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Financial Statements 2024

West Indies Stockbrokers Limited

Financial Statements
October 31, 2024

Contents

West Indies Stockbrokers Limited

Statement of management's responsibilities

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

- Preparing and fairly presenting the accompanying financial statements of West Indies Stockbrokers Limited (The Company) which comprise the statement of financial position as at October 31, 2024 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and material accounting policies, estimates and judgements and other explanatory information;
- Ensuring that The Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Director, West Indies Stockbrokers Limited

January 21, 2025

Director, Finance – Trinidad and Tobago

January 21, 2025

Independent auditor's report

To the shareholder of West Indies Stockbrokers Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Indies Stockbrokers Limited (the Company) as at 31 October 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 October 2024;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Responsibilities of management for the financial statements

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
22 January 2025

West Indies Stockbrokers Limited

Statement of Financial Position

Expressed in Trinidad and Tobago dollars

	Note	October 31, 2024	October 31, 2023
		($'000)	($'000)
Assets			
Cash and cash equivalents	3	21,057	18,220
Securities	4	43,242	38,511
Intangible assets	5	2	2
Premises and equipment	6	54	71
Corporation tax recoverable		63	61
Deferred tax assets	7	510	580
Other assets	8	301	11,206
		65,229	68,651
Liabilities			
Due to affiliated companies	9	67	-
Post-retirement benefit obligations	10	1,308	1,580
Current income tax liabilities		538	857
Deferred tax liabilities	7	2,534	2,280
Other liabilities	11	10,205	19,039
Total liabilities		14,652	23,756
Equity			
Stated capital	12	8,000	8,000
Other components of equity	13	6,214	5,595
Retained Earnings		36,363	31,300
Total equity		50,577	44,895
Total equity and liabilities		65,229	68,651

The notes on pages 10 to 79 form an integral part of these Financial Statements.

On January 21, 2025, the Board of Directors of West Indies Stockbrokers Limited authorised these Financial Statements for issue.

Director

Director

West Indies Stockbrokers Limited

Statement of Income

Expressed in Trinidad and Tobago dollars

	Notes	Year ended October 31 2024 ($'000)	 2023 ($'000)
Interest income	14	3,195	2,228
Net interest income		3,195	2,228
Non-interest income	15	11,770	13,845
Total revenue		14,965	16,073
Non-interest expenses	16	(7,945)	(8,207)
Total non-interest expenses		(7,945)	(8,207)
Net income before taxation		7,020	7,866
Taxation expense	18	(1,960)	(2,294)
Net income after taxation		5,060	5,572

The notes on pages 10 to 79 form an integral part of these Financial Statements.

West Indies Stockbrokers Limited

Statement of Other Comprehensive Income

Expressed in Trinidad and Tobago dollars

	Note	Year ended October 31 2024 ($'000)	 2023 ($'000)
Net income		5,060	5,572
Other comprehensive income , net of taxes:			
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains on securities at fair value through other comprehensive income	13.1	68	192
Tax impact	13.1	(21)	(57)
		47	135
		47	135
Items that will not be reclassified subsequently to profit or			
Re-measurement of post-retirement benefit obligations		3	67
Net unrealized gains/(losses) on equity securities at fair value through other comprehensive income	13.1	817′	(276)
Tax impact	13.1	(245)	83
		575	(126)
Other comprehensive income for the year, net of taxes		622	9
Total comprehensive income for the year		5,682	5,581

The notes on pages 10 to 79 form an integral part of these Financial Statements.

West Indies Stockbrokers Limited

Statement of Changes in Equity

Expressed in Trinidad and Tobago dollars

	Notes	Stated capital ($'000) (Note 12)	Other components of equity ($'000) (Note 13)	Retained earnings ($'000)	Total equity ($'000)
Balance at October 31, 2023		8,000	5,595	31,300	44,895
Net income after taxation		-	-	5,060	5,060
Other comprehensive income		-	619	3	622
Total comprehensive income		-	619	5,063	5,682
Balance at October 31, 2024		8,000	6,214	36,363	50,577
Balance at October 31, 2022		8,000	5,653	25,661	39,314
Net income after taxation		-	-	5,572	5,572
Other comprehensive income		-	(58)	67	9
Total comprehensive income		-	(58)	5,639	5,581
Balance at October 31, 2023		8,000	5,595	31,300	44,895

The notes on pages 10 to 79 form an integral part of these Financial Statements.

West Indies Stockbrokers Limited

Statement of Cash Flows

Expressed in Trinidad and Tobago dollars

	Year ended October 31	
	2024 ($'000)	**2023 ($'000)**
Net income before taxation	7,020	7,866
Adjustments for:		
Post-retirement benefit expense	(267)	(210)
Net investment trading income	-	(3,811)
Depreciation and amortization of premises and equipment and intangible assets	26	65
Accretion on securities	(1,642)	-
Operating income before changes in operating assets and liabilities	5,137	3,910
Decrease/(Increase) in operating assets:		
Other assets	10,905	(7,237)
Increase/(Decrease) in operating liabilities:		
Due to affiliates	67	-
Other liabilities	(8,791)	3,398
Taxes paid	(2,268)	(1,765)
Cash generated from/(used in) operating activities	5,050	(1,694)
Investing activities		
Purchase of securities	(62,868)	(767,474)
Proceeds from sale and redemption of securities	60,664	768,718
Additions to equipment and intangible assets	(9)	(48)
Cash (used in)/provided by investing activities	(2,213)	1,196
Net increase/(decrease) in cash and cash equivalents	2,837	(498)
Cash and cash equivalents at beginning of year	18,220	18,718
Cash and cash equivalents at end of year	21,057	18,220

The notes on pages 10 to 79 form an integral part of these Financial Statements.

