CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 2024

Ernst & Young Services Limited

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2024

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CIBC Caribbean Bank (Trinidad and Tobago) Limited ("the Bank"), which comprise the statement of financial position as at 31 October 2024, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 October 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

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

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

We communicate with the Audit Committee 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.

EY

Port of Spain,
TRINIDAD:
16 January 2025

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 OCTOBER 2024
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2024 $'000	2023 $'000
Interest and similar income		191,910	178,674
Interest and similar expense		(83,184)	(67,832)
Net interest income	3	108,726	110,842
Operating income	4	57,101	56,969
		165,827	167,811
Operating expenses	5	(101,084)	(80,753)
Credit loss expense on financial assets	10, 11	(52,201)	(16,788)
		(153,285)	(97,541)
Income before taxation		12,542	70,270
Income tax expense	6	(17,924)	(33,261)
Net (loss)/income for the year		(5,382)	37,009

The accompanying notes are an integral part of the financial statements.

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2024
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2024 $'000	2023 $'000
Net (loss)/income for the year		(5,382)	37,009
Other comprehensive* loss *(net of tax) to be reclassified to net income in subsequent periods			
Net gain/(loss) on debt securities at fair value through other comprehensive income	7, 8	627	(508)
		627	(508)
Total comprehensive (loss)/income for the year, net of tax		(4,755)	36,501

The accompanying notes are an integral part of the financial statements.

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)
STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2024
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2024 $'000	2023 $'000
ASSETS			
Cash and balances with Central Bank	9	779,800	1,385,321
Loans and advances to customers	10	3,024,428	2,884,505
Other assets		209,613	166,036
Investment securities	11	66,658	63,975
Property and equipment	12	48,626	39,239
Deferred tax asset	13	20,284	16,096
Taxation recoverable		27,696	44,442
Total assets		4,177,105	4,599,614
LIABILITIES			
Customer deposits	14	3,040,514	3,260,397
Borrowings from affiliated companies	16	235,906	269,988
Other liabilities	18	272,003	236,002
Taxation payable		–	22,254
Deferred tax liability	13	881	542
Debt securities in issue	15	–	177,875
Total liabilities		3,549,304	3,967,058
EQUITY			
Shareholder's equity			
Issued share capital	19	266,600	266,600
Statutory reserve	20	50,214	50,214
Investment revaluation surplus	20	1,634	1,007
Retained earnings		309,353	314,735
Total equity		627,801	632,556
Total liabilities and equity		4,177,105	4,599,614

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors on 15 January 2025

_________________ : Director _________________ : Director

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2024
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	Issued share capital $'000	Statutory reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Total equity $'000
Balance as at 31 October 2022		266,600	46,513	1,515	288,224	602,852
Total comprehensive (loss)/ income for the year		–	–	(508)	37,009	36,501
Dividends paid	26	–	–	–	(6,797)	(6,797)
Transfer to statutory reserve	20	–	3,701	–	(3,701)	–
Balance as at 31 October 2023		266,600	50,214	1,007	314,735	632,556
Total comprehensive (loss)/ income for the year		–	–	627	(5,382)	(4,755)
Dividends paid	26	–	–	–	–	–
Transfer to statutory reserve	20	–	–	–	–	–
Balance as at 31 October 2024		266,600	50,214	1,634	309,353	627,801

The accompanying notes are an integral part of the financial statements.

CIBC CARIBBEAN BANK (TRINIDAD AND TOBAGO) LIMITED
(formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2024
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Income before taxation		12,542	70,270
Adjustments for:			
Depreciation	12	15,151	11,741
Credit loss expense on financial assets		52,201	16,788
Fair value loss on derivative financial instruments		-	101
Interest income earned on investment securities	3	(10,433)	(9,113)
Interest expense incurred on lease liabilities, borrowings from affiliated companies and debt securities	3	7,144	10,286
Net cash flows from operating income before changes in operating assets and liabilities		76,605	100,073
Changes in operating assets and liabilities:			
Net increase in loans and advances to customers		(192,119)	(316,637)
Net decrease/(increase) in due from banks		75,506	(54,165)
Net increase in other assets		(43,576)	(26,033)
Net (decrease)/increase in customer deposits		(254,287)	342,140
Net increase in other liabilities		20,556	39,196
Corporation taxes paid		(15,147)	(45,048)
Net cash (used in)/ generated from operating activities		(332,462)	39,526
Cash flows from investing activities:			
Purchase of property and equipment	12	(24,538)	(15,516)
Purchase of investment securities		(1,726)	–
Proceeds from disposals of investment securities		–	96,965
Interest income received on investment securities		10,434	10,926
Net cash (used in)/generated from investing activities		(15,830)	92,375
Cash flows from financing activities:			
Dividends paid	26	–	(6,797)
Interest paid on borrowed funds and debt securities		(4,060)	(10,286)
Net (repayments)/inflows from borrowings from companies and debt securities	15	(174,791)	256,053
Payment of principal portion of lease liabilities	12	(2,872)	(2,871)
Net cash (used in)/generated from financing activities		(181,723)	236,099
Net decrease in cash and cash equivalents during the year		(530,015)	368,000
Cash and cash equivalents at beginning of year		1,052,891	684,891
Cash and cash equivalents at end of year	9	522,876	1,052,891

The accompanying notes are an integral part of the financial statements.

1. General information

CIBC Caribbean Bank (Trinidad and Tobago) Limited (formerly FirstCaribbean International Bank (Trinidad & Tobago) Limited) (the "Bank") was incorporated in the Republic of Trinidad and Tobago on 28 October 1997 and was then licensed under the Financial Institutions Act, 1993 to operate as a Merchant Bank, Mortgage Institution, Confirming/Acceptance House, Finance House/Finance Company and Trust Company. The Bank commenced business on 16 February 1998 and is an authorised dealer in foreign exchange. On 28 May 2007, the Bank was licensed under Section 8(2) of the Financial Institutions Act, 1993, to carry on the business of banking and this superseded its original license.

The Bank became a wholly-owned subsidiary of CIBC Caribbean Bank Limited (formerly FirstCaribbean International Bank Limited) (the "Parent") on 31 December 2004 when the Parent completed the purchase of all of the then outstanding share capital of the Bank from its former shareholders. In February 2005, having received the approval of the Registrar of Companies and the Central Bank of Trinidad and Tobago to do so, the Bank changed its name from 'The Mercantile Banking & Financial Corporation Limited' to 'FirstCaribbean International Banking & Financial Corporation Limited'. In May 2007, the Central Bank of Trinidad and Tobago issued a full commercial banking license and the Bank changed its name to 'FirstCaribbean International Bank (Trinidad & Tobago) Limited'.

The major shareholders of CIBC Caribbean Bank Limited were jointly Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England until 22 December 2006. On that date, CIBC acquired Barclays' interest in the Bank and now owns 91.7% of the shares of CIBC Caribbean Bank Limited. On August 8, 2024, the Bank announced that it had officially changed its legal name to CIBC Caribbean Bank (Trinidad and Tobago) Limited, effective July 30, 2024. The new legal name aligns with the recent adoption of the CIBC brand.

The Bank's registered office is located at 74 Long Circular Road, Maraval, Port of Spain.

The principal activities are: inventory and receivables finance, finance leases, medium and long-term finance, accepting term fixed deposits and structuring, managing and floating debt issues on behalf of corporate clients and the issue of financial instruments under structured arrangements, foreign exchange dealing and provision of trustee services to other financial institutions.

2. Basis of preparation and summary of material accounting policies

2.1 Basis of presentation

These financial statements have been prepared on a historical cost basis, except for debt instruments carried at fair value through other comprehensive income (FVOCI), financial assets and liabilities at fair value through profit or loss (FVPL) and derivative financial instruments, which have all been measured at fair value. The financial statements are presented in Trinidad and Tobago dollars, and all values are rounded to the nearest thousand except where otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earliest period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. The Bank has prepared its financial statement on the basis that it will continue to operate as a going concern.

