Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended October 31, 2018

Issuer Registration number
RBTT 14112001KN

RBTT Bank (SKN) Limited

(Exact name of reporting issuer as specified in its charter)

Nevis

(Territory of incorporation)

Chapel Street, Charlestown, Nevis

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 869-469-5277

Fax number: 869-469-1493

Email address:

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary Shares of No Par Value	5,001,222
Class 'A' Ordinary Shares" of No Par Value	1000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:	Name of Director:
Isaac Solomon	Chad Allen
Signature	Signature
March 27, 2019	March 27, 2019
Date	Date

Name of Chief Financial Officer:

Deirdre Fung

Signature

6/5/19

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

For the financial year ended October 31 2018, RBTT Bank (SKN) Limited (the Bank) reported a net loss of $5.4 million representing a decline of $3.6 million compared to the prior year loss of $1.8 million. With the adoption of IFRS 9 this year, impairment on loans and advances increased by $2.7 million year-on-year. This was accompanied by an increase in operating expenses of $1.3 million mostly related to management fees. The Bank's loan book continued to decline in fiscal 2018 fueling a decline in loan interest income, which was partially offset by lower cost of funds from a drop in deposit balances. Non-interest income was also lower in the current fiscal, from lower fees and commissions along with unrealized losses on securities recorded at Fair Value.

Total assets declined by $10.0 million to $78.6 million as at the end of fiscal 2018, primarily from lower loans and advances to customers of $6.7 million and cash & equivalents of $4.4 million. On the funding side, customer deposits were $3.3 million down year-over-year while other liabilities fell by $2.6 million.

Gross loans totalled $46.0 million as at the end of the reporting period, $6.4 million lower than the prior year from declines across all segments led by Mortgages of $4.6 million, followed by Retail loans at $1.2 million with Commercial/Corporate balances falling by $0.6 million. Deposit balances also declined in the current fiscal to $44.6 million from $47.9 million as at the end of the prior period mainly attributable to consumer deposits.

RBTT Bank (SKN) continues to focus on our overall Enterprise strategy to be the leading digitally-enabled relationship bank, and is striving for constant improvement on how we support and interact with clients and communities. While acknowledging the economic challenges, disruptive weather related threats, industry forces and increasing competitive pressures in St. Kitts and Nevis, we continue to strive for ways to be more competitive and to always win our clients' loyalty. The pace of banking is changing and we have to continue our journey of transformation and innovation to achieve our strategic priorities and to build the bank of the future. With renewed energy and enthusiasm we are moving forward on our journey.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The company owns the property from which it operates in Charlestown, Nevis.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

None

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

None.

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

None.

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

None.

(d) A description of the terms of any settlement between the registrant and any other participant.

None.

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None.

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

None.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

(i) Auditor's report; and
(ii) Statement of Financial Position;

<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

(1) Liquidity Risk - The risk of not having funds available to pay obligations on demand and the effect that could have on the company.

(2) Money Laundering Risk – The risk that the company may inadvertently handle transactions for a customer in contravention of internal and external anti money laundering regulations and the effect this could have on the operations of the company.

(3) Reputation Risk – The risk that an adverse event to the company or any of its affiliates could affect public confidence in the company and its ability to transact business locally, regionally or internationally.

(4) Business Interruption Risk – The risk of a disaster such as a fire, hurricane, earthquake or flood rendering the company unable to continue operations at least in the short term.

(5) Credit Risk – The risk that an issuer of debt securities or a borrower may default on its obligations, or that the payment may not be made on a negotiable instrument.

(6) Market Risk – The impact of market factors and prices upon the financial condition of the firm. This includes potential gains or losses due to changes in market determined variables such as interest rates and foreign exchange (FX) rates.

8. Changes in Securities and Use of Proceeds.

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

Not applicable

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  ____

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  ____

- Name and address of underwriter(s)

  ____

  ____

- Amount of expenses incurred in connection with the offer ____________

- Net proceeds of the issue and a schedule of its use

  ____

  ____

- Payments to associated persons and the purpose for such payments

  ____

  ____

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

Not applicable

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

Not applicable.

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

Not applicable

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The deterioration in the performance was attributable to the adoption of IFRS 9 provisioning methodology, increased operating expenses and a decline in loan book. The bank will continue to take efforts to improve the quality of its loans portfolio and maintain effective control over operating expenses.

Cost management remains critical to the success of the bank and efforts will be made to improve efficiencies and to increase the use of lower cost channels. To mitigate the low demand for credit, the bank continues to review and enhance its product offering and enhance our value proposition to clients by leveraging its digital capabilities in order to become a Digitally-Enabled Relationship Bank.
For the financial year ended October 31 2018, RBTT Bank (SKN) Limited (the Bank) reported a net loss of $5.4 million representing a decline of $3.6 million compared to the prior year loss of $1.8 million. With the adoption of IFRS 9 this year, impairment on loans and advances increased by $2.7 million year-on-year. This was accompanied by an increase in operating expenses of $1.3 million mostly related to management fees. The Bank's loan book continued to decline in fiscal 2018 fueling a decline in loan interest income, which was partially offset by lower cost of funds from a drop in deposit balances. Non-interest income was also lower in the current fiscal, from lower fees and commissions along with unrealized losses on securities recorded at Fair Value.

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RBTT Bank (SKN) continues to focus on our overall Enterprise strategy to be the leading digitally-enabled relationship bank, and is striving for constant improvement on how we support and interact with clients and communities. While acknowledging the economic challenges, disruptive weather related threats, industry forces and increasing competitive pressures in St. Kitts and Nevis, we continue to strive for ways to be more competitive and to

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer’s internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer’s financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer’s ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer’s material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer’s capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

The Banks' liquidity position remains stable with a healthy customer deposit base and independence from inter-company or inter-bank borrowings. In the event that additionally funding needs arise, the Bank continues to enjoy easy access to inter-company borrowings to meet liquidity needs.

Additionally, the Bank continues to meet and exceed the Weekly Reserve Requirement mandated by the Banking Act, without issue given the excess liquid resources on the books.

The bank continues to be above the regulatory requirements for Capital Adequacy with a ratio of 66.58% versus a requirement of 8% reflecting the prudent use of capital and the historic strong results of the bank in a difficult operating environment.

There are no capital commitments for 2019.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

None.

<u>Results of Operations</u>

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls,

Overview of Results of Operations

The Bank's results have shown deterioration over prior year driven primarily by an increase in impairment losses on loans and advances of $2.7 million mainly due to adoption of IFRS 9 and lower net interest income of $0.6 million mainly due to lower loan portfolio arising out of a challenged economic environment, strong competitive pressures and the need to focus on quality assets.

Cost control remained integral to the banks results as staff costs reduced by $0.4 million as we sought to improve efficiencies and reimagine how we operate and serve clients in order to transform our business to be the Bank of the future.

In its pursuit of the overall Enterprise strategy to be the leading digitally-enabled relationship bank that allows our clients to bank anywhere and anytime, it will leverage its digital platforms to increase client access and convenience while also reducing costs.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

None

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

None

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Audited Financial Statements as at October 31, 2018 Directors biographical information

OFFICERS AND KEY PERSONNEL OF THE COMPANY

Name **Chad Allen** Position: : **Country Manager – St. Kitts & Nevis**

Age: **39 Years**

Mailing Address **C/o RBTT Bank SKN Ltd,**

Chapel Street, Charlestown, NEVIS

Telephone No.: **(869) 662-4487**

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

August 2015 to Present:RBC St. Kitts & RBTT Bank (SKN) - Country Manager – St. Kitts & Nevis
The Country Manager directly manages the St. Kitts and Nevis operations and is responsible for building marketplace recognition and strengthen competitive position by accelerating revenue growth, through increased product penetration and market share.

June 2014 – August 2015: RBC Antigua – Country Manager - Antigua
The Country Manager directly manages the Antigua Branch. Acts as a single point of integration in country to manage clients, change, local relationships, risk and regulators; is the Lead Integrator accountable for end-to-end market business performance from sales delivery and after sales service through to regulatory management.

April 2011 – June 2014: RBC Jamaica – Branch Manager – Mandeville Branch
Coaching the sales and service teams to consistently deliver a superior client experience by demonstrating the "Living the Client Experience" standards at every point of contact with all clients.

Education (degrees or other academic qualifications, schools attended, and dates):

Chartered Banker MBA- Bangor University-Executive Education

Training workshops- Coaching Excellence, Supervising to Improve Employee Experience, Personal Banker Workshop among others

Certificate in Securities – Jamaica Institute of Management

Also a Director of the company [**X**] Yes [ ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

____

Use additional sheets if necessary.

Name: **Isaac Solomon** Position: Managing Director - Eastern Caribbean

Age: **55 Years**

Mailing Address: : c/o RBTT Bank Caribbean Limited, 81 South River Road, P O Box 118, Kingstown, St. Vincent & The Grenadines

Telephone No: (w) 1(758)457- 6320 (c) 1 (784)494-7656 1(758)724-7050

List jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

- October 23, 2013 to Current - Managing Director- Eastern Caribbean - RBC Caribbean Group. The Managing Director (MD) serves as the senior leader in the Eastern Caribbean Market and steward of RBC Caribbean Banking clients, lines of business and functions, employees and communities.
- January 2012 to October 22, 2013 – Area Vice President – RBTT Bank Caribbean Limited.- St. Vincent & the Grenadines and St. Lucia. The Area vice President directly managed the Kingstown branch and had oversight of the Bequia branch.
- 2006-2011 – Country Head – RBTT Bank Caribbean Limited- St. Vincent & the Grenadines. Country Head's role was to develop effective sales force and in market service capability to maximize revenue and provide superior client experience. The role also required leading the implementation of strategic initiatives and market opportunities.

Education (degrees or other academic qualifications, schools attended, and dates):

2008- Association of Certified Fraud Examiners – Forensic Accounting – Certified Fraud Examiner

2002- New York State Education Department – Public Accounting - CPA

1994-1996 - University of London – Financial Management – Master of Science

1985-1988 - University of the West Indies – Management Studies – Bachelor of Science

Also a Director of the company [X] Yes [ ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

Name: **Ms. Rae Debbie Skinner** Position: : REGIONAL SALES ADVISOR – COMMERCIAL & CAPITAL MARKETS

Age: **61 Years**

Mailing Address: 9 Sunset Drive, Pine Gardens, St. Michael, Barbados
Telephone No.: (T) 246 457 4057 (C) 246 243 2074 (F) 246 426

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

March 2015 to Present – Regional Sales Advisor – Commercial & Capital Markets

January 2011 to March 2015 – Market Head - Business Banking, Barbados & Eastern Caribbean. Primarily responsible for growing and developing strong relationships with the Bank's business banking clients. Also to provide sound financial advice and solutions to clients, as well as understand and satisfy their needs and provide a high level of customer service

2010 to 2011 – Vice President, Business Banking. Responsible for the commercial banking business of both RBTT and RBC Barbados.