1 Incorporation and business activities of The Company

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

West Indies Stockbrokers Limited carries on the business of stockbrokers, investment dealers and agents. The address of the Company's registered office is 7-9 St. Clair Avenue, St. Clair, Port-of-Spain, Trinidad.

2 Summary of material accounting policies, estimates and judgements

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

Basis of preparation

Statement of compliance
The Financial Statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for the following:
- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value or revalued amount
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, and
- post-retirement benefit obligation measured at fair value.

Basis of measurement
The Financial Statements are prepared in Trinidad and Tobago dollars.

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

2 Summary of material accounting policies, estimates and judgements

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

• Revenue recognition	Note 2 – page 20, Note 14 - page 45, Note 15 – Page 46
• Fair value of financial instruments	Note 2 – page 19, Note 22 - page 73
• Allowance for credit losses	Note 2 – page 14
• Employee benefits	Note 2 – page 23, Note 10 - page 37
• Share-based compensation	Note 2 – page 24, Note 17 – page 48
• Derecognition of financial assets	Note 2 – page 22
• Income taxes	Note 2 – page 24, Note 18 - page 51

Changes in accounting policies

The amendment listed below is most likely to have no impact on the Company's performance.

IFRS 17 Insurance Contracts (IFRS 17)
In May 2017, the IASB issued IFRS 17 to establish a comprehensive insurance standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held and will replace the existing IFRS 4 Insurance Contracts (IFRS 4). In June 2020, the IASB issued amendments to IFRS 17, including deferral of the effective date by two years. This new standard is effective for us on November 1, 2023 and is to be applied retrospectively with comparatives restated beginning November 1, 2022.

Under IFRS 17, insurance contracts are contracts under which we accept significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Embedded derivatives, investment components and promises to provide non-insurance services, provided specific criteria are met, are separated from the measurement of insurance and reinsurance contracts. Insurance and reinsurance contracts are aggregated into portfolios that are subject to similar risks and are managed together, and then divided into groups based on the period of issuance and expected profitability. However, based on West Indies Stockbrokers Limited assessment, a nil impact to the books is anticipated at this time.

Future changes in accounting policy and disclosure

Amendments to the Classification and Measurement of Financial Instruments
In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (the Amendments). The Amendments clarify classification guidance for financial assets with environmental, social and governance-linked features and introduce additional related disclosure requirements. The Amendments will be effective for us on November 1, 2026. We are currently assessing the impact of adopting the Amendments on our Financial Statements.

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

Future changes in accounting policy and disclosure (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)
In April 2024, the IASB issued IFRS 18 which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS *1 Presentation of Financial Statements* and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard. The standard introduces new defined subtotals to be presented in the Statements of Income, disclosure of management-defined performance measures and requirements for grouping of information. This standard will be effective for us on November 1, 2027. We are currently assessing the impact of adopting this standard on our Financial Statements.

Amendments to Disclosure of Accounting Policies
The IASB issued *Disclosure of Accounting Policies* which amended IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* (the Amendment). The Amendment amended IAS 1 to replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The Amendment is effective for us on November 1, 2023. The adoption of this Amendment did not have a material impact on our Financial Statements.

Other material accounting policies

The following accounting policies are applicable to all periods presented:

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

Debt instruments are measured at 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 Company makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis.

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

Other material accounting policies (continued)

Classification of financial assets (continued)

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 21, and the activities taken to manage those risks;
- Historical and future expectations of sales of the loans and securities managed as part of a business model; and
- The compensation structures for managers of the businesses within The Company, to the extent that these are directly linked to the economic performance of the business model.

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

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

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

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

Other material accounting policies (continued)

Securities

Trading securities include all securities that are classified at FVTPL, by nature and securities designated at FVTPL. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. 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.

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

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

Other material accounting policies (continued)

Fair value option

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

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

Allowance for credit losses

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

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

We measure the ACL at each Statement of Financial Position date according to a three-stage expected credit loss impairment model:

- Performing financial assets
  - Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months or shorter if remaining term is less than 12 months following the reporting date.
  - Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is 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.

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

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

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-off and recoveries are recorded against allowance for credit losses.
The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the Statement of Financial Position date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

Measurement of expected credit losses

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

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

Expected life

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

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

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

Other material 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. The assessment is performed at the instrument level.

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

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

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

Use of forward-looking information
The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on macroeconomic scenarios. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period.

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

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

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

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

Credit-impaired financial assets (Stage 3)
Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial 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. Rather, the accrual is calculated by applying the effective interest rate to the carrying amount, which is recorded on the Statement of Financial Position. The discount resulting from the impact of time delays in collecting principal (time value of money) is established and recorded through provision for credit losses.

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

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Modifications

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

A modified financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was 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 does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognized only if material. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

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

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

Other material accounting policies (continued)

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

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

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

In determining fair value, a hierarchy is used which 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.

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

<u>**Other material accounting policies (continued)**</u>

Determination of fair value (continued)

Level 3 inputs are inputs that are unobservable. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances.

