)	2022 (\$'000)
Savings	19,061,207	19,720,845
Term deposits	4,975,154	4,304,749
Current accounts	21,710,968	21,665,525
	<u>45,747,329</u>	<u>45,691,119</u>



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15 Customers' deposits (continued)

	2023 (\$'000)	2022 (\$'000)
Sectoral analysis		
Consumers	20,472,492	20,806,917
Private sector	19,602,670	20,204,200
State sector	5,217,441	4,265,343
Other	454,726	414,659
	<u>45,747,329</u>	<u>45,691,119</u>
Current	44,828,090	44,600,696
Non-current	919,239	1,090,423
	<u>45,747,329</u>	<u>45,691,119</u>

16 Other funding instruments

	2023 (\$'000)	2022 (\$'000)
Other funding instruments	8,610	19,550
	<u>8,610</u>	<u>19,550</u>
Sectoral analysis		
Individuals	4,313	6,742
Private sector	157	1,466
Financial institutions	4,140	11,342
	<u>8,610</u>	<u>19,550</u>
Current	8,610	19,550
Non-current	-	-
	<u>8,610</u>	<u>19,550</u>

Other funding instruments consist of fund raising instruments, which are unsecured borrowings. Interest rates on other funding instruments ranged from 0% to 6% (2022 – 0% to 6%).

17 Other borrowed funds

	2023 (\$'000)	2022 (\$'000)
Long-term borrowings	215	731
	<u>215</u>	<u>731</u>

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, 2023, was 3% (2022 – 3%).

18 Debt securities in issue

	2023 (\$'000)	2022 (\$'000)
Debt securities in issue	-	300,000
	<u>-</u>	<u>300,000</u>

Unsecured debt securities with the following terms along with interest was pre-paid during the current year:

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

19 Post-retirement benefit obligations

Plan characteristics

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

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

Risks

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

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

	Pension (\$'000)	Other post- employment plans (\$'000)	Total (\$'000)
October 31, 2023			
Fair value of plan assets	(50,101)	-	(50,101)
Post-retirement benefit obligation	156,655	244,753	401,408
Liability in the Consolidated Statement of Financial Position	<u>106,554</u>	<u>244,753</u>	<u>351,307</u>
October 31, 2022			
Fair value of plan assets	(46,759)	-	(46,759)
Post-retirement benefit obligation	179,719	248,414	428,133
Liability in the Consolidated Statement of Financial Position	<u>132,960</u>	<u>248,414</u>	<u>381,374</u>

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

	Pension (\$'000)	Other post- employment plans (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	(46,759)	-	(46,759)
Interest income	(3,690)	-	(3,690)
Contributions	(789)	-	(789)
OCI Remeasurements	-	-	-
Administration expenses	394	-	394
Return on plan assets (excluding amounts included in interest cost)	(1,034)	-	(1,034)
Net benefits paid by the Group	1,777	-	1,777
At end of year	<u>(50,101)</u>	<u>-</u>	<u>(50,101)</u>
October 31, 2022			
At beginning of year	(51,369)	-	(51,369)
Interest income	(3,298)	-	(3,298)
Contributions	(734)	-	(734)
OCI Remeasurements	-	-	-
Administration expenses	540	-	540
Return on plan assets (excluding amounts included in interest cost)	5,872	-	5,872
Net benefits paid by the Group	2,230	-	2,230
At end of year	<u>(46,759)</u>	<u>-</u>	<u>(46,759)</u>



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

19 Post-retirement benefit obligations (continued)

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

	Pension (\$'000)	Other post- employment plans (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	179,719	248,414	428,133
Current service cost	2,874	1,273	4,147
Past service cost	-	-	-
Interest cost	10,201	14,601	24,802
Contributions	119	-	119
Other comprehensive income remeasurements	3,089	(14,934)	(11,845)
Net benefits	(39,347)	(4,601)	(43,948)
At end of year	<u>156,655</u>	<u>244,753</u>	<u>401,408</u>
October 31, 2022			
At beginning of year	179,346	246,823	426,169
Current service cost	3,191	1,284	4,475
Past service cost	-	3,783	3,783
Interest cost	9,497	13,544	23,041
Contributions	109	-	109
Other comprehensive income remeasurements	13,224	(12,856)	368
Net benefits	(25,648)	(4,164)	(29,812)
At end of year	<u>179,719</u>	<u>248,414</u>	<u>428,133</u>

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

	Pension (\$'000)	Other post- employment plans (\$'000)	Total (\$'000)
October 31, 2023			
Current service cost	2,874	1,273	4,147
Past service cost	-	-	-
Net interest cost	6,511	14,601	21,112
Other	394	-	394
Components of defined benefit costs recognised in profit or loss (Note 27.1)	<u>9,779</u>	<u>15,874</u>	<u>25,653</u>
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	(1,034)	-	(1,034)
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	-	-	-
Effect of experience adjustments	1,890	(14,934)	(13,044)
Other	-	-	-
Components of defined benefit costs recognised in other comprehensive income	<u>856</u>	<u>(14,934)</u>	<u>(14,078)</u>
Total	<u>10,635</u>	<u>940</u>	<u>11,575</u>
October 31, 2022			
Current service cost	3,191	1,284	4,475
Past service cost	-	3,783	3,783
Net interest cost	6,199	13,544	19,743
Other	540	-	540
Components of defined benefit costs recognised in profit or loss (Note 27.1)	<u>9,930</u>	<u>18,611</u>	<u>28,541</u>
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	5,872	-	5,872
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	-	-	-
Effect of experience adjustments	14,408	(12,856)	1,552
Other	-	-	-
Components of defined benefit costs recognised in other comprehensive income	<u>20,280</u>	<u>(12,856)</u>	<u>7,424</u>
Total	<u>30,210</u>	<u>5,755</u>	<u>35,965</u>

19.5 Investment policy and strategies

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

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including normal retirements, terminations, and deaths;
- the financial position of the pension plans;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- 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, 2023		October 31, 2022	
	Fair value (\$'000)	Percentage of total plan assets %	Fair value (\$'000)	Percentage of total plan assets %
Equity securities				
Foreign	23,729	47	23,062	49
Debt securities				
Domestic government bonds	13,410	27	13,530	29
Foreign government bonds	5,533	11	5,394	12
Corporate and other bonds	5,035	10	2,697	6
Alternative investments	<u>2,394</u>	<u>5</u>	<u>2,076</u>	<u>4</u>
	<u>50,101</u>	<u>100</u>	<u>46,759</u>	<u>100</u>

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, 2023	October 31, 2022
Discount rates – medical and life	6.2%	6.0%
Discount rates – pension	6.0 - 8.8%	6.0 - 8.0%
Salary increases	2.0% / 2.5%	4.0 / 2.5%
Medical expense increases		
- Basic cover for retirees	5.0%	5.0%
- All other cover	5.0%	5.0%

19.6 Sensitivity analysis

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

	Increase/(decrease) in obligation	
	2023 (\$'000)	2022 (\$'000)
Pension plan:		
Impact of 1.0% (2022: 1.0%) decrease in discount rate	40,829	45,876
Impact of 1.0% (2022: 1.0%) increase in discount rate	(28,360)	(32,084)
Impact of 0.5% (2022: 0.5%) decrease in rate of increase in future compensation	(5,011)	(5,721)
Impact of 0.5% (2022: 0.5%) increase in rate of increase in future compensation	6,123	6,196
Impact of 1 year decrease in life expectancy	(4,788)	-
Impact of 1 year increase in life expectancy	4,896	5,501
Other post-employment plans:		
Impact of 1.0% (2022: 1.0%) decrease in discount rate	35,427	37,638
Impact of 1.0% (2022: 1.0%) increase in discount rate	(28,849)	(30,470)
Impact of 1.0% decrease in health care cost trend rate	(10,715)	(10,443)
Impact of 1.0% increase in health care cost trend rate	12,645	12,407
Impact of 1 year increase in life expectancy	(40)	108


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20 Other liabilities

	2023 (\$'000)	2022 (\$'000)
Accruals and payables	188,035	195,035
Employee related costs	163,122	133,305
Deferred income	90,033	96,564
Interest payable	50,426	50,037
Contract liabilities ⁽¹⁾	38,995	16,024
Lease liabilities ⁽²⁾	279,767	319,110
Items in transit	533,018	561,426
Allowance for credit losses (Note 31)	2,975	2,522
Other	103,028	59,599
	<u>1,449,399</u>	<u>1,433,622</u>
Current	1,149,853	1,103,954
Non-current	<u>299,546</u>	<u>329,668</u>
	<u>1,449,399</u>	<u>1,433,622</u>

⁽¹⁾ Contract liabilities

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

⁽²⁾ Lease liabilities

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

21 Stated capital

	2023 (\$'000)	2022 (\$'000)
Issued and fully paid		
12,946,494 ordinary shares of no par value	<u>12,065,350</u>	<u>12,065,350</u>

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

22 Statutory reserves

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

23 Other components of equity

	2023 (\$'000)	2022 (\$'000)
Capital reserves (Note 23.1)	33,671	33,671
Translation reserve (Note 23.2)	151,787	146,101
Investment revaluation reserve (Note 23.3)	(26,557)	(4,592)
General banking risk reserve (Note 23.4)	<u>175,803</u>	<u>164,425</u>
	<u>334,704</u>	<u>339,605</u>
23.1 Capital reserves		
Balance at beginning of year	33,671	(48,416)
Transfer from retained earnings	-	<u>82,087</u>
Balance at end of year	<u>33,671</u>	<u>33,671</u>
23.2 Translation reserve		
Balance at beginning of year	146,101	12,703
Currency translation differences arising during the year	(3,596)	(15,077)
Transferred from retained earnings	<u>9,282</u>	<u>148,475</u>
Balance at end of year	<u>151,787</u>	<u>146,101</u>

23.3 Investment revaluation reserve – securities FVOCI

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of year	(4,592)	102,795
Net gains/(losses) arising during the year on securities, net of tax	46,071	(79,213)
Allowance for credit losses (Note 7.2)	(68,822)	(46,728)
Net gains arising during the year on equity securities, net of tax	854	18,589
Net realised losses on debt securities transferred to income, net of tax	<u>(68)</u>	<u>(35)</u>
Balance at end of year	<u>(26,557)</u>	<u>(4,592)</u>

23.4 General banking risk reserve

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

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of year	164,425	151,603
Transferred from retained earnings	<u>11,378</u>	<u>12,822</u>
Balance at end of year	<u>175,803</u>	<u>164,425</u>

24 Interest income from continuing operations

	2023 (\$'000)	2022 (\$'000)
Loans	1,649,359	1,391,660
Securities (Note 24.1)	542,040	153,830
Due from banks	<u>105,844</u>	<u>17,173</u>
	<u>2,297,243</u>	<u>1,562,663</u>
24.1 Securities		
FVTPL	123,453	22,043
FVOCI	109,014	39,925
Dividends	598	593
Amortised cost	<u>308,975</u>	<u>91,269</u>
	<u>542,040</u>	<u>153,830</u>

25 Interest expense from continuing operations

	2023 (\$'000)	2022 (\$'000)
Customers' deposits	156,650	120,593
Due to banks	1,272	564
Due to affiliates (Note 34)	21,784	5,604
Lease liabilities	8,507	7,668
Other interest bearing liabilities	<u>516</u>	<u>14,353</u>
	<u>188,729</u>	<u>148,782</u>

26 Non-interest income from continuing operations

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

	2023 (\$'000)	2022 (\$'000)
Non-interest income over time:		
Transaction service fees and commissions	55,901	54,622
Trust and investment management related fees	271,427	266,435
Non-interest income at a point in time:		
Credit related commissions and fees	238,293	243,938
Credit card fees and commissions net of any related expenses	115,194	100,086
Transaction service fees and commissions	95,993	84,027
Net trading income/(loss) (Note 26.1)	3,156	(14,630)
Foreign exchange earnings	226,050	225,634
Sundry income	<u>48,634</u>	<u>47,340</u>
	<u>1,054,648</u>	<u>1,007,452</u>



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26 Non-interest income from continuing operations (continued)

	2023 (\$'000)	2022 (\$'000)
26.1 Net trading income/(loss) from continuing operations		
Securities at FVTPL - realised and unrealised gains/(losses)	3,160	(14,926)
Derivative financial instruments - realised and unrealised (losses)/gains	(4)	296
	<u>3,156</u>	<u>(14,630)</u>

27 Non-interest expenses from continuing operations

	2023 (\$'000)	2022 (\$'000)
Staff costs (Note 27.1)	894,386	845,370
Premises and equipment expenses, excluding depreciation and operating lease rentals	237,185	199,056
Advertising	38,688	34,082
Depreciation and amortisation	208,425	194,910
Deposit insurance premium (Note 27.2)	37,582	37,489
Short-term lease expenses	22,939	28,233
Directors' fees	2,244	2,818
Auditors' fees	14,360	15,362
Other professional fees	90,466	34,876
Green fund levy	8,310	6,612
Business and capital tax	76,927	76,503
Sundry and fraud losses	25,399	34,030
Other operating expenses	<u>270,941</u>	<u>272,718</u>
	<u>1,927,852</u>	<u>1,782,059</u>
27.1 Staff costs from continuing operations		
Wages and salaries including bonuses	821,525	772,550
Employees' defined contribution pension expense	42,016	40,708
Employees' defined benefit and post-retirement benefit costs	25,653	28,541
Share option plan-value of services provided	<u>5,192</u>	<u>3,571</u>
	<u>894,386</u>	<u>845,370</u>

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	Weighted average fair value per unit (\$)
October 31, 2023		
Performance deferred share unit plans	10,247	642
RBC share unit plans	<u>780</u>	<u>645</u>
	<u>11,027</u>	
October 31, 2022		
Performance deferred share unit plans	9,839	636
RBC share unit plans	<u>882</u>	<u>692</u>
	<u>10,721</u>	

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	Carrying amount (\$'000)
October 31, 2023		
Performance deferred share unit plans	25,970	14,027
RBC share unit plans	<u>1,184</u>	<u>640</u>
	<u>27,154</u>	<u>14,667</u>
October 31, 2022		
Performance deferred share unit plans	27,239	17,087
RBC share unit plans	<u>1,006</u>	<u>706</u>
	<u>28,245</u>	<u>17,793</u>

28.3 Compensation expenses recognised under share-based compensation plans

	2023 (\$'000)	2022 (\$'000)
Performance deferred share unit plans	4,326	3,450
RBC share unit plans	<u>522</u>	<u>291</u>
	<u>4,848</u>	<u>3,741</u>

29 Taxation expense

	2023 (\$'000)	2022 (\$'000)
Current tax charge	255,181	179,551
Prior years	(577)	(5,785)
Net deferred tax charge (Note 12)	20,324	121,798
Share of tax charge of associate company (Note 8.1)	1,765	3,391
Share of tax charge of joint venture (Note 8.3)	<u>2,475</u>	<u>2,200</u>
	<u>279,168</u>	<u>301,155</u>

Our effective tax rate remained at 21% across both periods, reflective of the level and mix of profits between taxable and non-taxable jurisdictions.


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29 Taxation expense (continued)

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:

	2023 (\$'000)	2022 (\$'000)
Net income from continuing operations	1,353,631	1,208,981
Tax calculated at a rate of 35% (2022: 35%)	473,771	423,143
Effect of different tax rates in other countries	(190,987)	(114,831)
Effect of different tax rates on certain sources of income	(3,155)	(12,004)
Income exempt from tax	(95,582)	(66,573)
Expenses not deductible for tax	97,525	38,142
Effect of current year unrecognised tax losses	(2,436)	20,087
Prior years	(577)	(5,785)
Pandemic levy	206	32,197
Business levy	-	2,959
Other	403	(16,180)
Tax charge	<u>279,168</u>	<u>301,155</u>
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	(4,233)	8,302
Unrealised losses/(gains) on derivative financial instruments	27	(7,178)
Regulatory loan loss reserve/(allowance for impairment)	1,490	110,115
Investment securities at FVTPL	152	(2,549)
Post-retirement benefits	(3,724)	3,303
Tax losses	27,594	567
Other temporary differences	(982)	9,238
Deferred tax charge	<u>20,324</u>	<u>121,798</u>

30 Dividends

During the year, no dividends were declared to the immediate parent company – RBC Holdings (Barbados) Limited (2022: Nil). Dividends are accounted for as an appropriation of retained earnings when declared.

31 Contingent liabilities
a) Legal proceedings

As at October 31, 2023, there were certain legal proceedings outstanding against The Group for which a provision has been made of \$21 million based on professional advice as to the likely obligations arising from these litigation matters (2022: \$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.

	2023 (\$'000)	2022 (\$'000)
Guarantees, indemnities and letters of credit	<u>341,386</u>	<u>438,507</u>

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, 2023 accumulated allowance for credit losses for contingent liabilities amounted to \$3 million (2022: \$3 million) - Note 20.

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	
	2023 (\$'000)	2022 (\$'000)
Consumer	2,669,541	2,575,777
Manufacturing	45,615	37,073
Distribution	411,315	448,843
Financial services	1,247,951	1,035,013
Transport	119,628	113,079
Construction	258,893	260,948
Agriculture	1,735	1,623
Real estate	29,733	243,141
Tourism	29,366	18,012
Professional services	21,025	8,644
Utilities	111,559	55,193
Health services	36,189	46,025
Government	75,966	-
Other	<u>1,537,876</u>	<u>997,297</u>
	<u>6,596,392</u>	<u>5,840,668</u>

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, 2023 (2022 - \$3 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 (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 to him, including the Chief Financial Officer, Head Human Resources, Chief Risk Officer, and heads of 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.

	2023 (\$'000)	2022 (\$'000)
Outstanding balances		
Loans, reverse repurchased assets and receivables		
Royal Bank of Canada – Ultimate Parent	92,093	150,542
Other subsidiaries of Royal Bank of Canada	340,579	625,799
Associates and joint venture	<u>260,206</u>	<u>263,685</u>
	<u>692,878</u>	<u>1,040,026</u>
Deposits and other liabilities		
Royal Bank of Canada – Ultimate Parent	294,817	1,002,553
Other subsidiaries of Royal Bank of Canada	3,489,545	2,952,177
Associates and joint venture	<u>67,983</u>	<u>59,761</u>
	<u>3,852,345</u>	<u>4,014,491</u>
Interest expense		
Other subsidiaries of Royal Bank of Canada	<u>21,784</u>	<u>5,604</u>
	<u>21,784</u>	<u>5,604</u>
Non-interest income		
Other subsidiaries of Royal Bank of Canada	<u>2,278</u>	<u>2,197</u>
	<u>2,278</u>	<u>2,197</u>
Facility fees		
Other subsidiaries of Royal Bank of Canada	<u>2,278</u>	<u>2,197</u>
	<u>2,278</u>	<u>2,197</u>



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34 Related party transactions (continued)

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

	2023 (\$'000)	2022 (\$'000)
Share based payment	11,486	15,242
Salaries and other short term benefits	4,781	3,183

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.

35 Financial risk management

35.1 Consolidated Statement of Financial Position – categorisation

	2023 (\$'000)	2022 (\$'000)
Assets		
Financial assets at fair value through profit and loss		
Securities	83,598	83,957
	<u>83,598</u>	<u>83,957</u>
Financial assets at fair value through other comprehensive income		
Cash and short term instruments – treasury bills	3,309,452	4,055,164
Securities – debt instruments	2,314,977	1,683,222
Securities – equity instruments ⁽¹⁾	32,030	31,468
	<u>5,656,459</u>	<u>5,769,854</u>
Financial assets at amortised cost		
Cash on hand and due from banks	3,531,680	3,548,300
Balances with central banks	9,970,418	9,969,652
Loans	27,728,947	25,857,723
Securities	12,049,547	12,898,913
Due from associates and affiliated companies	692,878	1,040,026
Other assets	183,013	136,261
	<u>54,156,483</u>	<u>53,450,875</u>
Total financial assets	<u>59,896,540</u>	<u>59,304,686</u>
Non-financial assets	<u>6,169,485</u>	<u>6,360,463</u>
Total assets	<u>66,066,025</u>	<u>65,665,149</u>
Liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities	-	92
Financial liabilities at amortised cost		
Due to banks	211,199	468,202
Customers' deposits	45,747,329	45,691,119
Other funding instruments	8,610	19,550
Other borrowed funds	215	731
Debt securities in issue	-	300,000
Due to associates and affiliated companies	3,852,345	4,014,491
Other liabilities	330,193	369,147
	<u>50,149,891</u>	<u>50,863,240</u>
Total financial liabilities	<u>50,149,891</u>	<u>50,863,332</u>
Non-financial liabilities	<u>1,633,149</u>	<u>1,577,725</u>
Total liabilities	<u>51,783,040</u>	<u>52,441,057</u>
Total equity attributable to owners of parent	<u>14,282,985</u>	<u>13,224,092</u>
Total equity and liabilities	<u>66,066,025</u>	<u>65,665,149</u>

⁽¹⁾ Securities - equity instruments designated as at FVOCI

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

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

Business category	Number of companies ^(a)	Carrying value		Dividends	
		2023 (\$'000)	2022 (\$'000)	2023 (\$'000)	2022 (\$'000)
Economic development	5	21,360	21,027	392	392
Stock exchange	1	7,452	7,286	201	199
Clearing house	2	2,048	2,002	-	-
Financial services	1	707	667	-	-
Other	2	463	486	5	2
Total		<u>32,030</u>	<u>31,468</u>	<u>598</u>	<u>593</u>

^(a) During the year ended October 31st, 2023 there were no disposals from the equity shares designated as FVOCI (2022 - Nil).

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. The main risks arising from the Group's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk.

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.



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35 Financial risk management (continued)

35.2 Risk management (continued)

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

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

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

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

Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

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

35.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities and exclude any projected interest on loans, securities or deposits. Cash flows related to gross loans are disclosed based on number of days in each period.

	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, 2023						
Assets						
Cash and short term instruments	6,841,132	-	-	-	-	6,841,132
Balances with central banks	9,970,418	-	-	-	-	9,970,418
Gross loans	5,603,475	1,087,889	1,934,382	9,849,591	9,707,189	28,182,526
Allowance for credit losses	-	-	-	-	-	(453,579)
Securities	4,063,738	5,340,174	1,974,729	2,652,978	448,533	14,480,152
Due from associates and affiliated companies	432,672	-	-	12,206	248,000	692,878
Other assets	63,198	1,162	1,335	-	-	65,695
	<u>26,974,633</u>	<u>6,429,225</u>	<u>3,910,446</u>	<u>12,514,775</u>	<u>10,403,722</u>	<u>59,779,222</u>
Liabilities						
Due to banks	211,199	-	-	-	-	211,199
Customers' deposits	43,285,930	499,720	1,047,682	912,789	1,208	45,747,329
Other funding instruments	8,610	-	-	-	-	8,610
Other borrowed funds	-	-	-	-	215	215
Due to associates and affiliated companies	3,216,473	635,872	-	-	-	3,852,345
Other liabilities	64,854	11,483	23,668	173,813	56,375	330,193
	<u>46,787,066</u>	<u>1,147,075</u>	<u>1,071,350</u>	<u>1,086,602</u>	<u>57,798</u>	<u>50,149,891</u>
Liquidity gap	<u>(19,812,433)</u>	<u>5,282,150</u>	<u>2,839,096</u>	<u>11,428,173</u>	<u>10,345,924</u>	<u>9,629,331</u>
Cumulative gap	<u>(19,812,433)</u>	<u>(14,530,283)</u>	<u>(11,691,187)</u>	<u>(263,014)</u>	<u>10,082,910</u>	
As at October 31, 2022						
Assets						
Cash and short-term instruments	7,603,464	-	-	-	-	7,603,464
Balances with central banks	9,969,652	-	-	-	-	9,969,652
Gross loans	5,895,584	939,297	1,713,714	8,492,351	9,311,444	26,352,390
Allowance for credit losses	-	-	-	-	-	(494,667)
Securities	3,790,254	3,892,058	3,987,264	2,596,863	431,121	14,697,560
Due from associates and affiliated companies	776,340	-	-	7,892	255,794	1,040,026
Other assets	48,628	1,303	770	-	-	50,701
	<u>28,083,922</u>	<u>4,832,658</u>	<u>5,701,748</u>	<u>11,097,106</u>	<u>9,998,359</u>	<u>59,219,126</u>
Liabilities						
Due to banks	468,202	-	-	-	-	468,202
Customers' deposits	43,467,696	351,529	781,471	1,070,751	19,672	45,691,119
Other funding instruments	19,550	-	-	-	-	19,550
Other borrowed funds	-	-	-	-	731	731
Debt securities in issue	300,000	-	-	-	-	300,000
Due to associates and affiliated companies	2,445,467	-	-	1,569,024	-	4,014,491
Other liabilities	62,429	12,857	25,669	172,164	96,028	369,147
	<u>46,763,344</u>	<u>364,386</u>	<u>807,140</u>	<u>2,811,939</u>	<u>116,431</u>	<u>50,863,240</u>
Liquidity gap	<u>(18,679,422)</u>	<u>4,468,272</u>	<u>4,894,608</u>	<u>8,285,167</u>	<u>9,881,928</u>	<u>8,355,886</u>
Cumulative gap	<u>(18,679,422)</u>	<u>(14,211,150)</u>	<u>(9,316,542)</u>	<u>(1,031,375)</u>	<u>8,850,553</u>	



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35 Financial risk management (continued)

35.3 Liquidity risk (continued)

35.3.1 Non-derivative cash flows (continued)

The following table provides remaining contractual maturity analysis of our financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g., par value or amount payable upon maturity). The amounts do not reconcile directly with those in our Consolidated Statement of Financial Position as the table incorporates only cash flows relating to payments on maturity and do not recognise premiums, discounts or mark-to-market adjustments.

	Due on demand (\$'000)	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total contractual cash flows (\$'000)
As at October 31, 2023					
Financial liabilities					
Due to banks	176,970	32,282	-	-	209,252
Customers' deposits	40,932,372	3,964,909	954,213	858	45,852,352
Other funding instruments	8,610	1,599	-	-	10,209
Other borrowed funds	-	-	-	215	215
Debt securities in issue	-	-	-	-	-
Due to associates and affiliated companies	984,549	2,867,893	-	-	3,852,442
Other liabilities	-	100,005	173,813	56,375	330,193
	<u>42,102,501</u>	<u>6,966,687</u>	<u>1,128,026</u>	<u>57,448</u>	<u>50,254,662</u>
As at October 31, 2022					
Financial liabilities					
Due to banks	468,202	-	-	-	468,202
Customers' deposits	41,520,895	3,101,260	1,117,873	20,511	45,760,539
Other funding instruments	19,550	5,406	-	-	24,956
Other borrowed funds	-	-	-	731	731
Debt securities in issue	-	307,125	-	-	307,125
Due to associates and affiliated companies	780,423	1,665,044	1,569,024	-	4,014,491
Other liabilities	-	100,958	172,161	96,028	369,147
	<u>42,789,070</u>	<u>5,179,793</u>	<u>2,859,058</u>	<u>117,270</u>	<u>50,945,191</u>

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, 2023				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	-	-	-	-
- Inflow	-	-	-	-
Total outflow	-	-	-	-
Total inflow	-	-	-	-
As at October 31, 2022				
Derivatives settled on a gross basis:				
Interest rate derivatives				
- Outflow	(401)	-	-	(401)
- Inflow	321	-	-	321
Total outflow	(401)	-	-	(401)
Total inflow	321	-	-	321

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, 2023				
Guarantees, indemnities and letters of credit	232,333	23,268	85,445	341,386
Credit commitments	5,876,537	184,282	535,573	6,596,392
Capital commitments	2,642	-	-	2,642
	<u>6,111,512</u>	<u>207,550</u>	<u>621,018</u>	<u>6,940,080</u>

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at October 31, 2022				
Guarantees, indemnities and letters of credit	316,275	27,736	94,496	438,507
Credit commitments	5,118,848	278,461	443,359	5,840,668
Capital commitments	2,729	-	-	2,729
	<u>5,437,852</u>	<u>306,197</u>	<u>537,855</u>	<u>6,281,904</u>

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 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, interest rate volatility shocks and interest rate scenarios prescribed by regulators. IRRBB – as defined by the Basel Committee – is the “current or prospective risk to a bank's capital and earnings, arising from adverse movements in interest rates that affect the bank's banking book positions.” Insufficient management, measurement and control of IRRBB can pose a significant threat to the Bank's capital base and/or its future earnings.

In measuring NII risk, detailed banking book balance sheets are stressed to determine the impact of changes in interest rates on accrual or projected earnings. Assets, liabilities and off-balance sheet positions are simulated over a 1 year time horizon. The simulations incorporate maturities, renewals, and new originations along with prepayment behaviour. Product pricing and volumes are forecasted based on past experience to determine response expectations for a given market shock scenario.

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 with consideration of possible forward-looking changes. 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.