2. Basis of preparation and summary of material accounting policies (continued)

2.1 Basis of presentation (continued)

Statement of compliance

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

2.2 Material accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain material estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Other disclosures relating to the Bank's exposure to risks and uncertainties include:

- Capital management - Note 19
- Financial risk management - Note 24
- Sensitivity analyses - Note 24

The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Fair value of financial instruments

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the model.

ii) Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

2. Basis of preparation and summary of material accounting policies (continued)

2.2 Material accounting judgements and estimates (continued)

ii) Impairment losses on financial assets (continued)

The Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns a Probability of Default (PD) to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk, and therefore allowances for financial assets should be measured on a Lifetime ECL (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EADs) and Loss Given Default (LGDs)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

iii) Income taxes

The Bank is subject to taxation and significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences and unused carry-forward tax losses, to the extent that it is probable that taxable profits will be available against which the deferred tax assets may be utilised. Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Uncertainty in tax positions may arise as tax legislation is subject to interpretation. Estimating uncertain tax provisions requires management judgement to be applied in the interpretation of tax laws in the country in which the Bank operates. This includes significant judgement in the determination of whether it is probable that the Bank's tax filing positions will be sustained relating to certain complex tax positions, when probable, the measurement of such provision when recognised.

2. Basis of preparation and summary of material accounting policies (continued)

2.3 Adoption of new accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of those affected by new and amended standards and interpretations.

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

On May 23, 2023 the IASB issued “International Tax Reform—Pillar Two Model Rules”, which amended IAS 12 “Income Taxes” (IAS 12), to provide temporary relief from the accounting and disclosure for deferred taxes arising from the implementation of Pillar Two model rules published by the Organisation for Economic Co-Operation and Development. The Bank has adopted this amendment and applied the exception to recognizing and disclosing deferred taxes related to Pillar Two income taxes. Further amendments require certain additional disclosures on Pillar Two income tax exposures as of the Bank’s fiscal year beginning November 1, 2024 as the relevant laws have been enacted in the relevant jurisdictions (Barbados and Canada) and will become effective from that date.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by (i) replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments did not have a material impact on the Bank’s financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments did not have a material impact on the Bank’s financial statements

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Foreign currency translation

Functional and presentation currency
The financial statements are presented in Trinidad and Tobago dollars, which is the Bank's functional and presentation currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Bank at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates prevailing at the reporting date and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into the Bank's functional currency. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as debt securities at FVOCI, are included in the debt securities revaluation reserve in equity.

IBOR reform

Interest rate benchmarks including the London Interbank Offered Rate (LIBOR) and other similar benchmarks, were being reformed and replaced by new risk-free rates that are largely based on traded markets. The U.K.'s Financial Conduct Authority (FCA) originally announced in July 2017 that it would not compel banks to submit LIBOR rates after December 2021. In March 2021, the FCA and the ICE Benchmark Administrator (IBA) announced the dates for the cessation or loss of representativeness of various LIBOR rates including that certain non-USD LIBORs will cease on December 31, 2021 and that most USD LIBOR tenors will cease on June 30, 2023. As IBORs are widely referenced by large volumes of derivative, loan and cash products, the transition presents a number of risks to the Bank and the industry as a whole. The Bank has established a comprehensive enterprise-wide program to manage and coordinate all aspects of the transition, including the identification and mitigation of these risks.

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank established a project to manage the transition for any of its contracts that could be affected.

2. Basis of preparation and summary of material accounting policies (continued)

IBOR reform (continued)

The project was sponsored by the Managing Director Corporate & Investment Banking and was led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations and Technology. The project provided monthly progress updates to the Managing Board and bi-annually to the Audit Committee. During 2023, the Bank successfully completed the transition of its IBOR exposure to RFRs, transitioning the London Interbank Offered Rate "LIBOR" interest rate benchmarks to the Secured Overnight Financing Rate "SOFR".

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Market risk as new basis risks emerge due to the IBOR reform
- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Legal risk arising as contracts are revised based on final amended terms
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes (current or newly introduced), also the risk of payments being disrupted if an IBOR ceases to be available

Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

IBOR Reform Phase 1 and Phase 2

The Bank applied IBOR reform Phase 1 and Phase 2 for the first time in the year ended October 31, 2021. During the period prior to the replacement of Interbank Offered Rates (IBORs) with an alternative risk-free rate (RFR), IBOR reform Phase 1 provides reliefs for hedging relationships directly affected by interest rate benchmark reform. IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with a RFR. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

2. Basis of preparation and summary of material accounting policies (continued)

IBOR reform (continued)

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal. The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

Interest income and expense

Interest income and expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on financial assets measured at FVOCI, are also recorded by using the EIR method.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the EIR, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the statement of income.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Interest income and expense (continued)

When a financial asset becomes credit-impaired (as set out in Note 10) and is, therefore, regarded as ‘Stage 3’, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cure (as outlined in Note 10) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate.

Fee and commission income

The recognition of fee and commission income is determined by the purpose of the fee or commission and the terms specified in the contract with the customer. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of the service to the customer, in the amount of the consideration to which we expect to be entitled. Revenue may therefore be recognised at a point in time upon completion of the services or over time as the services are provided. When revenue is recognised over time, we are generally required to provide the services each period and we therefore measure our progress towards completion of the service based upon the time elapsed. When another party is involved in providing a service to a customer, we determine whether the nature of our performance obligation is that of a principal or an agent. If we control the service before it is transferred to the customer, we are acting as the principal and present revenue separately from the amount paid to the other party; otherwise we are the agent and present revenue net of the amount paid to the other party. Income, which forms an integral part of the effective interest rate of a financial instrument, continues to be recognised as an adjustment to the effective interest rate.

Underwriting and advisory fees are earned on debt and equity securities placements and transaction-based advisory services. Underwriting fees are typically recognised at the point in time when the transaction is completed. Advisory fees are generally recognised as revenue over the period of the engagement as the related services are provided or at the point in time when the transaction is completed.

Deposit services fees arise from personal and business deposit accounts and cash management services. Monthly and annual fees are recognised over the period that the related services are provided. Transactional fees are recognised at the point in time the related services are provided.

Credit services fees consist of loan syndication fees, loan commitment fees, negotiation & collection fees, credit advisory fees, letters of credit and guarantees & bond fees. Credit fees are generally recognised over the period that the related services are provided, except for loan syndication fees, which are typically recognised at the point in time that the financing placement is completed. Letters of credit and guarantees & bonds fees are charged annually and covers a one-year period starting on the date the contract was first issued.

Card fees primarily include interchange income, over limit fees, cash advance fees, and annual fees.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Fee and commission income (continued)

Card fees are recognised at the point in time the related services are provided, except for annual fees, which are recognised over the 12-month period to which they relate. The cost of credit card loyalty points is recognised as a reduction of interchange income when the loyalty points are issued for both self-managed and third-party loyalty points programs. Credit card loyalty point liabilities are recognised for self-managed loyalty programs and are subject to periodic re-measurement to reflect the expected cost of redemption as this expectation changes over time.

Investment management fees are primarily based on the respective value of the assets under management (AUM) or assets under administration (AUA) and are recognised over the period that the related services are provided. Investment management fees are generally calculated based on point-in-time AUM and AUA balances. Custodial fees are recognised as revenue over the applicable services period, which is generally the contract term.

Customer loyalty programmes

The Bank offers customer points programmes through its Credit Card products. A portion of the net revenues are deferred in relation to award credits under customer loyalty programmes as a separately identifiable revenue component.

The amount deferred represents the fair value of the award credits and is recognised when the awards are utilised or are expired.

Financial instruments: initial recognition

Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers and customer deposits, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, where transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Financial instruments: initial recognition (continued)

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities
The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in the summary of material accounting policies. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost.

Financial assets and liabilities

Due from banks, Loans and advances to customers, Financial investments at amortised cost
The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Financial assets and liabilities (continued)

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI (solely payments of principal and interest) test
As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Derivatives recorded at fair value through profit or loss (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics: (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank uses derivative financial instruments to manage its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately, whilst, changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. There were no derivatives held by the Bank for the years ended 31 October 2024 and 2023.

Debt instruments at FVOCI

The Bank applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained in Note 11. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under 'IAS 32 Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Equity instruments at FVOCI (continued)

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective interest rate. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Disclosures for the Bank's issued debt are set out in Note 15.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's credit risk. Such changes in fair value are recorded in the credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements and attract allowances based on credit quality. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, is not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 10.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank previously reclassified one of its financial assets from loans and advances to debt instruments at amortised cost. No financial liabilities were reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 2 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the ‘original asset’), but assumes a contractual obligation to pay those cash flows to one or more entities (the ‘eventual recipients’), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification (continued)

Financial assets (continued)
When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

Overview of the ECL principles
The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 10. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 24.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Overview of the ECL principles (continued)
The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Where the financial asset meets the definition of POCI, the allowance is based on the change in the ECLs over the life of the asset.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 24.