Interest

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

Revenue recognition

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

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

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

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

<u>Other material accounting policies (continued)</u>

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

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

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

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

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

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

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

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

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

Other material accounting policies (continued)

Transaction costs
Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are 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 Statement of Financial Position 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.

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

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

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

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

Other material accounting policies (continued)

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

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

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

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

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

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

Other material accounting policies (continued)

Share–based compensation

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

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

Green fund levy

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

Income taxes

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

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

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

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

Other material accounting policies (continued)

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

The determination of our deferred income tax asset or liability also requires significant management judgement as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is 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 Statements of Income and Other Comprehensive Income.

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

The IASB issued amendments to IAS 12 Income Taxes (IAS 12) in May 2023 to address the Pillar Two Model Rules for International Tax Reform, including a global 15% minimum tax. The amendments introduce, with immediate effect, a temporary recognition exception in relation to accounting and disclosure for deferred taxes arising from the implementation of the international tax reform. . There is no impact to The Company.

Other intangibles
Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated 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 – 3 to 10 years; and customer relationships – 7 years. We do not have any intangible assets with indefinite lives.

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

Other material accounting policies (continued)

Other intangibles (continued)

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

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

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

Translation of foreign currencies

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

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

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

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

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

<u>Other material accounting policies (continued)</u>

Premises and equipment

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

- 25 to 50 years for freehold properties,
- 5 to 50 years for leasehold properties,
- 3 to 10 years for computer equipment,
- 5 to 15 years for furniture, fixtures and other equipment.
- The 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 is not depreciated. Gains and losses on disposal are recorded in non–interest income.

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

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

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 other items. Provisions are recorded under other liabilities on our Statement of Financial Position.

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

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

Other material 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.

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

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

Comparative information
Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Cash and cash equivalents

	2024 ($'000)	2023 ($'000)
Cash on hand	10,726	10,373
Due from other banks	10,331	7,847
	21,057	18,220

Cash on hand represents deposits held on demand with affiliated company.

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

4 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.

	As at October 31, 2024						
	Term to maturity[1]						
	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 years to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
Fair value through profit or loss[2]							
Money market funds	-	-	-	-	-	1,786	1,786
	-	-	-	-	-	1,786	1,786
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortized cost	-	33,187	-	-	-	-	33,187
Fair value	-	33,187	-	-	-	-	33,187
Equities[4]							
Cost	-	-	-	-	-	10	10
Fair value	-	-	-	-	-	8,269	8,269
	-	33,187	-	-	-	8,269	41,456
Total carrying value of securities	-	33,187	-	-	-	10,055	43,242

4 Securities (continued)

Carrying value of securities (continued)

	As at October 31, 2023						
	Term to maturity[1]						
	Within 3 months ($'000)	3 months to 1 year ($'000)	1 year to 5 years ($'000)	5 years to 10 years ($'000)	Over 10 years ($'000)	With no specific maturity ($'000)	Total ($'000)
Fair value through profit or loss[2]							
Money market funds	-	-	-	-	-	1,680	1,680
	-	-	-	-	-	1,680	1,680
Fair value through other comprehensive income							
Treasury bills and treasury notes[3]							
Amortized cost	3,324	26,055	-	-	-	-	29,379
Fair value	3,324	26,055	-	-	-	-	29,379
Equities[4]							
Cost	-	-	-	-	-	10	10
Fair value	-	-	-	-	-	7,452	7,452
	3,324	26,055	-	-	-	7,452	36,831
Total carrying value of securities	3,324	26,055	-	-	-	9,132	38,511

[1] Actual maturities may differ from contractual maturities shown above since borrowers may have the right to extend or prepay obligations with or without penalties.
[2] Trading securities are recorded at fair value.
[3] Debt securities carried at fair value through other comprehensive income are presented net of allowance for credit losses.
[4] We hold equity securities designated as FVOCI as the investments are not held-for-trading purposes.
[5] Amortized cost securities, included in securities are recorded at amortized cost, and are presented net of allowance for credit losses.

4 Securities (continued)

4.1 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.

	As at October 31, 2024			
	Cost/Amortized cost ($'000)	Gross unrealized gains [1] ($'000)	Gross unrealized losses [1] ($'000)	Fair value ($'000)
FVOCI				
Treasury bills and treasury notes	33,187	-	-	33,187
Equities [2]	10	8,259	-	8,269
	33,197	8,259	-	41,456

	As at October 31, 2023			
	Cost/Amortized cost ($'000)	Gross unrealized gains [1] ($'000)	Gross unrealized losses [1] ($'000)	Fair value ($'000)
FVOCI				
Treasury bills and treasury notes	29,379	-	-	29,379
Equities [2]	10	7,442	-	7,452
	29,389	7,442	-	36,831

[1] Gross unrealized gains and losses include allowance for credit losses, excluding equities designated as FVOCI.
[2] Unrealized gains and losses on equities will not reclassify to profit and loss when realized.