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.4 Market risk (continued)

35.4.2 Interest rate risk (continued)

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

	EVE Risk		NII Risk	
	Local Currency (\$'000)	Hard Currency (\$'000)	Local Currency (\$'000)	Hard Currency (\$'000)
As at October 31, 2023				
<i>Impact before tax</i>				
100 bps increase in rates	(26,114)	(12,731)	(20,865)	(7,982)
100 bps decrease in rates	35,222	13,249	20,865	7,982
As at October 31, 2022				
<i>Impact before tax</i>				
100 bps increase in rates	(7,493)	27,705	(8,770)	7,867
100 bps decrease in rates	15,986	(28,953)	8,770	(7,867)

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, 2023					
Assets					
Cash and short term instruments	5,535,136	-	-	1,305,996	6,841,132
Balances with central banks	3,515,419	-	-	6,454,999	9,970,418
Loans	18,842,640	3,834,568	4,848,831	202,908	27,728,947
Securities	11,381,570	2,650,838	429,030	18,714	14,480,152
Due from associates and affiliated companies	392,769	12,206	248,000	39,903	692,878
Other assets	21,399	-	-	161,614	183,013
Total financial assets	39,688,933	6,497,612	5,525,861	8,184,134	59,896,540
Liabilities					
Due to banks	123,831	-	-	87,368	211,199
Customers' deposits	21,324,651	13,781,091	1,208	10,640,379	45,747,329
Other funding instruments	8,610	-	-	-	8,610
Other borrowed funds	-	-	215	-	215
Debt securities in issue	-	-	-	-	-
Due to associates and affiliated companies	2,465,569	635,872	-	750,904	3,852,345
Derivative financial liabilities	-	-	-	-	-
Other liabilities	36,670	3,960	318	289,245	330,193
Total financial liabilities	23,959,331	14,420,923	1,741	11,767,896	50,149,891
Interest sensitivity gap	15,729,602	(7,923,311)	5,524,120		

	Up to one-year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
As at October 31, 2022					
Assets					
Cash and short term instruments	6,367,072	-	-	1,236,392	7,603,464
Balances with central banks	3,347,611	-	-	6,622,041	9,969,652
Loans	13,309,742	3,158,868	9,200,477	188,636	25,857,723
Securities	11,673,806	2,606,837	397,838	19,079	14,697,560
Due from associates and affiliated companies	663,971	7,892	255,794	112,369	1,040,026
Other assets	16,246	-	-	120,015	136,261
Total financial assets	35,378,448	5,773,597	9,854,109	8,298,532	59,304,686
Liabilities					
Due to banks	56,788	-	-	411,414	468,202
Customers' deposits	20,888,916	14,239,053	19,671	10,543,479	45,691,119
Other funding instruments	19,550	-	-	-	19,550
Other borrowed funds	-	-	731	-	731
Debt securities in issue	300,000	-	-	-	300,000
Due to associates and affiliated companies	386,704	-	-	3,627,787	4,014,491
Derivative financial liabilities	92	-	-	-	92
Other liabilities	32,775	4,264	130	331,978	369,147
Total financial liabilities	21,684,825	14,243,317	20,532	14,914,658	50,863,332
Interest sensitivity gap	13,693,623	(8,469,720)	9,833,577		

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, 2023				
Loans:				
Retail	1,697,298	1,078,918	391,802	3,168,018
Commercial /corporate	10,596,292	2,633,647	2,500,067	15,730,006
Mortgages	6,970,428	134,711	2,179,947	9,285,086
Gross loans	19,264,018	3,847,276	5,071,816	28,183,110
Securities:				
Securities at FVTPL	51,530	3,930	28,138	83,598
Securities FVOCI	1,666,355	287,112	393,540	2,347,007
Securities held-to-collect at amortised cost	9,696,649	2,378,753	-	12,075,402
Gross securities	11,414,534	2,669,795	421,678	14,506,007
As at October 31, 2022				
Loans:				
Retail	1,229,442	1,046,517	665,597	2,941,556
Commercial /corporate	6,715,629	2,008,643	5,852,389	14,576,661
Mortgages	3,126,730	265,774	5,445,646	8,838,150
Gross loans	11,071,801	3,320,934	11,963,632	26,356,367
Securities:				
Securities at FVTPL	51,691	9,975	22,291	83,957
Securities FVOCI	1,016,330	337,982	360,378	1,714,690
Securities held-to-collect at amortised cost	10,672,152	2,258,882	-	12,931,034
Gross securities	11,740,173	2,606,839	382,669	14,729,681

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, 2023				
Loans:				
Retail	2,428,502	723,922	15,594	3,168,018
Commercial / corporate	5,583,206	9,838,052	308,748	15,730,006
Mortgages	1,103,404	8,015,828	165,854	9,285,086
Gross loans	9,115,112	18,577,802	490,196	28,183,110



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35 Financial risk management (continued)

35.4 Market risk (continued)

35.4.3 Maturity and rate sensitivity (continued)

	Fixed rate (\$'000)	Floating rate (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
As at October 31, 2022				
Loans:				
Retail	2,314,105	610,831	16,620	2,941,556
Commercial/corporate	6,477,144	7,788,602	310,915	14,576,661
Mortgages	3,455,306	5,220,605	162,239	8,838,150
Gross loans	12,246,555	13,620,038	489,774	26,356,367

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, 2023							
Assets							
Cash and short term instruments	390,334	5,688,800	2,433	185,329	123,917	450,319	6,841,132
Balances with central banks	3,892,639	286,592	-	2,809,973	2,976,213	5,001	9,970,418
Loans	10,802,464	6,498,006	-	1,975,096	2,961,969	5,491,412	27,728,947
Securities	3,918,550	9,556,137	-	3,674	965,711	36,080	14,480,152
Due from associates and affiliated companies	269,795	335,613	-	4,573	6,650	76,247	692,878
Other assets	80,484	65,285	754	7,206	11,415	17,869	183,013
Total financial assets	19,354,266	22,430,433	3,187	4,985,851	7,045,875	6,076,928	59,896,540
Liabilities							
Due to banks	45,600	41,096	2,013	10,961	43,738	67,791	211,199
Customers' deposits	17,426,603	12,162,118	-	3,328,730	5,814,730	7,015,148	45,747,329
Other funding							
Instruments	3,054	3,525	1,993	-	-	38	8,610
Other borrowed funds	-	-	-	-	215	-	215
Debt securities in issue	-	-	-	-	-	-	-
Due to associates and affiliated companies	17,711	3,369,240	-	754	7,803	456,837	3,852,345
Derivative financial							
Liabilities	-	-	-	-	-	-	-
Other liabilities	203,680	37,340	1,668	36,347	32,018	19,140	330,193
Total financial liabilities	17,696,648	15,613,319	5,674	3,376,792	5,898,504	7,558,954	50,149,891
Net statement of financial position	1,657,618	6,817,114	(2,487)	1,609,059	1,147,371	(1,482,026)	9,746,649
Credit commitments	3,804,637	1,159,721	-	303,543	-	2,219	5,270,120
As at October 31, 2022							
Assets							
Cash and cash equivalents	1,021,648	5,750,835	11,412	126,762	168,658	524,149	7,603,464
Balances with central banks	4,102,791	158,290	-	3,161,330	2,542,158	5,083	9,969,652
Loans	10,109,203	5,898,667	-	4,098,981	2,935,618	2,815,254	25,857,723
Securities	3,992,370	9,704,414	-	18,022	980,365	2,389	14,697,560
Due from associates and affiliated companies	270,546	663,909	-	5,857	-	99,714	1,040,026
Other assets	64,631	41,650	759	6,421	17,916	4,884	136,261
Total financial assets	19,561,189	22,217,765	12,171	7,417,373	6,644,715	3,451,473	59,304,686
Liabilities							
Due to banks	2,097	368,890	-	29,748	40,325	27,142	468,202
Customers' deposits	17,708,699	12,239,309	2,013	6,609,695	5,522,833	3,608,570	45,691,119
Other funding							
Instruments	5,054	12,468	1,993	-	-	35	19,550
Other borrowed funds	-	-	-	-	731	-	731
Debt securities in issue	300,000	-	-	-	-	-	300,000
Due to associates and affiliated companies	30,577	3,537,065	-	488	31,096	415,265	4,014,491
Derivative financial							
Liabilities	-	92	-	-	-	-	92
Other liabilities	257,240	32,458	1,531	34,836	30,589	12,493	369,147
Total financial liabilities	18,303,667	16,190,282	5,537	6,674,767	5,625,574	4,063,505	50,863,332
Net statement of financial position	1,257,522	6,027,483	6,634	742,606	1,019,141	(612,032)	8,441,354
Credit commitments	3,141,283	1,473,841	-	322,905	845,130	57,509	5,840,668



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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, 2023, if the TT dollar had weakened 2% (2022 – 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 \$9 million higher (2022 – \$8 million higher) and other components of equity would have been \$58 million higher (2022 – \$72 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	
	2023 (\$'000)	2022 (\$'000)
Credit risk exposures relating to financial assets on the Consolidated Statement of Financial Position are as follows:		
Due from banks	2,749,535	2,814,943
Treasury bills	3,309,452	4,055,164
Balances with central banks	9,970,418	9,969,652
Loans	28,183,110	26,356,367
Securities at FVTPL	83,598	83,957
Securities at FVOCI	2,314,977	1,683,222
Securities at amortised cost	12,075,402	12,931,034
Due from associates and affiliated companies	692,878	1,040,026
	<u>59,379,370</u>	<u>58,934,365</u>
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)	341,046	438,507
Credit commitments	<u>6,596,392</u>	<u>5,840,668</u>
	<u>6,937,438</u>	<u>6,279,175</u>
Total credit risk exposure	<u>66,316,808</u>	<u>65,213,540</u>

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	
	2023 (\$'000)	2022 (\$'000)
Consumer	11,293,612	10,388,208
Manufacturing	222,073	220,455
Distribution	774,877	687,256
Financial services	7,952,585	4,587,341
Transport	329,540	350,641
Construction	1,289,382	752,109
Petroleum	251,333	99,747
Agriculture	84,022	20,570
Real estate	3,188,406	3,514,316
Tourism	613,944	536,680
Professional services	511,788	510,875
Utilities	370,415	468,599
Health services	461,572	421,252
Government	26,357,678	30,908,069
Other	<u>5,678,143</u>	<u>5,468,247</u>
	<u>59,379,370</u>	<u>58,934,365</u>

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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, 2023 was \$17,612 million (2022: \$16,484 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, 2023					
Treasury bills	3,309,452	-	-	-	3,309,452
Due from banks	2,749,535	-	-	-	2,749,535
Balances with central banks	9,970,418	-	-	-	9,970,418
	<u>16,029,405</u>	-	-	-	<u>16,029,405</u>
Loans:					
Retail	3,070,977	63,352	33,689	-	3,168,018
Commercial/corporate	14,894,852	390,294	444,860	-	15,730,006
Mortgages	8,661,305	361,021	262,760	-	9,285,086
Loans (gross)	<u>26,627,134</u>	<u>814,667</u>	<u>741,309</u>	-	<u>28,183,110</u>
Securities:					
FVTPL (including trading):					
Government	4,513	-	-	-	4,513
Corporate	79,085	-	-	-	79,085
FVOCI:					
Government	1,588,695	-	-	726,282	2,314,977
Amortised cost:					
Government	10,739,756	-	-	-	10,739,756
Corporate	1,335,646	-	-	-	1,335,646
Securities (gross)	<u>13,747,695</u>	-	-	<u>726,282</u>	<u>14,473,977</u>
Due from associates and affiliated companies	<u>692,878</u>	-	-	-	<u>692,878</u>
Total	<u>57,097,112</u>	<u>814,667</u>	<u>741,309</u>	<u>726,282</u>	<u>59,379,370</u>
As at October 31, 2022					
Treasury bills	3,570,937	484,227	-	-	4,055,164
Due from banks	2,814,943	-	-	-	2,814,943
Balances with central banks	9,969,652	-	-	-	9,969,652
	<u>16,355,532</u>	<u>484,227</u>	-	-	<u>16,839,759</u>
Loans:					
Retail	2,848,235	58,357	34,964	-	2,941,556
Commercial/corporate	13,552,787	507,432	516,442	-	14,576,661
Mortgages	8,131,240	429,408	277,502	-	8,838,150
Loans (gross)	<u>24,532,262</u>	<u>995,197</u>	<u>828,908</u>	-	<u>26,356,367</u>
Securities:					
FVTPL (including trading):					
Government	5,127	-	-	-	5,127
Corporate	78,830	-	-	-	78,830
FVOCI:					
Government	934,157	-	-	749,065	1,683,222
Amortised cost:					
Government	12,367,318	-	-	-	12,367,318
Corporate	563,716	-	-	-	563,716
Securities (gross)	<u>13,949,148</u>	-	-	<u>749,065</u>	<u>14,698,213</u>
Due from associates and affiliated companies	<u>1,040,026</u>	-	-	-	<u>1,040,026</u>
Total	<u>55,876,968</u>	<u>1,479,424</u>	<u>828,908</u>	<u>749,065</u>	<u>58,934,365</u>

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

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

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

	Standard & Poor's equivalent grades	2023 (\$'000)	2022 (\$'000)
Excellent			
AA	BB+	18,936,052	24,224,554
Very good			
A+	BB	4,872,429	1,410,985
A	BB-	148,506	127,372
Good			
A-	B+	442,166	-
B+	B	18,836	-
Special mention			
B	B-	5,716,720	4,732,791
C+	CCC+	-	-
Bad and doubtful			
D	CC+	18,293	916,750
E+	CC	-	-
Virtual certain loss			
E	CC-	22	-
Not rated	NR	350,358	125,520
		<u>30,503,382</u>	<u>31,537,972</u>

35.6.8 Repossessed collateral

Repossession 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:

	2023 (\$'000)	2022 (\$'000)
Land	7,676	6,244
Buildings	32,513	46,353
Motor-vehicles	3,225	6,378
	<u>43,415</u>	<u>58,975</u>

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% (2022: 10%). The Group's regulatory capital ratio is 27.30% (2022: 24.98%).



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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.

	2023	2022
RBC Financial (Caribbean) Limited	27%	25%
RBC Royal Bank (Trinidad & Tobago) Limited	20%	20%
RBC Merchant Bank (Caribbean) Limited	47%	35%
RBC Trust (Trinidad & Tobago) Limited	70%	78%
West Indies Stockbrokers Limited	215%	165%
RBC Royal Bank N.V.	24%	23%
RBC Royal Bank International N.V.	96%	74%
RBC Royal Bank (Aruba) N.V.	31%	33%
RBC Investment Management (Caribbean) Limited	48%	68%
RBC Royal Bank (Barbados) Limited	46%	35%
RBC Royal Bank (Cayman) Limited	34%	29%

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

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

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			Total (\$'000)
				Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	
As at October 31, 2023							
Securities	11,947,629	-	11,947,629	-	-	-	-
Loans	-	26,943,835	26,943,835	-	-	26,943,835	26,943,835
Other assets	183,013	-	183,013	-	-	-	-
Due to banks	211,199	-	211,199	-	-	-	-
Customers' deposits	42,574,428	3,202,517	45,776,945	-	-	3,202,517	3,202,517
Other funding instruments	8,610	-	8,610	-	-	-	-
Other borrowed funds	-	217	217	-	-	217	217
Debt securities in issue	-	-	-	-	-	-	-
Other liabilities	330,193	-	330,193	-	-	-	-
As at October 31, 2022							
Securities	12,758,732	-	12,758,732	-	-	-	-
Loans	-	25,258,966	25,258,966	-	-	25,258,966	25,258,966
Other assets	136,261	-	136,261	-	-	-	-
Due to banks	468,202	-	468,202	-	-	-	-
Customers' deposits	39,183,064	6,550,808	45,733,872	-	-	6,550,808	6,550,808
Other funding instruments	19,550	-	19,550	-	-	-	-
Other borrowed funds	-	729	729	-	-	729	729
Debt securities in issue	-	297,794	297,794	-	-	297,794	297,794
Other liabilities	369,147	-	369,147	-	-	-	-

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, 2023				
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt securities	-	4,513	-	4,513
Corporate debt	-	-	-	-
Money market funds	33,925	45,160	-	79,085
	<u>33,925</u>	<u>49,673</u>	<u>-</u>	<u>83,598</u>
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	-	1,588,693	-	1,588,693
Government and state-owned enterprises debt securities	-	-	726,284	726,284
	<u>-</u>	<u>1,588,693</u>	<u>726,284</u>	<u>2,314,977</u>
Securities FVOCI designated				
Equity securities	428	-	31,602	32,030
	<u>428</u>	<u>-</u>	<u>31,602</u>	<u>32,030</u>
	<u>34,353</u>	<u>1,638,366</u>	<u>757,886</u>	<u>2,430,605</u>
At October 31, 2022				
Securities at FVTPL				
Securities FVTPL classified				
Government and state-owned enterprises debt securities	-	5,127	-	5,127
Corporate debt	-	-	-	-
Money market funds	33,394	45,436	-	78,830
	<u>33,394</u>	<u>50,563</u>	<u>-</u>	<u>83,957</u>
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	739,960	194,197	-	934,157
Government and state-owned enterprises debt securities	-	-	749,065	749,065
	<u>739,960</u>	<u>194,197</u>	<u>749,065</u>	<u>1,683,222</u>
Securities FVOCI designated				
Equity securities	452	-	31,016	31,468
	<u>452</u>	<u>-</u>	<u>31,016</u>	<u>31,468</u>
	<u>773,806</u>	<u>244,760</u>	<u>780,081</u>	<u>1,798,647</u>

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, 2023			
Securities at FVOCI	765,232	64,101	(59,349)
	<u>765,232</u>	<u>64,101</u>	<u>(59,349)</u>
Derivative financial instruments – liability	-	-	-
	<u>765,232</u>	<u>64,101</u>	<u>(59,349)</u>
As at October 31, 2022			
Securities at FVOCI	780,081	56,592	(51,650)
	<u>780,081</u>	<u>56,592</u>	<u>(51,650)</u>
Derivative financial instruments – liability	92	74	(74)
	<u>779,989</u>	<u>56,518</u>	<u>(51,576)</u>

Sensitivity results

As at October 31, 2023, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of \$64 million (2022: \$57 million) and a reduction of \$59 million (2022: \$52 million) in fair value, of which an increase of \$64 million (2022: \$57 million) and a decrease of \$59 million (2022: \$52 million) would be recorded in other components of equity. There are nil Level 3 liability positions as at October 31, 2023, prior year fair value decrease was (2022: \$0.07 million) and increase was (2022: \$0.07 million).

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, 2023						
Non-interest income						
Trading (loss)/revenue	3,160	(4)	3,156	3,160	(4)	3,156
For year ended October 31, 2022						
Non-interest income						
Trading (loss)/revenue	(14,926)	296	(14,630)	(14,926)	296	(14,630)

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, 2022	-	780,081	780,081
Additions	-	2	2
Disposal (sale and redemption)	-	(57,480)	(57,480)
Reclassified to non current assets held for sale	-	(308)	(308)
Transfers to Level 3	-	-	-
Gains from changes in fair value	-	35,591	35,590
As at October 31, 2023	-	757,886	757,886



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36 Fair value of financial assets and liabilities (continued)

Reconciliation of Level 3 fair value measurements of financial assets (continued)

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

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, 2023, 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, 2023 totalled \$83 billion (as at October 31, 2022 - \$59 billion).

38 Principal subsidiaries

	Country of Incorporation	Effective Ownership 2023	Effective Ownership 2022
Banking and financial intermediation service providers:			
RBC Royal Bank (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Merchant Bank (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Trust (Trinidad and Tobago) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Investment Management (Caribbean) Limited	Republic of Trinidad and Tobago	100%	100%
RBC Royal Bank N.V.	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%



Royal Bank

Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

Managing Director's Report

RBC Royal Bank (Trinidad & Tobago) Limited (the Bank) reported a net income of \$276.1 million, representing an increase of \$64.2 million compared to the prior year. This was driven by higher revenues mainly from net interest income as fee income was down and costs increased year on year. Provisions for credit losses did show an expected uptick from 2022 as the prior year included a significant release of provisions taken at the onset of COVID-19 in 2020, however, overall provisions are in credit due to the improving credit quality of the portfolio.

The Bank saw revenue growth driven by higher rates on our investments portfolio and placements with other financial institutions, along with a larger loan book, as we capitalised on growth in private sector credit with loan volumes up \$785 million or 7.3% from the prior year. Total Assets of the Bank was down compared to 2022 mainly from the pre-payment of a debt facility and lower deposits. The Bank's capital ratio of 19.5% continues to be well above regulatory limits.

In 2023, we refocused our efforts on demonstrating that we are a Bank for All of You providing safe and secure access

to data and value-added advice/support when and where clients needed it to execute their banking services.

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 and our dedicated employees whose service and commitment to putting our clients first remain steadfast.

Richard Downie
Managing Director
January 23, 2024

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, 2023 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of Bank operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next

twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

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

Richard Downie
Managing Director
January 23, 2024

Roxann Granger
Chief Financial Officer
January 23, 2024

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBC Royal Bank (Trinidad and Tobago) Limited (the Bank) as at October 31, 2023, 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, 2023;
- 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, 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 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.



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

Independent Auditor's Report (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Priscilla Gopees
Port of Spain,
Trinidad, West Indies
26 January 2024

Statement of Financial Position

	Notes	October 31, 2023 (\$'000)	October 31, 2022 (\$'000)
Assets			
Cash and short term instruments	3	1,850,694	2,556,301
Balances with Central Bank	4	3,855,315	3,894,039
Loans to customers	6	11,575,004	10,790,299
Securities	7	6,454,734	7,027,378
Investment in associate company	8	48,806	43,428
Due from associate and affiliated companies	30	913,168	1,079,210
Intangible assets - software	9	24,841	25,378
Premises and equipment	10	218,625	263,259
Corporation tax recoverable		87,275	87,275
Deferred tax assets	11	133,721	138,231
Other assets	12	299,547	277,093
Total Assets		25,461,730	26,181,891
Liabilities			
Due to banks		34,482	16,463
Customers' deposits	13	21,249,736	21,911,820
Post-retirement benefit obligations	14	241,575	263,443
Debt securities in issue	15	-	300,000
Due to associates and affiliated companies	30	595,604	684,903
Deferred tax liabilities	11	10,332	9,989
Current income tax liabilities		52,803	26,637
Other liabilities	16	616,604	589,853
Total Liabilities		22,801,136	23,803,108
Shareholder's equity			
Stated capital	17	403,970	403,970
Statutory reserve	18	836,070	836,070
Other reserves	19	(20,295)	(26,010)
Retained earnings		1,440,849	1,164,753
Total Shareholder's Equity		2,660,594	2,378,783
Total Shareholder's Equity and Liabilities		25,461,730	26,181,891

The notes form an integral part of these financial statements.

On January 23, 2024 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,	
		2023 (\$'000)	2022 (\$'000)
Interest income	20	940,740	757,017
Interest expense	21	(22,781)	(36,020)
Net interest income		917,959	720,997
Non-interest income	22	335,355	344,870
Total revenue		1,253,314	1,065,867
Non-interest expenses	23	(833,709)	(810,681)
Other post-retirement benefit costs	14.4	(10,100)	(41,473)
(Provision for)/release of credit losses on loans to customers, net of recoveries	6.1	(598)	120,200
(Provision for)/release of credit losses on off balance sheet items		(1,153)	1,676
Release of/(provision for) credit losses on securities		7,455	(12,731)
Total non-interest expenses		(838,105)	(743,009)
Share of profits of associate company	8	7,445	5,007
Net income before taxation		422,654	327,865
Taxation expenses	25	(146,558)	(115,967)
Net income after taxation		276,096	211,898
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		(1,319)	869
Tax impact		462	(304)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	14.4	10,111	3,803
Tax impact		(3,539)	(1,331)
Other comprehensive gain for the year, net of tax		5,715	3,037
Total comprehensive income for the year		281,811	214,935

The notes form an integral part of these financial statements.



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

Statement of Changes in Equity

	Stated capital (\$'000)	Statutory reserve (\$'000)	Other reserves (\$'000)	Retained earnings (\$'000)	Total shareholder's equity (\$'000)
Balance at October 31, 2023					
Balance at beginning of year	403,970	836,070	(26,010)	1,164,753	2,378,783
Other comprehensive gain	-	-	5,715	-	5,715
Net income after taxation	-	-	-	276,096	276,096
Total comprehensive income	-	-	5,715	276,096	281,811
Balance at October 31, 2023	403,970	836,070	(20,295)	1,440,849	2,660,594
Balance at October 31, 2022					
Balance at beginning of year	403,970	836,070	(29,047)	952,855	2,163,848
Other comprehensive gain	-	-	3,037	-	3,037
Net income after taxation	-	-	-	211,898	211,898
Total comprehensive income	-	-	3,037	211,898	214,935
Balance at October 31, 2022	403,970	836,070	(26,010)	1,164,753	2,378,783

The notes form an integral part of these financial statements.

Statement of Cash Flows

Notes	Year ended October 31,	
	2023 (\$'000)	2022 (\$'000)
Net income before taxation	422,654	327,865
Adjustment for:		
Depreciation/amortisation	53,758	53,268
Post-retirement benefit (write-back)/expense	(3,269)	37,669
(Gain)/loss on disposal of premises and equipment	(9,744)	235
Net unrealised losses	2,218	1,180
(Release of)/provision for credit losses on securities	(7,455)	12,731
Release of credit losses on loans to customers		
net of recoveries	(16,562)	(135,933)
Share of profits of associate company	(7,445)	(5,007)
	434,155	292,008
(Increase)/decrease in operating assets:		
Balance with Central Bank	4,619	(20,291)
Loans to customers	(768,143)	(219,105)
Interest receivable	(21,198)	5,820
Other assets	(1,256)	(37,512)
Due from affiliated companies	166,042	(535,758)
Increase/(decrease) in operating liabilities:		
Due to banks	18,019	(1,243)
Customers' deposits	(662,084)	(353,442)
Due to affiliated companies	(89,299)	(171,249)
Interest payable on customers' deposits	(6,198)	(451)
Other liabilities	55,953	(6,432)
Taxes and levies paid	(116,556)	(69,073)
Cash used in operating activities	(985,946)	(1,116,728)
Investing activities		
Purchase of securities	(6,439,489)	(5,989,519)
Proceeds from sale of securities	7,016,051	7,467,009
Additions to premises and equipment and intangible assets	(17,484)	(9,701)
Proceeds from disposal of premises and equipment	13,702	-
Cash generated from investing activities	572,780	1,467,789
Financing activities		
Repayment of subordinated debt	(300,000)	-
Principal elements of lease payments	(26,546)	(26,408)
Cash used in financing activities	(326,546)	(26,408)
Net (decrease)/increase in cash and cash equivalents	(739,712)	324,653
Cash and cash equivalents at beginning of year	4,070,427	3,745,774
Cash and cash equivalents at end of year	3,330,715	4,070,427
Interest received	919,543	762,837
Interest paid	(28,979)	(36,471)

The notes form an integral part of these financial statements.



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

1 Incorporation and business activities of the Company

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

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

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

2 Summary of significant accounting policies, estimates and judgements

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

Basis of preparation**Statement of compliance**

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

Basis of measurement

The financial statements are prepared in Trinidad and Tobago dollars.

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



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Use of estimates and assumptions

In preparing our Financial Statements management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Refer to the relevant accounting policies in this Note for details on our use of estimates and assumptions.

Significant judgements

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

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

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

• Leases	Note 2
• Revenue recognition	Note 2, Note 22
• Fair value of financial instruments	Note 2, Note 32
• Allowance for credit losses	Note 2, Note 6
• Employee benefits	Note 2, Note 14
• Share-based compensation	Note 2, Note 24
• Intangible assets	Note 2, Note 9
• Application of the effective interest method	Note 2
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 11
• Litigation Provisions	Note 2, Note 27

Changes in accounting policies

Updates to Interest Rate Benchmark Reform

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

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

Progress in and risks arising from the transition to ABRs

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

Significant matters that we continue to evaluate include client product offerings and short and long-term funding strategies.

As part of the interest rate benchmark reform, the publication of all remaining USD LIBOR settings ceased on June 30, 2023 and consistent with our transition plan, our exposure to non-derivative financial assets referencing USD LIBOR interest rates is nil as at October 31, 2023 (October 31, 2022 - \$80,343,000).

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.

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.



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Securities (continued)

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.

Assets purchased under reverse repurchase agreements

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

Fair value option

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

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

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

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

Derivatives

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

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of Note 2.

If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to apply the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in Non-interest income. Derivatives with positive fair values are presented as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are part of Derivative assets and Derivative liabilities, respectively.

Loans

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

Interest on loans is recognised in Interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognised as interest income over the expected term of the resulting loans using the effective interest method.

Otherwise, such fees are recorded as other liabilities and amortised into Non-interest income over the commitment or standby period. Prepayment fees on mortgage loans are not included as part of the effective interest rate at origination. If prepayment fees are received on a renewal of a mortgage loan, the fee is included as part of the effective interest rate; and if not renewed, the prepayment fee is recognised in interest income at the prepayment date.

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

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.



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October 31, 2023 (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)

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the Statement of Financial Position date. Judgement is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

Measurement of expected credit losses

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

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

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

Expected life

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

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

Assessment of significant increase in credit risk

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

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

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

Our assessment of significant increases in credit risk is primarily based on the approach described above.

Use of forward-looking information

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

Further details on our forward looking assumptions and scenarios as at October 31, 2023 are provided in Note 6.1.

Scenario design

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

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

Definition of default

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

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

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

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

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

Individually assessed loans (Stage 3)

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

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

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses.



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October 31, 2023 (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)

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

Write-off of loans

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

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of the expected changes to result. Modifications can be tracked through the original financial asset or result in derecognition of the original financial asset and recognition of a new financial asset. A modified financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognised. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in days past due and other qualitative considerations.

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

A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognised. A modified financial asset will transfer out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

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

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 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;



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

Other significant accounting policies (continued)

Revenue recognition (continued)

4. Allocated the transaction price to each of the separate performance obligations; and
5. Recognised the revenue as each performance obligation is satisfied.

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

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

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

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit card fees and commissions. The Bank does not incur material costs to obtain contracts with customers such as sales commissions.

Commissions and fees

Commission and fees primarily relate to transactions service fees and commissions, credit related commissions and fees and trust and investment management related fees and are recognised based on the applicable service contracts with customers.

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

Credit related commissions and fees include credit fees and commissions related to securities brokerage services. Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided. Commissions related to securities brokerage services relate to the provision of specific transaction type services and are recognised when the service is fulfilled. Where services are provided over time, revenue is recognised as the services are provided.

Trust and investment management related fees, which includes custodial fees and mutual fund revenue, are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Investment management and custodial fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager or from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager.

Mutual fund revenue is derived as a percentage of the daily net asset value (NAV) of the mutual funds under management with each mutual fund having a management fee rate based on an approved fee structure. Investment management and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

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

Transaction costs

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

Offsetting financial assets and financial liabilities

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

Cash and short term instruments

Cash and short term instruments 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. Cash and

short term instruments with central banks are included within balances with central banks.

Derecognition of financial assets

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

If we retain control over the transferred assets, we continue to recognise the transferred assets to the extent of our continuing involvement.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether we retain the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. We derecognise transferred financial assets if we transfer substantially all the risk and rewards of the ownership in the assets.

When assessing whether we have transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. In transfers that we retain the servicing rights, management has applied judgement in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair market value, a servicing asset is recognised in Other assets in our Statement of Financial Position. When the benefits of servicing are less than fair market value, a servicing liability is recognised in other liabilities in our Statement of Financial Position.

Derecognition of financial liabilities

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

Guarantees

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

Employee benefits – Pensions and other post-employment benefits

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

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

The calculation of defined benefit expenses and obligations requires significant judgement as the recognition is dependent on discount rates and various actuarial assumptions such as healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties.

For our pension and other post-employment plans, the discount rate is determined by reference to market yields on high quality government bonds. Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. Actuarial assumptions, set in accordance with current practices in the respective countries of our plans, may differ from actual experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations, expenses and remeasurements that we recognise. Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

Share-based compensation

The Bank offers share-based compensation plans (the "Plans") to certain key employees, by utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans



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

Other significant accounting policies (continued)

Share-based compensation (continued)

are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

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

Green fund levy

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

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

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

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

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

The Bank complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. The Bank is subject to income tax laws in various jurisdictions where the Bank operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities.

Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Bank's tax positions, which includes the Bank's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Bank performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Bank's tax positions by the relevant taxation authorities.

Other intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination or generated internally. Intangible assets acquired through a business combination are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite-life are amortised on a straight-line basis over their estimated useful lives as follows: computer software – 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 Statement of Income and Other Comprehensive Income in the period in which they are incurred.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in non-interest income in the Statement of Income and Other Comprehensive Income.

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

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

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

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are:

- 25 to 50 years for freehold properties,
- 5 to 50 years for leasehold properties,
- 3 to 10 years for computer equipment,



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (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)

- 5 to 15 years for furniture, fixtures and other equipment.
- The amortisation period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years.
- Land is not depreciated. Gains and losses on disposal are recorded in non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Leases

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

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

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

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for lease payments made on or before the commencement date, initial direct costs incurred, and an estimate of costs to dismantle, remove, or restore the asset, less any lease incentives received. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use-asset of the lease) when the leasehold improvements are separately capitalised.

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

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

Provisions

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

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

Dividend income

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

Stated capital

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

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

Comparative information

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

3 Cash and short term instruments

	2023 (\$'000)	2022 (\$'000)
Cash on hand	363,348	329,746
Due from banks	879,046	708,181
Treasury bills	608,300	1,518,374
	<u>1,850,694</u>	<u>2,556,301</u>

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.

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

	2023 (\$'000)	2022 (\$'000)
Monetary reserves	2,375,294	2,379,913
Cash balances	1,480,021	1,514,126
	<u>3,855,315</u>	<u>3,894,039</u>

At October 31, 2023, the primary reserve requirement was 14% (2022 – 14%) of specific deposit liabilities. This balance is held in a non-interest bearing reserve account.

5 Cash and cash equivalents

	2023 (\$'000)	2022 (\$'000)
Cash and short term instruments (Note 3)	1,850,694	2,556,301
Cash balances at Central Bank (Note 4)	1,480,021	1,514,126
	<u>3,330,715</u>	<u>4,070,427</u>

6 Loans

	2023 (\$'000)	2022 (\$'000)
Retail	2,099,604	1,953,998
Commercial/Corporate	6,496,585	5,970,305
Mortgages	3,195,124	3,098,867
Gross loans to customers	11,791,313	11,023,170
Allowance for credit losses (Note 6.1)	(216,309)	(232,871)
	<u>11,575,004</u>	<u>10,790,299</u>
Stage 1	11,189,790	10,311,652
Stage 2	313,923	387,345
Stage 3	287,600	324,173
Gross loans to customers	11,791,313	11,023,170
Current	2,298,050	2,654,501
Non-current	9,493,263	8,368,669
Gross loans to customers	<u>11,791,313</u>	<u>11,023,170</u>



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

6 Loans (continued)

6.1 Allowance for credit losses

	Balance at beginning of period (\$'000)	Provision for credit losses (\$'000)	Net write-offs (\$'000)	Exchange rate and other (\$'000)	Balance at end of period (\$'000)
For the year ended October 31, 2023					
Retail	21,588	12,861	(9,861)	(145)	24,443
Commercial/corporate	192,968	(17,550)	(4,099)	(858)	170,461
Mortgages	18,315	5,287	(538)	(1,659)	21,405
	<u>232,871</u>	<u>598</u>	<u>(14,498)</u>	<u>(2,662)</u>	<u>216,309</u>
Undrawn loan commitments	12,530	2,122	-	-	14,652
For the year ended October 31, 2022					
Retail	65,583	(39,460)	(4,355)	(180)	21,588
Commercial/corporate	239,945	(39,050)	(7,227)	(700)	192,968
Mortgages	63,276	(41,690)	(1,374)	(1,897)	18,315
	<u>368,804</u>	<u>(120,200)</u>	<u>(12,956)</u>	<u>(2,777)</u>	<u>232,871</u>
Undrawn loan commitments	38,515	(25,985)	-	-	12,530

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

Reconciling items include the following:

- **Model Changes.** There was no update to the existing model during the year. In the previous year, an update was made to the existing model used to derive an estimate of credit losses. Key data elements were updated to better reflect actual historical behaviours. The impact of this model update is disclosed as a model change in the reconciliation below.
- **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, 2023				
Balance at beginning of period	55,579	19,897	157,395	232,871
Provision for credit losses	-	-	-	-
Model changes	-	-	-	-
Transfers in (out) to Stage 1	5,067	(4,479)	(588)	-
Transfers in (out) to Stage 2	(777)	4,296	(3,519)	-
Transfers in (out) to Stage 3	(121)	(2,183)	2,304	-
Purchases and originations	16,068	-	-	16,068
Derecognitions and maturities	(6,344)	(4,962)	(11,187)	(22,493)
Remeasurements	(9,634)	7,363	9,294	7,023
Write-offs	-	-	(19,964)	(19,964)
Recoveries	-	-	5,466	5,466
Exchange rate and other	-	-	(2,662)	(2,662)
Balance at end of period	<u>59,838</u>	<u>19,932</u>	<u>136,539</u>	<u>216,309</u>

	Allowance for Credit Losses (\$'000)			
	Performing Stage 1	Stage 2	Impaired Stage 3	Total
For the year ended October 31, 2022				
Balance at beginning of period	87,190	134,957	146,657	368,804
Provision for credit losses	-	-	-	-
Model changes	(18,841)	(4,018)	-	(22,859)
Transfers in (out) to Stage 1	68,714	(66,662)	(2,052)	-
Transfers in (out) to Stage 2	(2,478)	11,398	(8,920)	-
Transfers in (out) to Stage 3	(661)	(3,921)	4,582	-
Purchases and originations	14,704	-	-	14,704
Derecognitions and maturities	(7,674)	(29,919)	(12,309)	(49,902)
Remeasurements	(85,375)	(21,938)	45,170	(62,143)
Write-offs	-	-	(21,899)	(21,899)
Recoveries	-	-	8,943	8,943
Exchange rate and other	-	-	(2,777)	(2,777)
Balance at end of period	<u>55,579</u>	<u>19,897</u>	<u>157,395</u>	<u>232,871</u>

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include our internal historical default rates, changes in credit quality, real GDP growth rates and non-energy GDP (for Trinidad and Tobago entities).