2008 to 2010 – Royal Bank of Canada - Manager, Commercial Financial Services

Education (degrees or other academic qualifications, schools attended, and dates):

Manchester College - Associates Degree – Accounting and Business Administration

Yale University, CT USA - BA Economics (Hons)

University of the West Indies –Institute of Business - EMBA

Also a Director of the company [X] Yes [ ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

7. DIRECTORS OF THE COMPANY

Information concerning non-Executive Directors:

Name: Cartwright Farrell

Position: CEO, St. Kitts Electricity Company Limited

Age: 57 Years

Mailing Address: Cades bay, Clifton Estates, St. Thomas, Nevis

Telephone No.: .: (869) 469 1801(h) (869) 762 4401 (c)

List jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

Nov 2013 to present: Chief Executive Officer - St. Kitts Electricity Company Limited

2000 to present: Partner - GECS Engineering and Consultancy Limited.

2007 to 2013: General Manager – Nevis Electricity Company Limted

Education (degrees or other academic qualifications, schools attended, and dates):

MBA – Manchester Business School, Manchester University, 2008

Bachelor of Engineering, Electrical and Electronics Engineering, Staffordshire University, 1991

Use additional sheets if necessary.

Name: Morrice Tyrell Position: Director of Trade

Age: **71 Years**

Mailing Address: P. O. Box 7224

Charlestown, Nevis, West Indies

Telephone No.: (869) 469-2086 (H), (869) 662-5693 (c)

List jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

Director of Trade, Nevis Island Administration – Responsible for developing government's International Trade Policy.
Auditor, Miami-Dade Transit – Responsible for internal audit functions, and liaison with external auditors as well as other County departments.

Education (degrees or other academic qualifications, schools attended, and dates):

Master of Business Administration – University of the Virgin Islands 2003
Master of Accounting – Florida International University - 2002

Use additional sheets if necessary.

Financial statements

RBTT BANK (SKN) LIMITED

October 31, 2018
(Expressed in Eastern Caribbean Dollars)

RBTT BANK (SKN) LIMITED

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RBTT BANK (SKN) LIMITED

Statement of management responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RBTT Bank (SKN) Limited which comprise the statement of financial position as at October 31st, 2018 and the statements of income or loss and other comprehensive income or loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Bank keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of Bank operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Country Manager
March 27, 2019

Senior Manager – Finance
March 27, 2019

pwc

Independent auditors' report

To the shareholders of RBTT Bank (SKN) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of RBTT Bank (SKN) Limited (the Bank) as at October 31, 2018, 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, 2018;
- the statement of income or loss and other comprehensive income or loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after this auditors' report date.

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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

PricewaterhouseCoopers East Caribbean, Unit 111 Johnsons Centre, No 2 Bella Rosa Road, P.O. Box BW 304, Gros Islet, St. Lucia, West Indies
T: +758-727-6700, www.pwc.com/bb

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

PricewaterhouseCoopers

Chartered Accountants
Castries, St. Lucia
March 31, 2019

RBTT BANK (SKN) LIMITED

Statement of Financial Position
As at October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2018 $	October 31, 2017 $
Assets			
Cash and cash equivalents	3	27,608,623	31,979,198
Statutory deposit with Central Bank	3	3,478,875	2,899,000
Loans	4	40,234,360	46,901,317
Securities	5	3,147,570	3,329,449
Intangible assets	6	154,727	232,990
Premises and equipment	7	1,453,991	1,563,295
Deferred tax asset	17	1,693,691	615,733
Income tax recoverable	17	159,017	73,989
Other assets	8	704,355	991,944
Total assets		78,635,209	88,586,915
Liabilities			
Customers' deposits	9	44,604,781	47,915,686
Due to associates and affiliated companies	19	3,397,928	1,855,152
Other liabilities	10	3,426,324	6,020,325
Total liabilities		51,429,033	55,791,163
Equity			
Share capital	11	20,001,222	20,001,222
Share premium		1,941,734	1,941,734
Statutory reserve	12	5,644,965	5,644,965
Revaluation reserve		217,019	334,754
(Accumulated deficit)/ retained earnings		(598,764)	4,873,077
Total equity		27,206,176	32,795,752
Total equity and liabilities		78,635,209	88,586,915

On March 27, 2019, the Board of Directors of RBTT Bank (SKN) Limited authorized these financial statements for issue.

Director
Isaac Solomon

Director
Cartwright Farrell

The notes on pages 9 – 82 form an integral part of these financial statements.

RBTT BANK (SKN) LIMITED

Statement of Income or Loss and Other Comprehensive Income or Loss
For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	October 31, 2018 $	October 31, 2017 $
Interest income	13	3,420,703	4,058,957
Interest expense	14	(763,485)	(796,387)
Net interest income		2,657,218	3,262,570
Non-interest income	15	402,325	780,477
Total revenue		3,059,543	4,043,047
Provision for credit losses	5	(2,992,049)	(336,036)
Other operating expenses	16	(6,452,385)	(5,127,855)
Total non-interest expenses		(9,444,434)	(5,463,891)
Loss before taxation		(6,384,891)	(1,420,844)
Taxation credit/ (charge)	17	995,763	(356,231)
Loss after taxation		(5,389,128)	(1,777,075)
Other comprehensive income, net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net change in unrealized gains (losses) on available-for-sale securities			
Net gains on available-for-sale financial assets		-	339,789
Tax impact		-	(112,130)
		-	227,659
Items that will not be reclassified subsequently to profit or loss:			
Net change in unrealized gains (losses) on equity securities at fair value through other comprehensive income		(24,291)	-
Tax impact		8,016	-
		(16,275)	-
Other comprehensive (loss)/profit for the year, net of taxes		(16,275)	227,659
Total comprehensive loss for the year		(5,405,403)	(1,549,416)
Basic and diluted loss per share	18	(1.08)	(0.36)

The notes on pages 9 – 82 form an integral part of these financial statements.

RBTT BANK (SKN) LIMITED

Statement of Changes in Equity
For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	Note	Share capital	Share premium	Statutory reserve	Revaluation reserve	Accumulated (deficit) /retained earnings	Total equity
		$	$	$	$	$	$
Balance at October 31, 2017		20,001,222	1,941,734	5,644,965	334,754	4,873,077	32,795,752
Transition adjustment	2	-	-	-	(101,460)	(82,713)	(184,173)
Balance as at November 1, 2017		20,001,222	1,941,734	5,644,965	233,294	4,790,364	32,611,579
Net loss after taxation		-	-	-	-	(5,389,128)	(5,389,128)
Other comprehensive income:							
- Changes in fair value		-	-	-	(16,275)	-	(16,275)
Total comprehensive loss		-	-	-	(16,275)	(5,389,128)	(5,405,403)
Balance at October 31, 2018		**20,001,222**	**1,941,734**	**5,644,965**	**217,019**	**(598,764)**	**27,206,176**
Balance at November 1, 2016		5,001,222	1,941,734	5,644,965	107,095	6,650,152	19,345,168
Net loss after taxation		-	-	-		(1,777,075)	(1,777,075)
Other comprehensive income:							
- Changes in fair value		-	-	-	227,659	-	227,659
Total comprehensive loss		-	-	-	227,659	(1,777,075)	(1,549,416)
Additional Capital		15,000,000	-	-	-	-	15,000,000
Balance at October 31, 2017		**20,001,222**	**1,941,734**	**5,644,965**	**334,754**	**4,873,077**	**32,795,752**

The notes on pages 9 – 82 form an integral part of these financial statements.

RBTT BANK (SKN) LIMITED

Statement of Cash Flows
For the year ended October 31, 2018
(Expressed in Eastern Caribbean Dollars)

	October 31, 2018 $	October 31, 2017 $
Operating activities		
Loss before taxation	(6,384,891)	(1,420,844)
Adjustments for:		
Provision for credit losses	(2,380)	336,036
Depreciation and amortization	185,926	247,614
Disposals of premises and equipment	1,641	-
Losses on securities	146,081	-
Operating loss before changes in operating assets and liabilities	(6,053,623)	(837,194)
Decrease / (increase) in operating assets		
Loans	6,410,985	5,937,650
Statutory deposit with Central Bank	(579,875)	451,000
Other assets	287,589	(259,450)
Increase / (decrease) in operating liabilities		
Customers' deposits	(3,310,905)	(6,463,962)
Due to associates and affiliated companies	1,542,776	1,855,152
Other liabilities	(2,594,001)	1,696,283
Taxes paid	(85,028)	(41,316)
Cash (used in) / from operating activities	(4,382,082)	2,338,163
Investing activities		
Purchases, sales and redemption of securities	11,507	(125,555)
Additions to premises and equipment	-	(68,901)
Cash provided by / (used in) investing activities	11,507	(194,456)
Financing activities		
Additional capital	-	15,000,000
Cash from financing activities	-	15,000,000
Net (decrease) / increase in cash and cash equivalents	(4,370,575)	17,143,707
Cash and cash equivalents at beginning of year	31,979,198	14,835,491
Cash and cash equivalents at end of year	27,608,623	31,979,198
Interest received	3,409,415	4,078,973
Interest paid	(755,416)	(759,971)

The notes on pages 9 – 82 form an integral part of these financial statements.

1. Incorporation and business activities

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

The Bank is a 96% subsidiary of RBTT Bank Caribbean Limited, a company incorporated in St Vincent and the Grenadines, with the parent company being RBC Financial (Caribbean) Limited (formerly RBTT Financial Holdings Limited) which is incorporated in Trinidad and Tobago. On June 16, 2008 RBTT Financial Holdings Limited was amalgamated with RBC Holdings (Trinidad and Tobago) Limited to form the new entity RBC Financial (Caribbean) Limited. RBC Financial (Caribbean) Limited and its subsidiaries ("the Group") are engaged in the business of banking and the provision of financial services. Royal Bank of Canada ("RBC"), a Canadian chartered bank is the ultimate parent of the Group.