4 Securities (continued)

4.2 Movement in securities

	FVTPL ($'000)	FVOCI ($'000)	Total ($'000)
As at October 31, 2023	1,680	36,831	38,511
Additions	-	62,868	62,868
Disposal (sale and redemption)	-	(60,724)	(60,724)
Losses from changes in fair value	106	817	923
Amortization of Premium	-	1,642	1,642
Foreign exchange adjustment	-	22	22
As at October 31, 2024	1,786	41,456	43,242

	FVTPL ($'000)	FVOCI ($'000)	Total ($'000)
As at October 31, 2022	1,697	34,240	35,937
Additions	715,169	52,305	767,474
Disposal (sale and redemption)	(718,057)	(50,661)	(768,718)
Losses/gains from changes in fair value	(18)	(276)	(294)
Amortization of Premium	2,889	1,238	4,127
Foreign exchange adjustment	-	(15)	(15)
As at October 31, 2023	1,680	36,831	38,511

5 Intangible assets

	2024		2023	
	Computer Software ($'000)	**Total ($'000)**	**Computer Software ($'000)**	**Total ($'000)**
Opening net carrying value	2	2	3	3
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortization	-	-	(1)	(1)
Closing net carrying value	2	2	2	2
Cost	1,782	1,782	1,782	1,782
Accumulated amortization	(1,780)	(1,780)	(1,780)	(1,780)
Net carrying value	2	2	2	2

During the year, assets fully depreciated and retired amounted to $NIL (2023 - $NIL).

There were no contractual commitments to acquire intangible assets in 2024 or 2023.

6 Premises and equipment

	2024 ($'000)	2023 ($'000)
Premises and equipment owned (Note 6.1)	54	71
	54	71

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

6.1 Premises and equipment owned

	Equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2024			
Opening net book value	35	36	71
Additions	-	9	9
Transfers	39	(39)	-
Depreciation charge	(26)	-	(26)
Closing net book value	48	6	54
At October 31, 2024			
Total cost	108	6	114
Accumulated depreciation	(60)	-	(60)
Net book value	48	6	54

During the year, assets fully depreciated and retired amounted to $0.1 million (2023 - $NIL).

Expressed in Trinidad and Tobago dollars

6 Premises and equipment (continued)

6.1 Premises and equipment owned (continued)

	Equipment ($'000)	Work in progress ($'000)	Total ($'000)
Year ended October 31, 2023			
Opening net book value	81	6	87
Additions	-	48	48
Transfers	18	(18)	-
Depreciation charge	(64)	-	(64)
Closing net book value	35	36	71
At October 31, 2023			
Total cost	226	36	262
Accumulated depreciation	(191)	-	(191)
Net book value	35	36	71

7 Deferred tax assets and liabilities

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

	2024 ($'000)	2023 ($'000)
Deferred tax assets (Note 7.1)	510	580
Deferred tax liabilities (Note 7.2)	(2,534)	(2,280)
	(2,024)	(1,700)

The movement on the deferred tax account is as follows:

	2024	2023
At beginning of year	(1,700)	(1,830)
Statement of Comprehensive Income (Note 18)	(58)	134
Investment revaluation reserve:		
Fair value gain/(losses)	(245)	83
Other	(21)	(87)
At end of year	(2,024)	(1,700)

Deferred tax assets and liabilities are attributable to the following items:

7.1 Deferred tax assets

	2024	2023
Securities FVOCI	-	19
Post-retirement benefits	392	474
Accelerated tax depreciation	18	24
Other	100	63
	510	580

7.2 Deferred tax liabilities

	2024	2023
Securities FVOCI	(2,517)	(2,270)
Other	(17)	(10)
	(2,534)	(2,280)

8 Other assets

	2024 ($'000)	2023 ($'000)
Accounts receivable	85	10,905
Other	216	301
	301	11,206
Current	301	11,206

9 Due to affiliated companies

	2024 ($'000)	2023 ($'000)
Due to RBC Royal Bank of Canada	64	-
Due to RBC Financial (Caribbean) Limited	3	-
	67	-

10 Post-retirement benefit obligations

Plan characteristics

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

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

Risks

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

10 Post-retirement benefit obligations (continued)

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

	Pension ($'000)	Other post - employment plans ($'000)	Total ($'000)
October 31, 2024			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	-	1,308	1,308
Liability in the Statement of Financial Position	-	1,308	1,308
October 31, 2023			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	-	1,580	1,580
Liability in the Statement of Financial Position	-	1,580	1,580

10 Post-retirement benefit obligations (continued)

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

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2024			
At beginning of year	-	1,580	1,580
Current service cost	-	8	8
Past service cost	-	-	-
Interest cost	-	96	96
Contributions	-	-	-
Other comprehensive income remeasurements	-	(5)	(5)
Net benefits	-	(24)	(24)
Other	-	(347)	(347)
At end of year	-	1,308	1,308
October 31, 2023			
At beginning of year	-	1,467	1,467
Current service cost	-	8	8
Past service cost	-	-	-
Interest cost	-	94	94
Contributions	-	-	-
Other comprehensive income remeasurements	-	(96)	(96)
Net benefits	-	(30)	(30)
Other	-	137	137
At end of year	-	1,580	1,580

10 Post-retirement benefit obligations (continued)

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

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2024			
Current service cost	-	8	8
Past service cost	-	-	-
Net interest cost	-	96	96
Other	-	(371)	(371)
Components of defined benefit costs recognized in profit or loss	-	(267)	(267)

October 31, 2024			
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	-	-	-
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	-	-	-
Effect of experience adjustments	-	-	-
Other	-	(5)	(5)
Components of defined benefit costs recognized in other comprehensive income	-	(5)	(5)
Total	-	(272)	(272)

10 Post-retirement benefit obligations (continued)

10.3 The amounts recognised in the Statement of Income and the Statement of Comprehensive Income are as follows: (continued)