The global economy is showing signs of improvement, but the upturn remains weak, as headwinds persist. Weakening growth prospects in some of the major global markets, elevated core inflation, restrictive monetary conditions, and heightened uncertainties particularly from the protracted war in Ukraine and more recently by the slower than expected rebound of the Chinese economy weigh heavily on the global outlook. Our base scenario considers the ongoing recovery of 2023 in the Caribbean and the moderating of real GDP growth rates in 2023-2025 as the economies revert to their steady state. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

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

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

- A 100 basis points increase will lower the allowance for credit losses by \$4.9 million (2022- \$3.2 million)
- A 100 basis points decrease will increase the allowance for credit losses by \$5.3 million (2022- \$4.5 million)

Further details on the key inputs and assumptions used as at October 31, 2023 are provided in Note 2 and Note 6.2.

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	Carrying value (\$'000)	Base Scenario (\$'000)
As at October 31, 2023		
ACL on performing loans ⁽¹⁾	79,770	67,627
As at October 31, 2022		
ACL on performing loans ⁽¹⁾	75,475	65,938
⁽¹⁾ Represents Stage 1 and Stage 2 ACL loans, acceptances and commitments.		
<i>Transfers between stages</i>		
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, 2023 (\$'000)	As at October 31, 2022 (\$'000)
Performing loans ⁽¹⁾		
ACL - all performing loans in Stage 1	61,111	57,327
Impact of staging	<u>18,659</u>	<u>18,148</u>
Stage 1 and 2 ACL	<u>79,770</u>	<u>75,475</u>

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



RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

6 Loans (continued)

6.1 Allowance for credit losses (continued)

Staging is based on 30 days past due, centrally managed accounts, retail loans receiving business as usual deferrals granted by The Bank loans of clients who had a prior default during the last three years and increases in probability of default at the loan level.

6.2 Loan modifications

Relief provided to clients has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2023, the amortised cost of Stage 2 and Stage 3 loans whose contractual terms were modified was \$756 million (2022: \$625 million), resulting in no material modification gains or losses.

7 Securities

Carrying value of securities

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

	Term to maturity ⁽¹⁾					With no specific maturity (\$'000)	Total (\$'000)
	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)		
As at October 31, 2023							
Fair value through profit or loss ⁽²⁾							
Government and state-owned enterprises debt	-	-	-	4,513	-	-	4,513
Money market instruments	-	-	-	-	-	15,186	15,186
	-	-	-	4,513	-	15,186	19,699
Fair value through other comprehensive income							
Treasury bills and treasury notes ⁽³⁾	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Government and state-owned enterprises debt ⁽³⁾	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities ⁽⁴⁾	-	-	-	-	-	69	69
Cost	-	-	-	-	-	69	69
Fair value	-	-	-	-	-	248	248
	-	-	-	-	-	248	248
Amortised Cost ⁽⁵⁾							
Amortised cost	1,646,525	2,874,530	1,913,732	-	-	-	6,434,787
Fair value	1,646,992	2,871,262	1,845,689	-	-	-	6,363,943
	1,646,525	2,874,530	1,913,732	-	-	-	6,434,787
Total carrying value of securities ⁽¹⁾	1,646,525	2,874,530	1,913,732	4,513	-	15,434	6,454,734

	Within 3 months (\$'000)	3 months to 1 year (\$'000)	Term to maturity ⁽¹⁾		Over 10 years (\$'000)	With no specific maturity (\$'000)	Total (\$'000)
			1 year to 5 years (\$'000)	5 years to 10 years (\$'000)			
As at October 31, 2022							
Fair value through profit or loss ⁽²⁾							
Government and state-owned enterprises debt	-	-	-	5,127	-	-	5,127
Money market instruments	-	-	-	-	-	14,532	14,532
	-	-	-	5,127	-	14,532	19,659
Fair value through other comprehensive income							
Treasury bills and treasury notes ⁽³⁾	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Government and state-owned enterprises debt ⁽³⁾	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities ⁽⁴⁾	-	-	-	-	-	69	69
Cost	-	-	-	-	-	69	69
Fair value	-	-	-	-	-	262	262
	-	-	-	-	-	262	262
Amortised cost ⁽⁵⁾							
Amortised cost	2,052,019	3,758,156	1,189,400	7,882	-	-	7,007,457
Fair value	2,054,844	3,738,358	1,168,794	8,815	-	-	6,970,811
	2,052,019	3,758,156	1,189,400	7,882	-	-	7,007,457
Total carrying value of securities ⁽¹⁾	2,052,019	3,758,156	1,189,400	13,009	-	14,794	7,027,378

⁽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

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

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

	Cost/amortised cost (\$'000)	Gross unrealised gains ⁽¹⁾ (\$'000)	Gross unrealised losses ⁽¹⁾ (\$'000)	Fair value (\$'000)
As at October 31, 2023				
FVOCI				
Treasury bills and treasury notes	-	-	-	-
Government and state-owned enterprises debt	-	-	-	-
Equities ⁽²⁾	69	179	-	248
	69	179	-	248
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	-	-	-	-
Government and state-owned enterprises debt	-	-	-	-
Equities ⁽²⁾	69	193	-	262
	69	193	-	262

⁽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.



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

7 Securities (continued)

7.2 Allowance for credit losses on securities

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

	2023 (\$'000)	2022 (\$'000)
Gross exposures		
Stage 1	6,459,787	7,038,758
Stage 2	-	-
Total securities	6,459,787	7,038,758
Less: allowance for credit losses	(25,000)	(31,301)
Securities net of expected credit losses	<u>6,434,787</u>	<u>7,007,457</u>

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

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognised during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognised during the period without a credit loss being incurred.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

	Performing		Total (\$'000)
	Stage 1 (\$'000)	Stage 2 (\$'000)	
Allowance for credit losses – securities at amortised cost			
For the year ended October 31, 2023			
Balance at beginning of period	31,301	-	31,301
Provision for credit losses			
Model changes	-	-	-
Transfers in (out) to Stage 1	-	-	-
Transfers in (out) to Stage 2	-	-	-
Purchases and originations	37,149	-	37,149
Derecognitions and maturities	(2,127)	-	(2,127)
Remeasurements	(41,323)	-	(41,323)
Balance at end of period	<u>25,000</u>	-	<u>25,000</u>
For the year ended October 31, 2022			
Balance at beginning of period	19,725	-	19,725
Provision for credit losses			
Model changes	-	-	-
Transfers in (out) to Stage 1	-	-	-
Transfers in (out) to Stage 2	-	-	-
Purchases and originations	55,295	-	55,295
Derecognitions and maturities	(5,494)	-	(5,494)
Remeasurements	(38,225)	-	(38,225)
Balance at end of period	<u>31,301</u>	-	<u>31,301</u>
Allowance for credit losses – securities at FVOCI ⁽¹⁾			
For the year ended October 31, 2023			
Balance at beginning of period	1,304	-	1,304
Provision for credit losses			
Transfers in (out) to Stage 1	-	-	-
Purchases and originations	1,828	-	1,828
Derecognitions and maturities	(852)	-	(852)
Remeasurements	(2,129)	-	(2,129)
Balance at end of period	<u>151</u>	-	<u>151</u>
For the year ended October 31, 2022			
Balance at beginning of period	150	-	150
Provision for credit losses			
Transfers in (out) to Stage 1	-	-	-
Purchases and originations	2,184	-	2,184
Derecognitions and maturities	(671)	-	(671)
Remeasurements	(359)	-	(359)
Balance at end of period	<u>1,304</u>	-	<u>1,304</u>

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

7.3 Securities at amortised cost

	2023 (\$'000)	2022 (\$'000)
Government and state-owned enterprises debt securities	5,755,389	6,694,001
Corporate debt securities	679,398	313,456
	<u>6,434,787</u>	<u>7,007,457</u>
Current	4,521,055	5,810,175
Non-current	1,913,732	1,197,282
	<u>6,434,787</u>	<u>7,007,457</u>

7.4 Movement in securities

	FVTPL (\$'000)	FVOCI (\$'000)	Amortised Cost (\$'000)	Total (\$'000)
As at November 1, 2022	19,659	262	7,007,457	7,027,378
Additions	-	-	6,439,489	6,439,489
Disposal (sale and redemption)	(769)	-	(7,049,240)	(7,050,009)
(Losses)/gains from changes in fair value	626	(14)	-	612
Accretion/(amortisation) of discount/premium	-	-	28,816	28,816
Allowance for credit losses	-	-	6,301	6,301
Foreign exchange adjustment	183	-	1,964	2,147
As at October 31, 2023	<u>19,699</u>	<u>248</u>	<u>6,434,787</u>	<u>6,454,734</u>
As at November 1, 2021	21,820	277	8,495,814	8,517,911
Additions	-	-	5,989,519	5,989,519
Disposal (sale and redemption)	(759)	-	(7,458,760)	(7,459,519)
(Losses)/gains from changes in fair value	(1,402)	(15)	-	(1,417)
Accretion/(amortisation) of discount/premium	-	-	(7,539)	(7,539)
Allowance for credit losses	-	-	(11,577)	(11,577)
Foreign exchange adjustment	-	-	-	-
As at October 31, 2022	<u>19,659</u>	<u>262</u>	<u>7,007,457</u>	<u>7,027,378</u>

8 Investment in associate company

8.1 Movement of investment in associate companies

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of the period	43,428	39,668
Share of current period's profits before tax	7,445	5,007
Share of current period's tax (Note 25)	(2,067)	(1,247)
Balance at end of the period	<u>48,806</u>	<u>43,428</u>

8.2 Associate companies

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

	Principal activity	Place of incorporation	Percentage of equity capital held 2023	Percentage of equity capital held 2022
Infolink Services Limited	Clearing facility for electronic funds transfer	Trinidad & Tobago	25.0%	25.0%
			2023 (\$'000)	2022 (\$'000)
Infolink Services Limited				
Current assets			167,112	139,925
Non-current assets			40,059	40,136
Current liabilities			(4,860)	(4,393)
Non-current liabilities			(7,089)	(1,956)
Total comprehensive income			<u>21,510</u>	<u>15,041</u>
Reconciliation to the carrying amount recognised in the financial statements:				
Net assets of associate			195,222	173,712
Proportion of ownership interest			25%	25%
Carrying amount of interest in Infolink Services Limited			<u>48,806</u>	<u>43,428</u>



RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

9 Intangible assets

	Computer Software (\$'000)	Work in Progress (\$'000)	Total (\$'000)
2023			
Opening net carrying value	25,378	-	25,378
Additions	-	11,303	11,303
Transfers	11,303	(11,303)	-
Disposals	-	-	-
Amortisation	(11,840)	-	(11,840)
Closing net carrying value	<u>24,841</u>	<u>-</u>	<u>24,841</u>
Cost	72,417	-	72,417
Accumulated amortisation	(47,576)	-	(47,576)
Net carrying value	<u>24,841</u>	<u>-</u>	<u>24,841</u>
2022			
Opening net carrying value	30,856	380	31,236
Additions ⁽¹⁾	-	7,744	7,744
Transfers	8,124	(8,124)	-
Disposals	-	-	-
Amortisation	(13,602)	-	(13,602)
Closing net carrying value	<u>25,378</u>	<u>-</u>	<u>25,378</u>
Cost	91,716	-	91,716
Accumulated amortisation	(66,338)	-	(66,338)
Net carrying value	<u>25,378</u>	<u>-</u>	<u>25,378</u>

⁽¹⁾ Included as WIP additions in prior period are transfers \$6 million from WIP PPE see Note 10.1.

During the year, assets fully depreciated and retired amounted to \$31 million (2022 - \$28 million).

There were no contractual commitments to acquire intangible assets in 2023 or 2022.

10 Premises and equipment

	2023 (\$'000)	2022 (\$'000)
Premises and equipment owned (Note 10.1)	145,116	160,997
Right-of-use leased assets (Note 10.2)	<u>73,509</u>	<u>102,262</u>
	<u>218,625</u>	<u>263,259</u>

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, 2023						
Opening net book value	96,365	3,870	40,257	17,586	2,919	160,997
Additions	-	-	-	-	6,181	6,181
Transfers	-	-	751	4,563	(5,314)	-
Disposals	(3,917)	-	(13)	(28)	-	(3,958)
Depreciation charge	(2,453)	(128)	(7,896)	(7,627)	-	(18,104)
Closing net book value	<u>89,995</u>	<u>3,742</u>	<u>33,099</u>	<u>14,494</u>	<u>3,786</u>	<u>145,116</u>
At October 31, 2023						
Total cost	141,450	7,937	78,958	46,901	3,786	279,032
Accumulated depreciation	(51,455)	(4,195)	(45,859)	(32,407)	-	(133,916)
Net book value	<u>89,995</u>	<u>3,742</u>	<u>33,099</u>	<u>14,494</u>	<u>3,786</u>	<u>145,116</u>
Year ended October 31, 2022						
Opening net book value	98,852	3,998	44,607	19,797	8,005	175,259
Additions	-	-	5	-	1,952	1,957
Transfers ⁽¹⁾	-	-	3,324	3,714	(7,038)	-
Disposals	-	-	(235)	-	-	(235)
Depreciation charge	(2,487)	(128)	(7,444)	(5,925)	-	(15,984)
Closing net book value	<u>96,365</u>	<u>3,870</u>	<u>40,257</u>	<u>17,586</u>	<u>2,919</u>	<u>160,997</u>
At October 31, 2022						
Total cost	149,172	7,936	79,679	51,726	2,919	291,432
Accumulated depreciation	(52,807)	(4,066)	(39,422)	(34,140)	-	(130,435)
Net book value	<u>96,365</u>	<u>3,870</u>	<u>40,257</u>	<u>17,586</u>	<u>2,919</u>	<u>160,997</u>

⁽¹⁾ This includes transfers to intangibles \$6 million in prior period from WIP premises and equipment into intangibles from prior period see Note 9.

During the year, assets fully depreciated and retired amounted to \$11 million (2022 - \$7 million).

Impairment of property

There was no impairment in 2023 (2022 - Nil).

Assets pledged as security

There were no land and buildings pledged to secure borrowings of the Bank in 2023 or 2022.

10.2 Right-of-use leased assets

	Properties (\$'000)	Total (\$'000)
Year ended October 31, 2023		
Opening net book value	102,262	102,262
Additions	270	270
Disposals	-	-
Reclassifications/remeasurements	(5,209)	(5,209)
Depreciation charge	(23,814)	(23,814)
Closing net book value	<u>73,509</u>	<u>73,509</u>
At October 31, 2023		
Total cost	158,914	158,914
Accumulated depreciation	(85,405)	(85,405)
Net book value	<u>73,509</u>	<u>73,509</u>
Year ended October 31, 2022		
Opening net book value	126,251	126,251
Additions	26,844	26,844
Disposals	(27,151)	(27,151)
Depreciation charge	(23,682)	(23,682)
Closing net book value	<u>102,262</u>	<u>102,262</u>
At October 31, 2022		
Total cost	163,853	163,853
Accumulated depreciation	(61,591)	(61,591)
Net book value	<u>102,262</u>	<u>102,262</u>

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, 2023 was \$27 million (2022 - \$26 million).

11 Deferred tax assets and liabilities

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

	2023 (\$'000)	2022 (\$'000)
Deferred tax assets (Note 11.1)	133,721	138,231
Deferred tax liabilities (Note 11.2)	(10,332)	(9,989)
	<u>123,389</u>	<u>128,242</u>
The movement on the deferred tax account is as follows:		
At beginning of year	128,242	174,976
Effect of changes in exchange rate	(13)	-
Deferred tax (charge)/credit (Note 25)	(1,763)	(45,099)
Other comprehensive income:		
- Remeasurement of post-retirement benefit obligation	(3,539)	(1,331)
- Fair value gains/(losses) on securities	462	(304)
At end of year	<u>123,389</u>	<u>128,242</u>



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RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

11 Deferred tax assets and liabilities (continued)

	2023 (\$'000)	2022 (\$'000)
Deferred tax asset and liability are attributable to the following items:		
11.1 Deferred tax assets		
Post-retirement benefits	84,551	92,204
Allowance for credit losses	37,537	37,836
Other	11,633	8,191
	<u>133,721</u>	<u>138,231</u>
	2023 (\$'000)	2022 (\$'000)
11.2 Deferred tax liabilities		
Accelerated tax depreciation	(9,255)	(6,987)
Securities	(1,077)	(1,121)
Unrealised income	-	(1,881)
	<u>(10,332)</u>	<u>(9,989)</u>

12 Other assets

	2023 (\$'000)	2022 (\$'000)
Accounts receivable	12,298	9,241
Interest receivable	55,376	34,179
Items in transit	228,931	226,488
Other	2,942	7,185
	<u>299,547</u>	<u>277,093</u>
Allowance for credit losses	-	-
	<u>299,547</u>	<u>277,093</u>
Current	<u>299,547</u>	<u>277,093</u>

13 Customers' deposits

	2023 (\$'000)	2022 (\$'000)
Savings	12,351,839	12,969,467
Term deposits	798,089	778,686
Current accounts	8,099,808	8,163,667
	<u>21,249,736</u>	<u>21,911,820</u>
Sectoral analysis		
Consumers	11,131,647	11,419,153
Private sector	8,600,824	8,780,238
State sector	1,310,991	1,516,898
Other	206,274	195,531
	<u>21,249,736</u>	<u>21,911,820</u>
Current	21,243,718	21,910,095
Non-current	6,018	1,725
	<u>21,249,736</u>	<u>21,911,820</u>

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.

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Fair value of plan assets	-	(151)	(151)
Post-retirement benefit obligation	173,366	68,360	241,726
Liability in the statement of financial position	<u>173,366</u>	<u>68,209</u>	<u>241,575</u>
October 31, 2022			
Fair value of plan assets	-	(158)	(158)
Post-retirement benefit obligation	179,494	84,107	263,601
Liability in the statement of financial position	<u>179,494</u>	<u>83,949</u>	<u>263,443</u>

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

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	-	158	158
Interest income	-	9	9
Return on plan assets (excluding interest income)	-	(16)	(16)
Benefits paid by the Bank	-	-	-
At end of year	<u>-</u>	<u>151</u>	<u>151</u>
October 31, 2022			
At beginning of year	-	166	166
Interest income	-	10	10
Return on plan assets (excluding interest income)	-	(18)	(18)
Benefits paid by the Bank	-	-	-
At end of year	<u>-</u>	<u>158</u>	<u>158</u>

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

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	179,494	84,107	263,601
Current service cost	902	1,593	2,495
Past service cost	-	-	-
Interest expense	10,342	4,373	14,715
Re-measurements:			
Effect of changes in demographic assumptions	(1,971)	-	(1,971)
Effect of changes in financial assumptions	(4,607)	(4,762)	(9,369)
Effect of experience adjustments	(4,000)	5,229	1,229
Benefits paid	(3,259)	(21,857)	(25,116)
Other	(3,535)	(323)	(3,858)
At end of year	<u>173,366</u>	<u>68,360</u>	<u>241,726</u>
October 31, 2022			
At beginning of year	185,215	57,997	243,212
Current service cost	926	1,732	2,658
Past service cost	2,727	-	2,727
Interest expense	9,765	4,310	14,075
Re-measurements:			
Effect of changes in demographic assumptions	6,055	-	6,055
Effect of changes in financial assumptions	(10,156)	(3,715)	(13,871)
Effect of experience adjustments	(5,168)	11,181	6,013
Benefits paid	(3,002)	(17,273)	(20,275)
Other ⁽¹⁾	(6,868)	29,875	23,007
At end of year	<u>179,494</u>	<u>84,107</u>	<u>263,601</u>

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



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

14 Post-retirement benefit obligations (continued)

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

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Current service cost	902	1,593	2,495
Past service cost	-	-	-
Net interest expense	10,342	4,373	14,715
Other – net of benefits paid	(6,794)	(316)	(7,110)
Components of defined benefit costs recognised in profit or loss	4,450	5,650	10,100
Remeasurement on the net liability:			
Effect of changes in demographic assumptions	(1,971)	-	(1,971)
Effect of changes in financial assumptions	(4,607)	(4,762)	(9,369)
Effect of experience adjustments	(4,000)	5,229	1,229
Return on plan assets	-	-	-
Components of defined benefit costs recognised in other comprehensive income	(10,578)	467	(10,111)
Total	(6,128)	6,117	(11)
October 31, 2022			
Current service cost	926	1,732	2,658
Past service cost	2,727	-	2,727
Net interest expense	9,765	4,310	14,075
Other – net of benefits paid	(9,870)	31,883	22,013
Components of defined benefit costs recognised in profit or loss	3,548	37,925	41,473
Remeasurement on the net liability:			
Effect of changes in demographic assumptions	6,055	-	6,055
Effect of changes in financial assumptions	(10,156)	(3,715)	(13,871)
Effect of experience adjustments	(5,168)	9,162	3,994
Return on plan assets	-	19	19
Components of defined benefit costs recognised in other comprehensive income	(9,269)	5,466	(3,803)
Total	(5,721)	43,391	37,670

14.5 Investment policy and strategies

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

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including normal retirements, terminations, and deaths;
- the financial position of the pension plans;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- 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, 2023		October 31, 2022	
	Fair value (\$'000)	Percentage of total plan assets	Fair value (\$'000)	Percentage of total plan assets
Alternative investments	151	100%	158	100%
	151	100%	158	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, 2023	October 31, 2022
Discount rates – medical and life	6.20%	6.00%
Discount rates – pension	6.20%	6.00%
Salary increases	2%/2.50%	4%/2.50%
Health care cost trend rates		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

14.6 Sensitivity analysis

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

	Increase/(decrease) in obligation	
	2023 (\$'000)	2022 (\$'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	22,596	25,770
Impact of 1.0% increase in discount rate	(15,541)	(17,598)
Impact of 0.5% decrease in rate of increase in future compensation	(2,821)	(3,110)
Impact of 0.5% increase in rate of increase in future compensation	3,469	3,695
Impact of 1 year decrease in life expectancy	(2,586)	(2,795)
Impact of 1 year increase in life expectancy	2,636	3,152
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	25,094	27,139
Impact of 1.0% increase in discount rate	(20,435)	(21,970)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1% decrease in health care cost trend rate	(7,590)	(7,530)
Impact of 1% increase in health care cost trend rate	8,957	8,946
Impact of 1 year decrease in life expectancy	-	69
Impact of 1 year increase in life expectancy	(28)	78

15 Debt securities in issue

	2023 (\$'000)	2022 (\$'000)
Debt securities in issue	-	300,000

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

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

	2023 (\$'000)	2022 (\$'000)
Current - principal	-	300,000
Non-current - principal	-	-

16 Other liabilities

	2023 (\$'000)	2022 (\$'000)
Accruals and payables	21,778	25,197
Interest payable	1,561	7,759
Employee related costs	64,319	60,345
Deferred income	51,260	51,886
Contract liabilities ⁽¹⁾	11,754	11,538
Lease liabilities ⁽²⁾	76,806	105,437
Allowance for credit losses (Note 27)	2,479	1,326
Items in transit	306,061	280,935
Other	80,586	45,430
	616,604	589,853
Current	556,747	506,422
Non current	59,857	83,431
	616,604	589,853



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16 Other liabilities (continued)

(1) Contract liabilities

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

(2) Lease liabilities

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

17 Stated capital

	2023 (\$'000)	2022 (\$'000)
Issued and fully paid: 147,428,485 ordinary shares of no par value	<u>403,970</u>	<u>403,970</u>

18 Statutory reserve

	2023 (\$'000)	2022 (\$'000)
Balance at end of year	<u>836,070</u>	<u>836,070</u>

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

	2023 (\$'000)	2022 (\$'000)
Investment revaluation reserve (Note 19.1)	2,132	2,990
General reserve	604	604
Capital reserve	45,672	45,672
Other comprehensive income:		
pension and plan employee benefit experience	<u>(68,703)</u>	<u>(75,276)</u>
Balance at end of year	<u>(20,295)</u>	<u>(26,010)</u>
19.1 Investment revaluation reserve – securities FVOCI		
Balance at beginning of year	2,990	2,425
Net losses arising during the year		
on debt securities, net of tax	(108)	(186)
Net change in allowance for credit losses		
on securities carried at FVOCI net of tax	<u>(750)</u>	<u>751</u>
Balance at end of year	<u>2,132</u>	<u>2,990</u>

20 Interest income

	2023 (\$'000)	2022 (\$'000)
Loans	710,115	672,201
Securities (Note 20.1)	156,926	64,284
Due from affiliated companies	40,437	14,305
Due from banks	<u>33,262</u>	<u>6,227</u>
	<u>940,740</u>	<u>757,017</u>
20.1 Interest income on Securities		
FVTPL	525	626
Amortised cost	<u>156,401</u>	<u>63,658</u>
	<u>156,926</u>	<u>64,284</u>

21 Interest expense

	2023 (\$'000)	2022 (\$'000)
Customers' deposits	19,848	19,053
Due to banks	103	-
Due to affiliated companies	36	-
Lease liabilities	2,278	2,614
Debt securities in issue	<u>516</u>	<u>14,353</u>
	<u>22,781</u>	<u>36,020</u>

22 Non-interest income

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

	2023 (\$'000)	2022 (\$'000)
<i>Non-interest income over time:</i>		
Transaction service fees and commissions	97,450	87,750
Trust and investment management related fees	14,974	15,923
<i>Non-interest income at a point in time:</i>		
Credit related fees and commissions	38,670	36,415
Other fees and commissions	67,172	61,667
Affiliate income	47,665	69,735
Foreign exchange earnings	<u>69,424</u>	<u>73,380</u>
	<u>335,355</u>	<u>344,870</u>
22.1 Fees and commissions		
Net transaction service fees/commissions	97,450	87,750
Credit related fees and commissions	38,670	36,415
Trust and investment management related fees	14,974	15,923
Other fees and commissions	<u>67,172</u>	<u>61,667</u>
	<u>218,266</u>	<u>201,755</u>

23 Non-interest expenses

	2023 (\$'000)	2022 (\$'000)
Staff costs (Note 23.1)	334,413	328,997
Other premises and equipment expenses		
excluding depreciation and operating lease rentals	61,018	51,524
Marketing and promotions	15,697	15,708
Amortisation charge on intangible assets	11,840	13,602
Depreciation charge on premises and equipment	41,918	39,666
(Gain) / Loss on disposal of asset	(9,744)	235
Deposit insurance premium (Note 23.2)	33,916	33,680
Short-term lease expenses	18,686	18,904
Green fund levy	4,551	3,915
Directors' remuneration	105	114
Auditors' remuneration	2,580	1,884
Management fees	174,678	171,986
Sundry and fraud losses	11,004	7,412
Business and capital tax	34,443	33,970
Other operating expenses	<u>98,604</u>	<u>89,084</u>
	<u>833,709</u>	<u>810,681</u>
23.1 Staff costs		
Wages and salaries	199,110	193,171
Bonuses	37,662	41,402
Employees' pension benefit expense	19,551	18,903
Share option plan-value of services provided	1,991	6,355
Other staff costs	<u>76,099</u>	<u>69,166</u>
	<u>334,413</u>	<u>328,997</u>
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.



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24 Share-based compensation (continued)

24.1 Units granted under share-based compensation plans

	October 31, 2023		October 31, 2022	
	Units granted	Weighted average fair value per unit (\$)	Units granted	Weighted average fair value per unit (\$)
Performance deferred share unit plans	3,303	642	4,238	636
RBC share unit plans	190	631	387	650
	<u>3,493</u>	<u>1,273</u>	<u>4,625</u>	<u>1286</u>

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

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

24.2 Obligations under share-based compensation plans

	October 31, 2023		October 31, 2022	
	Units	Carrying amount (\$'000)	Units	Carrying amount (\$'000)
Performance deferred share unit plans	9,926	5,361	9,762	6,124
RBC share unit plans	136	73	67	42
	<u>10,062</u>	<u>5,434</u>	<u>9,829</u>	<u>6,166</u>

24.3 Compensation expenses recognised under share-based compensation plans

	2023 (\$'000)	2022 (\$'000)
Performance deferred share unit plans	1,972	2,369
RBC share unit plans	174	49
	<u>2,146</u>	<u>2,418</u>

25 Taxation expense

	2023 (\$'000)	2022 (\$'000)
Current tax charge	142,930	76,008
Group loss relief	-	(8,147)
Prior years	(202)	1,761
Deferred tax charge/(credit) (Note 11)	1,763	45,099
Share of tax charge of associate company (Note 8)	2,067	1,246
	<u>146,558</u>	<u>115,967</u>

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

	2023 (\$'000)	2022 (\$'000)
Net income before taxation	422,654	327,865
Prima facie tax calculated at a rate of 35%	147,929	114,753
Income exempt from tax	(2,401)	(865)
Expenses not deductible for tax	555	579
Group loss relief	-	(8,147)
Prior years	(202)	1,761
Other	677	7,886
	<u>146,558</u>	<u>115,967</u>

The deferred tax charge for the year comprises the following temporary differences:

	2023 (\$'000)	2022 (\$'000)
Accelerated tax depreciation	(2,267)	(11,189)
Allowance for credit losses	(703)	(47,461)
Other	5,322	7,663
Post-retirement medical benefits	(4,115)	5,888
	<u>(1,763)</u>	<u>(45,099)</u>

Income tax recognised in other comprehensive income

	2023 (\$'000)	2022 (\$'000)
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of securities	462	(304)
Re-measurement of post-retirement benefit obligation	(3,539)	(1,331)
	<u>(3,077)</u>	<u>(1,635)</u>

26 Dividends

No dividends were declared or paid to shareholders during the financial year (2022 - \$Nil).

27 Contingent liabilities

Legal proceedings

As at October 31, 2023, there were certain legal proceedings outstanding against the Bank for which a provision has been made of \$2 million based on professional advice as to the likely obligations arising from these litigation matters (2022: \$2 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.

	2023 (\$'000)	2022 (\$'000)
Bonds outstanding, indemnities and letters of credit	<u>203,980</u>	<u>217,615</u>
Sectoral analysis		
Private sector	173,895	186,739
State sector	23,077	23,078
Consumers	6,600	7,390
Other	408	408
	<u>203,980</u>	<u>217,615</u>

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, 2023 allowance for credit losses for contingent liabilities amounted to \$2,478,861 (2022:\$ 1,326,021) – Note 16.

28 Credit commitments

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

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Consumer	1,974,853	1,800,664
Distribution	170,557	216,576
Financial services	869,327	883,056
Transport	74,425	94,184
Construction	146,162	107,656
Real estate	16,511	47,210
Other	1,145,636	633,919
	<u>4,397,471</u>	<u>3,783,265</u>

29 Capital commitments

The Bank's capital commitments primarily in respect of building construction, renovation and information technology projects amounting to \$0 million (2022: Nil).