The Bank is licensed under the St Christopher and Nevis Banking Act No. 1 of 2015 (the "Banking Act") and regulated by the Eastern Caribbean Central Bank (ECCB).

2. Summary of significant accounting policies, estimates and judgements

Basis of preparation

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

Basis of measurement
The financial statements are prepared in Eastern Caribbean dollars.

Use of estimates and assumptions
The preparation of these Financial Statements requires the use of certain critical accounting estimates that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of securities, the allowance for credit losses, income taxes and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

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

- Fair value of financial instruments
- Allowance for credit losses
- Income taxes
- Provisions

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

Significant judgments (continued)
Our critical accounting policies and estimates have been reviewed and approved by management.

Changes in accounting policies

During the current year the Bank adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9 the Bank changed the accounting policies outlined below, and these new policies were applied from November 1, 2017. As permitted by the transition provisions of IFRS 9, the Bank elected not to restate the comparative period results; accordingly, all comparative information is presented in accordance with the Bank's previous accounting policies as indicated below. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (November 1, 2017) were recognized in opening Retained Earnings and Other components of equity in the current year. New or amended disclosures have been provided for the current year, where applicable and comparative period disclosures are consistent with those made in the prior year.

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

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

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

All other debt instruments are measured at FVTPL.

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

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

Changes in accounting policies (continued)

Classification of financial assets (continued)

Business model assessment

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

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

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

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

SPPI assessment

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

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

Changes in accounting policies (continued)

Securities

As at November 1, 2017 the Statement of Financial Position item investment securities was renamed to securities. Securities represent investment securities and trading securities under IFRS 9.

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

Investment securities include all securities classified as FVOCI and amortized cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to the adoption of IFRS 9, investment securities were comprised of available-for-sale securities.

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

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

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

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

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

<u>Changes in accounting policies (continued)</u>

Fair value option

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

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

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognized 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 recognized 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.

Loans

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

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

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

Changes in accounting policies (continued)

Loans (continued)
For loans carried at amortized cost or FVOCI, impairment losses are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

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

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

We measure the ACL on each balance sheet date according to a three-stage expected credit loss impairment model:

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

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

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

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

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

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Measurement of expected credit losses

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

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

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

Expected life

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

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

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

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Assessment of significant increase in credit risk

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

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

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

1) The instrument is 30 days past due.
2) The account is included in the watch-list reporting process. The watch-list process is considered fundamental in identifying early signs of deterioration on existing accounts.
3) The account is managed by the Regional Special Loan Unit (RSLU). The RSLU portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialized management team due to circumstances other than delinquency which marks the account as having a higher risk component.

In addition to the approach described previously there is also an overlay process that analyzes significant events in the Caribbean and its impact on staging and expected credit losses.

Use of forward-looking information

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

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

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Use of forward-looking information (continued)

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the Group baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows the Group to have a consistent view of macroeconomic scenarios across business lines and legal entities. In addition to this enterprise level process there is also an overlay process that analyzes significant events in the Caribbean and its impact on expected credit losses.

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

Definition of default

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

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

<u>Changes in accounting policies (continued)</u>

Allowance for credit losses (continued)

Credit-impaired financial assets (Stage 3)

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

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

When a financial asset is credit-impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. 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 loans in Stage 3 are established at the loan level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Individually assessed loans (Stage 3)

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

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

Changes in accounting policies (continued)

Allowance for credit losses (continued)
Individually assessed loans (Stage 3) (continued)
Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

Collectively assessed loans (Stage 3)
Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, geographic location, collateral type, past due status and other relevant factors.

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

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

Write-off of loans
Loans are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances are generally written off when payment is 180 days past due. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due, with continued efforts to realize on the underlying collateral held following write off.

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

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

Changes in accounting policies (continued)

Allowance for credit losses (continued)

Modifications (continued)

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

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

Total allowance for credit losses

Based on the procedures discussed above, management believes that the total allowance for credit losses of $5,776,007 is adequate to absorb estimated credit losses as at October 31.

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

Changes in accounting policies (continued)

Impact of adoption of IFRS 9

Classification and measurement of financial assets

The application of the classification and measurement requirements of IFRS 9 resulted in the following classification of financial assets on adoption:

	As at November 1, 2017		As at October 31, 2017	
	Measurement category under IFRS 9	Carrying amount $	Measurement category under IAS 39	Carrying amount $
Financial assets:				
Cash and cash equivalents	Amortized cost	31,979,198	Loans and receivables	31,979,198
Statutory deposit with Central Bank	Amortized cost	2,899,000	Loans and receivables	2,899,000
Loans	Amortized cost	46,677,810	Loans and receivables	46,901,317
Securities (1)	FVOCI (designated)	645,820	Available-for-sale	645,820
	FVTPL	2,530,626	Available-for-sale	2,530,626
	Amortized cost	118,158	Available-for-sale	153,003
Other assets	Amortized cost	152,790	Loans and receivables	152,790

(1) - Securities whose cash flows are not solely payments of principal or interest were reclassified to FVTPL.
- $645,820 of equity securities previously classified as available-for-sale were elected to designate to FVOCI. This designation applies to equity securities not held for trading.
- Debt security managed within a HTC business model was reclassified from available-for-sale to amortized cost. As at October 31, 2018, the fair value of this security was $147,870. For the year ended October 31, 2018, $49,817 of losses would have been recognized in OCI if the securities had not been reclassified.

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

Changes in accounting policies (continued)

Impact of adoption of IFRS 9 (continued)

Balance sheet presentation

On November 1, 2017, the balance sheet item investment securities was renamed to securities. All securities, regardless of accounting classification, are presented on the Securities line.

Allowance for credit losses

The following table is a comparison of impairment losses determined in accordance with IAS 39 and IAS 37 to the corresponding impairment allowance determined in accordance with IFRS 9 as at November 1, 2017.

	IAS 39 / IAS 37 as at October 31, 2017			Transition adjustments	**IFRS 9 as at November 1, 2017**			
	Collectively assessed	Individually assessed	Total		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$	$	$	$	$	$	$	$
Debt securities at amortized cost	-	56,188	56,188	34,845	91,033	-	-	91,033
Loans at amortized cost	1,538,437	3,925,410	5,463,847	223,507	380,415	1,345,426	3,961,513	5,687,354
	1,538,437	3,981,598	5,520,035	258,352	471,448	1,345,426	3,961,513	5,778,387

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

Changes in accounting policies (continued)

Impact of adoption of IFRS 9 (continued)

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Bank's Statement of Financial Position, showing the impacts of adopting the IFRS 9 impairment, and classification and measurement, requirements.

	As at October 31, 2017 IAS 39	Impact of classification and measurement	Impact of impairment	As at November 1, 2017 IFRS 9
Assets	$	$	$	$
Cash and cash equivalents	31,979,198	-	-	31,979,198
Statutory deposit with Central Bank	2,899,000	-	-	2,899,000
Loans	46,901,317	-	(223,507)	46,677,810
Securities	3,329,449	-	(34,845)	3,294,604
Intangible assets	232,990	-	-	232,990
Premises and equipment	1,563,295	-	-	1,563,295
Deferred tax asset	615,733	-	74,179	689,912
Income tax recoverable	73,989	-	-	73,989
Other assets	991,944	-	-	991,944
Total assets	88,586,915	-	(184,173)	88,402,742
Liabilities				
Customers' deposits	47,915,686	-	-	47,915,686
Due to associates and affiliated companies	1,855,152	-	-	1,855,152
Other liabilities	6,020,325	-	-	6,020,325
Total liabilities	55,791,163	-	-	55,791,163
Equity				
Share capital	20,001,222	-	-	20,001,222
Share premium	1,941,734	-	-	1,941,734
Statutory reserve	5,644,965	-	-	5,644,965
Revaluation reserve	334,754	(101,460)	-	233,294
Retained earnings	4,873,077	101,460	(184,173)	4,790,364
Total equity	32,795,752	-	(184,173)	32,611,579
Total equity and liabilities	88,586,915	-	(184,173)	88,402,742

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

Other significant accounting policies

The following accounting policies are applicable to all periods presented:

Determination of fair value

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

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

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

In determining fair value, a hierarchy is used which prioritizes the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs are 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.

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

Other significant accounting policies (continued)

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

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

Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset on the balance sheet when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

Other significant accounting policies (continued)

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.

Guarantees

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

Employee benefits

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

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

Other significant accounting policies (continued)

Income taxes

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

The Bank is subject to income tax in St Kitts and Nevis and the complex tax laws are potentially subject to different interpretations by the relevant taxation authority and the Bank. Significant judgement is required in the interpretation of the relevant tax laws, and the determination of our tax provision, which includes our best estimate of tax positions that are under audit or appeal by the relevant tax authorities. We perform a review on a quarterly basis to incorporate our best assessment based on information available, but additional liability and income tax expense could result based on decisions made by the relevant tax authorities.

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Other significant accounting policies (continued)

Income taxes (continued)

(ii) Deferred tax (continued)
Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Translation of foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars at rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in Non-interest income in the Statement of Income or Loss and Other Comprehensive Income or Loss.

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

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

Other significant accounting policies (continued)

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, 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. The amortization period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years. Land and capital work in progress are not depreciated. Gains and losses on disposal are recorded in non–interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. An impairment charge is recorded to the extent the recoverable amount of an asset, which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of future cash flows expected to be derived from the asset. Fair value less costs of disposal is the amount obtainable from the sale of the asset, in an orderly transaction between market participants, less costs of disposal.

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

Provisions

Provisions are liabilities of uncertain timing or amount and are recognized when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. We record provisions related to litigation, asset retirement obligations, 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 based on all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognized.

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

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

Other significant accounting policies (continued)

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

Leasing
A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed upon period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee, where title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Operating leases
When we are the lessee in an operating lease, we record rental payments on a straight-line basis over the lease term in Non-interest expense.

Non-interest income
The Bank includes in non-interest income amounts relating to service charges and foreign exchange trading gains. Service charges are related to the provision of specific transaction type services and are recorded when the service has been completed. Foreign exchange trading gains result from spreads earned between the buying and selling of foreign currency and is also booked upon completion of transactions.