	Pension ($'000)	Other post-employment plans ($'000)	Total ($'000)
October 31, 2023			
Current service cost	-	8	8
Past service cost	-	-	-
Net interest cost	-	94	94
Other	-	108	108
Components of defined benefit costs recognized in profit or loss	-	210	210
October 31, 2023			
Remeasurement on the net liability:			
Return on plan assets (excluding amounts included in net interest cost)	-	-	-
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	-	-	-
Effect of experience adjustments	-	--	-
Other	-	(97)	(97)
Components of defined benefit costs recognized in other comprehensive income	-	(97)	(97)
Total	-	113	113

10 Post-retirement benefit obligations (continued)

10.4 **Investment policy and strategies**

Significant assumptions

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

Discount rate

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

Summary of principal assumptions

	October 31, 2024	**October 31, 2023**
Discount rates – medical and life	6.30%	6.20%
Salary increases	2.00%	2% / 2.5%
Medical expense increases		
- Basic cover for retirees	5.0%	5.0%
- All other cover	5.0%	5.0%

10 Post-retirement benefit obligations (continued)

10.5 Sensitivity analysis

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

	Increase / (decrease) in obligation	
	2024 ($'000)	**2023 ($'000)**
Other post-employment plans:		
Impact of 1.0% (2022: 1.0%) decrease in discount rate	183	229
Impact of 1.0% (2022: 1.0%) increase in discount rate	(150)	(186)
Impact of 1.0% decrease in health care cost trend rate	(58)	(69)
Impact of 1.0% increase in health care cost trend rate	70	82
Impact of 1 year increase in life expectancy	1	-

11 Other liabilities

	2024 ($'000)	**2023 ($'000)**
Accruals and payables	9,141	18,037
Employee related costs	1,064	1,002
	10,205	19,039

Current	10,205	19,039
Non-current	-	-
	10,205	19,039

12 Stated capital

	2024 ($'000)	2023 ($'000)
Issued and fully paid	8,000	8,000

13 Other components of equity

	2024 ($'000)	2023 ($'000)
Capital reserves	430	430
Investment revaluation reserve (Note 13.1)	5,784	5,165
	6,214	5,595

13.1 Investment revaluation reserve – securities FVOCI

	2024 ($'000)	2023 ($'000)
Balance at beginning of year	5,165	5,223
Net losses arising during the year on securities, net of tax	47	(84)
Net gains arising during the year on equity securities, net of tax	572	26
Balance at end of year	5,784	5,165

14 Interest income

	2024 ($'000)	2023 ($'000)
Securities (Note 14.1)	1,884	1,300
Due from banks	1,311	928
	3,195	2,228

14.1 Securities

	2024 ($'000)	2023 ($'000)
FVTPL	33	45
FVOCI	1,465	1,054
Dividends	386	201
	1,884	1,300

15 Non interest income

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

	2024 ($'000)	2023 ($'000)
Non-interest income at a point in time:		
Transaction service fees and commissions	8,526	9,783
Net trading (loss) / income (Note 15.1)	2,965	3,811
Foreign exchange earnings	27	(16)
Sundry income	252	267
	11,770	13,845

15.1 Net trading income

	2024 ($'000)	2023 ($'000)
Securities at FVTPL - realised and unrealised gains	2,965	3,811
	2,965	3,811

16 Non-interest expenses

	2024 ($'000)	2023 ($'000)
Staff costs (Note 16.1)	3,868	4,426
Premises and equipment expenses, excluding depreciation and operating lease rentals	1,059	1,101
Advertising	93	87
Depreciation and amortization	26	65
Short-term lease expenses	111	80
Auditors' fees (Note 16.2)	460	344
Other professional fees	174	172
Green fund levy	44	48
Business and capital tax	227	164
Sundry and fraud losses	-	2
Other operating expenses	1,883	1,718
	7,945	8,207

16.1 Staff costs

	2024 ($'000)	2023 ($'000)
Wages and salaries including bonuses	3,733	3,903
Employees' defined contribution pension expense	217	228
Employees' defined benefit and post-retirement benefit costs	(267)	210
Share option plan value of services provided	185	85
	3,868	4,426

16.2 Audit fees

In connection with the audit of the financial statements, the following fees were paid or are payable to PricewaterhouseCoopers (PwC) and other PwC Network firms:

	2024 ($'000)	2023 ($'000)
Audit of the financial statements for the year ended October 31	299	172
Other services provided to West Indies Stockbrokers Limited for the year ended October 31	161	172
Other services provided to any other controlled entities during the Year ended October 31	-	-
	460	344

17 Share based compensation

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

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

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

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

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

17 Share–based compensation (continued)

17.1 Units granted under share-based compensation plans

	Units granted	2024 Weighted average fair value per unit ($)
Performance deferred share unit plans	160	604
RBC share unit plans	-	-
	160	604

	Units granted	2023 Weighted average fair value per unit ($)
Performance deferred share unit plans	152	642
RBC share unit plans	-	-
	152	642

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

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

17 Share–based compensation (continued)

17.2 Obligations under share-based compensation plans

	Units	2024 Carrying Amount ($'000)
Performance deferred share unit plans	328	270
RBC share unit plans	-	-
	328	270

	Units	2023 Carrying Amount ($'000)
Performance deferred share unit plans	157	85
RBC share unit plans	-	-
	157	85