30 Related party transactions

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

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

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries, directly or indirectly. They include the senior executives of the parent, RBC Financial (Caribbean) Limited called the Operating Committee (OC) and Executive Management Committee (EMC). The OC and EMC are comprised of the Head Caribbean



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30 Related party transactions (continued)

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.

	2023 (\$'000)	2022 (\$'000)
Outstanding balances		
Due from banks, reverse repurchased assets and receivables		
Royal Bank of Canada – Ultimate Parent	4,494	7,734
Other subsidiaries of Royal Bank of Canada	322,315	613,215
Due from associate and affiliated companies	<u>330,726</u>	<u>200,704</u>
	<u>657,535</u>	<u>821,653</u>
Loans and securities		
Due from associate and affiliated companies	255,633	257,828
Directors and key management personnel	<u>2,496</u>	<u>742</u>
	<u>258,129</u>	<u>258,570</u>
Derivatives		
Due (to)/from affiliated company	-	<u>(271)</u>
Deposits and other liabilities		
Royal Bank of Canada – Ultimate Parent	12,640	5,905
Other subsidiaries of Royal Bank of Canada	14,333	25
Due to associate and affiliated companies	568,631	678,973
Directors and key management personnel	<u>210</u>	<u>33</u>
	<u>595,814</u>	<u>684,936</u>
Interest income		
Due from associate and affiliated companies	12,514	8,282
Other subsidiaries of Royal Bank Canada	27,923	6,023
Directors and key management personnel	<u>110</u>	-
	<u>40,547</u>	<u>14,305</u>
Non-interest income		
Other subsidiaries of Royal Bank of Canada	-	-
Due from associate and affiliated companies	<u>47,665</u>	<u>69,735</u>
	<u>47,665</u>	<u>69,735</u>
Interest expense		
Due to associate and affiliated companies	36	-
Directors and key management personnel	-	<u>33</u>
	<u>36</u>	<u>33</u>
Operating expenses		
Royal Bank of Canada – Ultimate Parent	25,522	21,488
Other subsidiaries of Royal Bank of Canada	303	300
Due to associate and affiliated companies	<u>181,492</u>	<u>177,740</u>
	<u>207,317</u>	<u>199,528</u>
Key management compensation		
Share based payments	630	960
Salaries and other short term benefits	<u>3,993</u>	<u>5,465</u>
	<u>4,623</u>	<u>6,425</u>

31 Financial risk management

31.1 Statement of Financial Position - categorisation

	2023 (\$'000)	2022 (\$'000)
Assets		
Financial assets at fair value through profit or loss		
Securities	19,699	19,659
Financial assets at fair value through other comprehensive income		
Cash and short term instruments	608,300	1,518,374
Securities – equity instruments ⁽¹⁾	<u>248</u>	<u>262</u>
	<u>608,548</u>	<u>1,518,636</u>
Financial assets at amortised cost		
Cash on hand and due from banks	1,242,394	1,037,927
Balances with Central Bank	3,855,315	3,894,039
Loans to customers	11,575,004	10,790,299
Securities	6,434,787	7,007,457
Due from associate and affiliated companies	913,168	1,079,210
Other assets	<u>55,376</u>	<u>34,179</u>
	<u>24,076,044</u>	<u>23,843,111</u>
Total financial assets	<u>24,704,291</u>	<u>25,381,406</u>
Non-financial assets	<u>757,439</u>	<u>800,485</u>
Total assets	<u>25,461,730</u>	<u>26,181,891</u>
Liabilities		
Financial liabilities at amortised cost		
Due to banks	34,482	16,463
Customers' deposits	21,249,736	21,911,820
Debt securities in issue	-	300,000
Due to associate and affiliated companies	595,604	684,903
Other liabilities	<u>78,367</u>	<u>113,196</u>
	<u>21,958,189</u>	<u>23,026,382</u>
Total financial liabilities	<u>21,958,189</u>	<u>23,026,382</u>
Non-financial liabilities	<u>842,947</u>	<u>776,726</u>
Total liabilities	<u>22,801,136</u>	<u>23,803,108</u>
Total equity	<u>2,660,594</u>	<u>2,378,783</u>
Total equity and liabilities	<u>25,461,730</u>	<u>26,181,891</u>

⁽¹⁾ Securities - equity instruments designated as at FVOCI

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

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

Business category	Number of companies	Number of shares/units ^(a) (('000))	Carrying value	
			2023 (\$'000)	2022 (\$'000)
Financial services	1	14	<u>248</u>	<u>262</u>
Total			<u>248</u>	<u>262</u>

^(a) During the year ended October 31, 2023 there were no disposals equity shares designated as FVOCI (2022 - 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, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure

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

Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance



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31 Financial risk management (continued)

31.2 Risk management (continued)

Risk Management Unit (continued)

with risk policies and limits across the Bank in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensure the risks are completely captured in the risk measurement and reporting systems.

Operating Committee (OC)

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

Group Asset/Liability Committee (ALCO)

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

Internal Audit

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

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information, which consists of several reports, is presented and explained to the OC, the ALCO, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, and liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

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

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

31.3 Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that The Bank may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Group's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

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

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

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

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

Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

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

31.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities and excludes any projected interest on loans, securities or deposits. Cash flows related to gross loans are disclosed based on number of days in each period.

	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, 2023						
Assets						
Cash and short term instruments	1,850,694	-	-	-	-	1,850,694
Balances with central banks	3,855,315	-	-	-	-	3,855,315
Loans	2,431,736	619,940	992,705	4,497,575	3,249,357	11,791,313
Allowance for credit losses	-	-	-	-	-	(216,309)
Securities	1,646,525	1,718,841	1,155,689	1,913,732	19,947	6,454,734
Due from associates and affiliated companies	657,535	-	-	7,633	248,000	913,168
Other assets	55,376	-	-	-	-	55,376
Total financial assets less derivatives	10,497,181	2,338,781	2,148,394	6,418,940	3,517,304	24,704,291
Liabilities						
Due to banks	34,482	-	-	-	-	34,482
Customers' deposits	20,824,875	126,160	297,925	776	-	21,249,736
Due to associate and affiliated companies	549,179	36,929	-	-	-	586,108
Other liabilities	6,851	3,945	7,714	49,590	10,267	78,367
Total financial liabilities less derivatives	21,415,387	167,034	305,639	50,366	10,267	21,948,693
Liquidity gap	(10,918,206)	2,171,747	1,842,755	6,368,574	3,507,037	2,755,598
Cumulative gap	(10,918,206)	(8,746,459)	(6,903,704)	(535,130)	2,971,907	



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31 Financial risk management (continued)

31.3 Liquidity risk (continued)

31.3.1 Non-derivative cash flows (continued)

Financial assets and liabilities less derivatives (continued)

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

The following table provides remaining contractual maturity analysis of our financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g., par value or amount payable upon maturity). The amounts do not reconcile directly with those in our Statement of Financial Position as the table incorporates only cash flows relating to payments on maturity and do not recognise premiums, discounts or mark-to-market adjustments.

	Due on demand (\$'000)	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total cash flows (\$'000)
As at October 31, 2023					
Financial liabilities					
Due to banks	34,482	-	-	-	34,482
Customers' deposits	20,598,451	651,766	777	-	21,250,994
Due to associates and affiliated companies	503,906	82,202	-	-	586,108
Other liabilities	-	18,510	49,590	10,267	78,367
	21,136,839	752,478	50,367	10,267	21,949,951
As at October 31, 2022					
Financial liabilities					
Due to banks	16,463	-	-	-	16,463
Customers' deposits	21,265,750	644,670	1,725	-	21,912,145
Debt securities in issue	-	307,125	-	-	307,125
Due to associates and affiliated companies	589,937	94,966	-	-	684,903
Other liabilities	-	29,765	50,552	32,879	113,196
	21,872,150	1,076,526	52,277	32,879	23,033,832

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, 2023				
Guarantees, bonds, indemnities and letters of credit	136,486	7,837	59,657	203,980
Credit commitments	3,805,584	108,912	482,975	4,397,471
Capital commitments	-	-	-	-
	3,942,070	116,749	542,632	4,601,451
As at October 31, 2022				
Guarantees, bonds, indemnities and letters of credit	140,642	8,251	68,722	217,615
Credit commitments	3,342,899	87,492	352,874	3,783,265
Capital commitments	-	-	-	-
	3,483,541	95,743	421,596	4,000,880

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

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

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

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

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

	EVE Risk		NII Risk	
	Local Currency (\$'000)	Hard Currency (\$'000)	Local Currency (\$'000)	Hard Currency (\$'000)
As at October 31, 2023				
<i>Impact before tax</i>				
100 bps increase in rates	28,378	(2,887)	(13,591)	1,777
100 bps decrease in rates	(29,593)	2,770	13,591	(1,777)
As at October 31, 2022				
<i>Impact before tax</i>				
100 bps increase in rates	49,689	28,058	(8,486)	25,299
100 bps decrease in rates	(51,876)	(29,266)	8,486	(25,299)



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31 Financial risk management (continued)

31.4 Market risk (continued)

31.4.3 Interest sensitivity of assets and liabilities to repricing risk

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non- interest bearing (\$'000)	Total (\$'000)
As at October 31, 2023					
Assets					
Cash and short term instruments	1,850,694	-	-	-	1,850,694
Balances with Central Bank	-	-	-	3,855,315	3,855,315
Loans to customers	8,528,493	2,536,454	510,057	-	11,575,004
Securities at FVTPL	6,372	3,930	9,397	-	19,699
Securities at FVOCI	248	-	-	-	248
Securities at amortised cost	4,527,502	1,907,285	-	-	6,434,787
Due from associate and affiliated companies	657,535	7,633	248,000	-	913,168
Other assets	-	-	-	55,376	55,376
Total financial assets	15,570,844	4,455,302	767,454	3,910,691	24,704,291
Liabilities					
Due to banks	34,482	-	-	-	34,482
Customers' deposits	10,279,815	10,969,921	-	-	21,249,736
Debt securities in issue	-	-	-	-	-
Due to associate and affiliated companies	595,604	-	-	-	595,604
Other liabilities	-	-	-	78,367	78,367
Total financial liabilities	10,909,901	10,969,921	-	78,367	21,958,189
Interest sensitivity gap	4,660,943	(6,514,619)	767,454		

As at October 31, 2022**Assets**

Cash and short term instruments	2,556,301	-	-	-	2,556,301
Balances with Central Bank	-	-	-	3,894,039	3,894,039
Loans to customers	7,533,202	1,617,097	1,640,000	-	10,790,299
Securities at FVTPL	6,255	9,975	3,429	-	19,659
Securities at FVOCI	262	-	-	-	262
Securities at amortised cost	5,818,056	1,189,401	-	-	7,007,457
Due from associate and affiliated companies	821,381	2,035	255,794	-	1,079,210
Other assets	-	-	-	34,179	34,179
Total financial assets	16,735,457	2,818,508	1,899,223	3,928,218	25,381,406

Liabilities

Due to banks	16,463	-	-	-	16,463
Customers' deposits	10,506,003	11,405,817	-	-	21,911,820
Debt securities in issue	300,000	-	-	-	300,000
Due to associate and affiliated companies	684,903	-	-	-	684,903
Other liabilities	-	-	-	113,196	113,196
Total financial liabilities	11,507,369	11,405,817	-	113,196	23,026,382

Interest sensitivity gap

5,228,088 (8,587,309) 1,899,223

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, 2023				
Loans to customers:				
Retail	1,213,082	749,913	136,609	2,099,604
Commercial/corporate	4,364,920	1,767,308	364,357	6,496,585
Mortgages	3,166,800	19,233	9,091	3,195,124
Gross loans to customers	8,744,802	2,536,454	510,057	11,791,313
Securities:				
Securities at FVTPL	6,372	3,930	9,397	19,699
Securities FVOCI	248	-	-	248
Securities held-to-collect at amortised cost	4,534,235	1,925,552	-	6,459,787
Gross securities	4,540,855	1,929,482	9,397	6,479,734
As at October 31, 2022				
Loans to customers:				
Retail	884,342	671,107	398,549	1,953,998
Commercial/corporate	3,806,085	943,747	1,220,473	5,970,305
Mortgages	3,075,66	2,243	20,978	3,098,867
Gross loans to customers	7,766,073	1,617,097	1,640,000	11,023,170
Securities:				
Securities at FVTPL	6,255	9,975	3,429	19,659
Securities FVOCI	262	-	-	262
Securities held-to-collect at amortised cost	5,849,358	1,189,400	-	7,038,758
Gross securities	5,855,875	1,199,375	3,429	7,058,679

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, 2023				
Loans to customers:				
Retail	1,878,833	211,270	9,501	2,099,604
Commercial/corporate	3,269,265	3,012,221	215,099	6,496,585
Mortgages	28,914	3,117,164	49,046	3,195,124
Gross loans to customers	5,177,012	6,340,655	273,646	11,791,313
As at October 31, 2022				
Loans to customers:				
Retail	1,701,334	244,140	8,524	1,953,998
Commercial/corporate	2,864,115	2,876,076	230,114	5,970,305
Mortgages	17,274	3,034,709	46,884	3,098,867
Gross loans to customers	4,582,723	6,154,925	285,522	11,023,170

31.4.6 Other price risk

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

Change in price	Effect on equity	
	2023 (\$'000)	2022 (\$'000)
+1%	2	3
-1%	(2)	(3)



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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)	XCD (\$'000)	ANG (\$'000)	BBD (\$'000)	Other (\$'000)	Total (\$'000)
As at October 31, 2023							
Assets							
Cash and short term instruments	380,347	1,420,958	-	-	1,172	48,217	1,850,694
Balances with central banks	3,855,315	-	-	-	-	-	3,855,315
Loans	10,456,058	1,118,946	-	-	-	-	11,575,004
Securities	3,909,257	2,542,838	-	-	-	2,639	6,454,734
Due from associates and affiliated companies	540,757	369,288	-	34	13	3,076	913,168
Other assets	34,820	20,556	-	-	-	-	55,376
Total financial assets	19,176,554	5,472,586	-	34	1,185	53,932	24,704,291
Liabilities							
Due to banks	34,217	265	-	-	-	-	34,482
Customers' deposits	17,086,273	4,108,189	-	-	-	55,274	21,249,736
Other funding instruments	-	-	-	-	-	-	-
Other borrowed funds	-	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-	-
Due to associates and affiliated companies	314,539	280,230	835	-	-	-	595,604
Other liabilities	78,250	117	-	-	-	-	78,367
Total financial liabilities	17,513,279	4,388,801	835	-	-	55,274	21,958,189
Net statement of financial position	1,663,275	1,083,785	(835)	34	1,185	(1,342)	2,746,102
Credit commitments	3,629,637	767,834	-	-	-	-	4,397,471
As at October 31, 2022							
Assets							
Cash and short term instruments	1,021,297	1,466,214	912	-	973	66,905	2,556,301
Balances with central banks	3,894,039	-	-	-	-	-	3,894,039
Loans	9,851,881	938,418	-	-	-	-	10,790,299
Securities	3,983,215	3,041,774	-	-	-	2,389	7,027,378
Due from associates and affiliated companies	429,879	641,762	-	-	-	7,569	1,079,210
Other assets	17,071	17,108	-	-	-	-	34,179
Total financial assets	19,197,382	6,105,276	912	-	973	76,863	25,381,406
Liabilities							
Due to banks	2,097	14,366	-	-	-	-	16,463
Customers' deposits	17,194,039	4,646,483	-	-	-	71,298	21,911,820
Debt securities in issue	300,000	-	-	-	-	-	300,000
Due to associates and affiliated companies	376,926	307,112	-	-	-	865	684,903
Other liabilities	113,193	3	-	-	-	-	113,196
Total financial liabilities	17,986,255	4,967,964	-	-	-	72,163	23,026,382
Net statement of financial position	1,211,127	1,137,312	912	-	973	4,700	2,355,024
Credit commitments	3,032,283	750,982	-	-	-	-	3,783,265

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, 2023			
Currency			
USD	(1)	(4,002)	(3)
October 31, 2022			
Currency			
USD	(1)	(4,826)	(2)

31.6 Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio, the Group has stringent lending criteria, which include conservative debt service coverage, loan to value ratios and stability of earnings. These exposures are continuously monitored to identify any change in the credit worthiness of the borrower. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

31.6.1 Credit risk management

a) Loans

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

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

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

b) Debt securities and other bills

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

31.6.2 Risk limit control and mitigation policies

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

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.



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31 Financial risk management (continued)

31.6 Credit risk (continued)

31.6.1 Credit risk management (continued)

Credit-related commitments

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

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

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Credit risk exposures relating to financial assets on the Statement of Financial Position are as follows:		
Due from banks and treasury bills	1,487,346	2,226,555
Balances with Central Bank	3,855,315	3,894,039
Loans to customers	11,791,313	11,023,170
Securities at FVTPL	19,699	19,659
Securities at amortised cost	6,459,787	7,038,758
Due from associate and affiliated companies	913,168	1,079,210
	<u>24,526,628</u>	<u>25,281,391</u>
Credit risk exposures relating to financial assets not on the Statement of Financial Position are as follows:		
Guarantees, indemnities and letters of credit	203,980	217,615
Credit commitments	<u>4,397,471</u>	<u>3,783,265</u>
	<u>4,601,451</u>	<u>4,000,880</u>
Total credit risk exposure	<u>29,128,079</u>	<u>29,282,271</u>

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	
	2023 (\$'000)	2022 (\$'000)
Consumer	5,543,883	5,137,051
Manufacturing	85,055	89,451
Distribution	162,273	110,520
Financial services	3,246,848	2,462,217
Transport	103,491	97,361
Construction	575,523	520,834
Petroleum	87,640	91,714
Agriculture	69,778	9,314
Real estate	424,320	449,352
Tourism	2,775	2,831
Professional services	230,904	202,517
Utilities	89,189	268,965
Health services	127,719	68,890
Government	10,460,296	12,394,903
Other	<u>3,316,934</u>	<u>3,375,471</u>
	<u>24,526,628</u>	<u>25,281,391</u>

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, 2023, was \$10,012,610,000 (2022:\$10,457,609,000) 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, 2023				
Due from banks	1,487,346	-	-	1,487,346
Balances with Central Bank	3,855,315	-	-	3,855,315
Loans to customers:				
Retail	2,047,920	34,978	16,706	2,099,604
Commercial/corporate	6,095,816	177,700	223,069	6,496,585
Mortgages	3,046,054	101,245	47,825	3,195,124
Loans to customers (gross)	11,189,790	313,923	287,600	11,791,313
Securities:				
FVTPL (including trading):				
Government	4,513	-	-	4,513
Other	15,186	-	-	15,186
Amortised cost:				
Government	5,779,525	-	-	5,779,525
Corporate	680,262	-	-	680,262
Securities (gross)	6,479,486	-	-	6,479,486
Due from associate and affiliated companies	913,168	-	-	913,168
Total	<u>23,925,105</u>	<u>313,923</u>	<u>287,600</u>	<u>24,526,628</u>
As at October 31, 2022				
Due from banks	2,226,555	-	-	2,226,555
Balances with Central Bank	3,894,039	-	-	3,894,039
Loans to customers:				
Retail	1,908,441	30,215	15,342	1,953,998
Commercial/corporate	5,460,700	247,125	262,480	5,970,305
Mortgages	2,942,511	110,005	46,351	3,098,867
Loans to customers (gross)	10,311,652	387,345	324,173	11,023,170
Securities:				
FVTPL (including trading):				
Government	5,127	-	-	5,127
Other	14,532	-	-	14,532
Amortised cost:				
Government	6,724,271	-	-	6,724,271
Corporate	314,487	-	-	314,487
Securities (gross)	7,058,417	-	-	7,058,417
Due from associate and affiliated companies	1,079,210	-	-	1,079,210
Total	<u>24,569,873</u>	<u>387,345</u>	<u>324,173</u>	<u>25,281,391</u>

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

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

The table below presents an analysis of due from banks, loans to customers, debt securities, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's Equivalent grades	2023 (\$'000)	2022 (\$'000)
Excellent			
AA	BB+	5,663,460	6,958,791
Very good			
A+	BB	1,200,923	1,360,057
A	BB-	7,409,150	6,336,906
Good			
A-	B+	4,112,147	4,302,085
B+	B	-	-
Special mention			
B	B-	5,879,038	6,010,013
C+	CCC+	-	-
Unacceptable			
C	CCC	203,427	262,754
D+	CCC-	-	-
Bad and doubtful			
D	CC+	13,590	14,433
E+	CC	-	-
Virtual certain loss			
E	CC-	44,893	36,352
		<u>24,526,628</u>	<u>25,281,391</u>



Royal Bank

RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

31 Financial risk management (continued)

31.6 Credit risk (continued)

31.6.8 Repossessed collateral

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

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

	2023 (\$'000)	2022 (\$'000)
Land	120	232
Buildings	810	2,287
Motor-vehicles ⁽¹⁾	-	-
	<u>930</u>	<u>2,519</u>

⁽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% (2022: 10%). The Bank's regulatory capital ratio is 19.53 % (2022: 20.21%).

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.

	2023 (\$'000)	2022 (\$'000)
Tier 1 capital		
Stated capital	403,970	403,970
Statutory reserve	836,070	836,070
Capital Reserve	45,672	45,672
Retained earnings	1,440,849	1,164,753
Total qualifying Tier 1 capital	<u>2,726,561</u>	<u>2,450,465</u>
Tier 2 capital		
Debt securities in issue	-	300,000
General reserves	604	604
General impairment	19,217	12,969
Revaluation reserve – securities	2,132	2,990
Other reserve IAS 19R	(68,703)	(75,275)
Total qualifying Tier 2 capital	<u>(46,750)</u>	<u>241,288</u>
Total regulatory capital	<u>2,679,811</u>	<u>2,691,753</u>
Total risk-weighted assets	<u>13,722,740</u>	<u>13,317,332</u>
Regulatory capital ratio	<u>19.53%</u>	<u>20.21%</u>

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, 2023							
Loans	-	11,425,609	11,425,609	-	-	11,425,609	11,425,609
Other assets	55,376	-	55,376	-	-	-	-
Securities	-	6,363,943	6,363,943	6,363,943	-	-	6,363,943
Due to banks	34,482	-	34,482	-	-	-	-
Customers' deposits	20,617,596	632,270	21,249,866	-	-	632,270	632,270
Debt securities in issue	-	-	-	-	-	-	-
Other liabilities	78,367	-	78,367	-	-	-	-
As at October 31, 2022							
Loans	-	10,784,519	10,784,519	-	-	10,784,519	10,784,519
Other assets	34,179	-	34,179	-	-	-	-
Securities	-	6,970,811	6,970,811	6,970,811	-	-	6,970,811
Due to banks	16,463	-	16,463	-	-	-	-
Customers' deposits	21,133,134	778,177	21,911,311	-	-	778,177	778,177
Debt securities in issue	-	297,794	297,794	-	-	297,794	297,794
Other liabilities	113,196	-	113,196	-	-	-	-

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

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Loans to customers are similarly valued taking into account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.


RBC Royal Bank (Trinidad and Tobago) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

32 Fair value of financial assets and liabilities (continued)
Financial assets and liabilities for which fair value are disclosed (continued)
Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

- 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, 2023				
Securities at FVTPL				
<u>Securities FVTPL classified</u>				
Debt securities	-	4,513	-	4,513
Money market instruments	15,186	-	-	15,186
	15,186	4,513	-	19,699
Securities at FVOCI				
<u>Securities FVOCI classified</u>				
Equity securities	248	-	-	248
	248	-	-	248
As at October 31, 2022				
Securities at FVTPL				
<u>Securities FVTPL classified</u>				
Debt securities	-	5,127	-	5,127
Money market instruments	14,532	-	-	14,532
	14,532	5,127	-	19,659
Securities at FVOCI				
<u>Securities FVOCI classified</u>				
Equity securities	262	-	-	262
	262	-	-	262

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, 2023			
Securities at FVOCI	-	-	-
	-	-	-
As at October 31, 2022			
Securities at FVOCI	262	-	-
	262	-	-

Financial assets classified as fair value through profit and 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, 2023, 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.



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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 2023, RBC Investment Management (Caribbean) Limited recorded a net profit after taxation of \$113.2 million, marginally above the prior year's profit of \$113.1 million, driven by increased revenues partially offset by higher costs. Total revenue increased by \$6.2 million year-on-year from higher fee income due to increases in assets under management whilst non-interest expenses increased by \$6.1 million mainly attributable to higher operating costs.

The management team's commitment to sound management principles in managing our clients' investments and helping them grow their wealth has continued to drive growth in assets under management, which increased by \$1 billion year-on-year to \$27 billion.

The Company is well capitalised with a capital ratio of 47.93%, which is well in excess of required regulatory thresholds.

We remain committed to offering our clients the best-in-class solutions for the preservation and growth of their wealth, whilst continuing to position ourselves for long-term sustainable growth.

On behalf of the Board of Directors and executive of RBC, I would like to thank the Company's loyal clientele for the continued confidence shown in us as we work towards improved service

and operations. I would also like to thank our employees who continue to be the driving force behind 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.

Simone Edwards
Chairman
January 23, 2024

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, 2023 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next

twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

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

Darryl White
Head RBC Investment
Management (Ag.)
RBC Investment Management
(Caribbean) Limited
January 23, 2024

Roxann Granger
Chief Financial Officer
RBC Investment Management
(Caribbean) Limited
January 23, 2024

Independent Auditor's Report

To the shareholder of RBC Investment Management (Caribbean) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBC Investment Management (Caribbean) Limited (the Company) as at 31 October 2023, 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 2023
- 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 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 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 judgement 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 2023

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Independent Auditor's Report (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.

Tricaudhouse Coopers
Port of Spain
Trinidad, West Indies
26 January 2024

Statement of Financial Position

		As at October 31	
	Notes	2023 (\$'000)	2022 (\$'000)
Assets			
Cash and cash equivalents	3	162,088	306,050
Intangible assets	4	1,421	2,570
Equipment	5	146	299
Corporation tax recoverable		7	14
Deferred tax asset	6	2,549	2,854
Due from affiliated companies	19	37,731	754
Other assets	7	19,634	19,266
Total assets		<u>223,576</u>	<u>331,807</u>
Liabilities			
Post-retirement benefit obligations	8	7,365	7,993
Current income tax liabilities		11,885	10,910
Deferred tax liabilities	6	714	739
Due to affiliated companies	19	1,431	2,181
Other liabilities	9	4,876	4,735
Total liabilities		<u>26,271</u>	<u>26,558</u>
Shareholder's equity			
Stated capital	10	15,019	15,019
Statutory reserve	11	15,019	15,019
Retained earnings		167,267	275,211
Total shareholder's equity		<u>197,305</u>	<u>305,249</u>
Total equity and liabilities		<u>223,576</u>	<u>331,807</u>

The notes form an integral part of these financial statements.

On January 23, 2024, the Board of Directors of RBC Investment Management (Caribbean) Limited authorised these financial statements for issue.

[Signature] Director *[Signature]* Director

Statement of Changes in Equity

	Note	Stated capital (\$'000)	Statutory reserves (\$'000)	Other reserves (\$'000)	Retained earnings (\$'000)	Total (\$'000)
Year ended October 31, 2023						
Balance at beginning of year		15,019	15,019	-	275,211	305,249
Profit after taxation		-	-	-	113,222	113,222
Other comprehensive income		-	-	-	24	24
Total comprehensive income		-	-	-	113,246	113,246
Dividends	17	-	-	-	(221,190)	(221,190)
Balance at end of year		<u>15,019</u>	<u>15,019</u>	<u>-</u>	<u>167,267</u>	<u>197,305</u>
Year ended October 31, 2022						
Balance at beginning of year		15,019	15,019	-	284,511	314,549
Profit after taxation		-	-	-	113,057	113,057
Other comprehensive income		-	-	-	103	103
Total comprehensive income		-	-	-	113,160	113,160
Dividends	17	-	-	-	(122,460)	(122,460)
Balance at end of year		<u>15,019</u>	<u>15,019</u>	<u>-</u>	<u>275,211</u>	<u>305,249</u>

The notes form an integral part of these financial statements.

Statement of Income and other Comprehensive Income

		Year ended October 31	
	Notes	2023 (\$'000)	2022 (\$'000)
Interest income	12	36	-
Non-interest income	13	223,308	217,115
Total revenue		<u>223,344</u>	<u>217,115</u>
Non-interest expenses	14	(61,408)	(55,342)
Total non-interest expenses		<u>(61,408)</u>	<u>(55,342)</u>
Profit before taxation		161,936	161,773
Taxation expense	16	(48,714)	(48,716)
Profit after taxation		<u>113,222</u>	<u>113,057</u>
Other comprehensive income, net of taxes: Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	8.4	24	103
Other comprehensive income for the year, net of taxes		<u>24</u>	<u>103</u>
Total comprehensive income for the year		<u>113,246</u>	<u>113,160</u>

The notes form an integral part of these financial statements.

Statement of Cash Flows

		Year ended October 31	
	Note	2023 (\$'000)	2022 (\$'000)
Net income before taxation from continuing operations		161,936	161,773
Adjustments for:			
Post-retirement benefit obligation expense		(486)	100
Depreciation and amortisation		1,344	1,230
Operating income before changes in operating assets and liabilities for continuing operations		<u>162,794</u>	<u>163,103</u>
(Increase)/decrease in other assets		(368)	1,606
Increase in due from affiliated companies		(36,977)	(33)
Increase in other liabilities		825	2,053
Decrease in due to affiliated companies		(750)	(3,664)
Corporation tax paid - net of refunds		(48,252)	(48,298)
Cash generated from operating activities for continuing operations		<u>77,272</u>	<u>114,767</u>
Investing activities			
Purchase of equipment and intangible assets		(44)	(55)
Cash used in investing activities for continuing operations		<u>(44)</u>	<u>(55)</u>
Financing activities			
Dividends paid		(221,190)	(122,460)
Cash used in financing activities for continuing operations		<u>(221,190)</u>	<u>(122,460)</u>
Net decrease in cash and cash equivalents		<u>(143,962)</u>	<u>(7,748)</u>
Cash and cash equivalents at beginning of year		<u>306,050</u>	<u>313,798</u>
Cash and cash equivalents at end of year	3	<u>162,088</u>	<u>306,050</u>

The notes form an integral part of these financial statements.



Notes to the Financial Statements 2023

October 31, 2023 (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 Significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars.

Use of estimates and assumptions

In preparing our Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Refer to the relevant accounting policies in this Note for details on our use of estimates and assumptions.

Significant judgements

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

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

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

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

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

Changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2023. The Company has not early-adopted any of them and therefore they have not been applied in preparing these financial statements. The amendment listed below is most likely to have no impact on the Company's performance, financial position or disclosures.

Interest Rate Benchmark Reform

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

- For modifications of financial instruments carried at amortised cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss.

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

Classification of financial assets

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 20, and the activities taken to manage those risks;
- Historical and future expectations of the receivables managed as part of a business model; and
- The compensation structures for managers of the businesses within the Company, to the extent that these are directly linked to the economic performance of the business model.

The Company's business model for receivables is HTC: the objective of this business model is to hold receivables to collect contractually due cash flows.

SPPI assessment

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

Revenue recognition

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

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

The Company adopts the portfolio approach, as an operational expedient, where contracts are assessed as a portfolio as opposed to individually assessed when the characteristics of each contract is similar. The Company reviews the services provided as part of the contract, the contract duration, the terms and conditions for the contract, the amount, form and timing of consideration and the timing of the transfer of the service.

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

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

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit card fees and commissions. The Company does not incur material costs to obtain contracts with customers such as sales commissions.

Commissions and fees

Commission and fees primarily relate to investment management and custodial fees and mutual fund revenue and are recognised based on the applicable service contracts with customers.

Investment management and custodial fees and mutual fund revenue are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract.



Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Revenue recognition (continued)

Commissions and fees (continued)

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

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in Non-interest expense based on our assessment of whether we have primary responsibility to fulfill the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

Accounts receivable

For accounts receivable, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from the initial recognition of receivables.

To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on payment terms and corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customer's ability to settle the receivables. Macroeconomic variables used include, but are not limited to unemployment rate, gross domestic product (GDP) and inflation rate.

Interest

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

Offsetting financial assets and financial liabilities

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

Cash and cash equivalents

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

Derecognition of financial assets

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

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

Derecognition of financial liabilities

We derecognise a financial liability from our Statement of Financial Position when our obligation specified in the contract expires, or is discharged or cancelled. We recognise

the difference between the carrying amount of a financial liability transferred and the consideration paid in our Statement of Income and Other Comprehensive Income.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency transactions (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in Non-interest income in the Statement of Income and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets that are measured at fair value are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date, and the resulting foreign exchange gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

Equipment

Equipment includes computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. Gains and losses on disposal are recorded in Non-interest income.