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

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

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

Pre-IFRS 9 accounting policies
The following policies are applicable for comparative period results as at the year ended October 31, 2017:

Financial instruments – Recognition and measurement

Securities
Securities are classified at inception, based on management's intention, as available-for-sale (AFS). Certain debt securities with fixed or determinable payments and which are not quoted in an active market may be classified as loans and receivables.

AFS securities include securities, which may be sold to meet liquidity needs, in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in foreign currency risk and changes in funding sources or terms. AFS securities are measured at fair value. Unrealized gains and losses arising from changes in fair value are included in other comprehensive income. Changes in foreign exchange rates for AFS securities are recognized in other comprehensive income. When the security is sold, the cumulative gain or loss recorded in revaluation reserve is included as Net gain (loss) on AFS securities in Non-interest income. Purchase premiums or discounts on AFS debt securities are amortized over the life of the security using the effective interest method and are recognized in Net interest income. Dividends and interest income accruing on AFS securities are recorded in Interest income.

At each reporting date, and more frequently when conditions warrant, we evaluate our AFS securities to determine whether there is any objective evidence of impairment. Such evidence includes: for debt instruments, when an adverse effect on future cash flows from the asset or group of assets can be reliably estimated; for equity securities, when there is a significant or prolonged decline in the fair value of the investment below its carrying value.

When assessing impairment for debt instruments we primarily consider counterparty ratings and security-specific factors, including subordination, external ratings, and the value of any collateral held, for which there may not be a readily accessible market. Significant judgement is required in assessing impairment, as management is required to consider all available evidence in determining whether objective evidence of impairment exists and whether the principal and interest on the AFS debt security can be fully recovered. For complex debt instruments, we use cash flow projection models, which incorporate actual and projected cash flows for each security based on security specific factors using a number of assumptions, and inputs that involve management judgement, such as default, prepayment and recovery rates. Due to the subjective nature of choosing these inputs and assumptions, the actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause a different conclusion as to the recognition of impairment or measurement of impairment loss.

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

Pre-IFRS 9 accounting policies (continued)

Financial instruments – Recognition and measurement (continued)

Securities (continued)
In assessing whether there is any objective evidence that suggests that equity securities are impaired, we consider factors, which include the length of time, and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment but to the extent that management judgement may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, the conclusion for the impairment of the equity securities may differ.

If an AFS security is impaired, the cumulative unrealized loss previously recognized in other comprehensive income is removed from equity and recognized in Net gain (loss) on AFS securities under Non-interest income. This amount is determined as the difference between the carrying value and current fair value of the security less any impairment loss previously recognized. Subsequent to impairment, further declines in fair value are recorded in Non-interest income, while increases in fair value are recognized in other comprehensive income or loss until sold. For AFS debt securities, reversal of previously recognized impairment losses is recognized in our Statement of Income or Loss and Other Comprehensive Income or Loss if the recovery is objectively related to a specific event occurring after recognition of the impairment loss. We account for all of our securities using settlement date accounting and changes in the fair value of AFS securities between the trade and settlement dates are recorded in Other comprehensive income.

Loans
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. Loans are initially recognized at fair value. When loans are issued at a market rate, fair value is represented by the cash advanced to the borrowers. Loans are subsequently measured at amortized cost using the effective interest method less impairment, unless we intend to sell them in the near future upon origination or they have been designated as at FVTPL, in which case they are carried at fair value.

We assess at each reporting date whether there is objective evidence that the loans are impaired. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. Whenever a payment is 90 days past due, loans other than credit card balances are classified as impaired. Credit card balances are written off when a payment is 180 days in arrears.

Interest on loans is recognized in Interest income – Loans and advances to customers using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset, all fees that are considered to be integral to the effective interest rate, transaction costs and all other premium or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Prepayment fees on mortgage loans are not included as part of the effective interest rate at origination, as the amounts are not reliably measurable. If prepayment fees are received on a renewal of a mortgage loan, the fee is included as part of the effective interest rate, and if not renewed, the prepayment fee is recognized in interest income at the prepayment date.

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

Pre-IFRS 9 accounting policies (continued)

Allowance for credit losses

An allowance for credit losses is established if there is objective evidence that we will be unable to collect all amounts due on our loans portfolio according to the original contractual terms or the equivalent value.

The allowance for credit losses is increased by the impairment losses recognized and decreased by the amount of write-offs, net of recoveries. The allowance for credit losses is included as a reduction to Loans and advances to customers, net. We assess whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

Allowance for credit losses represent management's best estimates of losses incurred in our loan portfolio at the Statement of Financial Position date. Management's judgement is required in making assumptions and estimations when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect our results of operations.

Impaired loans

Loans, which are individually significant, defined by management as loans greater than USD $500,000, are assessed individually for object indicators of impairment. A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value.

Individually assessed impaired loans

Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell. Individually assessed impairment losses reduce the carrying amount of the loan through the use of an allowance account and the amount of the loss is recognized in Impairment losses on loans and advances in our Statement of Income or Loss and Other Comprehensive Income or Loss. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Significant judgement is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining the impairment loss. When assessing objective evidence of impairment we primarily consider specific factors such as the financial condition of the borrower, borrower's default or delinquency in interest or principal payments, local economic conditions and other observable data. In determining the estimated recoverable amount, we consider discounted expected future cash flows at the effective interest rate using a number of assumptions and inputs. Management judgement is involved when choosing these inputs and assumptions used such as the expected amount of the loan that will not be recovered and the cost of time delays in collecting principal and/or interest, and when estimating the value of any collateral held for which there may not be a readily accessible market.

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

Pre-IFRS 9 accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed impaired loans (continued)
Changes in the amount expected to be recovered would have a direct impact on the Impairment losses on loans and advances and may result in a change in the Allowance for credit losses.

Collectively assessed impaired loans
Impaired loans which are individually insignificant are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped by type and management judgement is applied to estimate losses based on historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics.

Future cash flows in each group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. As we have determined that the Bank has insufficient loss experience, we use peer group experience for comparable groups of financial assets held by an affiliated bank. A 10% increase in the loss coverage assumptions applied would increase the allowance for impairment losses by $591,858.

The estimated recoverable amount is measured as the present value of expected future cash flows discounted at an estimated average yield, over an assumed workout period.

Collectively-assessed impairment losses reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Impairment losses on loans and advances. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

The methodology and assumptions used to calculate collective impairment allowances are subject to significant uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio, and significant management judgement applied. Changes in these assumptions would have a direct impact on the Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

General impairment
Loans which are not impaired are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, the collective impairment allowance is determined by reviewing factors including (i) historical loss experience of the Bank in recent years, and (ii) management's judgement on the level of impairment losses based on historical experience relative to the actual level as reported at the Statement of Financial Position date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Portfolio level historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

Pre-IFRS 9 accounting policies (continued)

Allowance for credit losses (continued)

General impairment (continued)
The methodology and assumptions used for estimating future cash flows are reviewed annually to reduce any differences between loss estimates and actual loss experience. General impairment losses on loans not yet identified as impaired reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Impairment losses on loans and advances. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment. The methodology and assumptions used to calculate general impairment allowances are subject to uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio. Significant judgement is required in assessing historical loss experience, the loss identification period and its relationship to current portfolios including delinquency, and loan balances; and current business, economic and credit conditions including industry specific performance, unemployment and country risks. Changes in these assumptions would have a direct impact on the Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

Write-off of loans
Loans and the related impairment allowance for credit losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of the collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances and related allowance for credit losses are written off when payment is 180 days in arrears.

Future changes in accounting policy and disclosure

We are currently assessing the impact of adopting the following standards on our financial statements:

IFRS 15 Revenue from Contracts with Customers (IFRS 15)
In May 2014, the IASB issued IFRS 15, which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. The majority of our revenue, including net interest income is not expected to be impacted. In April 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 and its amendments will be effective for us on November 1, 2018.

IFRS 16 Leases (IFRS 16)
In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognize depreciation expense on the lease asset and interest expense on the lease liability in the Statement of Income or Loss and Other Comprehensive Income or Loss. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will be effective for us on November 1, 2019.

3. Cash and cash equivalents

	October 31, 2018 $	October 31, 2017 $
Cash on hand	910,609	490,272
Deposits with affiliated banks	509,299	1,201,873
Due from other banks	4,290,757	2,040,149
Other deposits held at Central Bank	21,897,958	28,246,904
Cash and cash equivalents	27,608,623	31,979,198
Statutory deposit with Central Bank	3,478,875	2,899,000

Cash on hand and balances with Central Bank are non-interest bearing.

Cash on hand represents cash in tellers' tills, the vault and cash dispensing machines.

Deposits with affiliated banks are deposits held with other RBTT/RBC affiliates on demand or for fixed periods not exceeding 90 days. Due from other banks are deposits held with other banks on demand or for fixed periods not exceeding 90 days. Due from other banks also includes items due from other banks in the process of clearing.

In accordance with Article 33 of the Eastern Caribbean Central Bank ("ECCB") Agreement 1983, the Bank is required to maintain reserves of cash and other deposits with ECCB of 6% of the average of the last four weeks customer deposits and other similar liabilities. As at October 31, 2018 the balance was $2,813,000.

In accordance with sections 28 and 29 of the Payment Systems Act the Bank entered into a Participant Collateral and Settlement Agreement and is required to maintain collateral with the ECCB to use the Eastern Caribbean Automatic Clearing House ("ECACH"). The collateral is calculated annually by ECCB based on a multiple of the average daily gross obligations over a period predetermined by the ECCB in consultation with the ECACH and the Bank. The Bank is required to maintain the collateral with the ECCB. As at October 31, 2018 the balance was $665,875.