17.3 Compensation expenses recognized under share-based compensation plans

	2024 ($'000)	2023 ($'000)
Performance deferred share unit plans	185	85
RBC share unit plans	-	-
	185	85

18 Taxation expense

	2024 ($'000)	2023 ($'000)
Current tax charge	1,902	2,441
Prior years	-	(13)
Net deferred tax charge (Note 7)	58	(134)
	1,960	2,294

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

	2024 ($'000)	2023 ($'000)
Net income from continuing operations	7,020	7,866
Tax calculated at a rate of 30% (2023: 30%)	2,106	2,360
Income exempt from tax	(162)	(68)
Group loss relief	-	-
Prior years	-	(13)
Other	16	15
Tax charge	1,960	2,294

19 Contingent liabilities

Customers' liability under guarantees, indemnities and letters of credit

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

	2024 ($'000)	2023 ($'000)
Letters of credit	3,000	6,300

20 Related party transactions

Related parties

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

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

Key management personnel and Directors

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

	2024 ($'000)	2023 ($'000)
Outstanding balances		
Loans, reverse repurchased assets and receivables		
Other subsidiaries of Royal Bank of Canada	12,513	12,054
	12,513	12,054
Deposits and other liabilities		
Other subsidiaries of Royal Bank of Canada	67	-

20 Related party transactions (continued)

Compensation of key management personnel and Directors

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

Key management compensation

	2024 ($'000)	2023 ($'000)
Share based payment	-	-
Salaries and other short term benefits	1,025	963
	1,025	963

21 Financial risk management

21.1 Statement of Financial Position – categorization

	2024 ($'000)	2023 ($'000)
Assets		
Financial assets at fair value through profit and loss		
Securities	1,786	1,680
	1,786	1,680
Financial assets at fair value through other comprehensive income		
Securities – treasury bills	33,187	29,379
Securities – equity instruments [1]	8,269	7,452
	41,456	36,831
Financial assets at amortised cost		
Cash on hand and due from banks	21,057	18,220
Other assets	85	11,266
	21,142	29,486
Total financial assets	64,384	67,997
Non-financial assets	845	654
Total assets	65,229	68,651

21 Financial risk management (continued)

21.1 Statement of Financial Position – categorization (continued)

	2024 ($'000)	2023 ($'000)
Liabilities		
Financial liabilities at amortised cost		
Other liabilities	9,141	17,355
Due to affiliates	67	-
	9,208	17,355
Total financial liabilities	9,208	17,355
Non-financial liabilities	5,444	6,401
Total liabilities	14,652	23,756
Total equity attributable to owners of parent	50,577	44,895
Total equity and liabilities	65,229	68,651

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

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

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

	Number of companies [a]	Carrying value 2024 ($'000)	Carrying value 2023 ($'000)	Dividends 2024 ($'000)	Dividends 2023 ($'000)
Business category					
Stock exchange	1	8,269	7,452	386	201
Total		8,269	7,452	386	201

[a] During the year ended October 31st, 2024 there were no disposals from the equity shares designated as FVOCI (2023 - Nil).

21.2 Risk management

Risk is inherent in The Company's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to The Company's continuing profitability and each individual company within The Company is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

Risk management structure

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

Executive Management Committee (EMC)

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

21 Financial risk management (continued)

21.2 Risk management (continued)

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

Group Asset and Liability Committee (ALCO)

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

Internal Audit

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

Risk measurement and reporting systems

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

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

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

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

21 Financial risk management (continued)

21.2 Risk management (continued)

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

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

The Company actively uses collateral to reduce its credit risks.

21.3 Liquidity risk

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

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

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

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

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

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

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

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

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

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.1 Non-derivative cash flows

Financial assets and liabilities less derivatives

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2024						
Assets						
Cash and short term instruments	21,057	-	-	-	-	21,057
Securities	1,786	33,187	-	-	8,269	43,242
Other assets	85	-	-	-	-	85
	22,928	33,187	-	-	8,269	64,384
Liabilities						
Due to affiliates	19	13	35	-	-	67
Other liabilities	9,141	-	-	-	-	9,141
	9,160	13	35	-	-	9,208
Liquidity gap	13,768	33,174	(35)	-	8,269	55,176
Cumulative gap	13,768	46,942	46,907	46,907	55,176	

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.1 Non-derivative cash flows (continued)

Financial assets and liabilities less derivatives (continued)

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

	Less than three months ($'000)	Three to six months ($'000)	Six to twelve months ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2023						
Assets						
Cash and short term instruments	18,220	-	-	-	-	18,220
Securities	5,004	26,055	-	-	7,452	38,511
Other assets	10,968	-	298	-	-	11,266
	34,192	26,055	298	-	7,452	67,997
Liabilities						
Due to affiliates	-	-	-	-	-	-
Other liabilities	17,355	-	-	-	-	17,355
	17,355	-	-	-	-	17,355
Liquidity gap	16,837	26,055	298	-	7,452	50,642
Cumulative gap	16,837	42,892	43,190	43,190	50,642	

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

21.3.2 Contingent liabilities and commitments

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2024				
Guarantees, indemnities and letters of credit	3,000	-	-	3,000
	3,000	-	-	3,000
As at October 31, 2023				
Guarantees, indemnities and letters of credit	6,300	-	-	6,300
	6,300	-	-	6,300

21.4 Market risk

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

On a monthly basis, Treasury and Finance departments review and approve the valuation of all securities, derivatives and trading liabilities sent by the Valuations department.