Equipment is 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.



Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Leases (continued)

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

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

Other Liabilities

Other liabilities are initially measured at fair value and are subsequently measured at amortised cost.

Provisions

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

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

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

Employee benefits – Pensions and other post-employment benefits

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

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

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

Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

Share-based compensation

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

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

Green fund levy

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

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied.

The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

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

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

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Company's tax positions by the relevant taxation authorities.

Intangible assets

Intangible assets represent identifiable non-monetary assets acquired separately. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives as follows: computer software – 4 to 10 years. There are no intangible assets with indefinite lives.

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

An impairment loss recognised previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognised.



Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

2 Significant accounting policies, estimates and judgements (continued)

Other significant accounting policies (continued)

Intangible assets (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgement is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs, which are estimated, based on forecast results and business initiatives.

Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognised in Non-interest expense.

Stated capital

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

3 Cash and cash equivalents

	2023 (\$'000)	2022 (\$'000)
Cash at bank	<u>162,088</u>	<u>306,050</u>

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

4 Intangible assets

	2023 (\$'000)	2022 (\$'000)
Software		
Opening net book value	2,570	3,670
Amortisation	<u>(1,149)</u>	<u>(1,100)</u>
Closing net book value	<u>1,421</u>	<u>2,570</u>
Cost	8,606	8,606
Accumulated amortisation	<u>(7,185)</u>	<u>(6,036)</u>
Net book value	<u>1,421</u>	<u>2,570</u>

5 Equipment

	Computer equipment (\$'000)	Electronic equipment (\$'000)	Work in progress (\$'000)	Total (\$'000)
Year ended October 31, 2023				
Opening net book value	294	-	5	299
Transfers	49	-	(49)	-
Additions	-	-	44	44
Depreciation charge	<u>(197)</u>	-	-	<u>(197)</u>
Closing net book value	<u>146</u>	-	-	<u>146</u>
At October 31, 2023				
Total cost	705	-	-	705
Accumulated depreciation	<u>(559)</u>	-	-	<u>(559)</u>
Net book value	<u>146</u>	-	-	<u>146</u>
Year ended October 31, 2022				
Opening net book value	309	-	65	374
Transfers	115	-	(115)	-
Additions	-	-	55	55
Depreciation charge	<u>(130)</u>	-	-	<u>(130)</u>
Closing net book value	<u>294</u>	-	5	<u>299</u>
At October 31, 2022				
Total cost	725	-	5	730
Accumulated depreciation	<u>(431)</u>	-	-	<u>(431)</u>
Net book value	<u>294</u>	-	5	<u>299</u>

6 Deferred tax assets and liabilities

	2023 (\$'000)	2022 (\$'000)
Deferred tax asset	2,549	2,854
Deferred tax liabilities	<u>(714)</u>	<u>(739)</u>
	<u>1,835</u>	<u>2,115</u>
The movement on the deferred tax account is as follows:		
At beginning of year	2,115	2,035
Charge to Statement of Income (Note 16)	(162)	139
Charge to Statement of Other Comprehensive Income	<u>(118)</u>	<u>(59)</u>
At end of year	<u>1,835</u>	<u>2,115</u>
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax asset		
Post-retirement benefits	2,205	2,398
Accelerated tax depreciation	93	(15)
Severance	-	194
Other	<u>251</u>	<u>277</u>
	<u>2,549</u>	<u>2,854</u>
Deferred tax liabilities		
Accelerated tax depreciation	-	(6)
Foreign exchange translation	<u>(714)</u>	<u>(733)</u>
	<u>(714)</u>	<u>(739)</u>

7 Other assets

	2023 (\$'000)	2022 (\$'000)
Accounts receivable	16,929	16,586
Prepayments	<u>2,705</u>	<u>2,680</u>
	<u>19,634</u>	<u>19,266</u>
Current	<u>19,634</u>	<u>19,266</u>

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 2023 was negligible (2022: 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, 2023			
Fair value of plan assets	-	(4)	(4)
Post-retirement benefit obligation	<u>6,319</u>	<u>1,050</u>	<u>7,369</u>
Liability in the Statement of Financial Position	<u>6,319</u>	<u>1,046</u>	<u>7,365</u>



Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

8 Post-retirement benefit obligations (continued)

8.1 The amounts recognised in the Statement of Financial Position are as follows:
(continued)

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2022			
Fair value of plan assets	-	(4)	(4)
Post-retirement benefit obligation	4,881	3,116	7,997
Liability in the Statement of Financial Position	<u>4,881</u>	<u>3,112</u>	<u>7,993</u>

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

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	-	(4)	(4)
Re-measurement gain:	-	-	-
At end of year	<u>-</u>	<u>(4)</u>	<u>(4)</u>
October 31, 2022			
At beginning of year	-	(4)	(4)
Re-measurement gain:	-	-	-
At end of year	<u>-</u>	<u>(4)</u>	<u>(4)</u>

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

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	4,881	3,116	7,997
Current service cost	33	23	56
Past service cost	-	-	-
Interest expense	377	62	439
Re-measurements:			
Effect of changes in demographic assumptions	(72)	-	(72)
Effect of changes in financial assumptions	(168)	(73)	(241)
Effect of experience adjustments	(146)	68	(78)
Benefits paid	(119)	-	(119)
Other	1,533	(2,146)	(613)
At end of year	<u>6,319</u>	<u>1,050</u>	<u>7,369</u>
October 31, 2022			
At beginning of year	5,214	2,830	8,044
Current service cost	32	25	57
Past service cost	94	-	94
Interest expense	336	61	397
Re-measurements:			
Effect of changes in demographic assumptions	208	-	208
Effect of changes in financial assumptions	(350)	(53)	(403)
Effect of experience adjustments	(178)	226	48
Benefits paid	(103)	-	(103)
Other	(372)	27	(349)
At end of year	<u>4,881</u>	<u>3,116</u>	<u>7,997</u>

8.4 The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Current service cost	33	23	56
Net interest expense	377	62	439
Benefit paid	(119)	-	(119)
Other	1,284	(2,146)	(862)
Components of defined benefit costs recognised in profit or loss	<u>1,575</u>	<u>(2,061)</u>	<u>(486)</u>

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
Re-measurement on the net liability:			
Effect of changes in demographic assumptions	(72)	-	(72)
Effect of changes in financial re-measurements	(168)	(73)	(241)
Effect of experience adjustments	(146)	68	(78)
Return on plan assets (excluding interest income)	-	-	-
Other	249	-	249
Components of defined benefit cost included in other comprehensive income	<u>(137)</u>	<u>(5)</u>	<u>(142)</u>
Total	<u>1,438</u>	<u>(2,066)</u>	<u>(628)</u>

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2022			
Current service cost	32	25	57
Past service cost	94	-	94
Net interest expense	336	61	397
Benefit paid	(103)	-	(103)
Other	(372)	27	(345)
Components of defined benefit costs recognised in profit or loss	<u>(13)</u>	<u>113</u>	<u>100</u>
Re-measurement on the net liability:			
Effect of changes in demographic assumptions	208	-	208
Effect of changes in financial re-measurements	(350)	(53)	(403)
Effect of experience adjustments	(178)	226	48
Return on plan assets (excluding interest income)	-	-	-
Other	-	(4)	(4)
Components of defined benefit cost included in other comprehensive income	<u>(320)</u>	<u>169</u>	<u>(151)</u>
Total	<u>(333)</u>	<u>282</u>	<u>(51)</u>

8.5 Investment policy and strategies

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

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including normal retirements, terminations and deaths;
- the financial position of the pension plans;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- 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, 2023		October 31, 2022	
	Fair value (\$'000)	Percentage of total plan assets	Fair value (\$'000)	Percentage of total plan assets
Debt securities				
Alternative investments	(4)	100%	(4)	100%
	<u>(4)</u>	<u>100%</u>	<u>(4)</u>	<u>100%</u>

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.



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Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

8 Post-retirement benefit obligations (continued)

8.5 Investment policy and strategies (continued)

Summary of principal assumptions

	October 31, 2023	October 31, 2022
Discount rates – medical and life	6.20%	6.00%
Discount rates – pension	6.20%	6.00%
Salary increases	2.00%/2.50%	4.00%/2.50%
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

8.6 Sensitivity analysis

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

	Increase / (decrease) in obligation	
	2023 (\$'000)	2022 (\$'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	348	366
Impact of 1.0% increase in discount rate	(239)	(250)
Impact of 0.5% decrease in rate of increase in future compensation	(43)	(44)
Impact of 0.5% increase in rate of increase in future compensation	53	52
Impact of 1 year decrease in life expectancy	(40)	(40)
Impact of 1 year increase in life expectancy	41	45
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	915	934
Impact of 1.0% increase in discount rate	(745)	(756)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1.0% decrease in health care cost trend rate	(277)	(259)
Impact of 1.0% increase in health care cost trend rate	327	308
Impact of 1 year decrease in life expectancy	-	2
Impact of 1 year increase in life expectancy	(1)	3

9 Other liabilities

	2023 (\$'000)	2022 (\$'000)
Accruals and payables	1,138	550
Employee related costs	3,738	4,185
	<u>4,876</u>	<u>4,735</u>
Current	<u>4,876</u>	<u>4,735</u>

10 Stated capital

	2023 (\$'000)	2022 (\$'000)
Issued and fully paid		
225,019,100 ordinary shares of no-par value	<u>15,019</u>	<u>15,019</u>

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

	2023 (\$'000)	2022 (\$'000)
Interest income on cash and cash equivalents	<u>36</u>	<u>-</u>
	<u>36</u>	<u>-</u>

13 Non-interest income from continuing operations

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

	2023 (\$'000)	2022 (\$'000)
<i>Non-interest income over time:</i>		
Trust and investment management related fees	223,366	216,736
<i>Non-interest income at a point in time:</i>		
Foreign exchange earnings	(62)	379
Sundry income	4	-
	<u>223,308</u>	<u>217,115</u>

14 Non-interest expenses

	2023 (\$'000)	2022 (\$'000)
Staff costs (Note 14.1)	17,705	17,826
Equipment and intangible assets expenses, excluding depreciation and amortisation	7,957	6,937
Advertising and public relations	1,198	505
Depreciation and amortisation	1,344	1,231
Management fees	27,404	23,783
Directors' fees	98	141
Auditor's fees	609	500
Business and capital tax	3,507	3,066
Green fund levy	670	652
Sundry losses	29	3
Other operating expenses	887	698
	<u>61,408</u>	<u>55,342</u>
14.1 Staff costs		
Wages and salaries including bonuses	16,731	15,591
Employees' defined contribution pension expense	1,037	959
Employees' defined benefit and post other post-retirement benefit costs (Note 8.4)	(486)	100
Share option plan-value of services provided	423	1,176
	<u>17,705</u>	<u>17,826</u>

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

	Units granted #	Weighted average fair value per unit (\$)
2023		
Performance deferred share unit plans	342	642
RBC share unit plans	<u>252</u>	<u>676</u>
	<u>594</u>	
2022		
Performance deferred share unit plans	385	636
RBC share unit plans	<u>341</u>	<u>718</u>
	<u>726</u>	

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October 31, 2023 (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 #	Carrying amount (\$'000)
2023		
Performance deferred share unit plans	818	442
RBC share unit plans	691	373
	<u>1,509</u>	<u>815</u>
2022		
Performance deferred share unit plans	893	560
RBC share unit plans	524	329
	<u>1,417</u>	<u>889</u>

15.3 Compensation expenses recognised under share-based compensation plans

	2023 (\$'000)	2022 (\$'000)
Performance deferred share unit plans	231	268
RBC share unit plans	192	247
	<u>423</u>	<u>515</u>

16 Taxation expense

	2023 (\$'000)	2022 (\$'000)
Current tax charge	48,551	48,855
Prior year deferred tax adjustment	-	-
Prior years	-	-
Net deferred tax credit (Note 6)	162	(139)
	<u>48,713</u>	<u>48,716</u>
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	161,936	161,773
Prima facie tax calculated at a rate of 30%	48,581	48,532
Expenses not deductible for tax	-	(11)
Prior years	-	-
Other	133	195
	<u>48,714</u>	<u>48,716</u>
The deferred tax charge for the year comprises the following temporary differences:		
Accelerated tax depreciation	(115)	54
Post-retirement benefits	79	(40)
Other temporary differences	198	(153)
	<u>162</u>	<u>(139)</u>

17 Dividends

During the year, dividends declared and paid to the shareholder was \$221.2 million (2022: \$122.5 million).

Dividends are accounted for as an appropriation of retained earnings.

18 Contingent liabilities

As at October 31, 2023 there were no contingent liabilities (2022 - 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.

	2023 (\$'000)	2022 (\$'000)
Cash and cash equivalents		
Other affiliated companies	162,088	306,050
Due from affiliated companies		
Other affiliated companies	36,965	-
Due from RBCFCL	766	754
	<u>37,731</u>	<u>754</u>
Other assets		
Other affiliated companies	2,873	2,946
Other liabilities		
Due to RBCFCL	1,431	2,181
Non-interest income		
Due from RBCFCL	2,278	2,197
Other affiliated companies	180,785	173,377
	<u>183,063</u>	<u>175,574</u>
Interest income		
Other affiliated companies	36	-
Other operating expenses		
Due to RBCFCL	28,766	25,159
Other affiliated companies	343	150
	<u>29,109</u>	<u>25,309</u>

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.

	2023 (\$'000)	2022 (\$'000)
Key management compensation		
Share based payment	350	395
Salaries and other short term benefits	1,564	1,449

20 Financial risk management

20.1 Risk management

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

Risk management structure

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

Operating Committee (OC)

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



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.1 Risk management (continued)

Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Group Compliance and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the RBC Financial Caribbean Group in the three key areas of credit risk, market risk and operational risk. Each business unit has decentralised units, which is responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralised units also ensures the risks are completely captured in the risk measurement and reporting systems.

Group Asset and Liability Committee (ALCO)

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

Investment Policy Committee

The Investment Policy committee is comprised of two Non-Executive Directors and one Operating Committee member. The Committee is responsible for approving all Statements of Investments Policy (SIP) and reviewing compliance with same. The SIPs shall be drafted in accordance with the stated objectives of each Fund under management with close reference to the assets permissible by law or deed. The SIPs shall be reviewed annually to ensure compliance with any statutory changes or amendments to relevant deeds. The Committee meets on a quarterly basis.

Investment Strategy Committee

This Committee is engaged in providing guidance to the Company relative to economic and capital markets. The Committee prepares an investment outlook that is submitted to the Investment Policy Committee and provides guidance to the Company's Portfolio Managers as it relates to mix of investments, geographical allocations, duration and currency exposure.

Internal Audit

Risk management processes throughout the Company are audited by the internal audit function that examines both the adequacy of the procedures and the Company's compliance with the procedures.

Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information which consists of several reports, is presented and explained to the OC, the ALCO and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

20.2 Categorisation

	Financial assets or liabilities carried at amortised costs (\$'000)	Non-financial assets or liabilities (\$'000)	Equity instruments (\$'000)	Total (\$'000)
As at October 31, 2023				
Assets				
Cash and cash equivalents	162,088	-	-	162,088
Intangible assets	-	1,421	-	1,421
Equipment	-	146	-	146
Other assets	16,929	2,705	-	19,634
Due from affiliated company	37,731	-	-	37,731
Corporation tax recoverable	-	7	-	7
Deferred tax asset	-	2,549	-	2,549
Total assets	216,748	6,828	-	223,576

	Financial assets or liabilities carried at amortised costs (\$'000)	Non-financial assets or liabilities (\$'000)	Equity instruments (\$'000)	Total (\$'000)
Equity and liabilities				
Other liabilities	1,138	3,738	-	4,876
Post-retirement benefit Obligations	-	7,365	-	7,365
Current income tax liabilities	-	11,885	-	11,885
Due to affiliated company	1,431	-	-	1,431
Deferred tax liabilities	-	714	-	714
Shareholder's equity	-	-	197,305	197,305
Total equity and liabilities	2,569	23,702	197,305	223,576

As at October 31, 2022

Assets

Cash and cash equivalents	306,050	-	-	306,050
Intangible assets	-	2,570	-	2,570
Equipment	-	299	-	299
Other assets	16,586	2,680	-	19,266
Due from affiliated company	754	-	-	754
Corporation tax recoverable	-	14	-	14
Deferred tax asset	-	2,854	-	2,854
Total assets	323,390	8,417	-	331,807

Equity and liabilities

Other liabilities	550	4,185	-	4,735
Post-retirement benefit Obligations	-	7,993	-	7,993
Current income tax Liabilities	-	10,910	-	10,910
Due to affiliated company	2,181	-	-	2,181
Deferred tax liabilities	-	739	-	739
Shareholder's equity	-	-	305,249	305,249
Total equity and liabilities	2,731	23,827	305,249	331,807

20.3 Liquidity risk

Liquidity and funding risk (liquidity risk) is the risk that the Company may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they become due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Company's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

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

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

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



Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.3 Liquidity risk (continued)

Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

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

20.3.1 Financial assets and liabilities less derivatives

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

	Less than three months (\$'000)	Three to six months (\$'000)	Six to twelve months (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at October 31, 2023						
Assets						
Cash and cash equivalents	162,088	-	-	-	-	162,088
Due from associated and affiliated companies	-	37,731	-	-	-	37,731
Other Assets	16,215	582	132	-	-	16,929
Total financial assets less derivatives	178,303	38,313	132	-	-	216,748
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	1,431	-	-	-	-	1,431
Other liabilities	1,101	2,339	1,088	348	-	4,876
Total financial liabilities less derivatives	2,532	2,339	1,088	348	-	6,307
Liquidity gap	175,771	35,974	(956)	(348)	-	210,441
Cumulative gap	175,771	211,745	210,789	210,441	-	-
As at October 31, 2022						
Assets						
Cash and cash equivalents	306,050	-	-	-	-	306,050
Due from associated and affiliated companies	754	-	-	-	-	754
Other assets	16,279	243	64	-	-	16,586
Total financial assets less derivatives	323,083	243	64	-	-	323,390
Liabilities						
Due to banks	-	-	-	-	-	-
Due to associates and affiliated companies	2,181	-	-	-	-	2,181
Other liabilities	540	-	-	10	-	550
Total financial liabilities less derivatives	2,721	-	-	10	-	2,731
Liquidity gap	320,362	243	64	(10)	-	320,659
Cumulative gap	320,362	320,605	320,669	320,659	320,659	-

20.4 Market risk

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

The market risks arising from non-trading activities are measured separately by the Group Risk department who submits reports to the ALCO on a regular basis. Additionally, on a quarterly basis, the Group Risk Management, Treasury and Finance departments review and approves the valuation of all securities and trading liabilities.

20.4.1 Market risk measurement techniques

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

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

20.4.2 Interest rate risk

To monitor and control interest rate risk in the banking book (IRRBB), The 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, interest rate volatility shocks, and interest rate scenarios prescribed by regulators. IRRBB – as defined by the Basel Committee – is the “current or prospective risk to a bank's capital and earnings, arising from adverse movements in interest rates that affect the bank's banking book positions.” Insufficient management, measurement and control of IRRBB can pose a significant threat to the Bank's capital base and/or its future earnings.

In measuring NII risk, detailed banking book balance sheets are stressed to determine the impact of changes in interest rates on accrual or projected earnings. Assets, liabilities and off-balance sheet positions are simulated over a 1 year time horizon. The simulations incorporate maturities, renewals, and new originations along with prepayment behaviour. Product pricing and volumes are forecasted based on past experience to determine response expectations for a given market shock scenario.

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 with consideration of possible forward-looking changes. All models and assumptions used to measure IRRBB are subject to independent oversight by Group Risk Management. The Board approves the risk appetite for IRRBB, and the Asset-Liability Committee (ALCO), along with GRM, provides ongoing governance of IRRBB measurement and management through risk policies, limits, operating standards and other controls. IRRBB reports are reviewed monthly by GRM, ALCO, and quarterly by the Board.

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

	EVE Risk		NII Risk	
	Local Currency (\$'000)	Hard Currency (\$'000)	Local Currency (\$'000)	Hard Currency (\$'000)
As at October 31, 2023				
<i>Impact before tax</i>				
100 bps increase in rates	(170)	(35)	(421)	207
100 bps decrease in rates	171	35	421	(207)
As at October 31, 2022				
<i>Impact before tax</i>				
100 bps increase in rates	(171)	(150)	(1,196)	867
100 bps decrease in rates	172	150	1,196	(867)

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.



Investment Management
Caribbean

RBC Investment Management (Caribbean) Limited

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk (continued)

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non- interest bearing (\$'000)	Total (\$'000)
As at October 31, 2023					
Financial assets					
Cash and cash equivalents	23,430	-	-	138,658	162,088
Due from affiliated company	36,965	-	-	766	37,731
Other assets	-	-	-	16,929	16,929
Total financial assets	60,395	-	-	156,353	216,748
Financial liabilities					
Due to affiliated company	-	-	-	1,431	1,431
Other liabilities	-	-	-	1,138	1,138
Total financial liabilities	-	-	-	2,569	2,569
Interest sensitivity gap	60,395	-	-	-	-
As at October 31, 2022					
Financial assets					
Cash and cash equivalents	100,731	-	-	205,319	306,050
Due from affiliated company	-	-	-	754	754
Other assets	-	-	-	16,586	16,586
Total financial assets	100,731	-	-	222,658	323,390
Financial liabilities					
Due to affiliated company	-	-	-	2,181	2,181
Other liabilities	-	-	-	550	550
Total financial liabilities	-	-	-	2,731	2,731
Interest sensitivity gap	100,731	-	-	-	-

20.5 Currency risk

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

20.5.1 Concentrations of currency risk

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

	TTD (\$'000)	USD (\$'000)	Total (\$'000)
As at October 31, 2023			
Financial assets			
Cash and cash equivalents	138,658	23,430	162,088
Due from affiliated company	37,731	-	37,731
Other assets	16,929	-	16,929
Total financial assets	193,318	23,430	216,748
Financial liabilities			
Due to affiliated company	1,431	-	1,431
Other liabilities	1,138	-	1,138
Total financial liabilities	2,569	-	2,569
Net Statement of Financial Position	190,749	23,430	214,179
As at October 31, 2022			
Financial assets			
Cash and cash equivalents	205,319	100,731	306,050
Due from affiliated company	754	-	754
Other assets	16,586	-	16,586
Total financial assets	222,659	100,731	323,390
Financial liabilities			
Due to affiliated company	2,181	-	2,181
Other liabilities	550	-	550
Total financial liabilities	2,731	-	2,731
Net Statement of Financial Position	219,928	100,731	320,659

20.5.2 Foreign currency exchange risk

As at October 31, 2023 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 \$234,300 (2022: \$1,007,310).

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	
	2023 (\$'000)	2022 (\$'000)
Cash and cash equivalents	162,088	306,050
Due from affiliated company	37,731	754
Accounts receivable	16,929	16,586
Total	216,748	323,390

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, 2023				
Cash and cash equivalents	162,088	-	-	162,088
Due from affiliated company	37,731	-	-	37,731
Accounts receivable	16,929	-	-	16,929
Total	216,748	-	-	216,748
As at October 31, 2022				
Cash and cash equivalents	306,050	-	-	306,050
Due from affiliated company	754	-	-	754
Accounts receivable	16,279	307	-	16,586
Total	323,083	307	-	323,390

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 47.93% (2022: 68.25%). 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.



Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

20 Financial risk management (continued)

20.7 Capital management (continued)

	2023 (\$'000)	2022 (\$'000)
Tier 1 capital		
Stated capital	15,019	15,019
Statutory reserve	15,019	15,019
Retained earnings	<u>167,267</u>	<u>275,211</u>
Total qualifying Tier 1 capital	<u>197,305</u>	<u>305,249</u>
Tier 2 capital		
Other reserve	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital	<u>197,305</u>	<u>305,249</u>
Risk-weighted assets:		
On-Statement of Financial Position	<u>408,690</u>	<u>443,515</u>
Total risk-weighted assets	<u>408,690</u>	<u>443,515</u>
Total regulatory capital to risk weighted assets	<u>47.93%</u>	<u>68.25%</u>

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 (2022: \$45 million).

23 Administered funds

The Company acts as an investment manager and in that capacity places assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company. Assets under management as at October 31, 2023 totalled \$27 billion (2022: \$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 Merchant Bank (Caribbean) Limited



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Financial Statements 2023

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Chairman's Report


RBC Merchant Bank (Caribbean) Limited (the Company) recorded a net profit after taxation of \$115.4 million for the financial year ended 31 October 2023, an improvement when compared to the prior year's \$12.6 million.

This performance was largely driven by higher interest income from our securities and loan portfolios, from higher yields, partly from the rising international interest rate environment, enhanced by growth in our investment portfolio and loan book. This notable increase in revenue was partially offset by a return to normal provisioning for credit losses, after releases in the prior year related to COVID-19 provisions taken in 2020,

and higher operating costs, though at a slower pace than the top line growth. This resulted in a significant improvement in the Company's efficiency ratio year over year.

Total assets stood at \$4.0 billion, up \$0.4 billion from increases in the investment portfolio of \$0.6 billion funded by the increased utilisation of a credit line with an affiliated company. Loans to customers increased by \$159.1 million to \$686.1 million while Customers' deposits declined by \$163.0 million to \$355.8 million. The Company is well capitalised with a capital ratio of 47.00%, 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 our achievements. Their continued commitment to our values, to our clients and to one another has positioned us for sustainable long-term growth and success.


Richard Downie
Chairman
January 24, 2024

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 Merchant Bank (Caribbean) Limited (the "Company") which comprise the statement of financial position as at October 31, 2023 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, estimates and judgements and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's

assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Darryl White
Regional Vice President –
Corporate and
Investment Banking
January 24, 2024



Roxann Granger
Chief Financial Officer,
RBC Merchant Bank
(Caribbean) Limited
January 24, 2024

Independent Auditor's Report

To the shareholder of RBC Merchant Bank (Caribbean) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBC Merchant Bank (Caribbean) Limited (the Company) as at 31 October 2023, 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 2023;
- 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.

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.



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Independent Auditor's Report (continued)

- 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.

Priscilla House
Port of Spain
Trinidad, West Indies
25 January 2024

Statement of Financial Position

		As at October 31,	
Notes		2023 (\$'000)	2022 (\$'000)
Assets			
Cash and short term instruments	3	368,645	555,487
Balances with Central Bank	4	37,324	208,752
Loans	6	686,125	527,041
Securities	7	2,633,453	2,034,372
Investment in associated company and joint venture	8	216,326	216,819
Due from affiliated companies	9	23,928	24,186
Intangible assets	10	936	548
Equipment	11	111	9
Corporation taxation recoverable		26,849	37,615
Deferred tax assets	12	6,429	21,842
Other assets	13	14,385	10,957
Total assets		4,014,511	3,637,628
Liabilities			
Customers' deposits	14	355,834	518,786
Other funding instruments	15	8,610	19,550
Due to affiliated companies	16	2,692,948	2,254,582
Derivative financial liabilities	17	-	92
Post-retirement benefit obligation	18	4,819	12,395
Current income tax liabilities		9,086	-
Deferred tax liabilities	12	10,028	10,020
Other liabilities	19	19,785	22,892
Total liabilities		3,101,110	2,838,317
Shareholder's equity			
Stated capital	20	140,000	140,000
Statutory reserve	21	140,000	140,000
Other components of equity		(1,629)	(1,856)
Investment revaluation reserve	22	(2,009)	(434)
Contributed surplus		1,211	1,211
Retained earnings		635,828	520,390
Total shareholder's equity		913,401	799,311
Total liabilities and equity		4,014,511	3,637,628

The notes form an integral part of these financial statements.

On January 24, 2024, the Board of Directors of RBC Merchant Bank (Caribbean) Limited authorised these Financial Statements for issue.

Abdul Donnie
Director

Stuart
Director

Statement of Income and Other Comprehensive Income

		Year ended October 31,	
Notes		2023 (\$'000)	2022 (\$'000)
Interest income	23	195,388	35,463
Interest expense	24	(17,919)	(2,216)
Net interest income		177,469	33,247
Non-interest (expense) / income	25	(671)	2,897
Total revenue		176,798	36,144
Non-interest expenses	26	(33,803)	(30,768)
(Provision for) / release of credit losses on loans		(2,204)	2,121
Impairment losses on investments		(12)	-
Total non-interest expenses		(36,019)	(28,647)
Share of profit of associated company	8.1	(1,007)	7,730
Share of profit of joint venture	8.2	6,988	9,611
Income before taxation		146,760	24,838
Taxation expense	28	(31,322)	(12,228)
Net income after taxation		115,438	12,610
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on securities at FVOCI	22	(1,575)	(436)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-retirement benefit obligations	18.5	227	(205)
Other comprehensive loss for the year, net of tax		(1,348)	(641)
Total comprehensive income for the year		114,090	11,969

The notes form an integral part of these financial statements.



Merchant Bank
Caribbean

RBC Merchant Bank (Caribbean) Limited

Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

Statement of Changes in Equity

	Stated capital (\$'000)	Statutory reserve (\$'000)	Other components of equity (\$'000)	Investment revaluation reserve (\$'000)	Contributed surplus (\$'000)	Retained earnings (\$'000)	Total (\$'000)
Balance at							
October 31, 2023							
Balance at beginning of year	140,000	140,000	(1,856)	(434)	1,211	520,390	799,311
Other comprehensive loss	-	-	227	(1,575)	-	-	(1,348)
Income after taxation	-	-	-	-	-	115,438	115,438
Total comprehensive income	-	-	227	(1,575)	-	115,438	114,090
Balance at							
October 31, 2023	<u>140,000</u>	<u>140,000</u>	<u>(1,629)</u>	<u>(2,009)</u>	<u>1,211</u>	<u>635,828</u>	<u>913,401</u>
Balance at							
October 31, 2022							
Balance at beginning of year	140,000	140,000	(1,651)	2	1,211	507,780	787,342
Other comprehensive loss	-	-	(205)	(436)	-	-	(641)
Income after taxation	-	-	-	-	-	12,610	12,610
Total comprehensive income	-	-	(205)	(436)	-	12,610	11,969
Balance at							
October 31, 2022	<u>140,000</u>	<u>140,000</u>	<u>(1,856)</u>	<u>(434)</u>	<u>1,211</u>	<u>520,390</u>	<u>799,311</u>

The notes form an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended October 31,	
		2023 (\$'000)	2022 (\$'000)
Net profit before taxation		146,760	24,838
Adjustment for:			
Release of credit losses		-	-
Impairment losses/(gains) on loans to customer		2,204	(2,121)
Post-retirement benefit (write-back)/ expense		(5,368)	300
Net investment trading losses		650	225
Impairment losses on investments		12	-
Unrealised gains on derivatives		(92)	(1,253)
Depreciation and amortisation of equipment and intangible assets		459	437
Share of profits of associate company and joint venture		(5,981)	(16,759)
Accretion on securities		(88,546)	-
Loss on disposal of premises and equipment and intangible assets		-	960
Operating profit before changes in operating assets/liabilities		<u>50,098</u>	<u>6,627</u>
(Increase)/decrease in operating assets:			
Balances with central bank		9,428	(4,577)
Loans		(161,288)	(75,791)
Due from affiliated companies		258	4,692
Other assets		(4,178)	(6,324)
Increase/(decrease) in operating liabilities:			
Customers' deposits		(162,952)	176,769
Other funding instruments		(10,940)	(9,645)
Due to affiliated companies		438,366	1,596,753
Other liabilities		(4,997)	913
Taxes paid		6,703	35,955
Cash generated from operating activities		<u>160,498</u>	<u>1,725,372</u>
Investing activities			
Purchase of securities		(4,716,827)	(2,203,751)
Proceeds from sale and redemption of securities		4,203,392	850,158
Dividends received from associated company and joint venture		5,050	1,350
Additions to equipment and intangible assets		(955)	(6)
Proceeds from sale of equipment and intangible assets		-	-
Cash used in investing activities		<u>(509,340)</u>	<u>(1,352,249)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(348,842)</u>	<u>373,123</u>
Cash and cash equivalents at beginning of year		<u>724,278</u>	<u>351,155</u>
Cash and cash equivalents at end of year	5	<u>375,436</u>	<u>724,278</u>
Supplemented information:			
Interest received		191,226	29,770
Interest paid		(21,355)	2,737

The notes form an integral part of these financial statements.

Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

1 Incorporation and business activities of the Company

RBC Merchant Bank (Caribbean) Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago in 1975. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited, also incorporated in the Republic of Trinidad and Tobago. The ultimate parent company is Royal Bank of Canada, which is incorporated in Canada. The Company operates under the provisions of the Financial Institutions Act 2008 and is licensed to carry on the business of a merchant bank, trust company, mortgage institution, finance house, confirming house and leasing corporation.

The Company offers a comprehensive range of financial services associated with the business activities, which it is authorised to conduct, including arranging and underwriting of securities, loan syndication, securities trading, advisory services and other capital market transactions in the Republic of Trinidad and Tobago and in other jurisdictions. The address of the Company's registered office is 7 – 9 St. Clair Avenue, St. Clair, Port of Spain, Trinidad.

In 2018, the Company reduced its ordinary share holding in RGM Limited from 33.3% to 19.3%; subsequent to the disposal, the Company still holds 33.3% of preference shares and therefore continues to be entitled to this percentage of the profits of RGM Limited. The Company also has a 20% equity interest in Park Court Limited, which, like RGM Limited, is a property development company.

2 Summary of significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars.

These are prepared under the historical cost convention as modified by the revaluation of securities at fair value through other comprehensive income and derivative financial instruments.

Use of estimates and assumptions

In preparing our Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and 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

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 36
• Allowance for credit losses	Note 2, Note 6, Note 7
• Employee benefits	Note 2, Note 18
• Share-based compensation	Note 2, Note 27
• Other intangibles	Note 2, Note 10
• Application of the effective interest method	Note 2
• Derecognition of financial assets	Note 2
• Income taxes	Note 2, Note 28
• Provisions	Note 2, Note 31



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Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars)

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

Changes in accounting policies

Updates to Interest Rate Benchmark Reform

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

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

Progress in and risks arising from the transition to ABRs

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

As part of the interest rate benchmark reform, the publication of all remaining USD LIBOR settings ceased on June 30, 2023 and consistent with our transition plan, our exposure to non-derivative financial assets referencing USD LIBOR interest rates is nil as at October 31, 2023 (October 31, 2022 - \$58,700).

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

Investment in associated company and joint ventures

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

Classification of financial assets

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

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 35, and the activities taken to manage those risks;

- Historical and future expectations of sales of the loans and securities managed as part of a business model; and

- The compensation structures for managers of the businesses within the Company, to the extent that these are directly linked to the economic performance of the business model.

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

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

SPPI assessment

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

Securities

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 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.

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

Fair value option

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

Financial assets designated as FVTPL are 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 our 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



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Other significant accounting policies (continued)

Fair value option (continued)

liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed.

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

Derivatives

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

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

Loans

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

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

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

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

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

Expected life

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

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

Assessment of significant increase in credit risk

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

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

- 1) The instrument is 30 days past due.
- 2) The account is watch-listed and centrally monitored and managed. This centrally monitored portfolio today remains a mix of accounts which are in default and



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October 31, 2023 (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)

Assessment of significant increase in credit risk (continued)

accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component.

- 3) Retail loans receiving business as usual deferrals granted by our collections team.
- 4) Loans of clients who had a prior default during the last three years.
- 5) Increases in the probability of default (PD) at the loan level.

Our assessment of significant increases in credit risk is primarily based on the approach described above.

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on macroeconomic scenarios. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period.

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

Scenario design

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

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

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For wholesale borrowers, except as detailed below, default occurs when the borrower is more than 90 days past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

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

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

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

Individually assessed loans (Stage 3)

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

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

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

Write-off of loans

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

Modifications

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

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

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

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



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October 31, 2023 (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

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 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 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. Due to the high volume of The Company's contracts that are identical or have similar contractual terms (for example standardised banking agreements with customers), the expedient is applied to many of The Company's current revenue streams.

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 transfer the service to the customer and the receipt of the contract consideration.

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

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit card fees and commissions. The Company does not incur material costs to obtain contracts with customers such as sales commissions.

Transaction costs

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

Offsetting financial assets and financial liabilities

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

Cash and short term instruments

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

Derecognition of financial assets

Financial assets are derecognised from our 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, 2023 (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 utilising the common shares of its ultimate parent company, Royal Bank of Canada (RBC) whose shares are listed on the Toronto and New York Stock Exchanges. The plans are administered by RBC. These plans include performance deferred share plans and RBC share unit plans for its employees. The obligations for the Plans are accrued over their vesting periods. The Plans are settled in cash.

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

Green fund levy

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

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related

to our subsidiaries, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset 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 – 3 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:

- 3 to 10 years for computer equipment,
- 5 to 15 years for furniture, fixtures and other equipment.

Gains and losses on disposal are recorded in non-interest income.

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

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

Leases

At inception of a contract, the Company assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee the right to obtain substantially all of the economic benefits from, and direct the use of, an identified asset for a period of time in return for consideration in the form a payment or series of payments.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are unspecialised, common, technologically unsophisticated, widely available, and widely used non-infrastructure assets. For short-term leases and leases of low-value assets, we record the lease payments as an operating expense on a straight-line basis over the lease term.

Provisions

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

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

Dividend income

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

Stated capital

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

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

Comparative Information

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

3 Cash and short term instruments

	2023 (\$'000)	2022 (\$'000)
Treasury bills	134,028	269,113
Due from other banks	194,169	235,081
Due from affiliated companies	40,448	51,293
	<u>368,645</u>	<u>555,487</u>

Treasury bills are short-term investments with original maturities of less than three months from the date of acquisition. Due from affiliated companies and other banks include deposits held on demand as well as items in the process of clearing.

4 Balances with Central Bank

	2023 (\$'000)	2022 (\$'000)
Monetary reserves	30,533	39,961
Cash balances	6,791	168,791
	<u>37,324</u>	<u>208,752</u>

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

The Financial Institutions Act 2008 requires every non-banking financial institution to maintain a non-interest bearing deposit with the Central Bank of Trinidad and Tobago equivalent to 9% of deposits and other specified funding liabilities of the institution.

5 Cash and cash equivalents

	Notes	2023 (\$'000)	2022 (\$'000)
Cash and short term instruments	3	368,645	555,487
Cash balances with central banks	4	6,791	168,791
Cash and cash equivalents		<u>375,436</u>	<u>724,278</u>

6 Loans

Sectoral analysis

	2023 (\$'000)	2022 (\$'000)
Commercial/corporate	699,677	536,017
Mortgages	3,435	5,875
Gross loans	703,112	541,892
Allowance for credit losses (Note 6.1)	(16,987)	(14,851)
	<u>686,125</u>	<u>527,041</u>
Analysis of gross loans:		
Stage 1	684,605	518,408
Stage 2	317	332
Stage 3	18,190	23,152
Gross loans	<u>703,112</u>	<u>541,892</u>

During the fiscal period, no loans (2022 - \$nil) have been pledged for the benefit of investors in other funding instruments.



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6 Loans (continued)

	2023 (\$'000)	2022 (\$'000)
Current	140,656	387,750
Non-current	562,456	154,142
	<u>703,112</u>	<u>541,892</u>

6.1 Allowance for credit losses on loans

	Balance at beginning of period (\$'000)	Provision for credit losses (\$'000)	Net write-offs (\$'000)	Exchange rate and other (\$'000)	Balance at end of period (\$'000)
For the year ended October 31, 2023					
Commercial/corporate	14,782	2,227	(38)	-	16,971
Mortgages	69	(23)	(28)	(2)	16
	<u>14,851</u>	<u>2,204</u>	<u>(66)</u>	<u>(2)</u>	<u>16,987</u>
Undrawn loan commitments	918	154	-	-	1,072
For the year ended October 31, 2022					
Commercial/corporate	16,777	(1,948)	(47)	-	14,782
Mortgages	253	(173)	-	(11)	69
	<u>17,030</u>	<u>(2,121)</u>	<u>(47)</u>	<u>(11)</u>	<u>14,851</u>
Undrawn loan commitments	1,604	(686)	-	-	918

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

Reconciling items include the following:

- **Model Changes.** There was no update to the existing model during the year. In the previous year, an update was made to the existing model used to derive an estimate of credit losses. Key data elements were updated to better reflect actual historical behaviours. The impact of this model update is disclosed as a model change in the reconciliation below.
- **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, 2023				
Balance at beginning of period	3,839	7	11,005	14,851
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	1	(1)	-	-
Transfers in (out) to Stage 2	-	23	(23)	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	1,830	-	-	1,830
Derecognitions and maturities	(362)	-	(176)	(538)
Remeasurements	(52)	(23)	987	912
Write-offs	-	-	(70)	(70)
Recoveries	-	-	4	4
Exchange rate and other	-	-	(2)	(2)
Balance at end of period	<u>5,256</u>	<u>6</u>	<u>11,725</u>	<u>16,987</u>

	Allowance for Credit Losses (\$'000)			
	Performing Stage 1	Stage 2	Impaired Stage 3	Total
For the year ended October 31, 2022				
Balance at beginning of period	4,429	1,321	11,280	17,030
Provision for credit losses				
Model changes	(326)	(12)	-	(338)
Transfers in (out) to Stage 1	901	(901)	-	-
Transfers in (out) to Stage 2	(1)	1	-	-
Transfers in (out) to Stage 3	-	(16)	16	-
Purchases and originations	-	-	-	-
Derecognitions and maturities	(4)	(20)	(43)	(67)
Remeasurements	(1,160)	(366)	(190)	(1,716)
Write-offs	-	-	(47)	(47)
Recoveries	-	-	-	-
Exchange rate and other	-	-	(11)	(11)
Balance at end of period	<u>3,839</u>	<u>7</u>	<u>11,005</u>	<u>14,851</u>

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include our internal historical default rates, changes in credit quality, real GDP growth rates and non-energy GDP (for Trinidad and Tobago entities).

The global economy is showing signs of improvement, but the upturn remains weak, as headwinds persist. Weakening growth prospects in some of the major global markets, elevated core inflation, restrictive monetary conditions, and heightened uncertainties particularly from the protracted war in Ukraine and more recently by the slower than expected rebound of the Chinese economy weigh heavily on the global outlook. Our base scenario considers the ongoing recovery of 2023 in the Caribbean and the moderating of real GDP growth rates in 2023-2025 as the economies revert to their steady state. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

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

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

- A 100 basis points increase will lower the allowance for credit losses by \$0.28 million (2022 - \$0.17 million).
- A 100 basis points decrease will increase the allowance for credit losses by \$0.30 million (2022 - \$0.26 million).

Further details on the key inputs and assumptions used as at October 31, 2023 are provided in Note 2 and Note 6.2.

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	Carrying value (\$'000)	Base Scenario (\$'000)
As at October 31, 2023		
ACL on performing loans ⁽¹⁾	5,262	4,519
As at October 31, 2022		
ACL on performing loans ⁽¹⁾	3,846	3,441

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

Transfers between stages

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

	As at October 31, 2023 (\$'000)	As at October 31, 2022 (\$'000)
Performing loans⁽¹⁾		
ACL - all performing loans in Stage 1	5,256	3,838
Impact of staging	<u>6</u>	<u>8</u>
Stage 1 and 2 ACL	<u>5,262</u>	<u>3,846</u>

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

Staging is based on 30 days past due, centrally managed accounts, retail loans receiving business as usual deferrals granted by The Company, loans of clients who had a prior default during the last three years and increases in probability of default at the loan level.



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6 Loans (continued)

6.2 Loan modifications

Relief provided to clients has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2023, the amortised cost of Stage 2 and Stage 3 loans whose contractual terms were modified was \$nil (2022:\$ nil), resulting in no material modification gains or losses.

7 Securities

Carrying value of securities

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

	Term to maturity ⁽¹⁾					With no specific maturity ⁽²⁾	Total ⁽³⁾
	Within 3 months ⁽⁴⁾	3 months to 1 year ⁽⁴⁾	1 year to 5 years ⁽⁴⁾	5 year to 10 years ⁽⁴⁾	Over 10 years ⁽⁴⁾		
As at October 31, 2023							
Fair value through other comprehensive income ⁽²⁾							
Treasury bills and treasury notes							
Cost	434,095	960,676	-	-	-	-	1,394,771
Fair value ⁽²⁾	433,721	958,279	-	-	-	-	1,392,000
Government and state-owned enterprise debt ⁽²⁾							
Cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities							
Cost	-	-	-	-	-	25	25
Fair value ⁽³⁾	-	-	-	-	-	90	90
	433,721	958,279	-	-	-	90	1,392,090
Amortised costs ⁽⁴⁾							
Cost	593,365	647,998	-	-	-	-	1,241,363
Fair value	592,591	646,072	-	-	-	-	1,238,663
	593,365	647,998	-	-	-	-	1,241,363
Total carrying value of securities	1,027,086	1,606,277	-	-	-	90	2,633,453
As at October 31, 2022							
Fair value through other comprehensive income ⁽²⁾							
Treasury bills and treasury notes							
Cost	680,724	59,810	-	-	-	-	740,534
Fair value ⁽²⁾	680,307	59,656	-	-	-	-	739,963
Government and state-owned enterprise debt ⁽²⁾							
Cost	-	-	-	-	-	-	-
Fair value	-	-	-	-	-	-	-
Equities							
Cost	-	-	-	-	-	25	25
Fair value ⁽³⁾	-	-	-	-	-	95	95
	680,307	59,656	-	-	-	95	740,058
Amortised costs ⁽⁴⁾							
Cost	195,116	872,834	226,364	-	-	-	1,294,314
Fair value	194,574	868,864	222,083	-	-	-	1,285,521
	195,116	872,834	226,364	-	-	-	1,294,314
Total carrying value of securities	875,423	932,490	226,364	-	-	95	2,034,372

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

⁽²⁾ Debt securities carried at fair value through other comprehensive income are presented net of allowance for credit losses.

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

⁽⁴⁾ Amortised cost securities, included in securities are recorded at amortised cost, and are presented net of allowance for credit losses.

7.1 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, 2023				
FVOCI				
Treasury bills and treasury notes	1,394,771	-	(2,771)	1,392,000
Government and state-owned enterprises debt	-	-	-	-
Equities ⁽²⁾	25	65	-	90
	1,394,796	65	(2,771)	1,392,090
As at October 31, 2022				
FVOCI				
Treasury bills and treasury notes	740,534	-	(571)	739,963
Government and state-owned enterprises debt	-	-	-	-
Equities ⁽²⁾	25	70	-	95
	740,559	70	(571)	740,058

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

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

7.2 Allowance for credit losses on securities

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

	2023 (\$'000)	2022 (\$'000)
Gross exposures		
Stage 1	1,241,368	1,294,319
Stage 2	-	-
Total securities	1,241,368	1,294,319
Less: allowance for credit losses	(5)	(5)
Securities net of expected credit losses	1,241,363	1,294,314

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.



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7 Securities (continued)

7.2 Allowance for credit losses on securities (continued)

Allowance for credit losses – securities at amortised cost

	Performing		Impaired	Total
	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	
For the year ended				
October 31, 2023				
Balance at beginning of period	5	-	-	5
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	20	-	-	20
Derecognitions and maturities	(5)	-	-	(5)
Remeasurements	(15)	-	-	(15)
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
For the year ended				
October 31, 2022				
Balance at beginning of period	-	-	-	-
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	5	-	-	5
Derecognitions and maturities	-	-	-	-
Remeasurements	-	-	-	-
Write-offs	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>

Allowance for credit losses on securities at FVOCI ⁽¹⁾

	Performing		Impaired	Total
	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	
For the year ended				
October 31, 2023				
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	17	-	-	17
Derecognitions and maturities	(4)	-	-	(4)
Remeasurements	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
For the year ended				
October 31, 2022				
Balance at beginning of period	1	4	-	5
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	1	-	-	1
Derecognitions and maturities	-	(1)	-	(1)
Remeasurements	(2)	(3)	-	(5)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

⁽¹⁾ Expected credit losses on debt securities at FVOCI are not separately recognised on the balance sheet as the related securities are recorded at fair value. The cumulative amount of credit losses recognised in profit or loss is presented in other components of equity.

7.3 Securities at amortised cost

	2023 (\$'000)	2022 (\$'000)
Government and state-owned enterprises debt securities	959,262	1,227,620
Corporate debt securities	282,101	66,694
	<u>1,241,363</u>	<u>1,294,314</u>
Current	1,241,363	1,067,950
Non-current	-	226,364
	<u>1,241,363</u>	<u>1,294,314</u>

7.4 Movement in securities

	FVOCI (\$'000)	Amortised Cost (\$'000)	Total (\$'000)
As at October 31, 2022	740,058	1,294,314	2,034,372
Additions	1,374,731	3,347,710	4,722,441
Disposal (sale and redemption)	(747,040)	(3,456,352)	(4,203,392)
Gains/(losses) from changes in fair value	(2,222)	-	(2,222)
Accretion/(amortisation) of discount/(premium)	31,553	56,993	88,546
Allowance/write back of credit losses	-	-	-
Foreign exchange adjustment	(4,990)	(1,302)	(6,292)
As at October 31, 2023	<u>1,392,090</u>	<u>1,241,363</u>	<u>2,633,453</u>
As at October 31, 2021	491,650	189,977	681,627
Additions	737,611	1,467,106	2,204,717
Disposal (sale and redemption)	(492,748)	(357,409)	(850,157)
Gains/(losses) from changes in fair value	3,670	-	3,670
Accretion/(amortisation) of discount/(premium)	-	(4,304)	(4,304)
Allowance/write back of credit losses	-	(5)	(5)
Foreign exchange adjustment	(125)	(1,051)	(1,176)
As at October 31, 2022	<u>740,058</u>	<u>1,294,314</u>	<u>2,034,372</u>

8 Investment in associated company and joint venture

	2023 (\$'000)	2022 (\$'000)
Associated company (Note 8.1)	25,118	25,824
Joint venture (Note 8.2)	191,208	190,995
	<u>216,326</u>	<u>216,819</u>

8.1 Movement in the equity interest in associated company

The Company's equity interest in its associated company, Park Court Limited, which was incorporated in Trinidad and Tobago, is 20%:

	2023 (\$'000)	2022 (\$'000)
Statement of Financial Position		
Assets		
Non-current assets	411,504	412,966
Current assets	13,011	10,077
Total assets	<u>424,515</u>	<u>423,043</u>
Liabilities		
Non-current liabilities	304,208	303,653
Current liabilities	5,759	13,189
Total liabilities	<u>309,967</u>	<u>316,842</u>
Net assets	<u>114,548</u>	<u>106,201</u>
The above amounts of assets and liabilities include the following:		
Non-current financial liabilities (excluding trade and other payables and allowances)	<u>304,208</u>	<u>303,653</u>
Statement of Income and Other Comprehensive Income		
Total revenue	43,158	49,042
Total comprehensive income	<u>18,266</u>	<u>29,417</u>

The financial year end of the associate is December. For the purpose of applying the equity method of accounting the financial statements for September 2023 (2022: September 2022) have been used and appropriate adjustments have been made for the effects of significant transactions between September 30 and October 31 each year.



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8 Investment in associated company and joint venture (continued)

8.1 Movement in the equity interest in associated company (continued)

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of the year	25,825	20,820
Share of current period profits/(losses), before tax	(1,007)	7,730
Share of current period tax	302	(2,144)
Dividends	(750)	(1,350)
Transfer dividend accrual (to)/from Accounts Receivable	748	769
Capital injection	-	-
Balance at end of the year	<u>25,118</u>	<u>25,825</u>

8.2 Movement in interest in joint venture

The Company's equity interest in joint venture is as follows:

	Country of incorporation	Percentage of equity capital held
RGM Limited	Republic of Trinidad and Tobago	33.3%

The financial year end of the joint venture is December. For the purpose of applying the equity method of accounting the financial statements for September 2023 (2022: September 2022) 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:

	2023 (\$'000)	2022 (\$'000)
Statement of Financial Position		
Assets		
Investment properties	759,442	774,994
Other non-current assets	<u>20,795</u>	<u>13,403</u>
	780,237	788,397
Current assets	<u>104,926</u>	<u>101,755</u>
Total assets	<u>885,163</u>	<u>890,152</u>
Liabilities		
Non-current liabilities	272,829	290,859
Current liabilities	<u>38,270</u>	<u>25,867</u>
Total liabilities	<u>311,099</u>	<u>316,726</u>
Net assets	<u>574,064</u>	<u>573,426</u>
The above amounts of assets and liabilities include the following:		
Cash and short term instruments	<u>76,028</u>	<u>70,659</u>
Current financial liabilities (excluding trade and other payables and allowances)	<u>7,007</u>	<u>6,373</u>
Non-current financial liabilities (excluding trade and other payables and allowances)	<u>272,829</u>	<u>290,859</u>
Statement of Income and Other Comprehensive Income		
Income	137,807	127,154
Expenses	<u>(112,328)</u>	<u>(93,880)</u>
Profit before tax	25,479	33,274
Taxation	<u>(4,811)</u>	<u>(5,094)</u>
Profit after tax	<u>20,668</u>	<u>28,180</u>
Proportionate interest in joint venture's commitments	-	-
Balance at beginning of the year	190,995	183,584
Share of current period profits before tax	6,988	9,611
Tax on share of current period profits	<u>(2,475)</u>	<u>(2,200)</u>
Dividends received	<u>(4,300)</u>	-
Balance at end of the year	<u>191,208</u>	<u>190,995</u>

9 Due from affiliated companies

	2023 (\$'000)	2022 (\$'000)
Due from RBC Royal Bank (Trinidad & Tobago) Limited	23,293	19,352
Due from RBC Royal Bank (Barbados) Limited	-	-
Due from RBC Royal Bank (Bahamas) Limited	-	-
Due from RBC Financial (Caribbean) Limited	635	4,834
Due from RBTT Bank Caribbean Limited	-	-
	<u>23,928</u>	<u>24,186</u>

10 Intangible assets

	Computer Software (\$'000)	Work in Progress (\$'000)	Total (\$'000)
2023			
Opening net carrying value	548	-	548
Additions	-	848	848
Disposals	-	-	-
Transfers ⁽¹⁾	790	(848)	(58)
Amortisation	<u>(402)</u>	-	<u>(402)</u>
Closing net carrying value	<u>936</u>	-	<u>936</u>
Cost	4,437	-	4,437
Accumulated amortisation	<u>(3,501)</u>	-	<u>(3,501)</u>
Net carrying value	<u>936</u>	-	<u>936</u>
2022			
Opening net carrying value	894	-	894
Additions	-	-	-
Disposals	-	-	-
Transfers ⁽¹⁾	-	-	-
Amortisation	<u>(346)</u>	-	<u>(346)</u>
Closing net carrying value	<u>548</u>	-	<u>548</u>
Cost	3,590	-	3,590
Accumulated amortisation	<u>(3,042)</u>	-	<u>(3,042)</u>
Net carrying value	<u>548</u>	-	<u>548</u>

⁽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 \$nil (2022 - \$11.4 million).

There were no contractual commitments to acquire intangible assets in 2023 or 2022.

11 Equipment

	Computer equipment (\$'000)	Furniture and equipment (\$'000)	Work in progress (\$'000)	Total (\$'000)
Year ended October 31, 2023				
Opening net book value	3	1	5	9
Additions	-	-	107	107
Disposals	-	-	(6)	(6)
Transfers ⁽¹⁾	122	-	(64)	58
Depreciation charge	<u>(56)</u>	<u>(1)</u>	-	<u>(57)</u>
Closing net book value	<u>69</u>	-	<u>42</u>	<u>111</u>
At October 31, 2023				
Total cost	200	-	42	242
Accumulated depreciation	<u>(131)</u>	-	-	<u>(131)</u>
Net book value	<u>69</u>	-	<u>42</u>	<u>111</u>

⁽¹⁾ Included in additions are transfers of \$nil from intangibles (Note 10).

During the year, assets fully depreciated and retired amounted to \$nil (2022 - \$10.5 million).

	Computer equipment (\$'000)	Furniture and equipment (\$'000)	Work in progress (\$'000)	Total (\$'000)
Year ended October 31, 2022				
Opening net book value	49	964	62	1,075
Additions	-	-	6	6
Disposals	1	(961)	(20)	(980)
Transfers	43	-	(43)	-
Depreciation charge	<u>(90)</u>	<u>(2)</u>	-	<u>(92)</u>
Closing net book value	<u>3</u>	<u>1</u>	<u>5</u>	<u>9</u>
At October 31, 2022				
Total cost	187	16	5	208
Accumulated depreciation	<u>(184)</u>	<u>(15)</u>	-	<u>(199)</u>
Net book value	<u>3</u>	<u>1</u>	<u>5</u>	<u>9</u>



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12 Deferred tax assets and liabilities

	2023 (\$'000)	2022 (\$'000)
Deferred tax assets (Note 12.1)	6,429	21,842
Deferred tax liabilities (Note 12.2)	(10,028)	(10,020)
	<u>(3,599)</u>	<u>11,822</u>
The movement on the deferred tax account is as follows:		
At the beginning of the year	11,822	19,277
Investment revaluation reserve:		
- fair value gains	675	187
Statement of income and other comprehensive income (see Note 28):		
- current period	(15,999)	(2,207)
- group loss relief	-	(5,523)
Other	(97)	88
At the end of the period	<u>(3,599)</u>	<u>11,822</u>
Deferred tax assets and liabilities are attributable to the following items:		
12.1 Deferred tax assets		
Allowance for credit losses	1,580	1,156
Post retirement benefit	1,446	3,719
Provision for share based payments	246	318
Other	2,428	1,866
Unrealised losses on derivatives	-	27
Leases	729	1,297
Tax Losses	-	13,459
	<u>6,429</u>	<u>21,842</u>
12.2 Deferred tax liabilities		
Accelerated tax depreciation	10	6
Foreign currency translation	10,014	10,013
Unrealised gain on derivative (bond)	1	1
Investment impairment – IFRS9	3	-
Other	-	-
	<u>10,028</u>	<u>10,020</u>

The tax loss carryforward amounts of deferred tax assets of \$nil (October 31, 2022 – \$13.5 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.

The losses can be carried forward indefinitely and have no expiry date.

13 Other assets

	2023 (\$'000)	2022 (\$'000)
Other taxes recoverable	173	165
Accounts receivable	1,711	2,453
Interest receivable	12,501	8,339
	<u>14,385</u>	<u>10,957</u>
Current	14,212	10,792
Non-current	173	165
	<u>14,385</u>	<u>10,957</u>

14 Customers' deposits

	2023 (\$'000)	2022 (\$'000)
Term deposits	355,834	518,786
	<u>355,834</u>	<u>518,786</u>
Sectoral analysis – deposit balances		
Consumers	16,521	18,005
Private sector	339,313	500,781
	<u>355,834</u>	<u>518,786</u>
Current	352,496	490,049
Non-current	3,338	28,737
	<u>355,834</u>	<u>518,786</u>

15 Other funding instruments

	2023 (\$'000)	2022 (\$'000)
Other funding instruments	8,610	19,550
	<u>8,610</u>	<u>19,550</u>
Sectoral analysis		
Individuals	4,313	6,742
Private sector	157	1,466
Financial institutions	4,140	11,342
	<u>8,610</u>	<u>19,550</u>
Current	8,610	19,550
Non-current	-	-
	<u>8,610</u>	<u>19,550</u>

The Company holds pooled assets in cash, securities and loans to cover other funding instruments in 2023. Securities held pledged for the benefit of investors in other funding instruments were \$nil (2022: \$nil).

Other funding instruments consist of fund raising instruments, which are unsecured borrowings. Interest rates on other funding instruments ranged from 0% to 6% (2022 – 0% to 6%).

16 Due to affiliated companies

	2023 (\$'000)	2022 (\$'000)
Due to RBC Royal Bank of Canada	1,722	415
Due to RBC Funding (Barbados) Ltd	2,631,211	2,254,167
Due to RBC Royal Bank (Trinidad and Tobago) Limited	60,008	-
Due to RBC Financial (Caribbean) Limited	7	-
	<u>2,692,948</u>	<u>2,254,582</u>

\$2,613 million (USD387.9 million) (2022: \$2,254 million (USD334.6 million)) certificate of USD deposits taken with RBC Funding (Barbados) Limited which carry interest rates between 0%–1% with maturities from November 2023 to April 2024 (2022: 0%).

17 Derivative financial assets and liabilities

Types

Derivative financial assets and liabilities are financial contracts whose values are derived from underlying interest rates, foreign exchange rates, equity or bond prices, commodity prices or index. The Company utilises the following derivative instrument:

Interest rate swaps

These are financial transactions in which two counterparties exchange fixed and floating interest cash flows over a period of time based on rates applied to define notional principal amounts.

Notional amounts and fair values

The notional amount of certain types of financial instruments provide a basis for comparison with instruments recognised on the Statement of Financial Position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become exchange rates, commodity prices or indices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The notional amounts and fair values of derivative financial instruments held are set out in the following table:

	Maturity period	Contract/notional amount (\$'000)	Fair values Liabilities (\$'000)
Year ended October 31, 2023			
Derivatives held for trading			
Interest rate swaps	-	-	-
Year ended October 31, 2022			
Derivatives held for trading			
Interest rate swaps	Aug 2023	202,329	92
			<u>92</u>



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17 Derivative financial assets and liabilities (continued)

Credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations. The Company restricts its exposure to credit losses on derivative instruments by entering into master netting arrangements contained in the International Swaps and Derivative Association agreements ("ISDA" agreements) with its counterparties and where applicable supplements its position with collateral.

18 Post-retirement benefit obligations

Plan characteristics

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

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

The liability in the Statement of Financial Position is allocated to the entities participating in the Plan based on their participating membership headcount.

Risks

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

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

	Other post-retirement plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Fair value of plan assets	-	10	10
Post-retirement benefit obligation	(2,729)	(2,100)	(4,829)
Liability in the statement of financial position	<u>(2,729)</u>	<u>(2,090)</u>	<u>(4,819)</u>
October 31, 2022			
Fair value of plan assets	-	9	9
Post-retirement benefit obligation	(4,162)	(8,242)	(12,404)
Liability in the statement of financial position	<u>(4,162)</u>	<u>(8,233)</u>	<u>(12,395)</u>

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

	Other post-retirement plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	-	9	9
Remeasurement gain:			
Return on plan assets (excluding amounts included in net interest expense)	-	1	1
At end of year	<u>-</u>	<u>10</u>	<u>10</u>
October 31, 2022			
At beginning of period	-	10	10
Remeasurement loss:			
Return on plan assets (excluding amounts included in net interest expense)	-	(1)	(1)
At end of year	<u>-</u>	<u>9</u>	<u>9</u>

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

	Other post-retirement plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	4,162	8,242	12,404
Current service cost	14	57	71
Past service cost	-	-	-
Interest cost	163	155	318
Remeasurements:			
Effect of changes in demographic assumptions	(31)	-	(31)
Effect of changes in financial assumptions	(73)	(147)	(220)
Effect of experience adjustments	(63)	(10)	(73)
Benefits paid	(51)	(1,862)	(1,913)
Other	(1,392)	(4,335)	(5,727)
At end of year	<u>2,729</u>	<u>2,100</u>	<u>4,829</u>
October 31, 2022			
At beginning of period	4,293	7,520	11,813
Current service cost	14	61	75
Past service cost	42	-	42
Interest cost	152	153	305
Remeasurements:			
Effect of changes in demographic assumptions	94	-	94
Effect of changes in financial assumptions	(158)	(133)	(291)
Effect of experience adjustments	(80)	568	488
Benefits paid	(47)	-	(47)
Other	(148)	73	(75)
At end of year	<u>4,162</u>	<u>8,242</u>	<u>12,404</u>

18.4 The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:

	Other post-retirement plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Current service cost	14	57	71
Past service cost	-	-	-
Net interest cost	163	155	318
Other	(1,443)	(4,314)	(5,757)
Components of defined benefit costs recognised in profit or loss (note 26.1)	<u>(1,266)</u>	<u>(4,102)</u>	<u>(5,368)</u>
Remeasurements:			
Effect of changes in demographic assumptions	(31)	-	(31)
Effect of changes in financial assumptions	(73)	(147)	(220)
Effect of experience adjustments	(63)	(10)	(73)
Components of defined benefit costs recognised in other comprehensive income	<u>(167)</u>	<u>(157)</u>	<u>(324)</u>
Total	<u>(1,433)</u>	<u>(4,259)</u>	<u>(5,692)</u>
October 31, 2022			
Current service cost	14	61	75
Past service cost	42	-	42
Net interest cost	152	153	305
Other	(195)	73	(122)
Components of defined benefit costs recognised in profit or loss (Note 26.1)	<u>13</u>	<u>287</u>	<u>300</u>
Remeasurements:			
Effect of changes in demographic assumptions	(94)	-	(94)
Effect of changes in financial assumptions	158	133	291
Effect of experience adjustments	80	(568)	(488)
Components of defined benefit costs recognised in other comprehensive income	<u>144</u>	<u>(435)</u>	<u>(291)</u>
Total	<u>157</u>	<u>(148)</u>	<u>9</u>



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18 Post-retirement benefit obligations (continued)

18.5 Investment policy and strategies

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

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

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

Composition of defined benefit pension plan assets

	2023		2022	
	Fair value (\$'000)	%	Fair value (\$'000)	%
Alternative investments	10	100	9	100
	<u>10</u>	<u>100</u>	<u>9</u>	<u>100</u>

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, 2023	October 31, 2022
Discount rates – medical and life	6.20%	6.00%
Discount rates – pension	6.20%	6.00%
Expected return on plan assets	0.00%	0.00%
Salary increases	2%/2.5%	4.00%/2.55%
Health care costs trend rate increases:		
- Immediate trend rate	5.00%	5.00%
- Ultimate trend rate	5.00%	5.00%

18.6 Sensitivity analysis

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

	Increase/(decrease) in obligation	
	2023 (\$'000)	2022 (\$'000)
Pension plan:		
Impact of 1.0% decrease in discount rate	695	914
Impact of 1.0% increase in discount rate	(478)	(624)
Impact of 0.5% decrease in rate of increase in future compensation	(87)	(110)
Impact of 0.5% increase in rate of increase in future compensation	107	131
Impact of 1 year decrease in life expectancy	(80)	(99)
Impact of 1 year increase in life expectancy	81	112
Other post-retirement plans:		
Impact of 1.0% decrease in discount rate	395	423
Impact of 1.0% increase in discount rate	(322)	(342)
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	(119)	(117)
Impact of 1% increase in health care cost trend rate	141	139
Impact of 1 year decrease in life expectancy	-	1
Impact of 1 year increase in life expectancy	-	1

19 Other liabilities

	2023 (\$'000)	2022 (\$'000)
Accruals and payables	10,236	9,951
Employee related costs	4,058	4,866
Interest payable	4,099	7,362
In-transit (includes suspense and in transit) accounts	1,392	713
	<u>19,785</u>	<u>22,892</u>
Current	10,538	13,645
Non-current	9,247	9,247
	<u>19,785</u>	<u>22,892</u>

20 Stated capital

	2023 (\$'000)	2022 (\$'000)
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
140,000,000 ordinary shares of no par value	140,000	140,000

21 Statutory reserve

The Financial Institutions Act, 2008 requires that a minimum of 10% of the net profit after deduction of taxes in each year, of the company, be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital. Effective October 31, 2017 this balance was capped at the company's share capital of \$140 million.