Based on the above process, the Bank allocates its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 10). The Bank records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. ECL allowances for POCI assets are reported in Stage 3.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Overview of the ECL principles (continued)

The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 24.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Overview of the ECL principles (continued)

The calculation of ECLs (continued)

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: These are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting scenario, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating 12mECL for undrawn loan commitments, the Bank applies the PD and LGD to the undrawn amount, and this amount is discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Financial guarantee contracts: The Bank estimates ECLs by applying the PD and LGD to the exposure, and this amount is discounted at an approximation to the interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within credit loss on financial assets.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Purchased or originated credit impaired (POCI) financial assets
For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities
The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customers' behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade or history of delinquency, as explained in Note 24, but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 24, on a collective basis for corporate and retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information
In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as but not limited to:

- GDP growth or nominal GDP
- Unemployment rate
- Consumer price index and inflation
- Interest rates

For the majority of our loan portfolios, our forecast of forward looking information variables is established from a "base case" or most likely scenario. For most of the forward looking information variables related to the Bank's businesses, we have forecast scenarios by individual territories. In forming the "base case" scenario, we consider the forecasts of monetary authorities such as the International Monetary Fund (IMF), World Bank and regional regulatory/statutory bodies. We then derive reasonably possible "upside case" and "downside case" scenarios using the historical performance of variables that are above and below our "base case" along with the application of management judgement.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Impairment of financial assets (continued)

Forward looking information (continued)

A probability weighting is assigned to our "base case", "upside case" and "downside case" scenarios based on management judgement.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The use of management overlays requires the application of significant expert judgement that may impact on the amount and timing of the ECL allowance being recognised. As such overlays, are continuously reviewed for relevance and accuracy.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 10.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Collateral repossessed (continued)

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession of or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Forborne and modified loans (continued)

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 24. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period according to the regulatory rules in each country. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due

Details of forborne assets are disclosed in Note 24. If modifications are substantial, the loan is derecognised.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

Securities sold subject to linked repurchase agreements (“repos”) are retained in the financial statements as investment securities and the counterparty liability is included in other borrowed funds. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repurchase agreements using the effective interest method.

Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly of branches and offices. Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Right-of-use assets are presented together with property and equipment in the statement of financial position. Refer to the accounting policy for leases below.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Property and equipment (continued)

Depreciation of owned assets is computed on the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful estimated lives.

The annual rates used are:

Buildings	-	2½%
Leasehold improvements	-	10% or over the life of the lease
Equipment, furniture and vehicles	-	20 – 50%

Right-of-use assets are depreciated over the life of the lease.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and are adjusted if appropriate.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. Gains and losses on disposal of property and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank leases various buildings for extended periods. Contracts may contain both lease and non-lease components, however where the Bank has a lease, it has elected not to separate these components and instead accounts for these as a single lease component.

As a lessee
The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Leases (continued)

Right-of-use assets (continued)
The right-of-use assets are presented within Note 12 Property and equipment and are subject to similar impairment in line with the Bank's impairment policy for non-financial assets.

Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease liabilities are presented within Other liabilities on the statement of financial position.

As a lessor
Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Leases (continued)

Determination of the lease term for lease contracts with renewal and termination options (As a lessee)
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

To determine the incremental borrowing rate, the Bank uses a build-up approach which incorporates internal Funds Transfer Pricing (FTP) methodology to derive the discount rates which are further duration adjusted to better reflect the amortising nature of the lease portfolio. The approach makes adjustments specific to the lease, e.g. term, country and currency.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Leases (continued)

Finance leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases mainly relate to the leasing of vehicles & equipment and are recorded under loans and advances to customers in the statement of financial position at the amount of the net investment in the leases.

At the commencement of the lease term, the Bank recognises finance leases at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment in the lease.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Bank has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Retirement benefit obligations

The Bank operates a defined contribution plan. The Bank makes contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions to the defined contribution pension plans are charged to the statement of income in the year to which they relate.

The Bank's contribution expense in relation to this plan for the current period amounted to $765 (2023: $784).

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation on property and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Currently enacted or substantially enacted tax rates are used to determine deferred taxes.

Tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised.

Deferred tax related to fair value re-measurement of FVOCI debt securities, which is charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in the statement of income together with the realised gain or loss.

Accumulated other comprehensive income
AOCI is included on the consolidated balance sheet as a separate component of total equity, net of income tax. It includes net unrealized gains and losses on FVOCI debt and equity securities, the effective portion of gains and losses on derivative instruments designated within effective cash flow hedges under IAS 39, unrealized foreign currency translation gains and losses on foreign operations with a functional currency other than the United States dollar, net of gains or losses on related hedges and net gains or losses on post-employment defined benefit plans.

Liabilities and equity
We classify financial instruments as a liability or equity based on the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities at potentially unfavourable terms. A contract is also classified as a liability if it is a non-derivative and could obligate us to deliver a variable number of our own shares or it is a derivative other than one that can be settled by the delivery of a fixed amount of cash or another financial asset for a fixed number of our own equity

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Share capital

Share issue costs
Shares issued for cash are accounted for at the issue price less any transaction costs associated with the issue. Shares issued as consideration for the purchase of assets, or a business, are recorded at the market price on the date of issue.

Dividends on common shares

Dividends on common shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are not reflected in these financial statements.

Fiduciary activities

The Bank 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. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value less transaction costs and are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of income over the period of the borrowings, using the effective interest method.

Statutory reserve

The Financial Institutions Act, 2008 requires that a minimum of 10% of profit after deduction of taxes must be transferred to a Statutory Reserve Fund until the balance on this reserve is not less than the paid-up capital.

Statutory deposits with the Central Bank

In accordance with the provisions of the Financial Institutions Act, 1993, the Bank is required to maintain a deposit account (known as a Cash Reserve Account) in relation to its deposit and other prescribed liabilities with the Central Bank of Trinidad and Tobago, which at present, is equivalent to 10% (2023: 14%) of deposit and other prescribed liabilities. This Cash Reserve Account is non-interest bearing.

Segment reporting

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Bank's Country Management Committee as its chief operating decision-maker.

Interest income is reported net within revenue as management primarily relies on net interest income as a performance measure and not the gross income and expense.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Fair value measurement

The Bank measures financial instruments, such as, derivatives and FVOCI debt securities at fair value at each statement of financial position date. Also, fair values of financial instruments at amortised cost are disclosed in Note 24. Fair value 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. Basis of preparation and summary of material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Comparatives

Where necessary comparative figures have been adjusted to comply with changes in presentation in the current year.

2.5 Standards issued but not yet effective

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

Classification of Liabilities as Current or Non-current with Covenants – Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current, the amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a significant impact on the Bank's financial statements.

2. Basis of preparation and summary of material accounting policies (continued)

2.5 Standards issued but not yet effective (continued)

Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures which specify disclosure requirements to enhance the current requirements, with the intention of assisting users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments require an entity to provide information on the impact of finance supplier arrangements on liabilities and cashflow, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Bank's financial statements.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) which specifies the requirements for the measurement of the lease liability arising from a sale and leaseback arrangement by the seller-lessee to ensure any gain or loss relating to the right of use retained is not recognized.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Bank's financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued amendments to IAS 21 relating to lack of exchangeability of currency. The amendment states a currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments specify how an entity should assess whether a currency is exchangeable and how a spot exchange rate should be determined when there is a lack of exchangeability. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

2. Basis of preparation and summary of material accounting policies (continued)

2.5 Standards issued but not yet effective (continued)

Classification and Measurement of Financial Instruments– Amendments to IFRS 9 and IFRS 7

In May 2024, the Board issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendment clarifies that a financial liability should be derecognized on the settlement date (the date when the liability is cancelled, repaid, expired). It also provides a policy option to derecognize financial liabilities settled through electronic payment systems before the settlement date. The amendments also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and indicated how non-recourse assets and contractually linked instruments should be treated. Finally, the amendments provide the requirements for additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at FVOCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

Presentation and Disclosure in Financial Statements– IFRS 18

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 aims to provide new categories and subtotals in the statement of profit or loss, provide requirements for disclosure of management-defined performance measure as well as include requirements for the location, aggregation and disaggregation of financial information within an entity's financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027. The Bank is currently assessing the impact of this standard and plans to adopt the new standard on the required effective date.

IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures"

In June 2023 the IFRS Foundation's International Sustainability Standards Board (ISSB) issued its inaugural standards IFRS S1 and IFRS S2 which are designed to enable companies to communicate sustainability-related risks. IFRS S1 addresses the content and presentation requirements for sustainability disclosures more broadly, whereas IFRS S2 focuses specifically on climate-related disclosure. IFRS S1 indicates that disclosures on sustainability-related financial information is required for any company which prepares general purpose financial statements along with comparative information that reflects updated estimates when providing sustainability-related financial disclosures.

2. Basis of preparation and summary of material accounting policies (continued)

2.5 Standards issued but not yet effective (continued)

IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" (continued)

Transition relief was introduced in IFRS S1 that would allow an entity to report on only climate-related risks and opportunities (as set out in IFRS S2 Climate-related Disclosures) excluding comparative information in the first year it applies IFRS S1 and IFRS S2. The entity would be required to provide information about its other sustainability-related risks and opportunities in the second year it applies the two Standards. The standards are effective for annual reporting periods beginning on or after January 1, 2024. The Bank is currently assessing the impact of these standards and plans to adopt the new standards on the required effective date.

(Expressed in thousands of Trinidad and Tobago dollars)

3. Net interest income

	2024 $'000	2023 $'000
Interest and similar income		
Cash and short-term funds due from banks	3,922	3,734
Investment securities	10,433	9,113
Loans and advances to customer	177,555	165,827
	191,910	178,674
Interest and similar expense		
Customer deposits	(76,039)	(57,546)
Borrowings from affiliated companies	(64)	(112)
Debt securities in issue	(7,081)	(10,174)
	(83,184)	(67,832)
	108,726	110,842

4. Operating income

	2024	2023
Fees and commissions (see below)	1,887	5,065
Foreign exchange revenue	54,811	51,467
Other operating income	403	437
	57,101	56,969

Analysis of fees and commissions:

	2024	2023
Underwriting	162	301
Deposit services	2,436	2,837
Credit services	689	3,586
Card services	(1,411)	(1,754)
Other fees and income	11	95
	1,887	5,065

(Expressed in thousands of Trinidad and Tobago dollars)

	2024	2023
5. Operating expenses	**$'000**	**$'000**
Staff costs (see below)	14,594	14,963
Property and equipment expenses	699	260
Depreciation (Note 12)	15,151	11,741
Other operating expenses	70,640	53,789
	101,084	80,753
Analysis of staff costs:		
Wages and salaries	11,940	12,019
Pension costs – defined contribution plans	765	784
Other staff related costs	1,889	2,160
	14,594	14,963
Analysis of other operating expenses:		
Professional fees	58,896	42,254
Communications	1,010	814
Business development and travel	88	101
Advertising and marketing	353	251
Other	10,294	10,369
	70,641	53,789

Other operating expenses include expenses relating to leases of low-value assets of $389. (2023: $260).

(Expressed in thousands of Trinidad and Tobago dollars)

6. Income tax expense	**2024 $'000**	**2023 $'000**
Corporation tax	23,191	30,613
Deferred tax (credit)/charge (Note 13)	(4,188)	4,746
Prior year tax credit	(1,079)	(2,098)
	17,924	33,261

Tax on the Bank's income before tax differs from the theoretical amount that would arise using the Trinidad statutory tax rate as follows:

	2024 $'000	**2023 $'000**
Income before taxation	12,542	70,270
Expected income tax expense at 35% (2023: 35%)	4,390	24,595
Tax exempt income	(38)	(204)
Expenses not deductible	213	298
Other charges	14,438	10,670
Over provision in prior year tax	(1,079)	(2,098)
	17,924	33,261

7. Components of other comprehensive income, net of tax

Debt securities at fair value through other comprehensive income, net of tax:		
Gain/(loss) arising during the year	627	(508)
Other comprehensive income/(loss) for the year	627	(508)

8. Income tax effects relating to other comprehensive income

Debt securities at fair value through other comprehensive income, net of tax:		
Before tax	966	(780)
Tax credit	(339)	272
Net of tax amount	627	(508)
Other comprehensive income/(loss)for the year, net of tax	627	(508)

(Expressed in thousands of Trinidad and Tobago dollars)

9. Cash and balances with Central Bank	**2024 $'000**	**2023 $'000**
Cash on hand and balances with other banks	382,441	845,582
Other short term liquid investments (maturity less than 90 days)	140,435	207,309
Cash and cash equivalents	522,876	1,052,891
Mandatory deposits Central Bank of Trinidad & Tobago	256,924	332,430
	779,800	1,385,321

The effective yield on these amounts was less than 0.31% (2023: <0.32%).

Mandatory reserve deposits with Central Bank represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash and/or deposits with Central Bank. These funds are not available to finance the Bank's day-to-day operations and as such are excluded from cash resources to arrive at cash and cash equivalents.

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2024				
Residential mortgages				
Gross loans	360,573	129,200	44,873	534,646
ECL allowance	(3,413)	(2,979)	(12,600)	(18,992)
Net residential mortgages	357,160	126,221	32,273	515,654
Personal				
Gross loans	79,083	1,165	11,200	91,448
ECL allowance	(1,950)	(130)	(1,563)	(3,643)
Net personal	77,133	1,035	9,637	87,805
Credit cards				
Gross loans	10,406	522	–	10,928
ECL allowance	(207)	(77)	(13)	(297)
Net cards	10,199	445	(13)	10,631
Business and sovereign				
Gross loans	1,989,150	372,776	252,040	2,613,966
ECL allowance	(31,090)	(10,457)	(177,500)	(219,047)
Net business and sovereign	1,958,060	362,319	74,540	2,394,919
Total net loans				3,009,009
Add: Interest receivable				18,773
Less: Unearned fee income				(3,354)
Total				3,024,428

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2023				
Residential mortgages				
Gross loans	404,370	111,282	10,519	526,171
ECL allowance	(3,892)	(3,477)	(2,013)	(9,382)
Net residential mortgages	400,478	107,805	8,506	516,789
Personal				
Gross loans	77,185	4,796	15,267	97,248
ECL allowance	(963)	(247)	(2,621)	(3,831)
Net personal	76,222	4,549	12,646	93,417
Credit cards				
Gross loans	9,809	1,092	–	10,901
ECL allowance	(214)	(321)	–	(535)
Net cards	9,595	771	–	10,366
Business and sovereign				
Gross loans	1,672,140	523,066	257,745	2,452,951
ECL allowance	(14,017)	(7,951)	(181,456)	(203,424)
Net business and sovereign	1,658,123	515,115	76,289	2,249,527
Total net loans				2,870,099
Add: Interest receivable				18,179
Less: Unearned fee income				(3,773)
Total				2,884,505

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2024	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Residential mortgages				
Balance at beginning of period	3,892	3,477	2,013	9,382
Originations net of repayments and other derecognitions	379	158	(208)	329
Changes in model	–	–	–	–
Net remeasurement	(1794)	1,410	12,589	12,205
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	937	(2,066)	1,129	–
Credit loss (credit)/ expense	(478)	(498)	13,510	12,534
Write-offs	–	–	(2,227)	(2,227)
Interest income on impaired loans	–	–	(694)	(694)
Foreign exchange and other	(1)	–	(2)	(3)
Balance at end of period	3,413	2,979	12,600	18,992
Personal				
Balance at beginning of period	963	247	2,621	3,831
Originations net of repayments and other derecognitions	304	–	(729)	(425)
Changes in model	–	–	–	–
Net remeasurement				
Transfers to 12-month	641	125	2,507	3,273
ECL non-credit impaired and lifetime ECL credit impaired	36	(242)	206	–
Credit loss expense	981	(117)	1,984	2,848
Write-offs	–	–	(2,855)	(2,855)
Interest income on impaired loans	–	–	(186)	(186)
Foreign exchange and other	6	–	(1)	5
Balance at end of period	1,950	130	1,563	3,643

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2023	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Residential mortgages				
Balance at beginning of period	6,768	3,885	2,454	13,107
Originations net of repayments and other derecognitions	295	–	(208)	87
Changes in model	(259)	(259)	(203)	(721)
Net remeasurement	(3,933)	1,151	774	(2,008)
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	1,021	(1,300)	279	–
Credit loss (credit)/ expense	(2,876)	(408)	642	(2,642)
Write-offs	–	–	(649)	(649)
Interest income on impaired loans	–	–	(435)	(435)
Foreign exchange and other	–	–	1	1
Balance at end of period	3,892	3,477	2,013	9,382
Personal				
Balance at beginning of period	622	174	1,792	2,588
Originations net of repayments and other derecognitions	182	125	190	497
Changes in model	(91)	(25)	(127)	(243)
Net remeasurement	214	46	2,046	2,306
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	48	(79)	31	–
Credit loss expense	353	67	2,140	2,560
Write-offs	–	–	(1,164)	(1,164)
Interest income on impaired loans	–	–	(160)	(160)
Foreign exchange and other	(12)	6	13	7
Balance at end of period	963	247	2,621	3,831