4. Loans

	October 31, 2018 $	October 31, 2017 $
Retail	4,708,203	5,910,411
Commercial/corporate	8,285,297	8,929,350
Mortgages	32,960,679	37,525,403
Gross loans and advances	45,954,179	52,365,164
Allowance for credit losses (Note 4.1)	(5,719,819)	(5,463,847)
	40,234,360	46,901,317
Neither past due nor impaired loans and advances	27,056,580	32,200,900
Past due but not impaired loans and advances	12,901,271	10,323,037
Impaired loans and advances	5,996,328	9,841,227
	45,954,179	52,365,164
Current	1,502,887	1,059,810
Non-Current	44,451,292	51,305,354
Gross Loans and advances	45,954,179	52,365,164

4. Loans (continued)

4.1 Allowance for credit losses

	IFRS 9				
	For the year ended October 31, 2018				
	Balance at beginning of period $	Provision for credit losses $	Net write-offs $	Exchange rate and other $	Balance at end of period $
Retail	575,689	12,186	15,004	51,190	654,069
Commercial/corporate	1,511,227	137,914	155,209	(243,607)	1,560,743
Mortgages	3,600,438	2,876,785	(3,160,555)	188,339	3,505,007
	5,687,354	3,026,885	(2,990,342)	(4,078)	5,719,819
Undrawn loan commitments	14,989	127,726	-	-	142,715

The following tables reconcile the opening and closing allowance for credit losses and gross carrying amounts for loans and commitments, by stage, for each major product category.
Reconciling items include the following:

- Model changes, which comprise the impact of significant changes to the quantitative models used to estimate expected credit losses.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognized assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognized during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.

4. Loans (continued)

4.1 Allowance for credit losses (continued)

	IFRS 9			
	For the year ended October 31, 2018			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Balance at beginning of period	380,415	1,345,426	3,961,513	5,687,354
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	30,566	(27,807)	(2,759)	-
Transfers in (out) to Stage 2	(79,709)	80,667	(958)	-
Transfers in (out) to Stage 3	(5,208)	(21,470)	26,678	-
Purchases and originations	104,635	45,178	-	149,813
Derecognitions and maturities	(74,165)	(44,277)	-	(118,442)
Remeasurements	988,120	492,124	1,515,270	2,995,514
Write-offs	-	-	(3,129,897)	(3,129,897)
Recoveries	-	-	139,555	139,555
Exchange rate and other	(5,661)	691	892	(4,078)
Balance at end of period	**1,338,993**	**1,870,532**	**2,510,294**	**5,719,819**

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected credit losses include our internal historical default rates, transition matrices, unemployment rate, GDP, inflation rate, industry non-performing loans and interest rates.

Further details on the key inputs and assumptions used as at October 31, 2018 are provided below.

Forward looking macroeconomic variables
The PD and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period, subsequently reverting to long-run averages. Depending on their usage in the models, macroeconomic variables are projected at a more granular level.

4. Loans (continued)

4.1 Allowance for credit losses (continued)

Key inputs and assumptions (continued):

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the Group baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows the Group to have a consistent view of macroeconomic scenarios across business lines and legal entities. In addition to this enterprise level process there is also an overlay process that analyzes significant events in the Caribbean and its impact on expected credit losses.

The forward-looking nature of expected credit loss projections requires the use of judgement in projecting the timing and amount of future cash flows. Coverage ratios were adjusted upwards to account for the possibility that a hurricane could impact our operations in the Eastern Caribbean. The coverage ratios are weighted based on the probability of a hurricane making landfall in any given year. The probability-weighted coverage ratios are applied independently and consistently to the three economic scenarios (base case, optimistic, and pessimistic).

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses. Loan performance metrics such as delinquency and projected loss given default rates have the most significant impact on the allowance. The primary economic factors used in our calculation include unemployment, GDP growth and inflation rates along with the likelihood making landfall as noted above.

	As at October 31, 2018	
	IFRS 9	Base Scenario
ACL on performing loans(1)	3,209,525	3,211,782

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

Transfers between stages

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

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

	As at October 31, 2018
	Performing loans (1)
ACL - all performing loans in Stage 1	1,445,477
Impact of staging	1,764,048
Stage 1 and 2 ACL	3,209,525

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

4. Loans (continued)

4.1 Allowance for credit losses (continued)

	IAS 39				
	For the year ended October 31, 2017				
	Balance as at November 1, 2016 $	Provision for credit losses $	Write-offs $	Recoveries $	Balance as at October 31, 2017 $
Retail	809,951	(63,776)	(162,774)	(21,492)	561,909
Commercial / corporate	2,212,154	(266,161)	(281,621)	(30,000)	1,634,372
Mortgages	4,129,129	728,010	(1,579,028)	(10,545)	3,267,566
Total allowance for credit losses	7,151,234	398,073	(2,023,423)	(62,037)	5,463,847
Individually assessed	5,396,252				3,925,410
Collectively assessed	1,754,982				1,538,437
Total allowance for credit losses	7,151,234				5,463,847

5. 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. Effective November 1, 2017, we adopted IFRS 9. Amounts from periods prior to November 1, 2017 are reported in accordance with IAS 39.

	As at October 31, 2018						
	Term to maturity [1]						
	Within 3 months $	3 months to 1 year $	1 year to 5 years $	5 years to 10 years $	Over 10 years $	With no specific maturity $	Total $
Fair value through profit or loss							
Money market instruments	-	-	-	-	-	2,384,545	2,384,545
	-	-	-	-	-	2,384,545	2,384,545
Fair value through other comprehensive income [2]							
Equities							
Cost	-	-	-	-	-	297,620	297,620
Fair value[3]	-	-	-	-	-	621,529	621,529
	-	-	-	-	-	621,529	621,529
Amortized Cost							
Amortized cost[2]	-	-	-	-	141,496	-	141,496
Fair value	-	-	-	-	147,870	-	147,870
	-	-	-	-	141,496	-	141,496
Total carrying value of securities [2]	-	-	-	-	141,496	3,006,074	3,147,570

5. Securities (continued)

Carrying value of securities (continued)

	As at October 31, 2017						
	Term to maturity [1]						
	Within 3 months $	3 months to 1 year $	1 year to 5 years $	5 years to 10 years $	Over 10 years $	With no specific maturity $	Total $
Available-for-sale [4]							
Money market instruments							
Cost	-	-	-	-	-	2,419,429	2,419,429
Fair value	-	-	-	-	-	2,530,626	2,530,626
						2,530,626	2,530,626
Government and state-owned enterprises debt							
Amortized cost	-	-	-	-	112,767	-	112,767
Fair value	-	-	-	-	153,003	-	153,003
					153,003	-	153,003
Equities							
Cost	-	-	-	-	-	297,620	297,620
Fair value [4]	-	-	-	-	-	645,820	645,820
						645,820	645,820
Total carrying value of securities	-	-	-	-	153,003	3,176,446	3,329,449

[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] Effective November 1, 2017, debt securities carried at amortized cost 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. During the year ended October 31, 2018, there were no disposal of equity securities measured at FVOCI.
[4] Available for sale securities are recorded at fair value.

5. Securities (continued)

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

The following tables present unrealized gains and losses on securities at fair value through other comprehensive income as at the end of the period. Effective November 1, 2017, we adopted IFRS 9. Amounts from periods prior to November 1, 2017 are reported in accordance with IAS 39.

	IFRS 9			
	As at October 31, 2018			
	Cost/Amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
Equities	297,620	353,735	(29,826)	621,529
	297,620	353,735	(29,826)	621,529

	IAS 39			
	As at October 31, 2017			
	Cost/Amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
Money market instruments	2,419,429	111,197	-	2,530,626
Government and state-owned enterprises debt	112,767	40,236	-	153,003
Equities	297,620	348,200	-	645,820
	2,829,816	499,633	-	3,329,449

5. Securities (continued)

5.2 Allowance for credit losses on securities

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

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- During the twelve months ended October 31, 2018, there were no significant changes to the models used to estimate expected credit losses.

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

Allowance for credit losses – securities at amortized cost

	IFRS 9			
	For the year ended October 31, 2018			
	Performing		Impaired	Total
	Stage 1 $	Stage 2 $	Stage 3 $	$
Balance at beginning of period	91,033	-	-	91,033
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Remeasurement	(34,845)	-	-	(34,845)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	56,188	-	-	56,188

Impairment of AFS securities (IAS 39)

Available-for-sale securities were assessed for objective evidence of impairment at each reporting date and more frequently when conditions warrant. Depending on the nature of the securities under review, we applied specific methodologies to assess whether the cost/amortized cost of the security would be recovered. There were no unrealized losses on AFS securities as at October 31, 2017.

5. Securities (continued)

5.3 Securities FVTPL classified

	October 31, 2018	October 31, 2017
	$	$
Money market instruments	2,384,545	-
	2,384,545	-

5.4 Securities at FVOCI

Securities FVOCI designated		
Equity	621,529	-
	621,529	-

5.5 Securities at amortised cost

Government and state owned enterprises debt	141,496	-
	141,496	-

5.6 Available for sale securities

Government and state owned enterprises debt	-	153,003
Money market instruments	-	2,530,626
Equity	-	645,820
	-	3,329,449

Current	2,384,545	2,530,626
Non-current	763,025	798,823
	3,147,570	3,329,449

5. Securities (continued)

5.7 Movement in securities

	FVTPL	FVOCI	Amortised Cost	Total
	$	$	$	$
As at November 1, 2017 (Note 2)	2,530,626	645,820	118,158	3,294,604
Disposal (sale and redemption)	-	-	(11,507)	(11,507)
Losses from changes in fair value	(146,081)	(24,291)	-	(170,372)
Allowance for credit losses	-	-	34,845	34,845
As at October 31, 2018	2,384,545	621,529	141,496	3,147,570

	Available-for-sale	Total
	$	$
As at November 1, 2016	2,864,105	2,864,105
Additions	136,915	136,915
Disposal (sale and redemption)	(11,360)	(11,360)
Gains from changes in fair value	339,789	339,789
As at October 31, 2017	3,329,449	3,329,449

6. Intangible assets

	Software	
	October 31, 2018	**October 31, 2017**
	$	**$**
Opening net carrying value	232,990	345,328
Amortization	(78,263)	(112,338)
Closing net carrying value	154,727	232,990
Cost	1,254,880	1,254,880
Accumulated amortization	(1,100,153)	(1,021,890)
Net book value	154,727	232,990

7. Premises and equipment

	Freehold Land	Freehold Building	Furniture and Equipment	Computer Equipment	Capital Work in Progress	Total
Year Ended:	**$**	**$**	**$**	**$**	**$**	**$**
October 31, 2018						
Opening net book value	157,000	1,177,894	62,658	193	165,550	1,563,295
Transfers	-	-	4,037	159,872	(163,909)	-
Disposals	-	-	-	-	(1,641)	(1,641)
Depreciation charge	-	(42,856)	(6,079)	(58,728)	-	(107,663)
Closing net book value	157,000	1,135,038	60,616	101,337	-	1,453,991
At October 31, 2018						
Cost	157,000	1,997,716	913,602	802,819	-	3,871,137
Accumulated depreciation	-	(862,678)	(852,986)	(701,482)	-	(2,417,146)
Net book value	157,000	1,135,038	60,616	101,337	-	1,453,991
Year Ended:						
October 31, 2017						
Opening net book value	157,000	1,217,848	145,996	12,177	96,649	1,629,670
Additions	-	-	-	-	68,901	68,901
Depreciation charge	-	(39,954)	(83,338)	(11,984)	-	(135,276)
Closing net book value	157,000	1,177,894	62,658	193	165,550	1,563,295
At October 31, 2017						
Cost	157,000	1,997,716	909,565	642,947	165,550	3,872,778
Accumulated depreciation	-	(819,822)	(846,907)	(642,754)	-	(2,309,483)
Net book value	157,000	1,177,894	62,658	193	165,550	1,563,295

8. Other assets

	October 31, 2018	October 31, 2017
	$	$
Accounts receivable	16,333	13,333
Interest receivable	164,078	152,790
Other	523,944	825,821
	704,355	991,944
Allowance for credit losses	-	-
	704,355	991,944
Current	426,056	965,032
Non-current	278,299	26,912
	704,355	991,944

During the year, allowance for credit losses for accounts receivable was NIL.