22 Investment revaluation reserve – FVOCI

	2023 (\$'000)	2022 (\$'000)
Balance at beginning of year	(434)	2
Net losses arising during the period, net of tax	(1,575)	(436)
Balance at end of year	<u>(2,009)</u>	<u>(434)</u>

23 Interest income

	2023 (\$'000)	2022 (\$'000)
Securities (Note 23.1)	149,229	13,807
Loans	37,028	20,315
Due from banks	9,131	1,341
	<u>195,388</u>	<u>35,463</u>
23.1 Securities		
Amortised cost	100,002	8,609
FVOCI	49,227	5,198
	<u>149,229</u>	<u>13,807</u>

24 Interest expense

	2023 (\$'000)	2022 (\$'000)
Customers' deposits	2,446	2,090
Other funding instruments	(2,529)	126
Due to affiliates (Note 34)	18,002	-
	<u>17,919</u>	<u>2,216</u>

25 Non-interest income

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

	2023 (\$'000)	2022 (\$'000)
<i>Non-interest income at a point in time:</i>		
Transaction service fees/ commissions	562	180
Net trading income (Note 25.1)	(2,636)	71
Foreign exchange gains	387	-
Dividend income	1	1
Recoveries from legal judgement	-	843
Recoveries from closed legacy deposits	-	1,618
Other income	1,015	184
	<u>(671)</u>	<u>2,897</u>



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25 Non-interest income (continued)

	2023 (\$'000)	2022 (\$'000)
25.1 Net trading income		
Securities at FVTPL:		
- realised and unrealised losses	(650)	(225)
Securities at Amortised cost:		
- realised losses	(1,982)	-
Derivative financial instruments:		
- realised and unrealised gains/ (losses)	(4)	296
	<u>(2,636)</u>	<u>71</u>

26 Non-interest expenses

	2023 (\$'000)	2022 (\$'000)
Staff costs (Note 26.1)	9,267	16,164
Premises and equipment expenses, excluding depreciation and operating lease rental	637	1,547
Advertising	202	199
Foreign exchange losses	-	744
Depreciation and amortisation	459	437
Deposit insurance premium (Note 26.2)	726	909
Short-term lease expenses	714	762
Directors' fees	135	143
Auditor's fees	992	813
Other professional fees	357	285
Business and capital tax	1,679	602
Green fund levy	615	88
Management fees, net of expense recovery	11,814	4,692
Sundry and fraud losses	875	222
Other operating expenses	5,331	3,161
	<u>33,803</u>	<u>30,768</u>
26.1 Staff costs include:		
Wages and salaries including bonuses	13,691	14,002
Employees' defined contribution pension expense	728	681
Employees' defined benefit and post-retirement benefit costs (Note 18.4)	(5,368)	300
Share option plan-value of services provided	216	1,181
	<u>9,267</u>	<u>16,164</u>
26.2 Deposit insurance premium		

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

27 Share-based compensation

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

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

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

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

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

27.1 Units granted under share-based compensation plans

	Units granted (\$'000)	Weighted average fair value per unit (\$)
2023		
Performance deferred share unit plans	494	642
RBC share unit plans	-	-
	<u>494</u>	
2022		
Performance deferred share unit plans	385	636
RBC share unit plans	154	638
	<u>539</u>	

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

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

27.2 Obligations under share-based compensation plans

	Units ('000)	Carrying amount (\$'000)
2023		
Performance deferred share unit plans	1,360	734
RBC share unit plans	157	85
	<u>1,517</u>	<u>819</u>
2022		
Performance deferred share unit plans	1,432	898
RBC share unit plans	261	239
	<u>1,693</u>	<u>1,137</u>

27.3 Compensation expenses recognised under share-based compensation plans

	2023 (\$'000)	2022 (\$'000)
Performance deferred share unit plans	186	196
RBC share unit plans	30	210
	<u>216</u>	<u>406</u>

28 Taxation expense

	2023 (\$'000)	2022 (\$'000)
Corporation tax:		
- current tax - business levy	12,944	-
- prior period (over)/under provision	206	165
Deferred tax (Note 12):		
- current period credit	-	(12)
- group loss relief	15,999	2,207
Share of tax of joint venture and associate	-	5,523
	<u>2,173</u>	<u>4,345</u>
	<u>31,322</u>	<u>12,228</u>

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

	2023 (\$'000)	2022 (\$'000)
Loss before taxation	146,760	24,838
Tax calculated at a rate of 30%	44,028	7,451
Income exempt from tax	(1,544)	(230)
Expenses not deductible for tax purposes	(1,039)	57
Business levy	206	165
Effect of current year unrecognised tax losses	-	5,358
Prior period	-	(13)
Leases	(568)	(195)
Other	(9,761)	(365)
	<u>31,322</u>	<u>12,228</u>



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28 Taxation expense (continued)

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

	2023 (\$'000)	2022 (\$'000)
Accelerated tax depreciation	4	(349)
Financial assets at FVTPL	116	(223)
Regulatory loan loss reserve/ (allowance for impairment)	(425)	570
Derivative financial instruments	27	375
Post-retirement benefit	2,176	(90)
Tax losses	13,459	7,258
Leases	568	510
Other	74	(321)
	<u>15,999</u>	<u>7,730</u>

Corporation tax rates used 2023 - 30% (2022 - 30%).

29 Contributed surplus

During 2018 to comply with regulatory requirements of the Central Bank of Trinidad and Tobago (CBTT), the company was required to reduce its Ordinary Share holdings in RGM Limited from 33.3% to 19.3% through the sale of 147,000 of the Company's 350,000 ordinary shares of RGM Limited (RGM) to RBC Holdings (Barbados) Limited (RHBL). The shares were sold for TT\$1,358,000/US\$202,254 and the proceeds from sale were remitted via dividend to RBC Financial (Caribbean) Limited. As the transacting entities were under common control, the gain on sale of the 147,000 shares of TT\$1,211,000 was booked as an adjustment to contributed surplus.

After the sale, there was a residual interest of 203,000 shares held by the Company in addition to 57,770,818 or 33.3% of Preference Shares Classes A-H in RGM. In accordance with the Articles governing Preference Shares issued, the Company remains entitled to this percentage of the profits of RGM, as substantially all the income is controlled by the Preference Shareholders. Therefore the profits will continue to be equity accounted using 33.3% interest.

30 Dividends

During the year, no dividends were declared to the immediate parent company – RBC Financial (Caribbean) Limited (2022: nil). Dividends are accounted for as an appropriation of retained earnings when declared.

31 Contingent liabilities, guarantees and operating lease commitments

Legal proceedings

As at October 31, 2023, 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, 2023 (2022: \$nil).

Customers' liability under 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 guarantees, indemnities and letters of credit as at October 31, 2023 is nil.

32 Credit commitments

Commitments of a credit nature which fall within the capital adequacy requirements specified in the Financial Institutions (Prudential Criteria) Regulations 1994 are \$175 million (2022 - \$109.0 million).

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

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Financial Services	150,000	109,000
Construction	<u>25,000</u>	-
	<u>175,000</u>	<u>109,000</u>

33 Capital commitments

There are no commitments for capital expenditure at year-end (2022 - nil).

34 Related party transactions

Related parties

Related parties include the ultimate parent company, Royal Bank of Canada, associated companies, post-employment benefit plans for the benefit of our employees, key

management personnel, the Board of Directors of RBC (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

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

Key management personnel and Directors

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

	2023 (\$'000)	2022 (\$'000)
Outstanding balances		
Cash and short term instruments		
Other subsidiaries of Royal Bank of Canada	<u>40,448</u>	<u>51,293</u>
Loans and receivables		
Other subsidiaries of Royal Bank of Canada	<u>23,928</u>	<u>24,186</u>
Deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	<u>2,692,948</u>	<u>2,254,582</u>
Interest expense		
Other subsidiaries of Royal Bank of Canada	<u>18,002</u>	-
Non-interest expense		
Other subsidiaries of Royal Bank of Canada	<u>18,040</u>	<u>9,232</u>

Compensation of key management personnel and Directors

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

	2023 (\$'000)	2022 (\$'000)
Key management compensation		
Share based payment	<u>350</u>	<u>395</u>
Salaries and other short term benefits	<u>1,923</u>	<u>1,769</u>

Joint ventures and associates

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

35 Financial risk management

35.1 Statement of Financial Position - categorisation

	2023 (\$'000)	2022 (\$'000)
Assets		
Financial assets at fair value through other comprehensive income		
Cash and short term instruments – Treasury Bills	134,028	269,113
Securities	<u>1,392,090</u>	<u>740,058</u>
	<u>1,526,118</u>	<u>1,009,171</u>
Financial assets at amortised cost		
Cash and short term instruments	234,617	286,374
Balances with central banks	37,324	208,752
Securities	1,241,363	1,294,314
Loans	686,125	527,041
Due from affiliated companies	23,928	24,186
Other assets	<u>12,501</u>	<u>8,339</u>
	<u>2,235,858</u>	<u>2,349,006</u>
Total financial assets	<u>3,761,976</u>	<u>3,358,177</u>



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35 Financial risk management (continued)

35.1 Statement of Financial Position - categorisation (continued)

	2023 (\$'000)	2022 (\$'000)
Non-financial assets	<u>252,535</u>	<u>279,451</u>
Total assets	<u>4,014,511</u>	<u>3,637,628</u>
Liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	-	92
Financial liabilities at amortised cost		
Customers' deposits	355,834	518,786
Other funding instruments	8,610	19,550
Due to affiliated companies	2,692,948	2,254,582
Other liabilities	4,099	7,362
	<u>3,061,491</u>	<u>2,800,280</u>
Total financial liabilities	<u>3,061,491</u>	<u>2,800,372</u>
Non-financial liabilities	<u>39,619</u>	<u>37,945</u>
Total liabilities	<u>3,101,110</u>	<u>2,838,317</u>
Total equity	<u>913,401</u>	<u>799,311</u>
Total equity and liabilities	<u>4,014,511</u>	<u>3,637,628</u>

35.2 Risk management

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

Risk management structure

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

Operating Committee (OC)

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

Risk Management Unit

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

Company Asset and Liability Committee (ALCO)

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

Internal Audit

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

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information, which consists of several reports, is presented and explained to the OC, the Asset and Liability Committees, and

the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions and liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

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

The Company actively uses collateral to reduce its credit risks.

35.3 Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that The Company may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Company's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. To achieve this goal, we operate under a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. The LRMF, LRP and PP are all addendums to the Enterprise and will identify changes within the Caribbean. The Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

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

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

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

Our liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal Liquidity Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events, and our planned responses. The Company's Liquidity Contingency Plan (LCP) maintained and administered by Caribbean Treasury, has been developed to guide our potential responses to liquidity crises. The contingency liquidity risk planning process identifies



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35 Financial risk management (continued)

35.3 Liquidity risk (continued)

contingent funding needs and sources under various stress scenarios, and as result informs requirements for our earmarked unencumbered liquid asset portfolios.

35.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non- derivative financial assets and financial liabilities and excludes any projected interest on loans, securities or deposits. Cash flows related to gross loans are disclosed based on number of days in each period.

	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, 2023						
Assets						
Cash and short term instruments	368,645	-	-	-	-	368,645
Balances with central banks	37,324	-	-	-	-	37,324
Gross loans	38,255	19,860	82,542	471,998	90,457	703,112
Allowance for credit losses	-	-	-	-	-	(16,987)
Securities	1,027,176	1,606,277	-	-	-	2,633,453
Due from associates and affiliated companies	23,928	-	-	-	-	23,928
Other assets	12,501	-	-	-	-	12,501
	<u>1,507,829</u>	<u>1,626,137</u>	<u>82,542</u>	<u>471,998</u>	<u>90,457</u>	<u>3,761,976</u>
Liabilities						
Customers' deposits	295,096	23,649	33,751	3,338	-	355,834
Other funding instruments	8,610	-	-	-	-	8,610
Due to associates and affiliated companies	2,057,076	635,872	-	-	-	2,692,948
Other liabilities	2,956	16	607	520	-	4,099
	<u>2,363,738</u>	<u>659,537</u>	<u>34,358</u>	<u>3,858</u>	<u>-</u>	<u>3,061,491</u>
Liquidity gap	<u>(855,909)</u>	<u>966,600</u>	<u>48,184</u>	<u>468,140</u>	<u>90,457</u>	<u>700,485</u>
Cumulative gap	<u>(855,909)</u>	<u>110,691</u>	<u>158,875</u>	<u>627,015</u>	<u>717,472</u>	
As at October 31, 2022						
Assets						
Cash and short term instruments	555,487	-	-	-	-	555,487
Balances with central banks	208,752	-	-	-	-	208,752
Gross loans	76,914	17,828	144,855	189,347	112,948	541,892
Allowance for credit losses	-	-	-	-	-	(14,851)
Securities	875,518	533,766	398,724	226,364	-	2,034,372
Due from associates and affiliated companies	24,186	-	-	-	-	24,186
Other assets	8,339	-	-	-	-	8,339
	<u>1,749,196</u>	<u>551,594</u>	<u>543,579</u>	<u>415,711</u>	<u>112,948</u>	<u>3,358,177</u>
Liabilities						
Customers' deposits	455,533	3,939	30,577	28,737	-	518,786
Other funding instruments	19,550	-	-	-	-	19,550
Due to associates and affiliated companies	685,558	-	-	1,569,024	-	2,254,582
Other liabilities	6,848	27	22	421	44	7,362
	<u>1,167,489</u>	<u>3,966</u>	<u>30,599</u>	<u>1,598,182</u>	<u>44</u>	<u>2,800,280</u>
Liquidity gap	<u>581,707</u>	<u>547,628</u>	<u>512,980</u>	<u>(1,182,471)</u>	<u>112,904</u>	<u>557,897</u>
Cumulative gap	<u>581,707</u>	<u>1,129,335</u>	<u>1,642,315</u>	<u>459,844</u>	<u>572,748</u>	

The following table provides remaining contractual maturity analysis of our financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g., par value or amount payable upon maturity). The amounts do not reconcile directly with those in our Statement of Financial Position as the table incorporates only cash flows relating to payments on maturity and do not recognise premiums, discounts or mark-to-market adjustments.

	Due on demand (\$'000)	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total contractual cash flows (\$'000)
As at October 31, 2023					
Financial liabilities					
Due to banks	-	-	-	-	-
Customers' deposits	2,013	353,836	2,724	-	358,573
Other funding instruments	8,610	1,599	-	-	10,209
Due to associates and affiliated companies	-	2,700,255	-	-	2,700,255
Other liabilities	-	3,579	520	-	4,099
	<u>10,623</u>	<u>3,059,269</u>	<u>3,244</u>	<u>-</u>	<u>3,073,136</u>

As at October 31, 2022

	Due on demand (\$'000)	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total contractual cash flows (\$'000)
Financial liabilities					
Customers' deposits	2,013	489,469	29,508	-	520,990
Other funding instruments	19,550	5,406	-	-	24,956
Due to associates and affiliated companies	-	685,558	1,569,024	-	2,254,582
Other liabilities	-	6,897	421	44	7,362
	<u>21,563</u>	<u>1,187,330</u>	<u>1,598,953</u>	<u>44</u>	<u>2,807,890</u>

35.3.2 Derivative cash flows

The following table below analyses the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Derivatives settled on a gross basis

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
In USD \$'000				
As at October 31, 2023				
Interest rate derivatives				
- Outflow	-	-	-	-
- Inflow	-	-	-	-
In TTD \$'000				
Total outflow	-	-	-	-
Total inflow	-	-	-	-
In USD \$'000				
As at October 31, 2022				
Interest rate derivatives				
- Outflow	(59)	-	-	(59)
- Inflow	48	-	-	48
In TTD \$'000				
Total outflow	(401)	-	-	(401)
Total inflow	321	-	-	321

35.3.3 Contingent liabilities and commitments

The table below summarises The Company'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, 2023				
Guarantees, indemnities and letters of credit	-	-	-	-
Credit commitments	175,000	-	-	175,000
Capital commitments	-	-	-	-
	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
As at October 31, 2022				
Guarantees, indemnities and letters of credit	-	-	-	-
Credit commitments	109,000	-	-	109,000
Capital commitments	-	-	-	-
	<u>109,000</u>	<u>-</u>	<u>-</u>	<u>109,000</u>

35.4 Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes



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35 Financial risk management (continued)

35.4 Market risk (continued)

in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by The Group Risk Management who submits reports to The Group ALCO on a regular basis. Additionally, on a quarterly basis, Group Risk Management, Treasury and Finance departments review and approve the valuation of all securities, derivatives and trading liabilities.

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

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

35.4.1 Market risk measurement techniques

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

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

35.5 Interest rate risk

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

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

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

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

35.5.1 Interest rate risk

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

	EVE Risk		NII Risk	
	Local Currency (\$'000)	Hard Currency (\$'000)	Local Currency (\$'000)	Hard Currency (\$'000)
As at October 31, 2023				
<i>Impact before tax</i>				
100 bps increase in rates	(5,346)	(1,253)	(8,254)	5,408
100 bps decrease in rates	5,836	1,262	8,254	(5,408)
As at October 31, 2022				
<i>Impact before tax</i>				
100 bps increase in rates	(5,644)	(9,850)	(6,358)	(1,409)
100 bps decrease in rates	6,406	10,247	6,358	1,409

35.5.2 Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
As at October 31, 2023					
Assets					
Cash and short term instruments	368,645	-	-	-	368,645
Balances with Central Bank	-	-	-	37,324	37,324
Securities	2,633,363	-	-	90	2,633,453
Loans	466,540	140,957	78,628	-	686,125
Due from affiliated companies	-	-	-	23,928	23,928
Other assets	-	-	-	12,501	12,501
Total financial assets	3,468,548	140,957	78,628	73,843	3,761,976
Liabilities					
Customers' deposits	352,496	3,338	-	-	355,834
Other funding instruments	8,610	-	-	-	8,610
Derivative financial liabilities	-	-	-	-	-
Due to affiliated companies	2,691,211	-	-	1,737	2,692,948
Other liabilities	-	-	-	4,099	4,099
Total financial liabilities	3,052,317	3,338	-	5,836	3,061,491
Interest sensitivity gap	416,231	137,619	78,628		

As at October 31, 2022

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
As at October 31, 2022					
Assets					
Cash and short term instruments	555,487	-	-	-	555,487
Balances with Central Bank	-	-	-	208,752	208,752
Securities	1,807,918	226,364	-	90	2,034,372
Loans	372,899	14,128	140,014	-	527,041
Due from affiliated companies	-	-	-	24,186	24,186
Other assets	-	-	-	8,339	8,339
Total financial assets	2,736,304	240,492	140,014	241,367	3,358,177
Liabilities					
Customers' deposits	490,049	28,737	-	-	518,786
Other funding instruments	19,550	-	-	-	19,550
Derivative financial liabilities	92	-	-	-	92
Due to affiliated companies	-	-	-	2,254,582	2,254,582
Other liabilities	-	-	-	7,362	7,362
Total financial liabilities	509,691	28,737	-	2,261,944	2,800,372
Interest sensitivity gap	2,226,613	211,755	140,014		

35.5.3 Maturity and rate sensitivity

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

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at October 31, 2023				
Loans:				
Commercial/Corporate	480,824	140,456	78,397	699,677
Mortgages	2,703	501	231	3,435
Gross loans to customers	483,527	140,957	78,628	703,112
Securities:				
Securities at Amortised Cost	1,241,368	-	-	1,241,368
Securities at FVOCI	1,392,090	-	-	1,392,090
Gross investments	2,633,458	-	-	2,633,458
As at October 31, 2022				
Loans:				
Commercial/Corporate	387,377	9,938	138,702	536,017
Mortgages	372	4,191	1,312	5,875
Gross loans to customers	387,749	14,129	140,014	541,892
Securities:				
Securities at Amortised Cost	1,067,955	226,364	-	1,294,319
Securities at FVOCI	740,058	-	-	740,058
Gross investments	1,808,013	226,364	-	2,034,377



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35 Financial risk management (continued)

35.5 Market risk (continued)

35.5.3 Maturity and rate sensitivity (continued)

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)
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As at October 31, 2023

Loans:	Fixed rate (\$'000)	Floating rate (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
Commercial/Corporate	288,431	411,246	-	699,677
Mortgages	857	2,578	-	3,435
Gross loans to customers	289,288	413,824	-	703,112

As at October 31, 2022

Loans:	Fixed rate (\$'000)	Floating rate (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
Commercial/Corporate	160,230	375,787	-	536,017
Mortgages	1,538	4,337	-	5,875
Gross loans to customers	161,768	380,124	-	541,892

35.6 Other price risk

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

35.7 Currency risk

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

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

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

	TTD (\$'000)	USD (\$'000)	XCD (\$'000)	BBD (\$'000)	EUR (\$'000)	Total (\$'000)
As at October 31, 2023						
Assets						
Cash and short term instruments	26,163	324,936	9,682	369	7,495	368,645
Balances with Central Bank	37,324	-	-	-	-	37,324
Securities	85	2,633,368	-	-	-	2,633,453
Loans	346,406	339,719	-	-	-	686,125
Due from affiliated companies	23,928	-	-	-	-	23,928
Other assets	3,975	8,526	-	-	-	12,501
Total financial assets	437,881	3,306,549	9,682	369	7,495	3,761,976
Liabilities						
Customer's deposits	351,710	2,111	2,013	-	-	355,834
Other funding instruments	3,054	3,525	1,993	-	38	8,610
Derivative financial liabilities	-	-	-	-	-	-
Due to affiliated companies	60,016	2,632,932	-	-	-	2,692,948
Other liabilities	1,732	699	1,668	-	-	4,099
Total financial liabilities	416,512	2,639,267	5,674	-	38	3,061,491
Net balance sheet position	21,369	667,282	4,008	369	7,457	700,485
Credit commitments	175,000	-	-	-	-	175,000

	TTD (\$'000)	USD (\$'000)	XCD (\$'000)	BBD (\$'000)	EUR (\$'000)	Total (\$'000)
As at October 31, 2022						
Assets						
Cash and short term instruments	37,663	500,818	9,682	369	6,955	555,487
Balances with Central Bank	208,752	-	-	-	-	208,752
Securities	90	2,034,282	-	-	-	2,034,372
Loans	257,324	269,717	-	-	-	527,041
Due from affiliated companies	24,186	-	-	-	-	24,186
Other assets	376	7,963	-	-	-	8,339
Total financial assets	528,391	2,812,780	9,682	369	6,955	3,358,177
Liabilities						
Customer's deposits	514,663	2,110	2,013	-	-	518,786
Other funding instruments	5,054	12,468	1,993	-	35	19,550
Derivative financial liabilities	-	92	-	-	-	92
Due to affiliated companies	-	2,254,582	-	-	-	2,254,582
Other liabilities	1,258	4,573	1,531	-	-	7,362
Total financial liabilities	520,975	2,273,825	5,537	-	35	2,800,372
Net balance sheet position	7,416	538,955	4,145	369	6,920	557,805
Credit commitments	109,000	-	-	-	-	109,000

35.7.2 Foreign currency exchange risk

The tables below demonstrate the sensitivity to reasonable possible movement of select currencies against the Trinidad and Tobago dollar (TT dollar) to which the Company had significant exposure as at October 31, 2023 and October 31, 2022 in respect of its 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, 2023			
<u>Increase in exchange rates</u>			
USD	1.00	1,667	(21)
XCD	1.00	(1)	-
EUR	1.00	4	-
BBD	1.00	-	-
		<u>1,670</u>	<u>(21)</u>
<u>Decrease in exchange rates</u>			
USD	1.00	(1,667)	21
XCD	1.00	1	-
EUR	1.00	(4)	-
BBD	1.00	-	-
		<u>(1,670)</u>	<u>21</u>
Year ended October 31, 2022			
<u>Increase in exchange rates</u>			
USD	1.00	300	(5)
XCD	1.00	(1)	-
EUR	1.00	(12)	-
BBD	1.00	-	-
		<u>287</u>	<u>(5)</u>
<u>Decrease in exchange rates</u>			
USD	1.00	(300)	5
XCD	1.00	1	-
EUR	1.00	12	-
BBD	1.00	-	-
		<u>(287)</u>	<u>5</u>

35.8 Credit risk

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

The Company has established a credit-quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral reviews. Counterparty limits for corporate and commercial counterparties are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. For the retail portfolio, the Company has stringent lending criteria, which include conservative debt service coverage, loan to value ratios and stability of earnings. These exposures are continuously monitored to



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October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

35 Financial risk management (continued)

35.8 Credit risk (continued)

identify any change in the credit worthiness of the borrower. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

35.8.1 Credit risk management

a) Loans

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

The Company's internal ratings scale and mapping of external ratings:

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

b) Debt securities and other bills

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

35.8.2 Risk limit control and mitigation policies

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

Collateral

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

The principal collateral types for loans and advances to customers are:

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

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

Derivatives

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

Master netting arrangements

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

Credit-related commitments

The primary purpose of those instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Company on behalf of a customer authorising a third party to draw drafts on the Company up to a stipulated amount under specific terms and conditions – are

collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Credit risk exposures relating to financial assets on the Statement of Financial Position are as follows:		
Cash and short term instruments	234,617	286,374
Balances with Central Bank	37,324	208,752
Treasury bills	134,028	269,113
Loans	703,112	541,892
Securities at amortised cost	1,241,368	1,294,319
Securities at FVOCI, excluding equities	1,392,000	739,963
Due from affiliated companies	23,928	24,186
Total	3,766,377	3,364,599
Credit risk exposures relating to financial assets not on the Statement of Financial Position are as follows:		
Credit commitments	175,000	109,000
	175,000	109,000
Total credit risk exposure	3,941,377	3,473,599

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

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

The following table breaks down the Company's main credit exposure of their carrying amounts, as categorised by industry sectors of counterparties.

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Financial services	724,649	657,768
Construction	121,142	127,225
Real estate	96,690	102,943
Utilities	50,950	118,010
Petroleum	163,693	8,033
Transport	195	270
Government	2,603,458	2,344,255
Other	5,600	6,095
	3,766,377	3,364,599

35.8.5 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2023 was \$1,526 million (2022: \$1,009.1 million) before taking account of collateral or other credit enhancements.

35.8.6 Credit quality by class of financial assets

	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	Total (\$'000)
As at October 31, 2023				
Treasury bills	134,028	-	-	134,028
Cash and short term instruments	234,617	-	-	234,617
	368,645	-	-	368,645
Balances held with central bank	37,324	-	-	37,324
Securities:				
Amortised cost:				
Government and state-owned enterprises debt	959,266	-	-	959,266
Corporate debt securities	282,102	-	-	282,102
FVOCI:				
Treasury bills and treasury notes	1,392,000	-	-	1,392,000
Government and state-owned enterprises debt	-	-	-	-
Securities – gross	2,633,368	-	-	2,633,368



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35 Financial risk management (continued)

35.8 Credit risk (continued)

35.8.6 Credit quality by class of financial assets (continued)

	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	Total (\$'000)
Loans:				
Commercial/corporate	681,514	-	18,163	699,677
Mortgages	3,091	317	27	3,435
Loans – gross	684,605	317	18,190	703,112
Due from affiliated companies	23,928	-	-	23,928
Total	3,747,870	317	18,190	3,766,377
As at October 31, 2022				
Treasury bills	269,113	-	-	269,113
Cash and short term instruments	286,374	-	-	286,374
	555,487	-	-	555,487
Balances held with central bank	208,752	-	-	208,752
Securities:				
Amortised cost:				
Government and state-owned enterprises debt	1,227,625	-	-	1,227,625
Corporate debt securities	66,694	-	-	66,694
FVOCI:				
Treasury bills and treasury notes	739,963	-	-	739,963
Government and state-owned enterprises debt	-	-	-	-
Securities – gross	2,034,282	-	-	2,034,282
Loans:				
Commercial/corporate	513,082	-	22,935	536,017
Mortgages	5,326	332	217	5,875
Loans – gross	518,408	332	23,152	541,892
Due from affiliated companies	24,186	-	-	24,186
Total	3,341,115	332	23,152	3,364,599

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

35.8.7 Credit risk exposure of financial assets based on the Company's internal corporate rating system

The table below presents an analysis of treasury bills, due from banks, loans, securities excluding equities, due from affiliated companies and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's equivalent grades	Total 2023 (\$'000)	Total 2022 (\$'000)
Excellent			
AA	BB+	2,757,233	2,731,827
Very good			
A+	BB	311,112	250,030
Good			
A-	B+	397,604	294,277
B+	B	-	-
Special mention			
B	B-	9	508
Bad and doubtful			
D	CC+	18,293	20,890
Virtual certain loss			
E CC	-	22	373
Not rated NR		282,104	66,694
		<u>3,766,377</u>	<u>3,364,599</u>

35.8.8 Repossessed collateral

Repossession 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:

	2023 (\$'000)	2022 (\$'000)
Buildings	-	-
	-	-
	<u>-</u>	<u>-</u>

35.9 Capital management

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

Capital adequacy is viewed in terms of both regulatory requirements: Tier 1 ratio, total capital ratio and single name credit exposure limits based on anticipated business growth and earnings forecast and internal assessment of risk using a stress-testing model. Company Treasury prepares the annual capital plan incorporating the financial goals including the capital ratio targets in alignment with the operating business plan. The Company is committed to maintaining a sound and prudent capital structure that:

- Exceeds, with an appropriate cushion, the minimum capital requirements for the level and quality of capital set by the regulator;
- Safeguards the Company's ability to continue as a going concern by maintaining capital levels that are sufficient to support all material risks and also to support potential unexpected increases in risk;
- Promotes an integrated and streamlined approach to managing regulatory capital that is both reflective of the Company's risk appetite and risk management practices and strongly supportive of growth strategies and performance management; and
- Reflects alignment with the Company's risk management frameworks and policies.

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

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

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended October 31, 2023 and October 31, 2022. During those two periods, the Company complied with all of the externally imposed capital requirements to which they are subject.