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2024	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Credit cards				
Balance at beginning of period	207	321	7	535
Originations net of repayments and other derecognitions	(9)	–	–	(9)
Net remeasurement	9	(244)	689	454
Credit loss (credit)/expense	–	(244)	689	445
Net write-offs	–	–	(940)	(940)
Recoveries	–	–	257	257
Balance at end of period	207	77	13	297
Business and sovereign				
Balance at beginning of period	14,017	7,951	181,456	203,424
Originations net of repayments and other derecognitions	1,505	(81)	(6,529)	(5,105)
Changes in model	–	–	–	–
Net remeasurement	15,844	3,231	22,397	41,472
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	(273)	(642)	915	–
Credit loss (credit)/expense	17,076	2,508	16,783	36,367
Net write-offs	–	–	(13,577)	(13,577)
Interest income on impaired loans	–	–	(7,175)	(7,175)
Foreign exchange and other	(3)	(2)	11	6
Balance at end of period	31,090	10,457	177,498	219,045

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2023	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Credit cards				
Balance at beginning of period	201	114	7	322
Originations net of repayments and other derecognitions	(6)	–	–	(6)
Net remeasurement	12	207	40	259
Credit loss expense	6	207	40	253
Net write-offs	–	–	(595)	(595)
Recoveries	–	–	555	555
Balance at end of period	207	321	7	535
Business and sovereign				
Balance at beginning of period	17,635	11,469	179,336	208,440
Originations net of repayments and other derecognitions	5,509	(465)	(2,939)	2,105
Changes in model	(1,330)	(933)	(528)	(2,791)
Net remeasurement	(8,283)	(382)	26,256	17,591
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	486	(1,738)	1,252	–
Credit loss (credit)/expense	(3,618)	(3,518)	24,041	16,905
Net write-offs	–	–	(12,398)	(12,398)
Interest income on impaired loans	–	–	(9,516)	(9,516)
Foreign exchange and other	–	–	(7)	(7)
Balance at end of period	14,017	7,951	181,456	203,424

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2024	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Total Bank				
Balance at beginning of period	19,079	11,996	186,097	217,172
Originations net of repayments and Other derecognitions	2,179	77	(7,466)	(5,210)
Changes in model	–	–	–	–
Net remeasurement	14,699	4,521	38,185	57,405
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	701	(2,950)	2,249	–
Credit loss (credit)/expense	17,579	1,648	32,968	52,195
Net write-offs	–	–	(19,599)	(19,599)
Recoveries	–	–	257	257
Interest income on impaired loans	–	–	(8,055)	(8,055)
Foreign exchange and other	1	(1)	7	7
Balance at end of period	36,659	13,643	191,675	241,977
Total ECL allowance comprises:	36,659	13,643	191,675	241,977
Loans	32,533	13,190	191,675	237,398
Undrawn credit facilities	4,126	453	–	4,579

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

2023	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Total Bank				
Balance at beginning of period	25,226	15,642	183,589	224,457
Originations net of repayments and Other derecognitions	5,980	(340)	(2,957)	2,683
Changes in model	(1,680)	(1,217)	(858)	(3,755)
Net remeasurement	(11,990)	1,022	29,116	18,148
Transfers to 12-month ECL non-credit impaired and lifetime ECL credit impaired	1,555	(3,117)	1,562	–
Credit loss (credit)/expense	(6,135)	(3,652)	26,863	17,076
Net write-offs		–	(14,806)	(14,806)
Recoveries	–	–	555	555
Interest income on impaired loans	–	–	(10,111)	(10,111)
Foreign exchange and other	(12)	6	7	1
Balance at end of period	19,079	11,996	186,097	217,172
Total ECL allowance comprises:	19,079	11,996	186,097	217,172
Loans	17,658	11,501	186,097	215,256
Undrawn credit facilities	1,421	495	–	1,916

Impaired Loans	2024			2023		
	Gross impaired $'000	Stage 3 allowance $'000	Net impaired $'000	Gross impaired $'000	Stage 3 allowance $'000	Net impaired $'000
Retail & Commercial impaired loans	308,106	191,675	116,432	283,546	186,104	97,442

The average interest yield during the year on loans and advances was 6.03.% (2023: 5.8%). Impaired loans as at 31 October 2024 amounted to $308,106 (2023: $283,546) and interest taken to income on impaired loans during the year amounted to $7,524. (2023: $9,425).

(Expressed in thousands of Trinidad and Tobago dollars)

10. Loans and advances to customers (continued)

Contractually past due loans but not impaired

This comprises loans where repayment of principal or payment of interest is contractually in arrears. The following tables provide an aging analysis of the contractually past due loans:

2024	**Mortgages $'000**	**Personal loans $'000**	**Business and government loans $'000**	**Total $'000**
Less than 30 days	38,446	3,190	6,239	47,875
31 - 60 days	28,936	1,043	28,936	58,915
61 - 90 days	3,792	642	71,428	75,862
Total	71,174	4,875	106,603	182,652
2023				
Less than 30 days	6,774	4,447	57,645	68,866
31 - 60 days	42,077	4,059	48,189	94,325
61 - 90 days	20,938	–	24,302	45,240
Total	69,789	8,506	130,136	208,431

Loans and advances to customers include finance lease receivables:	**2024 $'000**	**2023 $'000**
No later than 1 year	–	8,045
Later than 1 year and no later than 5 years	3,058	6,906
Unearned finance income on finance leases	(77)	(698)
Net investment in finance leases	2,981	14,253
Gross investment in finance leases	3,058	14,952

During the year ended 31 October 2024, $3,218 (2023: $5,248) of lease income was recorded in net income.

Analysis of loan fee deferrals	**2024 $'000**	**2023 $'000**
Balance, beginning of year	3,774	3,950
Fee income collected and deferred in the year	1,430	1,411
Fees deferred in prior years taken into income in the year	(1,850)	(1,587)
Balance, end of year	3,354	3,774

(Expressed in thousands of Trinidad and Tobago dollars)

	2024 $'000	2023 $'000
11. Investment securities		
Securities measured at FVOCI:		
Treasury bills and other investments	66,375	63,693
Accrued interest	283	282
	66,658	63,975
Total investment securities	66,658	63,975

(Expressed in thousands of Trinidad and Tobago dollars)

11. Investment securities (continued)

Allowance for credit losses on securities

The tables below provide a reconciliation of the opening balance to the closing balance of the ECL allowances for debt securities measured at FVOCI and at amortised cost:

2024	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Debt Securities at FVOCI				
Balance at beginning of period	60	–	–	60
Originations net of repayments and other derecognitions	(4)	–	–	(4)
Net remeasurement	9	–	–	9
Credit loss expense/(credit)	5	–	–	5
Foreign exchange and other	(2)	–	–	(2)
Balance at end of period	63	–	–	63
Debt Securities at amortised cost				
Balance at beginning of period	–	–	–	–
Originations net of repayments and other derecognitions	–	–	–	–
Credit loss credit	–	–	–	–
Balance at end of period	–	–	–	–

(Expressed in thousands of Trinidad and Tobago dollars)

11. Investment securities (continued)

2023	Stage 1 Collective provision 12-month ECL non-credit impaired $'000	Stage 2 Collective provision lifetime ECL non-credit impaired $'000	Stage 3 Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Debt Securities at FVOCI				
Balance at beginning of period	25	100	–	125
Originations net of repayments and other derecognitions	41	(151)	–	(110)
Net remeasurement	(8)	51	–	43
Credit loss expense/(credit)	33	(100)	–	(67)
Foreign exchange and other	2	–	–	2
Balance at end of period	60	–	–	60
Debt Securities at amortised cost				
Balance at beginning of period	219	–	–	219
Originations net of repayments and other derecognitions	(219)	–	–	(219)
Credit loss credit	(219)	–	–	(219)
Balance at end of period	–	–	–	–

The average effective yield on these securities during the year was 4.88% (2023: 4.63%).