9. Customers' deposits

	October 31, 2018 $	October 31, 2017 $
Sectoral analysis of customers' deposits		
Consumers	40,027,981	43,503,524
Private sector	4,546,766	4,349,325
State sector	30,034	62,837
	44,604,781	47,915,686
Product type		
Savings	34,697,738	37,545,736
Term deposits	4,870,978	5,250,927
Current accounts	5,036,065	5,119,023
	44,604,781	47,915,686
Current	44,384,865	47,338,941
Non-current	219,916	576,745
	44,604,781	47,915,686

10. Other liabilities

	October 31, 2018 $	October 31, 2017 $
Accruals and payables	530,246	449,724
Accrued interest	122,298	114,229
Deferred income	327,338	397,236
Other taxes payable	290,874	34,046
Provision for pension liability (see Note 22)	-	2,470,192
Other	2,155,568	2,554,898
	3,426,324	6,020,325
Current	3,098,990	5,623,089
Non-current	327,334	397,236
	3,426,324	6,020,325

11. Share capital

	October 31, 2018 $	October 31, 2017 $
The Bank is authorised to issue an unlimited number of ordinary shares of no par value and Class A ordinary shares of no par value		
Ordinary shares - 5,001,222 shares	5,001,222	5,001,222
Class A ordinary shares – 1,000 shares	15,000,000	15,000,000
	20,001,222	20,001,222

On June 12th, 2017 the Board of Directors having received approval from the ECCB and shareholders of the company issued 1,000 class A ordinary shares to RBC Financial (Caribbean) Limited. The new class A Ordinary shares does not carry any rights to receive dividends, and are not entitled to attend and vote at meetings of shareholders of the Company. The new class of shares ranks in priority to the Ordinary shares of the Bank on the return of capital in the event of a winding up of the Bank. The Bank is also authorized to issue an unlimited number of preference shares of no par value which rank in priority to the Ordinary shares and Class A ordinary shares of the Bank on the return of capital in the event of a winding up of the Bank.

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

12. Statutory reserve

This fund is required to be maintained under the provisions of the new Banking Act No. 4 of 2015, at a maximum amount equal to that of the bank's paid up share capital.

Where the reserve is less than the share capital, the bank is required to transfer to the reserve, a minimum of 20% of profit for the year. This reserve is not available for distribution as dividend or any form of distribution.

13. Interest income

	October 31, 2018 $	October 31, 2017 $
Loans	3,354,665	3,865,092
Securities	50,407	186,799
Due from other banks	15,631	7,066
	3,420,703	4,058,957

14. Interest expense

	October 31, 2018 $	October 31, 2017 $
Customers’ deposits	763,485	796,942
Due to affiliated companies	-	(555)
	763,485	796,387

15. Non-interest income

	October 31, 2018 $	October 31, 2017 $
Fee and commission income	358,726	532,083
Foreign exchange earnings	181,377	238,880
Unrealised losses on FVTPL	(146,081)	-
Dividend income	8,303	9,514
	402,325	780,477

16. Other operating expenses

	October 31, 2018 $	October 31, 2017 $
Staff costs	501,344	942,637
Premises and equipment costs, excluding depreciation	246,414	226,254
Advertising	16,072	55,737
Depreciation and amortization	185,926	247,614
Operating Lease Rentals	314	12,694
Directors' fees	19,000	19,000
Auditors' remuneration	356,947	254,084
Management fees to affiliated companies	3,682,987	2,097,847
Regulatory charge	10,000	-
Other operating expenses	1,433,381	1,271,988
	6,452,385	5,127,855

17. Taxation

	October 31, 2018 $	October 31, 2017 $
Current tax expense	-	118,300
Deferred tax (credit) /expense	(995,763)	237,931
Total tax (credit)/expense	(995,763)	356,231

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

	October 31, 2018 $	October 31, 2017 $
Loss before taxation	(6,384,891)	(1,420,844)
Prima facie tax calculated at corporation tax rate of 33% (2017: 33%)	(2,107,014)	(468,879)
Income not subject to tax	(14,995)	(64,351)
Expenses not deductible for tax purposes	1,157,488	641,081
Prior year under provision of current and deferred tax	(31,242)	248,380
	(995,763)	356,231

17.2 Tax recoverable movement schedule

Opening balance	73,989	150,973
Payments made during the year	85,028	41,316
Current year charge	-	(118,300)
Closing balance	159,017	73,989

17.3 Schedule of tax losses

At October 31, 2018 deferred tax asset on tax losses of $609,873 (2017 - $159,455) was booked for utilization against future profits. Tax losses available for utilization are stated below:

Tax year	Expiry year	Loss for the year	Loss utilised	Losses expired	Loss carried forward
2014	2019	(483,197)			(483,197)
2018	2023	(1,364,903)			(1,364,903)
					(1,848,100)

17. Taxation (continued)

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

	October 31, 2018 $	October 31, 2017 $
Deferred tax asset		
Premises and equipment	137,771	113,473
Allowance for credit losses	1,089,633	507,684
Tax losses	609,873	159,455
	1,837,277	780,612
Deferred tax liability		
Securities	143,585	164,879
Balance at end of year	143,585	164,879
Deferred tax asset	1,837,276	780,612
Deferred tax liability	(143,585)	(164,879)
	1,693,691	615,733

The movement on the deferred tax account is as follows:

As at October 31	615,733	965,794
Transition adjustment (Note 2)	74,179	-
As at November 1	689,912	965,794
Statement of income or loss and other comprehensive income or loss	995,763	(237,931)
Securities revaluation reserve:		
Fair value (losses)/gains	8,016	(112,130)
At end of year	1,693,691	615,733

18. (Loss) / earnings per share

(Loss) /earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of Ordinary shares (Note 11) in issue during the year.

	October 31, 2018 $	**October 31, 2017 $**
Loss attributable to shareholders of the Bank	(5,389,128)	(1,777,075)
Weighted average number of ordinary shares in issue	5,001,222	5,001,222
Basic loss per share	(1.08)	(0.36)

The Bank has no potential ordinary shares which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be the same as basic earnings per share.

19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if the entities are subject to common control. The ultimate parent of the Bank is Royal Bank of Canada.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates.

The Bank applied the low credit risk exemption on all balances due from associates and affiliated companies, as they demonstrate a low risk of default and the related entity has a strong capacity to meet its contractual cash flow obligations. As a result, any IFRS 9 estimated credit losses relevant to due from associates and affiliated companies is deemed to be insignificant.

The outstanding balances at the end of the year and amounts for the year resulting from related party transactions are shown below.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBTT Bank (SKN) Limited, directly or indirectly. The Directors of RBTT Bank (SKN) Limited do not plan, direct, or control the activities of the Bank; they oversee the management of the business and provide stewardship.

	October 31, 2018 $	October 31, 2017 $
Cash and cash equivalents		
Deposits with affiliated banks	509,299	1,201,873
Loans and investments		
Directors and key management personnel	73,307	34,068
Deposits and other liabilities		
Affiliates	3,397,928	1,855,152
Directors and key management personnel	55,094	4,589
	3,453,022	1,859,741
Interest income		
Directors and key management personnel	4,582	5,215
Other operating expenses		
Management fees to affiliated companies	3,682,987	2,097,847
Directors’ fees	19,000	19,000
	3,701,987	2,116,847

20. Financial risk management

20.1 Risk management

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual company within the Group is accountable for the risk exposures relating to its responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.
The independent risk control process does not include business risks such as changes in the environment, technology and industry.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

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

Group Risk Management Unit

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

Group Asset/Liability Committee (ALCO)

The Bank utilizes the Group ALCO, which has a mandate that includes the recommendation of policies covering investments, liquidity and market risk to the bank's board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

Group Investment and Capital Committee

The Bank uses the Group's established Group Investment and Capital Committee, which is responsible for the review and validation of the policies and procedures applied in the valuation of financial assets and liabilities.

Internal audit

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

20. Financial risk management (continued)

20.1 Risk management (continued)

Risk measurement and reporting systems

The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The methods make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries and geographies. Information compiled from all the business units is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Board Committees, and the head of each business division. The report includes aggregate credit exposure, open currency positions, VaR, liquidity ratios and risk profile changes. On a quarterly basis senior management assesses the appropriateness of the allowance for credit losses.

20. Financial risk management (continued)

20.2 Statement of Financial Position – Categorization

	October 31, 2018	October 31, 2017
Assets	**$**	**$**
Financial assets at fair value through profit or loss		
Securities	2,384,545	-
Securities at fair value through comprehensive income	621,529	-
Available for sale securities	-	3,329,449
Financial assets at amortized costs		
Cash and cash equivalents	27,608,623	31,979,198
Statutory deposit with Central Bank	3,478,875	2,899,000
Loans	40,234,360	46,901,317
Securities	141,496	-
Interest receivable	164,078	152,790
	71,627,432	81,932,305
Total financial assets	74,633,506	85,261,754
Non-financial assets	4,001,703	3,325,161
Total assets	78,635,209	88,586,915
Liabilities		
Financial liabilities at amortized cost		
Customers' deposits	44,604,781	47,915,686
Due to associates and affiliated companies	3,397,928	1,855,152
Pension liability	-	2,470,192
Accrued interest	122,298	114,229
Total financial liabilities	48,125,007	52,355,259
Non-financial liabilities	3,304,026	3,435,904
Total liabilities	51,429,033	55,791,163
Total equity	27,206,176	32,795,752
Total equity and liabilities	78,635,209	88,586,915

20. Financial risk management (continued)

20.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base and manages assets with liquidity in mind by monitoring future cash flows and the availability of high grade collateral, which could be used to secure additional funding if required.