	2023 (\$'000)	2022 (\$'000)
Tier 1 capital		
Share capital	140,000	140,000
Statutory reserve	140,000	140,000
Capital reserves – Excluding asset revaluation reserves	(1,629)	-
Retained earnings	521,601	520,390
Less: Other Intangible Assets	(936)	-
Total qualifying Tier 1 capital	<u>799,036</u>	<u>800,390</u>
Tier 2 capital		
Retained earnings-Unaudited undivided profits	115,438	-
Revaluation reserve – FVOCI securities	-	(434)
Allowance for credit losses	5,261	14,856
Total qualifying Tier 2 capital	<u>120,699</u>	<u>14,422</u>
Less: investment in associate & joint venture	-	(216,819)
Total regulatory capital	<u>919,735</u>	<u>597,993</u>
Risk-weighted assets:		
On-balance sheet	1,957,002	1,690,821
Off-balance sheet	-	-
Total risk-weighted assets	<u>1,957,002</u>	<u>1,690,821</u>
Total regulatory capital to risk-weighted assets	<u>47.00%</u>	<u>35.37%</u>

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.



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36 Fair value of financial assets and liabilities

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

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

Financial assets and liabilities for which fair value are disclosed

	Fair value always approximates carrying value (\$'000)	Fair value may not approximate carrying value (\$'000)	Total fair value (\$'000)	Fair value hierarchy			Total (\$'000)
				Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	
As At October 31, 2023							
Securities	-	1,238,663	1,238,663	-	1,238,663	-	1,238,663
Loans	-	674,146	674,146	-	-	674,146	674,146
Other assets	12,501	-	12,501	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Customers' deposits	102,013	253,872	355,885	-	-	253,872	253,872
Other funding instruments	8,610	-	8,610	-	-	-	-
Other liabilities	4,099	-	4,099	-	-	-	-
As At October 31, 2022							
Securities	-	1,285,521	1,285,521	-	1,285,521	-	1,285,521
Loans	-	520,121	520,121	-	-	520,121	520,121
Other assets	8,339	-	8,339	-	-	-	-
Derivative financial instruments	92	-	92	-	-	-	-
Customers' deposits	490,049	28,737	518,786	-	-	28,737	28,737
Other funding instruments	19,550	-	19,550	-	-	-	-
Other liabilities	7,362	-	7,362	-	-	-	-

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 into account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Total (\$'000)
As at October 31, 2023				
Securities at FVOCI				
Treasury bills and treasury notes	-	1,392,000	-	1,392,000
Government and state-owned enterprises debt securities	-	-	-	-
Equity securities	90	-	-	90
	90	1,392,000	-	1,392,090

As at October 31, 2022

	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Total (\$'000)
Securities at FVOCI				
Treasury bills and treasury notes	-	739,963	-	739,963
Government and state-owned enterprises debt securities	-	-	-	-
Equity securities	95	-	-	95
	95	739,963	-	740,058

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, 2023			
Derivative financial instruments – liability	-	-	-
	-	-	-
As at October 31, 2022			
Derivative financial instruments – liability	92	74	(74)
	(92)	(74)	74

Sensitivity results

As at October 31, 2023, the effects of applying these assumptions to the Level 3 liability positions would result in a decrease of \$nil million (2022: \$0.1 million) and an increase of \$nil million (2022: \$0.1 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.



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Chairman's Report

For the financial year ended 31 October 2023, RBC Trust (Trinidad & Tobago) Limited recorded net income after taxation of \$9.6 million, representing an increase of \$1.4 million compared to the prior year's net income of \$8.2 million. This increase was mostly driven by lower operating expenses that declined by \$2.8 million year-over-year partially offset by higher provisions and lower fees, commissions, and other income.

Assets under administration totalled \$40 billion, declining by \$3 billion compared to previous year from maturities. The Company is well capitalised with

a capital base of \$45.1 million and a capital ratio of 70.4%, which is well in excess of required regulatory thresholds.

We have maintained our focus on innovation and remain committed to providing simplified, accessible, and relevant financial solutions to help our clients realise their financial and life goals. Their success brings our RBC purpose to life: to help our clients thrive and our communities prosper.

On behalf of the Board of Directors and the executive of RBC, I would like to thank our loyal clientele for their

continued confidence in RBC as we reimagine banking and continuously improve our service and operations for the digital world. I would also like to thank our employees who continue to be the driving force behind our achievements. Their continued commitment to our clients and one another, and to bringing our RBC values to life every day, enable us to excel and position us for sustainable long-term growth and success.

Jason Cummings
Chairman
January 24, 2024

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, 2023 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting

date; or up to the date the accompanying financial statements have been authorised for issue, if later.

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

Rickhi Ramsahai
Senior Manager,
Trust Services
RBC Trust Limited
January 24, 2024

Roxann Granger
Chief Financial Officer
RBC Trust Limited
January 24, 2024



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Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RBC Trust (Trinidad & Tobago) Limited (the Company) as at 31 October 2023, 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 2023;
- 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 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 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 judgement 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
26 January 2024



RBC Trust
Trinidad and Tobago

RBC Trust (Trinidad & Tobago) Limited

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Statement of Financial Position

	Notes	As at October 31	
		2023 (\$'000)	2022 (\$'000)
Assets			
Cash and cash equivalents	3	33,896	41,926
Securities	4	90	95
Equipment	5	70	132
Intangible assets	6	193	314
Corporation tax recoverable		6,610	6,610
Deferred tax assets	7	844	824
Other assets	8	9,914	11,550
Total assets		51,617	61,451
Liabilities			
Post-retirement benefit obligations	9	2,585	2,643
Due to affiliate	20	456	680
Deferred tax liabilities	7	27	28
Current income tax liabilities		1,666	3,177
Other liabilities	10	1,708	4,469
Total liabilities		6,442	10,997
Stated capital	11	15,000	15,000
Statutory reserve	12	15,000	15,000
Other reserves		38	41
Retained earnings		15,137	20,413
Total shareholder's equity		45,175	50,454
Total equity and liabilities		51,617	61,451

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

On January 24, 2024, the Board of Directors of RBC Trust (Trinidad & Tobago) Limited authorised these financial statements for issue.

 Director

 Director

Statement of Changes in Equity

	Stated capital (\$'000)	Statutory reserves (\$'000)	Other reserves (\$'000)	Retained earnings (\$'000)	Total (\$'000)
Year ended October 31, 2023					
Balance at beginning of year	15,000	15,000	41	20,413	50,454
Profit after taxation	-	-	-	9,613	9,613
Other comprehensive income	-	-	(3)	111	108
Total comprehensive income	-	-	(3)	9,724	9,721
Dividends	-	-	-	(15,000)	(15,000)
Balance at end of year	15,000	15,000	38	15,137	45,175
Year ended October 31, 2022					
Balance at beginning of year (restated)	15,000	15,000	45	12,154	42,199
Profit after taxation	-	-	-	8,163	8,163
Other comprehensive income	-	-	(4)	96	92
Total comprehensive income	-	-	(4)	8,259	8,255
Balance at end of year	15,000	15,000	41	20,413	50,454

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

Statement of Income and other Comprehensive Income

	Notes	Year ended October 31,	
		2023 (\$'000)	2022 (\$'000)
Interest income	13	1	1
Fees, commissions and other income	14	32,584	32,720
Total income		32,585	32,721
Impairment provision, net of recoveries		(194)	162
Non-interest expenses	15	(18,622)	(21,442)
Total non-interest expenses		(18,816)	(21,280)
Profit before taxation		13,769	11,441
Taxation expense	17	(4,156)	(3,278)
Profit after taxation		9,613	8,163
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gains on securities		(3)	(4)
Re-measurement of post-retirement benefit obligations		111	96
Other comprehensive income for the year, net of tax		108	92
Total comprehensive income for the year		9,721	8,255

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

Statement of Cash Flows

	Year ended October 31	
	2023 (\$'000)	2022 (\$'000)
Cash flows from operating activities		
Net income before taxation	13,769	11,441
Adjustments for:		
Post-retirement benefit obligation	99	2,050
(Release of)/provisions for credit losses	194	(162)
Depreciation and amortisation	190	196
	14,252	13,525
Decrease in due from affiliates	-	1,979
Decrease in operating assets	1,442	1,825
Decrease in due to affiliates	(223)	(5,022)
(Decrease)/increase in other liabilities	(2,662)	964
Corporation tax paid - net of refunds	(5,832)	(2,457)
Net cash generated from operating activities	6,977	10,814
Cash flows from investing activities		
Additions to equipment and intangible assets	(7)	(18)
Net proceeds from disposal of equipment	-	29
Net cash (used in)/generated from investing activities	(7)	11
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	(8,030)	10,825
Cash and cash equivalents at beginning of year	41,926	31,101
Cash and cash equivalents at end of year	33,896	41,926

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

Notes to the Financial Statements 2023

October 31, 2023 (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 Significant accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance

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

Basis of measurement

The Financial Statements are prepared in Trinidad and Tobago dollars.

Use of estimates and assumptions

In preparing our Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Refer to the relevant accounting policies in this Note for details on our use of estimates and assumptions.

Significant judgements

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

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

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

- | | |
|---------------------|--------|
| • Intangible assets | Note 2 |
| • Provisions | Note 2 |
| • Employee benefits | Note 2 |
| • Income taxes | Note 2 |

Changes in accounting policies

The amendment listed below is most likely to have no impact on the Company’s performance, financial position or disclosures.

Updates to Interest Rate Benchmark Reform

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

- For modifications of financial instruments carried at amortised cost resulting from the Reform which are transacted on an economically equivalent basis, the Amendments allow the benchmark interest rate change to be reflected prospectively in the effective interest rate of the instrument rather than as an immediate gain or loss.

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



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Notes to the Financial Statements 2023

October 31, 2023 (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)

transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty or derived from internal estimates when market data is unavailable.

Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated and changes are recorded in non-interest income.

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

Level 3 inputs are one or more inputs that are unobservable and significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances.

Revenue recognition

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

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

The Company adopts the portfolio approach, as an operational expedient, where contracts are assessed as a portfolio as opposed to individually assessed when the characteristics of each contract is similar.

The Company reviews the services provided as part of the contract, the contract duration, the terms and conditions for the contract, the amount, form and timing of consideration and the timing of the transfer of the service.

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

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

Income which falls under the scope of revenue recognition is not netted off against related expense.

Fee income

Fees primarily relate to trustee services, wealth management, financial planning and custody services and are recognised based on the applicable service contracts with customers.

Trustee and custodial fees are generally calculated as a percentage of daily or period-end net asset values based on the terms of the contract with customers and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Administrative fees are generally derived from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager. Mutual fund revenue is derived by calculating 0.05% of the prior month assets under management (AUM). Trustee and custodial fees and mutual fund revenue are recognised over time when the service is provided to the customer provided that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in Non-interest expense based on our assessment of whether we have primary responsibility to fulfill the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

Accounts receivable

For accounts receivable, the Company applies the simplified approach for calculating expected credit losses permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from the initial recognition of receivables.

To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on payment terms and corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customer's ability to settle the receivables. Macroeconomic variables used include, but are not limited to, unemployment rate, gross domestic product (GDP) and inflation rate.

Interest

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

Transaction costs

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

Offsetting financial assets and financial liabilities

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

Cash and cash equivalents

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

Other liabilities

Other liabilities are initially measured at fair value and are subsequently measured at amortised.

Derecognition of financial assets

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

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether we retain the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. We derecognise transferred financial assets if we transfer substantially all the risk and rewards of the ownership in the assets. When assessing whether we have transferred substantially all of the risk and rewards of the transferred assets, management considers the entity 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



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Notes to the Financial Statements 2023

October 31, 2023 (expressed in Trinidad & Tobago dollars) (continued)

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

Significant accounting policies (continued)

Derecognition of financial assets (continued)

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

Derecognition of other liabilities

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

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency).

The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency transactions (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in Non-interest income in the Statement of Income and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets that are measured at fair value are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date, and the resulting foreign exchange gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

Equipment

Equipment includes computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. Gains and losses on disposal are recorded in non-interest income.

Equipment is 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



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Notes to the Financial Statements 2023

October 31, 2023 (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)

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 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 deferred tax expense in our Statement of Income and Other Comprehensive Income.

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Company's tax positions by the relevant taxation authorities.

Stated capital

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

Comparative information

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Cash and cash equivalents

	2023 (\$'000)	2022 (\$'000)
Cash at bank	<u>33,896</u>	<u>41,926</u>

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

4 Securities

	2023 (\$'000)	2022 (\$'000)
FVOCI		
Money market instruments	<u>90</u>	<u>95</u>
	<u>90</u>	<u>95</u>
The movement in investment securities may be summarised as follows:		
Balance at beginning of year	95	100
Fair value loss arising during the year	<u>(5)</u>	<u>(5)</u>
Balance at end of year	<u>90</u>	<u>95</u>

5 Equipment

	Equipment (\$'000)	Computer Equipment (\$'000)	Work in Progress (\$'000)	Total (\$'000)
Year ended October 31, 2023				
Opening net book value	7	125	-	132
Transfers	-	7	(7)	-
Additions	-	-	7	7
Depreciation charge	<u>(6)</u>	<u>(63)</u>	<u>-</u>	<u>(69)</u>
Closing net book value	<u>1</u>	<u>69</u>	<u>-</u>	<u>70</u>
At October 31, 2023				
Cost	12	342	-	354
Accumulated depreciation	<u>(11)</u>	<u>(273)</u>	<u>-</u>	<u>(284)</u>
Net book value	<u>1</u>	<u>69</u>	<u>-</u>	<u>70</u>
Year ended October 31, 2022				
Opening net book value	32	157	28	217
Transfers	-	33	(33)	-
Additions	-	-	18	18
Disposal	<u>(16)</u>	<u>-</u>	<u>(13)</u>	<u>(29)</u>
Depreciation charge	<u>(9)</u>	<u>(65)</u>	<u>-</u>	<u>(74)</u>
Closing net book value	<u>7</u>	<u>125</u>	<u>-</u>	<u>132</u>
At October 31, 2022				
Cost	59	393	-	452
Accumulated depreciation	<u>(52)</u>	<u>(268)</u>	<u>-</u>	<u>(320)</u>
Net book value	<u>7</u>	<u>125</u>	<u>28</u>	<u>132</u>



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6 Intangible assets

	Computer software (\$'000)	Total (\$'000)
Year ended October 31, 2023		
Opening net book value	314	314
Amortisation charge	(121)	(121)
Closing net book value	<u>193</u>	<u>193</u>
At October 31, 2023		
Cost	1,208	1,208
Accumulated amortisation	(1,015)	(1,015)
Net book value	<u>193</u>	<u>193</u>
Year ended October 31, 2022		
Opening net book value	436	436
Amortisation charge	(122)	(122)
Closing net book value	<u>314</u>	<u>314</u>
At October 31, 2022		
Cost	1,208	1,208
Accumulated amortisation	(894)	(894)
Net book value	<u>314</u>	<u>314</u>

7 Deferred tax assets and liabilities

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

	2023 (\$'000)	2022 (\$'000)
Deferred tax assets	844	824
Deferred tax liability	(27)	(28)
	<u>817</u>	<u>796</u>
The movement on the deferred tax accounts are as follows:		
At beginning of year	796	198
Credit to Statement of Income (Note 17)	67	638
Charge to Statement of Other Comprehensive Income	(46)	(40)
At end of year	<u>817</u>	<u>796</u>
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets		
Accelerated tax depreciation	49	31
Post-retirement benefits	682	652
Other	113	141
	<u>844</u>	<u>824</u>
Other	(27)	(28)
	<u>(27)</u>	<u>(28)</u>

8 Other assets

	2023 (\$'000)	2022 (\$'000)
Accounts receivable (Note 8.1)	9,102	10,823
Other tax recoverable	38	38
Prepayments	766	676
Other	8	13
	<u>9,914</u>	<u>11,550</u>
Current	9,102	9,936
Non-current	812	1,614
	<u>9,914</u>	<u>11,550</u>
8.1 Accounts receivable		
Accounts receivable	9,914	12,437
Provision for impairment (Note 8.2)	(812)	(1,614)
Net accounts receivable	<u>9,102</u>	<u>10,823</u>
8.2 Movement in provision for impairment losses		
At beginning of year	(1,614)	(2,692)
Reversals	3,892	2,636
Amounts written off	996	916
Net increase in provision	(4,086)	(2,474)
At end of year	<u>(812)</u>	<u>(1,614)</u>

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, 2023			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	2,585	-	2,585
Liability in the statement of financial position	<u>2,585</u>	<u>-</u>	<u>2,585</u>
October 31, 2022			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	2,643	-	2,643
Liability in the statement of financial position	<u>2,643</u>	<u>-</u>	<u>2,643</u>

9.2 The movements in the post-retirement benefit obligation over the year are as follows:

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
At beginning of year	2,643	-	2,643
Current service cost	13	-	13
Interest cost	154	-	154
Benefits paid	(49)	-	(49)
Effects of experience adjustments	(157)	-	(157)
Other	(19)	-	(19)
At end of year	<u>2,585</u>	<u>-</u>	<u>2,585</u>
October 31, 2022			
At beginning of year	730	-	730
Current service cost	14	-	14
Past service cost	40	-	40
Interest cost	144	-	144
Benefit paid	(44)	-	(44)
Effect of experience adjustments	(137)	-	(137)
Other	1,896	-	1,896
At end of year	<u>2,643</u>	<u>-</u>	<u>2,643</u>

9.3 The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows:

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Current service cost	13	-	13
Past service cost	-	-	-
Net interest cost	154	-	154
Benefit paid	(49)	-	(49)
Other	(19)	-	(19)
Components of defined benefit costs recognised in profit or loss	<u>99</u>	<u>-</u>	<u>99</u>



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9 Post-retirement benefit obligations (continued)

9.3 The amounts recognised in the Statement of Income and Other Comprehensive Income are as follows: (continued)

	Other post-employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
October 31, 2023			
Re-measurement on the net liability:			
Effect of experience adjustments	(157)	-	(157)
Components of defined benefit costs recognised in other comprehensive income	-	-	-
Total	(58)	-	(58)

October 31, 2022			
Current service cost	14	-	14
Past service cost	40	-	40
Net interest cost	144	-	144
Benefit Paid	(44)	-	(44)
Other	1,896	-	1,896
Components of defined benefit costs recognised in profit or loss	2,050	-	2,050

October 31, 2022			
Re-measurement on the net liability:			
Effect of experience adjustments	(137)	-	(137)
Components of defined benefit costs recognised in other comprehensive income	-	-	-
Total	1,913	-	1,913

9.4 Significant assumptions

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

Discount rate

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

Summary of principal assumptions

	October 31, 2023	October 31, 2022
Discount rates – medical and life	6.20%	6.00%
Salary increases	N/A	N/A
Health care cost increases		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

9.5 Sensitivity analysis

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

	Increase/(decrease)	
	2023 (\$'000)	2022 (\$'000)
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	374	400
Impact of 1.0% increase in discount rate	(305)	(324)
Impact of 0.5% decrease in rate of increase in future compensation	-	-
Impact of 0.5% increase in rate of increase in future compensation	-	-
Impact of 1.0% decrease in health care cost trend rate	(113)	(111)
Impact of 1.0% increase in health care cost trend rate	134	132
Impact of 1 year decrease in life expectancy	-	1
Impact of 1 year increase in life expectancy	-	1

10 Other liabilities

	2023 (\$'000)	2022 (\$'000)
Accounts payable and accruals	999	3,653
Employee related costs	709	816
	<u>1,708</u>	<u>4,469</u>
Current	<u>1,708</u>	<u>4,469</u>

11 Stated capital

	2023 (\$'000)	2022 (\$'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	<u>15,000</u>	<u>15,000</u>

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

	2023 (\$'000)	2022 (\$'000)
Securities	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

14 Non-interest income from continuing operations

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

	2023 (\$'000)	2022 (\$'000)
<i>Non-interest income over time:</i>		
Trust and investment management related fees	32,564	32,508
<i>Non-interest income at a point in time:</i>		
Sundry income	<u>20</u>	<u>212</u>
	<u>32,584</u>	<u>32,720</u>

Fee income presented above is recognised over time as the relevant services are provided during the period.

15 Non-interest expenses

	2023 (\$'000)	2022 (\$'000)
Staff costs (note 15.1)	6,017	7,681
Equipment and intangible assets expenses, excluding depreciation and amortisation	2,593	2,553
Advertising and public relations	65	65
Amortisation and depreciation	190	195
Directors' fees	107	126
Auditor's fees	428	405
Management fees	8,911	7,760
Business and capital tax	1,143	960
Green fund levy	98	99
Sundry losses	(1,511)	712
Other operating expenses	<u>581</u>	<u>886</u>
	<u>18,622</u>	<u>21,442</u>
15.1 Staff costs		
Staff costs include:		
Wages and salaries including bonuses	5,533	5,331
Employees' other post-retirement benefit costs (Note 9.3)	99	2,050
Employees' defined contribution pension expense	321	300
Share option plan-value of services provided	<u>64</u>	<u>-</u>
	<u>6,017</u>	<u>7,681</u>

16 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



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16 Share-based compensation (continued)

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:-

16.1 Units granted under share-based compensation plans

	Units granted	Weighted average fair value per unit (\$)
2023		
Performance deferred share unit plans	114	642
RBC share unit plans	<u>109</u>	<u>601</u>
	<u>223</u>	
2022		
Performance deferred share unit plans	-	-
RBC share unit plans	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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.

16.2 Obligations under share-based compensation plans

	Units ('000)	Carrying Amount (\$'000)
2023		
Performance deferred share unit plans	33	18
RBC share unit plans	<u>86</u>	<u>46</u>
	<u>119</u>	<u>64</u>
2022		
Performance deferred share unit plans	-	-
RBC share unit plans	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

16.3 Compensation expenses recognised under share-based compensation plans

	2023 (\$'000)	2022 (\$'000)
Performance deferred share unit plans	18	-
RBC share unit plans	<u>46</u>	<u>-</u>
	<u>64</u>	<u>-</u>

17 Taxation expense

	2023 (\$'000)	2022 (\$'000)
Current tax charge	4,223	4,084
Group loss relief	-	(168)
Deferred tax charge/(credit) (Note 7)	<u>(67)</u>	<u>(638)</u>
	<u>4,156</u>	<u>3,278</u>
The tax on profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	<u>13,769</u>	<u>11,441</u>
Prima facie tax at the rate of 30%	4,131	3,432
Non allowable expenses	28	(1)
Group loss relief	-	(168)
Other	<u>(3)</u>	<u>15</u>
	<u>4,156</u>	<u>3,278</u>

18 Dividends

During the year dividends were declared and paid to the shareholders was \$15MM (2022 -: Nil).

Dividends are accounted for as an appropriation of retained earnings.

19 Contingent liabilities and commitments

Legal proceedings

As at October 31, 2023, there were no legal proceedings relating to the Company. As a result, there were no contingent liabilities as of October 31, 2023 (2022: Nil).

20 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.

	2023 ('000)	2022 ('000)
Cash and cash equivalents		
Due to RBCFCL Subsidiaries	<u>33,896</u>	<u>41,926</u>
Due from affiliate		
Due to RBCFCL Subsidiaries	<u>-</u>	<u>-</u>
Other assets		
Other affiliated companies	<u>315</u>	<u>311</u>
Due to affiliate		
Due to RBCFCL Subsidiaries	<u>456</u>	<u>680</u>
Non-Interest income		
Other affiliated companies	<u>10,058</u>	<u>10,093</u>
Other operating expenses		
Due to RBCFCL Subsidiaries	<u>10,027</u>	<u>9,082</u>

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.

	2023 (\$'000)	2022 (\$'000)
Salaries and short-term benefits	<u>832</u>	<u>719</u>

21 Financial risk management

21.1 Risk management

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and the Company is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, operational risk and market risk.

Risk management structure

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



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21 Financial risk management (continued)

Operating Committee (OC)

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

Risk Management Unit

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

Asset and Liability Committee (ALCO)

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

Internal Audit

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

Risk measurement and reporting systems

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

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

Information compiled from all the business units is examined and processed in order to analyse, control and identify risks early. This information which consists of several reports, is presented and explained to the Operating Committee, the ALCO and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

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

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

The Company actively uses collateral to reduce its credit risks.

21.2 Categorisation

	Financial assets or liabilities carried at fair value (\$'000)	Financial assets or liabilities carried at amortised cost (\$'000)	Non-financial assets or liabilities (\$'000)	Equity instrument (\$'000)	Total (\$'000)
As at October 31, 2023					
Assets					
Cash and cash equivalents	-	33,896	-	-	33,896
Securities	90	-	-	-	90
Equipment	-	-	70	-	70
Intangible assets	-	-	193	-	193
Corporation tax recoverable	-	-	6,610	-	6,610
Deferred tax assets	-	-	844	-	844
Other assets	-	9,102	812	-	9,914
Total assets	90	42,998	8,529	-	51,617

	Financial assets or liabilities carried at fair value (\$'000)	Financial assets or liabilities carried at amortised cost (\$'000)	Non-financial assets or liabilities (\$'000)	Equity instrument (\$'000)	Total (\$'000)
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	2,585	-	2,585
Deferred tax liability	-	-	27	-	27
Due to affiliate	-	456	-	-	456
Current income tax liabilities	-	-	1,666	-	1,666
Other liabilities	-	549	1,159	-	1,708
Shareholders' equity	-	-	-	45,175	45,175
Total equity and liabilities	-	1,005	5,437	45,175	51,617
As at October 31, 2022					
Assets					
Cash and cash equivalents	-	41,926	-	-	41,926
Securities	95	-	-	-	95
Equipment	-	-	132	-	132
Intangible assets	-	-	314	-	314
Corporation tax recoverable	-	-	6,610	-	6,610
Deferred tax assets	-	-	824	-	824
Other assets	-	10,823	727	-	11,550
Total assets	95	52,749	8,607	-	61,451
Equity and liabilities					
Liabilities					
Post-retirement benefit obligations	-	-	2,643	-	2,643
Deferred tax liability	-	-	28	-	28
Due to affiliate	-	680	-	-	680
Current income tax liabilities	-	-	3,177	-	3,177
Other liabilities	-	1,702	2,767	-	4,469
Shareholders' equity	-	-	-	50,454	50,454
Total equity and liabilities	-	2,382	8,614	50,454	61,451

21.3 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.

21.3.1 Financial assets and liabilities less derivatives

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

	Less than three months (\$'000)	Three to six months (\$'000)	Six to twelve months (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at October 31, 2023						
Assets						
Cash and cash equivalents	33,896	-	-	-	-	33,896
Securities	90	-	-	-	-	90
Other Assets	7,319	580	1,203	-	-	9,102
Total financial assets less derivatives	41,305	580	1,203	-	-	43,088



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21 Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.1 Financial assets and liabilities less derivatives (continued)

	Less than three months (\$'000)	Three to six months (\$'000)	Six to twelve months (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
Liabilities						
Due to associates and affiliated companies	456	-	-	-	-	456
Other liabilities	549	-	-	-	-	549
Total financial Liabilities less derivatives	1,005	-	-	-	-	1,005
Liquidity gap	40,300	580	1,203	-	-	42,083
Cumulative gap	40,300	40,880	42,083	42,083	42,083	
As at October 31, 2022						
Assets						
Cash and cash equivalents	41,926	-	-	-	-	41,926
Securities	95	-	-	-	-	95
Other Assets	9,057	1,060	706	-	-	10,823
Total financial assets less derivatives	51,078	1,060	706	-	-	52,844
Liabilities						
Due to associates and affiliated companies	680	-	-	-	-	680
Other liabilities	664	-	-	1,038	-	1,702
Total financial Liabilities less derivatives	1,344	-	-	1,038	-	2,382
Liquidity gap	49,734	1,060	706	(1,038)	-	50,462
Cumulative gap	49,734	50,794	51,500	50,462	50,462	

21.4 Market risk

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

The market risks arising from non-trading activities are measured separately by The Group Risk Management who submits reports to The Group ALCO on a regular basis. Additionally, on a quarterly basis, Group Risk Management, Treasury and Finance departments review and approve the valuation of all securities and trading liabilities.

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

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

21.4.1 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.

21.4.2 Interest rate risk

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

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

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

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

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

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

	EVE Risk		NII Risk	
	Local Currency (\$'000)	Hard Currency (\$'000)	Local Currency (\$'000)	Hard Currency (\$'000)
As at October 31, 2023				
<i>Impact before tax</i>				
100 bps increase in rates	(47)	-	(49)	-
100 bps decrease in rates	47	-	49	-
As at October 31, 2022				
<i>Impact before tax</i>				
100 bps increase in rates	(58)	-	(55)	-
100 bps decrease in rates	58	-	56	-

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, 2023					
Financial assets					
Cash and cash equivalents	33,896	-	-	-	33,896
Securities	-	-	-	90	90
Other assets	-	-	-	9,102	9,102
Total financial assets	33,896	-	-	9,192	43,088
Financial liabilities					
Due to affiliate	-	-	-	456	456
Other liabilities	-	-	-	549	549
Total financial liabilities	-	-	-	1,005	1,005
Interest sensitivity gap	33,896	-	-	-	-
As at October 31, 2022					
Financial assets					
Cash and cash equivalents	41,926	-	-	-	41,926
Securities	-	-	-	95	95
Other assets	-	-	-	10,823	10,823
Total financial assets	41,926	-	-	10,918	52,844
Financial liabilities					
Due to affiliate	-	-	-	680	680
Other liabilities	-	-	-	1,702	1,702
Total financial liabilities	-	-	-	2,382	2,382
Interest sensitivity gap	41,926	-	-	-	-

21.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The 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.

21.5.1 Concentrations of currency risk

The functional currency of the Company is Trinidad and Tobago dollars. The Company does not hold any foreign currency balances (2022: Nil).



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21 Financial risk management (continued)

21.6 Credit risk

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

21.6.1 Maximum exposure to credit risk

	Gross maximum exposure	
	2023 (\$'000)	2022 (\$'000)
Cash and cash equivalents	33,896	41,926
Securities	90	95
Other assets	9,102	10,823
Due from Affiliates	-	-
Total	<u>43,088</u>	<u>52,844</u>

21.6.2 Credit quality by class of financial assets

	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	Total (\$'000)
As at October 31, 2023				
Cash and cash equivalents	33,896	-	-	33,896
Securities	90	-	-	90
Other assets	8,290	-	812	9,102
Due from affiliates	-	-	-	-
Total	<u>42,276</u>	<u>-</u>	<u>812</u>	<u>43,088</u>
As at October 31, 2022				
Cash and cash equivalents	41,926	-	-	41,926
Securities	95	-	-	95
Other assets	9,209	-	1,614	10,823
Due from affiliates	-	-	-	-
Total	<u>51,230</u>	<u>-</u>	<u>1,614</u>	<u>52,844</u>

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, 2023. The Company reviews all amounts owed on a quarterly basis and make specific provisions for amounts that are deemed uncollectible as and when necessary.

21.6.3 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 \$89,850 (2022: \$94,900) are rated Excellent (BB+).

21.7 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 70.41% (2022: 78.49%). During the period, the Central Bank of Trinidad and Tobago amended the framework used to calculate risk weighted 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.

	2023 (\$'000)	2022 (\$'000)
Tier 1 capital		
Stated capital	15,000	15,000
Statutory reserve	15,000	15,000
Retained earnings	<u>15,137</u>	<u>20,099</u>
Total qualifying Tier 1 capital	<u>45,137</u>	<u>50,099</u>
Tier 2 capital		
Revaluation reserve – securities	<u>38</u>	<u>41</u>
Other reserve	-	-
Total qualifying Tier 2 capital	<u>38</u>	<u>41</u>
Total regulatory capital	45,175	50,140
Risk-weighted assets:		
On-Statement of Financial Position	<u>63,881</u>	<u>63,873</u>
Total risk-weighted assets	<u>63,881</u>	<u>63,873</u>
Total regulatory capital to risk weighted assets	<u>70.41%</u>	<u>78.49%</u>

22 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, 2023				
As At October 31, 2023				
Mutual funds	90	-	-	90
Total investments	<u>90</u>	<u>-</u>	<u>-</u>	<u>90</u>
Securities at FVOCI – year ended October 31, 2022				
As At October 31, 2022				
Mutual funds	95	-	-	95
Total investments	<u>95</u>	<u>-</u>	<u>-</u>	<u>95</u>

Reconciliation of Level 1 fair value measurements of financial assets – year ended October 31, 2023

	FVOCI (\$'000)
As at November 1, 2022	95
Loss from changes in fair value	<u>(5)</u>
As At October 31, 2023	<u>90</u>
As at November 1, 2021	100
Gains from changes in fair value	<u>(5)</u>
As At October 31, 2022	<u>95</u>

23 Financing arrangements

The Company has access to an overdraft facility in the amount of \$20 million (2022: \$20 million)

24 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, 2023 totalled \$40 billion (2022: \$43 billion).

25 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.