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

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

21 Financial risk management (continued)

21.4 **Market risk (continued)**

21.4.1 **Market risk measurement techniques**

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

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

21.4.2 **Interest rate risk**

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

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

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

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

21 Financial risk management (continued)

21.4.2 Interest rate risk (continued)

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

	EVE Risk		**NII Risk**	
	Local Currency ($'000)	**Hard Currency ($'000)**	**Local Currency ($'000)**	**Hard Currency ($'000)**
As at October 31, 2024				
Impact before tax				
100 bps increase in rates	(91)	(124)	(13)	(130)
100 bps decrease in rates	99	125	13	130
As at October 31, 2023				
Impact before tax				
100 bps increase in rates	(82)	(165)	(14)	(179)
100 bps decrease in rates	88	167	14	179

21 Financial risk management (continued)

21.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk

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

As at October 31, 2024	Up to one-year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
Assets					
Cash and short term instruments	20,186	-	-	871	21,057
Securities	34,973	-	8,269	-	43,242
Other assets	-	-	-	85	85
Total financial assets	55,159	-	8,269	956	64,384
Liabilities					
Due to affiliates	-	-	-	67	67
Other liabilities	-	-	-	9,141	9,141
Total financial liabilities	-	-	-	9,208	9,208
Interest sensitivity gap	55,159	-	8,269		

21 Financial risk management (continued)

21.4.2 Interest rate risk (continued)

Interest sensitivity of assets and liabilities to repricing risk (continued)

As at October 31, 2023	Up to one-year ($'000)	One to five years ($'000)	Over five years ($'000)	Non-interest bearing ($'000)	Total ($'000)
Assets					
Cash and short term instruments	18,220	-	-	-	18,220
Securities	31,059	-	7,452	-	38,511
Other assets	-	-	-	11,266	11,266
Total financial assets	49,279	-	7,452	11,266	67,997
Liabilities					
Other liabilities	-	-	-	17,355	17,355
Total financial liabilities	-	-	-	17,355	17,355
Interest sensitivity gap	49,279	-	7,452		

21.4.3 Maturity and rate sensitivity

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

As at October 31, 2024	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
Securities:				
Securities at FVTPL	-	-	1,786	1,786
Securities at FVOCI	33,187	-	8,269	41,456
Gross investments	33,187	-	10,055	43,242

21 Financial risk management (continued)

21.4.3 **Maturity and rate sensitivity (continued)**

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

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at October 31, 2023				
Securities:				
Securities at FVTPL	-	-	1,680	1,680
Securities at FVOCI	29,379	-	7,452	36,831
Gross investments	29,379	-	9,132	38,511

21.4.4 **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 Company is affected by changing prices of equity instruments designated as fair value through other comprehensive income with fair value movements recognised in other comprehensive income attributable to The Company. The exposure is not significant to The Company.

21 Financial risk management (continued)

21.5 Currency risk

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

21.5.1 **Concentrations of currency risk – financial instruments on and off Statement of Financial Position**

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

	TTD ($'000)	USD ($'000)	Total ($'000)
As at October 31, 2024			
Assets			
Cash and short term instruments	10,186	10,871	21,057
Securities	10,041	33,201	43,242
Other assets	85	-	85
Total financial assets	20,312	44,072	64,384
Liabilities			
Due to affiliates	3	64	67
Other liabilities	9,141	-	9,141
Total financial liabilities	9,144	64	9,208
Net statement of financial position	11,168	44,008	55,176
Credit commitments	-	-	-

21 Financial risk management (continued)

21.5 Currency risk (continued)

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

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

	TTD	USD	Total
	($'000)	($'000)	($'000)
As at October 31, 2023			
Assets			
Cash and cash equivalents	8,524	9,695	18,219
Securities	9,118	29,393	38,511
Other assets	11,266	-	11,266
Total financial assets	28,908	39,088	67,996
Liabilities			
Other liabilities	17,355	-	17,355
Total financial liabilities	17,355	-	17,355
Net statement of financial position	11,553	39,088	50,641
Credit commitments	-	-	-

21 Financial risk management (continued)

21.5 Currency risk (continued)

21.5.2 Foreign currency exchange risk

Analysis was conducted to determine the sensitivity to reasonable possible movements of select currencies against the Trinidad and Tobago dollar (TT dollar) to which The Company had significant exposure at October 31 in respect of its assets and liabilities holding all other variables constant. The results revealed that as at October 31, 2024, if the TT dollar had weakened 10% (2023 – 10%) against the US dollar currency, with all other variables held constant, profit before tax for the year would have been $1 million lower (2023 – $3 million lower).

21.6 Credit risk

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

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

21 Financial risk management (continued)

21.6 Credit risk (continued)

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

	Gross maximum exposure	
	2024 ($'000)	**2023 ($'000)**
Credit risk exposures relating to financial assets		
on the Statement of Financial Position are as follows:		
Due from banks	21,057	18,220
Treasury bills	33,187	29,379
Securities at FVTPL	1,786	1,680
Accounts receivable	85	10,905
	56,115	60,184
Credit risk exposures relating to financial assets		
not on the Statement of Financial Position are as follows:		
Contingent liabilities (letter of credit and financial guarantees)	3,000	6,300
	3,000	6,300
Total credit risk exposure	59,115	66,484

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

21 Financial risk management (continued)

21.6 Credit risk (continued)

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

The following table breaks down the Company's main credit exposure of their carrying amounts, as categorised by industry sectors of counterparties.