The movement in debt securities at FVOCI and amortised cost (excluding interest receivable) is summarised as follows:

	2024 $'000	2023 $'000
Balance, beginning of year	63,975	163,345
Additions (purchases, changes in fair value and foreign exchange)	2,683	62,067
Disposals (sales and redemptions)	–	(161,437)
Balance, end of year	66,658	63,975

(Expressed in thousands of Trinidad and Tobago dollars)

12. Property and equipment

2024	Leasehold improvements $'000	Other $'000	Work in progress $'000	Right-of-use assets $'000	Total $'000
Cost					
Balance, beginning of year	15,112	96,777	5,143	16,109	133,141
Additions	–	25,739	(1,201)	–	24,538
Balance, end of year	15,112	122,516	3,942	16,109	157,679
Accumulated depreciation					
Balance, beginning of year	10,947	71,395	–	11,560	93,902
Depreciation	1,178	11,188	–	2,785	15,151
Balance, end of year	12,125	82,583	–	14,345	109,053
Net book value, end of year	2,987	39,933	3,942	1,764	48,626
2023					
Cost					
Balance, beginning of year	15,112	84,130	2,274	16,109	117,625
Additions/(reversals)	–	12,647	2,869	–	15,516
Balance, end of year	15,112	96,777	5,143	16,109	133,141
Accumulated depreciation					
Balance, beginning of year	9,666	63,720	–	8,775	82,161
Depreciation	1,281	7,675	–	2,785	11,741
Balance, end of year	10,947	71,395	–	11,560	93,902
Net book value, end of year	4,165	25,382	5,143	4,549	39,239

(Expressed in thousands of Trinidad and Tobago dollars)

12. **Property and equipment** (continued)

This note also provides information for operating leases where the Bank is a lessee. There are no operating leases where the Bank is a lessor.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 18) and the movements during the period:

	2024 $'000	**2023 $'000**
Balance, beginning of year	4,627	7,380
Modifications	–	–
Foreign exchange and other	–	6
Accretion of interest	71	112
Payments	(2,872)	(2,871)
Balance, end of year	1,826	4,627

The maturity analysis of lease liabilities is disclosed in Note 23.

Total expenditure related to leases which are not recognised on the statement of financial position due to the recognition exemption per the IFRS 16 practical expedients are outlined below:

	2024 $'000	**2023 $'000**
Expenses relating to short-term leases included in administrative expenses	55	67
Expenses relating to leases of low-value assets not shown above as short-term	389	260
	444	327

The Bank had total cash outflows for leases of $2,872 as at 31 October 2024 (2023: $2,871).

(Expressed in thousands of Trinidad and Tobago dollars)

13. Deferred taxation

The movement on the deferred income tax account was as follows:	2024 $'000	2023 $'000
Net deferred tax position, beginning of year	15,554	17,627
Deferred tax charge to the statement of income for the year (Note 6)	4,188	(4,746)
Prior year deferred tax credit to the statement of income	–	2,401
Deferred tax credit to other comprehensive income for the year (Note 8)	(339)	272
Net deferred tax position, end of year	19,403	15,554
Represented by:		
Deferred tax asset		
Arising from loan loss provision	17,628	10,897
Arising from right-of-use assets	20	28
Arising from accelerated tax depreciation	1,462	3,850
Arising from loan fee deferral	1,174	1,321
	20,284	16,096
Deferred tax liability		
Arising from fair value adjustment	(881)	(542)
Net deferred tax position, end of year	19,403	15,554

14. Customer deposits

	2024 $	2023 $
Deposit balances	3,012,980	3,234,373
Accrued interest	27,534	26,024
	3,040,514	3,260,397

The average effective rate of interest on customer deposits during the year was 2.15% (2023: 1.85%).

(Expressed in thousands of Trinidad and Tobago dollars)

15. Debt securities in issue	**2024 $'000**	**2023 $'000**
Subordinated notes issued	–	174,791
Interest payable	–	3,084
	–	177,875

The Bank no longer holds any debt issue as at October 31, 2024.

The Bank previously held TTD$175 million in subordinated debt which was issued in July 2018. The effective interest rate was 5.75% (2023: 5.75%).

The Bank has not had any defaults of principal, interest or other breaches with respect to these instruments during the years ended 2023 and 2024.

The below table shows the changes during the year for the debt securities in issue, including the changes from financing cash flows.

	1 November 2023	**Cash outflows**	**New issues**	**31 October 2024**
Debt securities in issue	174,791	(174,791)	–	–
	1 November 2022	**Cash outflows**	**New issues**	**31 October 2023**
Debt securities in issue	174,791	–	–	174,791

(Expressed in thousands of Trinidad and Tobago dollars)

16. **Borrowings from affiliated companies**	**2024 $'000**	**2023 $'000**
Principal	235,407	269,168
Accrued interest	499	820
	235,906	269,988

Borrowings are conducted with related parties and have terms of less than one year. The average effective rate of interest on borrowings from affiliated companies during the year was 5.4.% (2023: <3.7%).

17. Derivative financial instruments

There were no derivatives held by the Bank for the years ended 31 October 2024 and 2023.

18. **Other liabilities**	**2024 $'000**	**2023 $'000**
Accruals and other payables	66,596	66,906
Inter-company payables	205,407	169,096
	272,003	236,002

19. **Share capital**	**2024**	**2023**
Authorised		
600,000,000 Class A, B and C Ordinary shares of no par value		
Issued and fully paid Class A shares		
Balance, beginning of year		
266,600,000 shares of no par value	266,600	266,600

Capital

Objectives, policies and procedures
Capital strength provides protection for depositors and creditors and allows the Bank to undertake profitable business opportunities as they arise. The Bank's objective is to employ a strong and efficient capital base. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 October 2024 and 2023.

(Expressed in thousands of Trinidad and Tobago dollars)

19. Share capital (continued)

Capital (continued)

Regulatory requirements
Regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank of Trinidad & Tobago. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank for International Settlement (BIS).

BIS standards require that banks maintain minimum Tier 1 and total capital ratios of 4% and 8% respectively. The Central Bank of Trinidad & Tobago has established that deposit-taking financial institutions maintain Tier 1 and total capital ratios of the same respectively. During the year, the Bank has complied in full with all of the minimum regulatory capital requirements.

Regulatory capital
Regulatory capital consists of Tier 1 and Tier 11 capital, less certain deductions. Tier 1 capital is comprised of common stock, retained earnings, less goodwill and other deductions. Tier 11 capital principally comprises hybrid capital instruments such as subordinated debt and general provisions, and 45% of revaluation reserves on debt securities measured at FVOCI.

As at 31 October 2024, Tier 1 & Tier 11 capital ratios were 16..% and 17.% respectively (2023: 17% and 18% respectively).

20. Reserves	**2024 $’000**	**2023 $’000**
Statutory reserve		
Balance, beginning of year	50,214	46,513
Transfers from retained earnings	–	3,701
Balance, end of year	50,214	50,214

Statutory reserves represent accumulated transfers from retained earnings in accordance with local legislation and general banking reserve represents transfers from retained earnings to meet qualifying capital requirements under local legislation which are not distributable.

Investment revaluation surplus	**2024 $’000**	**2023 $’000**
Balance, beginning of year	1,007	1,515
Net gains/(loss) on debt securities measured at FVOCI	627	(508)
Balance, end of year	1,634	1,007

Unrealised gains and losses arising from changes in the fair value on debt securities measured at FVOCI are recognised in other comprehensive income and are reflected in the revaluation reserve.

(Expressed in thousands of Trinidad and Tobago dollars)

21. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other parties or exercise significant influence over the other parties in making financial or operational decisions. Loan and deposit transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	Directors and key management personnel		**Other FCIB entities**	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Key related party balances and transactions				
Asset balances:				
Loans and advances	4,863	5,574	–	–
Other assets	–	–	201,511	156,701
Liability balances:				
Borrowings	–	–	235,906	269,988
Deposits	4,837	6,658	–	–
Other liabilities	–	–	205,407	169,096
Revenue transactions:				
Interest income earned	188	216	167	–
Expense transactions:				
Interest expense incurred	144	153	13,444	7,938
Other expenses	–	–	57,463	41,325

	2024	**2023**
Key management compensation	**$'000**	**$'000**
Salaries and other short-term benefits	5,252	4,346

In 2024, the total remuneration for the non-executive directors was $624. (2023: $712). The executive directors' remuneration is included under key management compensation.