The Bank's liquidity management process is carried out by the Treasury Department and monitored by the Bank's ALCO. The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short-term requirements. Fallback techniques include access to local inter-group and institutional markets, call features on selected advances and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Bank has sufficient funds to meet its obligations. The buffer incorporates both business-as-usual assumptions for daily liquidity management purposes as well as stress scenarios based on the annual contingency plan. The results are instrumental in developing the liquidity risk tolerance, funding strategy, and contingency funding plan.

20. Financial risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 Cash flows

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

	Up to 1 year	1 – 5 years	Over 5 years	Total
	$	$	$	$
As at October 31, 2018				
Liabilities				
Customers' deposits	44,384,865	219,916	-	44,604,781
Due to associates and affiliated companies	3,397,928	-	-	3,397,928
Accrued interest	122,298	-	-	122,298
Total financial liabilities	47,905,091	219,916	-	48,125,007

	Up to 1 year	1 – 5 years	Over 5 years	Total
	$	$	$	$
As at October 31, 2017				
Liabilities				
Customers' deposits	47,338,941	576,745	-	47,915,686
Due to associates and affiliated companies	1,855,152	-	-	1,855,152
Pension liability	2,470,192	-	-	2,470,192
Accrued interest	114,229	-	-	114,229
Total financial liabilities	51,778,514	576,745	-	52,355,259

20. Financial risk management (continued)

20.3 Liquidity risk (continued)

20.3.1 Cash flows (continued)

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

	Up to 1 year	1 – 5 years	Over 5 years	Total
	$	$	$	$
As at October 31, 2018				
Loan	1,353,641	-	-	1,353,641
Total credit commitments	1,353,641	-	-	1,353,641

	Up to 1 year	1 – 5 years	Over 5 years	Total
	$	$	$	$
As at October 31, 2017				
Loan	806,678	-	-	806,678
Total credit commitments	806,678	-	-	806,678

20.4 Market risk

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

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Department. Reports are submitted to the Group Asset/Liability Committee on a regular basis.

Non-trading portfolios primarily arise from the interest-rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Bank's available for sale investments.

20. Financial risk management (continued)

20.4 Market risk (continued)

20.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Exposure to interest rate risk on financial assets and liabilities is summarized below:

The following table demonstrates the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, of the Bank's statement of income or loss and other comprehensive income or loss.

	Effect on net interest income 2018 $	Effect on net interest income 2017 $
Change in interest rate		
1%	95,789	72,511
-1%	(95,789)	(72,511)

20. Financial risk management (continued)

20.4 Market risk (continued)

20.4.2 Maturity and rate sensitivity

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

	Up to 1 year	Over 5 years	Non-Interest bearing	Total
	$	$	$	$
As at October 31, 2018				
Assets				
Statutory deposit with Central Bank	-	-	3,478,875	3,478,875
Cash and cash equivalents	3,828,606	-	23,780,017	27,608,623
Loans	40,234,360	-	-	40,234,360
Securities	-	141,496	3,006,074	3,147,570
Interest receivable	-	-	164,078	164,078
Total financial assets	44,062,966	141,496	30,429,044	74,633,506
Liabilities				
Customers' deposits	39,568,151	-	5,036,630	44,604,781
Due to associates and affiliated companies	-	-	3,397,928	3,397,928
Accrued interest	-	-	122,298	122,298
Total financial liabilities	39,568,151	-	8,556,856	48,125,007
Total interest repricing gap	4,494,815	141,496	21,872,188	26,508,499

	Up to 1 year	Over 5 years	Non-Interest bearing	Total
	$	$	$	
As at October 31, 2017				
Assets				
Statutory deposit with Central Bank	-	-	2,899,000	2,899,000
Cash and cash equivalents	1,531,027	-	30,448,171	31,979,198
Loans and advances to customers	46,901,317	-		46,901,317
Investment securities	-	153,003	3,176,446	3,329,449
Interest receivable	-	-	152,790	152,790
Total financial assets	48,432,344	153,003	36,676,407	85,261,754
Liabilities				
Customers' deposits	42,796,663	-	5,119,023	47,915,686
Due to associates and affiliated companies	-	-	1,855,152	1,855,152
Pension liability	2,470,192	-	-	2,470,192
Accrued interest	-	-	114,229	114,229
Total financial liabilities	45,266,855	-	7,088,404	52,355,259
Total interest repricing gap	3,165,489	153,003	39,429,230	32,906,495

20. Financial risk management (continued)

20.4 Market risk (continued)

20.4.3 Maturity and rate sensitivity (continued)

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

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2018			
Loans:			
Retail	4,708,203	-	4,708,203
Commercial / corporate	8,285,297	-	8,285,297
Mortgages	32,960,679	-	32,960,679
Gross loans	45,954,179	-	45,954,179

	Floating Rate $	Non-rate sensitive $	Total $
As at October 31, 2017			
Loans and advances to customers:			
Retail	5,910,411	-	5,910,411
Commercial / corporate	8,929,350	-	8,929,350
Mortgages	37,525,403	-	37,525,403
Gross loans and advances	52,365,164	-	52,365,164

20.4.4 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 Bank is affected by changing prices of equity instruments mainly classified as fair value through profit or loss securities with fair value movements recognized in income.

The Bank's exposure to equity price risk is principally related to changes in the fair value of the Roytrin Income Fund held as FVTPL securities. The effects on equity pre-tax as a result of reasonable possible changes in the price of this unit, with all other variables held constant are as follows:

	Change in price		Effect on equity	
	2018 (%)	2017 (%)	2018 $	2017 $
Roytrin Income Fund	10	10	238,454	253,058
	(10)	(10)	(238,454)	(253,058)

20. Financial risk management (continued)

20.5. Currency risk

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

20.5.1 Concentrations of currency risk – on and off-balance sheet financial instruments

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

As at October 31, 2018	**EC**	**US**	**Other**	**Total**
Assets	**$**	**$**	**$**	**$**
Statutory deposit with Central Bank	3,478,875	-	-	3,478,875
Cash and cash equivalents	23,166,030	4,169,423	273,170	27,608,623
Loans	39,698,206	536,154	-	40,234,360
Securities	621,529	2,526,041	-	3,147,570
Interest receivable	163,510	568	-	164,078
Total financial assets	67,128,150	7,232,186	273,170	74,633,506
Liabilities				
Customers' deposits	40,710,600	3,894,181	-	44,604,781
Due to associates and affiliated companies	3,043,183	354,745	-	3,397,928
Accrued interest	119,492	2,806	-	122,298
Total financial liabilities	43,873,275	4,251,732	-	48,125,007
Net position	23,254,875	2,980,454	273,170	26,508,499
Credit commitments	59,281	1,294,360	-	1,353,641
As at October 31, 2017				
Total financial assets	79,794,915	5,302,418	164,421	85,261,754
Total financial liabilities	47,281,475	4,820,935	252,849	52,355,259
Net position	32,513,440	481,483	(88,428)	32,906,495
Credit commitments	129,916	676,762	-	806,678

20. Financial risk management (continued)

20.5 Currency risk (continued)

20.5.2 Currency risk non-trading portfolio

The table below demonstrates the sensitivity to reasonable possible movement of select currencies against the Eastern Caribbean dollar to which the Bank had significant exposure at October 31, in respect of its non-trading financial assets and liabilities holding all other variables constant.

Currency	Change in currency rate in % in 2018	Effect on profit before tax $
USD	(10)	(298,045)
EUR	(10)	(10,746)
CAD	(10)	(9,370)
GBP	(10)	(7,201)

Currency	Change in currency rate in % in 2017	Effect on profit before tax $
USD	(10)	(48,148)
GBP	(10)	(8,077)
CAD	(10)	(5,775)
TTD	(10)	8,540

20.6 Credit risk

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

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

20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.1 Credit risk management

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into seven rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Internal ratings scale:

Bank's rating	Description of the grade	Credit quality	ECCB Credit Classification
1	Excellent	BB+	High Grade
2	Very Good	BB,BB-	High Grade
3	Good	B+,B	Standard Grade
4	Special Mention	B-,CCC+	Substandard Grade
5	Unacceptable	CCC,CCC-	Impaired
6	Bad and Doubtful	CC+,CC	Impaired
7	Virtual Certain Loss	CC-	Impaired

20.6.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

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

Collateral

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

20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.2 Risk limit control and mitigation policies (continued)

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

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

Credit-related commitments

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

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

	Gross maximum exposure 2018 $	**Gross maximum exposure 2017 $**
Credit risk exposure relating to on and off balance sheet assets are as follows:		
Cash and cash equivalents	26,698,014	31,488,926
Statutory deposit with Central Bank	3,478,875	2,899,000
Loans	45,954,179	52,365,164
Securities at amortised cost	197,684	-
Securities available-for-sale	-	153,003
Interest receivable	164,078	152,790
Total	76,492,830	87,058,883
Credit commitments	1,353,641	806,678
Total credit risk exposure	77,846,471	87,865,561

20. Financial risk management (continued)

20.6 Credit risk (continued)

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

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

	Gross maximum exposure 2018 $	Gross maximum exposure 2017 $
Residential mortgages	32,960,678	37,525,403
Consumer	10,553,795	11,913,730
Distribution	1,015,823	567,595
Manufacturing	-	79,412
Entertainment and catering	103,562	731,995
Tourism	1,172,402	1,465,889
Financial institutions	-	551
Agriculture	147,919	80,589
	45,954,179	52,365,164

20.6.5 Aging analysis of past due but not impaired loans and advances by class

	Less than 1 mth $	1 – 3 mths $	Total $
As at October 31, 2018			
Loans			
Retail	129,134	61,162	190,296
Commercial/corporate	4,268,535	44,735	4,313,270
Mortgage	5,168,626	3,229,079	8,397,705
	9,566,295	3,334,976	12,901,271