	Gross maximum exposure 2024 ($'000)	Gross maximum exposure 2023 ($'000)
Financial services	56,115	60,184
Construction	-	-
Real estate	-	-
Utilities	-	-
Petroleum	-	-
Transport	-	-
Government	-	-
Other	-	-
	56,115	60,184

21 Financial risk management (continued)

21.6 Credit risk (continued)

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

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2024				
Treasury Bills	-	-	-	-
Due from banks	21,057	-	-	21,057
	21,057	-	-	21,057
Securities:				
FVTPL (including trading):				
Corporate	1,786	-	-	1,786
FVOCI:				
Amortised Cost	33,187	-	-	33,187
Corporate	-	-	-	-
Securities (gross)	34,973	-	-	34,973
Total	56,030	-	-	56,030

	Stage 1 ($'000)	Stage 2 ($'000)	Stage 3 ($'000)	Total ($'000)
As at October 31, 2023				
Treasury Bills	29,379	-	-	29,379
Due from banks	18,220	-	-	18,220
	47,599	-	-	47,599
Securities:				
FVTPL (including trading):				
Corporate	1,680	-	-	1,680
FVOCI:				
Amortised Cost	-	-	-	-
Corporate	7,452	-	-	7,452
Securities (gross)	9,132	-	-	9,132
Total	56,731	-	-	56,731

22 Fair value of financial assets and liabilities

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 values are disclosed

	As at October 31, 2024						
				Fair value hierarchy			
	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total fair value	Level 1	Level 2	Level 3	Total
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Securities		-	-	-	-	-	-
Other assets	85		85	-	-	-	-
Other liabilities	9,141		9,141	-	-	-	-

	As at October 31, 2023						
				Fair value hierarchy			
	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total fair value	Level 1	Level 2	Level 3	Total
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Securities	-	-	-	-	-	-	-
Other assets	11,226	-	11,266	-	-	-	-
Other liabilities	17,355	-	17,355	-	-	-	-

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

22 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 to customers are similarly valued taking in to account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22 Fair value of financial assets and liabilities (continued)

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

At October 31, 2024	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Securities at FVTPL				
Securities FVTPL classified				
Money market funds	1,786	-	-	1,786
	1,786	-	-	1,786
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	-	33,187	-	33,187
	-	33,187	-	33,187
Securities FVOCI designated				
Equity securities	-	-	8,269	8,269
	-	-	8,269	8,269
	1,786	33,187	8,269	43,242

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

At October 31, 2023				
Securities at FVTPL				
Securities FVTPL classified				
Money market funds	1,680	-	-	1,680
	1,680	-	-	1,680
Securities FVOCI				
Securities FVOCI classified				
Treasury bills and treasury notes	-	29,379	-	29,379
	-	29,379	-	29,379
Securities FVOCI designated				
Equity securities	-	-	7,452	7,452
	-	-	7,452	7,452
	1,680	29,379	7,452	38,511

22 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 ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2024			
Securities at FVOCI	8,269	3,613	(1,268)
	8,269	3,613	(1,268)-

	Level 3 Fair value ($'000)	Positive fair value movement from using reasonably possible alternatives ($'000)	Negative fair value movement from using reasonably possible alternatives ($'000)
As at October 31, 2023			
Securities at FVOCI	7,452	510	(452)
	7,452	510	(452)

22 Fair value of financial assets and liabilities (continued)

Sensitivity results
As at October 31, 2024, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of $3.6 million (2023: $0.5 million) and a reduction of $1.2 million (2023: $0.4 million) in fair value, of which an increase of $1.1 million (2023: $0.2 million) and a decrease of $0.4 million (2023: $0.1 million) would be recorded in other components of equity.

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

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt and municipal bonds	Sensitivities are determined based on adjusting, plus or minus one standard deviation , the bid-offer spreads or input prices if a sufficient number of prices are received, adjusting input parameters such as credit spreads or using high and low vendor prices as reasonably possible alternative assumptions.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of these inputs, and an amount based on model and parameter uncertainty, where applicable.

<u>Reconciliation of Level 3 fair value measurements of financial assets</u>

	FVTPL ($'000)	FVOCI ($'000)	Total ($'000)
As at October 31, 2023	-	7,452	7,452
Gains/(losses) from changes in fair value	-	817	817
As at October 31, 2024	-	8,269	8,269

22 Fair value of financial assets and liabilities (continued)

Reconciliation of level 3 fair value measurements of financial assets

	FVTPL ($'000)	FVOCI ($'000)	Total ($'000)
As at October 31, 2022	-	7,728	7,728
Gains/(losses) from changes in fair value	-	(276)	(276)
As at October 31, 2023	-	7,452	7,452

Financial assets classified as fair value through profit or loss
For our financial assets classified as FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves.

There were no significant changes in the fair value of the financial assets classified as FVTPL attributable to changes in credit risk during the year ended October 31, 2023, and cumulatively since initial recognition of the assets.

Net gains (losses) from financial instruments classified as fair value through profit or loss
Financial instruments classified as at FVTPL, which includes mainly trading securities are measured at fair value with realized and unrealized gains and losses recognized in Non-interest income, primarily in Trading revenue.

23 Administered funds
The Company commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of The Company. Assets under administration/trusteeship as at October 31, 2024 totalled $15 billion (as at October 31, 2023 - $15 billion).