(Expressed in thousands of Trinidad and Tobago dollars)

22. Commitments, guarantees and contingent liabilities

The Bank conducts business involving letters of credit, guarantees, performance bonds and indemnities, which are not reflected in the statement of financial position.

	2024 $'000	2023 $'000
Letters of credit	–	3,277
Undrawn commitments for loans and finance leases	317,415	333,320
Indemnities	4,540	4,453
	321,955	341,050

In the event of a call on these commitments the Bank has equal and offsetting claims against its customers. These transactions are not recognised within the statement of financial position.

Contingent liabilities

The Bank is the subject of legal actions arising in the normal course of business. Management considers that the liability, if any, of these actions would not be material beyond what is already provided for in these financial statements.

23. Future rental commitments under operating leases

As at 31 October the Bank held leases on buildings for extended periods. The leases have an average life of between 1 and 15 years. There are no restrictions placed upon the lessee by entering into these contracts. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 12). As at 31 October 2024 and 2023 there are no material extension options expected not to be exercised or termination options expected to be exercised. The future rental commitments (undiscounted) under these leases were as follows:

	2024 $'000	2023 $'000
As at 31 October, the Bank had the following future rental commitments:		
Not later than 1 year	2,657	2,657
Later than 1 year and less than 5 years	3,111	6,467
	5,768	9,124

Lease rental expense for the year amounting to $2,872 (2023: $2,871) is included under other operating expenses.

Leases not yet commenced to which the Bank is committed amount to $7.3 million as at 31 October 2024 (2023: $7.3 million).

24. Financial risk management

A. Introduction

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

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

B. Credit risk

Credit risk primarily arises from direct lending activities, as well as from trading, investment and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with agreed terms. Financial loss can also occur directly and indirectly through the stranding of assets which were used to secure credit facility limits. These stranded assets are assets (or collateral) that have suffered material impairment in value and/or write-downs due to environmental reasons, unsustainable practices and/or otherwise climate-related events/impacts including physical or transition risk. The Group adopts sound banking principles and robust governance as described earlier in the Risk Management Approach section.

Process and control

The Risk Management Team is responsible for the provision of the Bank's adjudication, oversight and management of credit risk within its portfolios. The Credit Executive Committee (CrExCo) contributes to the monitoring of credit metrics, and the proactive discussion of credit portfolio related matters.

The Risk Management Team is guided by the Bank's Delegation of Authority policy, which is based on the levels of exposure and risk. Credits above the discretion delegated to certain front-line employees are approved by Risk Management and where applicable by the Credit Committee and the Risk Committee of the Board. The Risk Committee also has the responsibility for approving credit policies and key risk limits including portfolio limits, which are reviewed annually.

24. Financial risk management (continued)

B. Credit risk (continued)

Credit risk limits
Credit limits are established for all loans (mortgages, personal and business and government) for the purposes of diversification and managing concentration. Limits are also established for individual borrowers, groups of related borrowers, industry sectors, individual countries and geographic regions and also for products or portfolios. Such risks are monitored on a revolving basis and the limits are subject to an annual or more frequent review.

The exposure to any one counterparty including banks and brokers is further restricted by sub-limits, which include exposures not recognised in the statement of financial position, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral including corporate and personal guarantees.

Credit Valuation Adjustment (CVA)
A CVA is determined using the fair value-based exposure we have on derivative contracts. We believe that we have made appropriate fair value adjustments to date. The establishment of fair value adjustments involves estimates that are based on accounting processes and judgements by management. We evaluate the adequacy of the fair value adjustments on an ongoing basis. Market and economic conditions relating to derivative counterparties may change in the future, which could result in significant future losses. The CVA is driven off market-observed credit spreads or proxy credit spreads and our assessment of the net counterparty credit risk exposure. In assessing this exposure, we also take into account credit mitigants such as collateral, master netting arrangements, and settlements through clearing houses.

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

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

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

B. Credit risk (continued)

Credit Valuation Adjustment (CVA) (continued)

Collateral (continued)
The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure. As at October 31, 2024, 96% of stage 3 impaired loans were either fully or partially collateralised (2023: 87%).

Exposures by industry groups
The following table provides an industry-wide breakdown of gross drawn and undrawn loans and advances to customers, which therefore excludes provisions for impairment interest receivable and unearned fee income.

	Drawn $'000	Undrawn $'000	Gross maximum exposure 2024 $'000	Drawn $'000	Undrawn $'000	Gross maximum exposure 2023 $'000
Construction	260,750	19,414	280,164	285,097	28,308	313,405
Distribution	536,531	22,731	559,262	350,778	18,109	368,887
Electricity, gas & water	333	205	538	531	27	588
Health & social work	–	–	–	10	–	10
Hotels & restaurants	54,225	402	54,627	38,584	401	38,985
Individual & individual trusts	439,507	35,183	474,690	415,393	33,149	448,542
Manufacturing	126,802	8,069	134,871	112,049	10,452	122,501
Other financial corporations	95,031	167,311	262,342	145,744	123,677	269,421
Transport, storage & communication	228,940	11,973	240,913	190,920	23,715	214,635
Real estate, renting & other business activities	220,890	–	220,890	320,496	2,882	323,378
Miscellaneous	1,287,977	52,127	1,340,104	1,227,677	92,600	1,320,277
	3,250,986	317,415	3,568,401	3,087,279	333,320	3,420,629

24. Financial risk management (continued)

B. Credit risk (continued)

Credit Valuation Adjustment (CVA) (continued)

Derivatives
The Bank maintains strict control limits on net open derivative positions, i.e., the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is usually obtained for credit risk exposures on these instruments.

Master netting arrangements
The Bank restricts its exposure to credit losses by entering into master-netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master-netting arrangements do not generally result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master-netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master-netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit-related instruments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods or appropriate assets to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

B. Credit risk (continued)

Credit Valuation Adjustment (CVA) (continued)

Maximum exposure to credit risk
The following table shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master-netting and collateral arrangements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Gross maximum exposure	**2024 $'000**	**2023 $'000**
Cash and balances with Central Bank	779,800	1,385,321
Investment securities		
- Treasury bills and other investments	66,375	63,693
- Interest receivable	283	282
Loans and advances to customers		
- Mortgages	534,646	526,171
- Retail & commercial loans	2,716,341	2,560,947
- Interest receivable	18,773	18,179
Other assets	209,613	166,036
Total	**4,325,831**	**4,720,629**
Commitments, guarantees and contingent liabilities (Note 22)	321,955	341,050
Total credit risk exposure	**4,647,786**	**5,061,679**

Geographic distribution
The Bank only operates in the Trinidad and Tobago geographical market so all exposure on drawn and undrawn loans and advances to customers would be in this market.

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets

Impairment assessment
The references below show where the Bank's impairment assessment and measurement approach is set out in this report.

This section should be read in conjunction with the summary of material accounting policies.

Definition of default and cure
The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the obligor risk rating (ORR) if available or the days past due and delinquency criteria in the Bank's policy, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

The Bank's internal rating and probability of default (PD) estimation process
The Bank's Credit Risk Department operates its internal rating models. The Bank monitors all corporate facilities with a value exceeding the TTD equivalent of US$250,000, which are assigned an ORR of 1 to 9 under the Bank's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. This internal rating system is also mapped to Moody's and Standard and Poor's ratings. Movement in a facility's ORR from origination to the reporting date is what determines the stage assigned to that facility. Staging for facilities that do not have an ORR is based on historical days past due and delinquency. The Bank calculates 12-month and lifetime PDs on a product by country basis. 12-month PDs are determined using historical default data and then incorporate forward looking information. Lifetime PDs are determined using historical data and then incorporate forward-looking information. Lifetime PDs are determined by applying a scaling factor to the 12-month PDs forward looking factor. Lifetime PDs are also capped at a 10-year maturity.

Treasury, trading and interbank relationships
The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, groups broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, for example, the rating of Moody's and/or Standard and Poor's, and assigns the internal rating, as shown in the credit quality table.

Corporate and small business lending
For corporate banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bonds or press releases and articles.
- Any macroeconomic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques vary based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Credit quality

For the retail portfolio, which includes residential mortgages and personal loans, the Bank's assessment of credit quality is in line with the IFRS 9 methodology for staging which is based on days past due and trends to support significant increases in credit risk on a more forward looking basis. The trends are established in order to avoid volatility in the movement of significant increases in credit risk. All retail loans on which repayment of principal or payment of interest is contractually 30 days in arrears are automatically migrated to Stage 2.