	Less than 1 mth $	1 – 3 mths $	Total $
As at October 31, 2017			
Loans and advances to customers			
Retail	913,817	204,069	1,117,886
Commercial/corporate	42,898	1,475,377	1,518,275
Mortgage	6,532,351	1,154,525	7,686,876
	7,489,066	2,833,971	10,323,037

20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.6 Credit quality by class of financial assets

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
As at October 31, 2018				
Cash and cash equivalents	26,698,014	-	-	26,698,014
Securities:				
Amortised cost:				
Government	197,684	-	-	197,684
Securities – gross	197,684	-	-	197,684
Interest receivable	164,078	-	-	164,078
Loans:				
Retail	4,116,394	190,296	401,513	4,708,203
Commercial/corporate	650,025	4,313,270	3,322,002	8,285,297
Mortgages	22,290,161	8,397,705	2,272,813	32,960,679
Loans – gross	27,056,580	12,901,271	5,996,328	45,954,179
Total	54,116,356	12,901,271	5,996,328	73,013,955

20. Financial risk management (continued)

20.6 Credit risk (continued)

20.6.7 Credit quality by class of financial assets

As at October 31, 2017	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Cash and cash equivalents	31,488,926	-	-	31,488,926
Investment securities:				
Available-for-sale:				
Government	-	-	153,003	153,003
Investment securities – gross	-	-	153,003	153,003
Interest receivable	152,790	-	-	152,790
Loans to customers:				
Commercial/corporate	4,046,362	1,518,275	3,364,713	8,929,350
Mortgages	23,919,505	7,686,876	5,919,022	37,525,403
Retail	4,235,033	1,117,886	557,492	5,910,411
Loans and advances – gross	32,200,900	10,323,037	9,841,227	52,365,164
Total	63,842,616	10,323,037	9,994,230	84,159,883

20. Financial risk management (continued)

20.7 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 Eastern Caribbean Central Bank (ECCB);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

20. Financial risk management (continued)

20.7 Capital management (continued)

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

	October 31, 2018 $	October 31, 2017 $
Tier 1 Capital		
Share capital	20,001,222	20,001,222
Share premium	1,941,734	1,941,734
Statutory reserve	5,644,965	5,644,965
(Accumulated deficit)/ retained earnings	(598,764)	4,873,077
Total qualifying Tier 1 Capital	26,989,157	32,460,998
Tier 2 Capital		
Securities revaluation reserve	217,019	334,754
Allowance for credit losses	545,660	600,491
Total qualifying Tier 2 Capital	762,679	935,245
Total regulatory capital	27,751,836	33,396,243
Risk-weighted assets		
On-statement of financial position	45,521,800	41,637,507
Off-statement of financial position	1,339,208	-
Total risk-weighted assets	46,861,008	41,637,507
Less: deduction for allowance for credit losses individually assessed	-	(3,925,410)
Less: deduction for allowance for credit losses collectively assessed and disallowed in tier 2 capital	-	(937,946)
Less: deduction for stage 3 allowance for credit losses		
Less: deduction for stage 1 and stage 2 allowance for credit	(2,510,294)	-
losses disallowed in tier 2 capital	(2,663,865)	-
Total adjusted risk-weighted assets	41,686,849	36,774,151
Total regulatory capital to adjusted risk-weighted assets	66.58%	90.82%

21. Contingent liabilities and commitments

21.1 Customers' liability under acceptances, guarantees and indemnities

As at October 31, 2018 and October 31, 2017, there was no customers' liabilities under acceptances, guarantees and indemnities.

21.2 Credit commitments

Credit commitments refer to facilities that have been approved by the year-end but have either not been disbursed to the customer or are partially undrawn

	October 31, 2018 $	October 31, 2017 $
Credit commitments	1,353,641	806,678

As at October 31, 2018 allowance for credit losses for credit commitments amounted to $142,715 (2017 – Nil).

21.3 Legal proceedings

As at October 31, 2018 and October 31, 2017, there were legal proceedings outstanding against the Bank. Where professional advice indicates that it is likely that a significant loss will eventuate, the appropriate amounts have been included in these financial statements.

21.4 Capital commitments

As at October 31, 2018 and October 31, 2017, there were no capital commitments.

22. Pension plan

The Bank's employees are members of its parent company's (RBTT Bank Caribbean Limited) pension plan, which is a defined contribution plan. The defined contribution pension plans provide pension benefits based on accumulated employer contributions which are based on a percentage of an employee's annual earnings. The plan is governed by the trust deed and rules.

For the year ended October 31, 2018, a credit of $128,946 (2017-debit- $107,628) was recorded in the statement of income or loss and other comprehensive income or loss representing the employer's impact for the defined contribution plan.

The Trustee of the plan appointed RBC Investment Management (Caribbean) Limited as the plan's investment manager effective June 1, 2018. The investment manager is directed by the Investment Management Agreement and investments of the plan's assets are guided by the Statement of Investment Policies and Procedures.

During October 2018 all contributions were transferred to the investment manager. Therefore, as at October 31, 2018 the pension liability was nil (2017 - $2,470,192).

23. Fair value of financial assets and liabilities

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

Assets

Cash on hand and due from banks and balances with Eastern Caribbean Central Bank
Since these assets are short-term in nature, the values are taken as indicative of realisable value.

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

Loans
Loans and advances are stated net of specific provision for impairment. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received.

Liabilities

Due to banks, customers' deposits, due to associates and affiliated companies and other liabilities
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.
Deposits with fixed rate characteristics are at rates that are not significantly different from current rates and are assumed to have discounted cash flow values that approximate the carrying value.

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

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

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

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

	As at October 31, 2018						
	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total Fair value	Fair value hierarchy			
				Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$
			(IFRS 9)				
Securities	-	147,870	147,870	-	-	147,870	147,870
Loans	-	40,234,360	40,234,360	-	-	40,234,360	40,234,360
Other assets	164,078	-	164,078	-	-	-	-
Customers' deposits	44,604,781	-	44,604,781	-	-	-	-
Other liabilities	122,298	-	122,298	-	-	-	-

	As at October 31, 2017						
	Fair value always approximates carrying value	Fair value may not approximate Carrying Value	Total Fair value	Fair value hierarchy			
				Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$
			(IAS 39)				
Loans and advances to Customers	-	46,573,008	46,573,008	-	-	46,573,008	46,573,008
Other assets	152,790	-	152,790	-	-	-	-
Customers' deposits	47,915,686	-	47,915,686	-	-	-	-
Other liabilities	114,229	-	114,229	-	-	-	-

Carrying amounts of certain financial instruments approximate their fair values due to the short-term nature: cash and cash equivalents, statutory deposits with Central Banks, loans, securities fair value through profit or loss and fair value through other comprehensive income, interest receivable, customers' deposits and accrued interest.

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

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (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 and advances to customers are similarly valued taking into account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

At October 31, 2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Securities at FVTPL				
Securities FVTPL classified				
Money market instruments	-	-	2,384,545	2,384,545
	-	-	2,384,545	2,384,545
Securities FVOCI designated				
Equity securities	-	-	621,529	621,529
	-	-	621,529	621,529

At October 31, 2017	Level 1	Level 2	Level 3	Total
	$	$	$	$
Securities AFS at fair value				
Government and state-owned enterprises debt	-	-	153,003	153,003
Money market instruments	-	-	2,530,626	2,530,626
Equity securities	-	-	645,820	645,820
	-	-	3,329,449	3,329,449

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

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

Positive and negative fair value movement of Level 3 financial instruments from using reasonably possible alternative assumptions

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of its fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgement. Due to the unobservable nature of the prices or rates, there may be uncertainty about valuation of these Level 3 financial instruments.

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

	Level 3 Fair value $	Positive fair value movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2018			
Securities at FVTPL	2,384,545	-	-
Securities at FVOCI	621,529	116,391	(100,893)
	3,006,074	116,391	(100,893)

	Level 3 Fair value $	Positive fair value movement from using reasonably possible alternatives $	Negative fair value movement from using reasonably possible alternatives $
As at October 31, 2017		**(IAS 39)**	
Securities available-for-sale	3,329,449	110,102	(95,711)
	3,329,449	110,102	(95,711)

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

Sensitivity results
As at October 31, 2018, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $116,391 (2017: $110,102) and a reduction of $100,893 (2017: $95,711) in fair value which would be recorded in Other components of equity.

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

	For year ended October 31, 2018					
	Total realized / unrealized gains (losses) included in earnings			Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Non-interest income	$	$	$	$	$	$
Trading revenue	(146,081)	-	(146,081)	(146,081)	-	(146,081)
	(146,081)	-	(146,081)	(146,081)	-	(146,081)

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

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus one standard deviation; the bid-offer spreads or input prices if a sufficient number of prices is received, or using high and low vendor prices as reasonably possible alternative assumptions. Sensitivities are determined based on adjusting, plus or minus 20bps shift in the yield curve.
Money market instruments – Roytrin	The Roytrin fund is independently verified to a NAV price. As there is no other reasonable alternative assumption, zero sensitivity is assigned.
Equities	Sensitivity of equity investments are determined by adjusting the price multiples based on the range of multiples of comparable companies.

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

Reconciliation of Level 3 fair value measurements of financial assets

	FVTPL	FVOCI	Total
	$	$	$
As at November 1, 2017 (Note 2)	2,530,626	645,820	3,176,446
Losses from changes in fair value	(146,081)	(24,291)	(170,372)
As at October 31, 2018	2,384,545	621,529	3,006,074

	AFS	Total
	$	$
As at November 1, 2017 (Note 2)	136,915	136,915
Additions	2,864,105	2,864,105
Disposal (sale and redemption)	(11,360)	(11,360)
Transfers from Level 3	339,789	339,789
Losses from changes in fair value	3,329,449	3,329,449

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, 2018, and cumulatively since initial recognition of the assets.

Net losses from financial instruments classified as fair value through profit or loss
Financial instruments classified as at FVTPL, are measured at fair value with realized and unrealized gains and losses recognized in non-interest income.

	For the year ended	
	October 31, 2018	October 31, 2017
	$	$
Money market instruments	(146,081)	-
Net losses for financial instruments classified as fair value through profit or loss	(146,081)	-

For the year ended October 31, 2018, $146,081 of net fair value losses on financial assets classified as FVTPL, were included in non-interest income (2017 – Nil).