For the business and sovereign loans and securities, a mapping between the obligor risk rating grades used by the Bank and the external agencies' ratings is shown in the table below. As part of the Bank's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Bank's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed. Deterioration or improvement in the risk ratings or adjustments to the risk rating downgrade thresholds used to determine a significant increase in credit risk can cause significant migration of loans and securities between Stage 1 and Stage 2, which in turn can have a significant impact on the amount of ECL allowances recognised. All business and sovereign loans on which repayment of principal or payment of interest is contractually 30 days in arrears are automatically migrated to Stage 2 regardless of ORR movement.

Retail loans and advances to customers

Grade description	Days past due
Very low (Stage 1)	0
Low (Stage 1)	1-29
Medium (Stage 2)	30-60
High (Stage 2)	61-89
Default (Stage 3)	90 +

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

Business and sovereign loans and securities

Grade description	Standard & Poor's equivalent	Moody's Investor Services	Internal ORRs
Investment grade	AAA to BBB-	Aaa to Baa3	1.0 to 4.0
Non-investment grade	BB+ to C	Ba to C	5.0 to 8.0
Default	D	D	9.0
Non rated	No obligor risk rating (ORR)		

This risk-rating system is used for portfolio management, risk-limit setting, product pricing, and in the determination of economic capital.

The effectiveness of the risk-rating system and the parameters associated with the risk ratings are monitored within Risk Management and are subject to an annual review.

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on the risk rating, systems, trends and the methodology to support performing credits, along with significant increases in credit risk. Amounts provided are before allowance for credit losses, after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

2024	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Residential mortgages				
- Very low	296,955	–	–	296,955
- Low	63,620	–	–	63,620
- Medium	–	108,867	–	108,867
- High	–	20,333	–	20,333
- Default	–	–	44,871	44,871
Gross residential mortgages	360,575	129,200	44,871	534,646
Personal (including cards)				
- Very low	70,326	–	–	70,326
- Low	19,163	–	–	19,163
- Medium	–	579	–	579
- High	–	1,108	–	1,108
- Default	–	–	11,200	11,200
Gross personal (including cards)	89,489	1,687	11,200	102,376
Business and sovereign				
- Investment grade	147,502	–	–	147,502
- Non-investment grade	1,790,655	346,237	–	2,136,892
- Default	–	–	252,035	252,035
- Not rated	50,996	26,539	–	77,535
Gross business and sovereign	1,989,153	372,776	252,035	2,613,964
Total gross amount of loans	2,439,217	503,663	308,106	3,250,986

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

2023	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Residential mortgages				
- Very low	322,770	–	–	322,770
- Low	81,600	–	–	81,600
- Medium	–	101,845	–	101,845
- High	–	9,437	–	9,437
- Default	–	–	10,519	10,519
Gross residential mortgages	404,370	111,282	10,519	526,171
Personal (including cards)				
- Very low	77,018	–	–	77,018
- Low	9,976	–	–	9,976
- Medium	–	4,369	–	4,369
- High	–	1,519	–	1,519
- Default	–	–	15,267	15,267
Gross personal (including cards)	86,994	5,888	15,267	108,149
Business and sovereign				
- Investment grade	216,432	–	–	216,432
- Non-investment grade	1,388,902	501,972	–	1,890,874
- Default	–	–	257,745	257,745
- Not rated	66,806	21,094	–	87,900
Gross business and sovereign	1,672,140	523,066	257,745	2,452,951
Total gross amount of loans	2,163,504	640,236	283,531	3,087,271

For our Business and Sovereign loans, we employ risk ratings in managing our credit portfolio. Business borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of 31 October 2024, Early Warning List customers in the medium to high-risk category amounted to $321,356 (2023: $353,960). The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset which involves assessment of a customer's historical days past due and delinquency pattern. If contractual payments are more than 30 days past due and the trends of delinquency over the lifetime of the loan indicates increased risk, the credit risk is deemed to have increased significantly. When estimating ECLs on a collective basis for a group of similar assets the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

The following table highlights credit quality of debt securities based on the risk rating, systems, trends and the methodology to support performing securities, along with significant increases in credit risk.

2024	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Debt securities at FVOCI:				
Corporate debt securities	66,375	–	–	66,375
Total debt securities	66,375	–	–	66,375
Total debt securities at FVOCI	66,375	–	–	66,375
Total debt securities FVOCI & amortised cost	66,375	–	–	66,375
Add: Interest receivable				283
Total				66,658

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

2023	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Debt securities at FVOCI:				
Corporate debt securities	63,693	–	–	63,693
Total debt securities	63,693	–	–	63,693
Total debt securities at FVOCI	63,693	–	–	63,693
Debt securities amortised cost:				
Corporate debt securities at amortised cost	–	–	–	–
Total debt securities amortised cost	–	–	–	–
Total debt securities FVOCI & amortised cost	63,693	–	–	63,693
Add: Interest receivable				282
Total				63,975

Model adjustments

The Bank considers the use and nature of material additional adjustments which are used to capture factors not specifically embedded in the models used. While many adjustments are part of the normal modelling process (for example, to adjust PDs as defined for capital purposes to accounting requirements or to incorporate forward looking information), management may determine that additional, post-modelling adjustments are needed to reflect macroeconomic or other factors which are not adequately addressed by the current models such as management overlays for unexpected events e.g. hurricanes and the economic stress overlay. Such adjustments would result in an increase or decrease in the overall ECLs.

24. Financial risk management (continued)

C. Credit rating system and credit quality per class of financial assets (continued)

Modified financial assets

From time to time, we may modify the contractual terms of loans classified as stage 2 and stage 3 for which the borrower has experienced financial difficulties, through the granting of a concession in the form of below-market rates or terms that we would not otherwise have considered.

During the year ended 31 October 2024, loans classified as stage 2 or stage 3 with an amortised cost of nil (2023: $0.58) were either modified through the granting of a financial concession in response to the borrower having experienced financial difficulties or were subject to the client relief programs in response to COVID-19, in each case before the time modification or deferred. In addition, the gross carrying amount of previously modified deferred stage 2 or stage 3 loans that have returned to stage 1 during the year ended 31 October 2024 was $0.14 (2023: Nil).

Impact on regulatory capital

Annually, the base Capital Plan is assessed under a central stress scenario with ranges (mild recession and severe recession) as part of stress testing. The results of the stress tests are taken into consideration when setting the annual capital targets and may, by extension, have an effect on the quantum or timing of planned capital initiatives. The following key assumptions are adversely varied under each recession scenario (mild & severe) to arrive at Capital Plan results:

i. Changes in GDP growth rates are assumed to directionally affect performing loan growth rates and fee and commission income levels.
ii. Changes in interest rates are assumed to impact net interest income based on the proportion of hard vs soft currency balance split for interest earning and bearing assets and liabilities, namely cash placements, securities, loans and deposit liabilities.
Changes in GDP growth rates are assumed to impact non-performing loans growth rates, which in turn affect interest income and provision for credit losses.

The Bank meets regulatory ratio and policy liquidity metrics such as the Structural Liquidity Ratio and Liquidity Horizon. The Bank anticipates that regulators will continue implementation of Basel Liquidity metrics in the near future and continually updates internal processes to ensure compliance with these ratios.

The Bank also monitors and reports to senior management its leverage ratio monthly with quarterly reporting to the Board of Directors.

24. Financial risk management (continued)

D. Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the change in market variables. Market risk arises from positions in securities and derivatives as well as from our core retail, wealth and corporate businesses. The key risks to CIBC Caribbean (Trinidad) ("the Bank") are foreign exchange, interest rate, credit spread and immaterial commodity risk. Market Risk within CIBC Caribbean is a centralized group. This mirrors the way that the hard currencies are managed by Business Units and although the local currencies are handled in their respective regions these are still monitored, measured and controlled from a market risk perspective, centrally.

The Bank classifies market risk exposures into trading and non-trading, for Trinidad OPCO virtually all the positions fall into the latter. Due to the relatively small size of the trading portfolio the key types of measures used for market risk are not segregated from the non-trading book therefore the following sections give a comprehensive review of the Bank's exposures.

<u>Policies and standards</u>
The Bank has a comprehensive policy for market risk management related to the identification, measurement, monitoring and control of market risks. This policy is reviewed and approved every year by the Risk Committee. The Board limits, which are approved annually, are used by the Bank to establish explicit risk tolerances expressed in terms of the three main risk measures mentioned below. There is a three-tiered approach to limits at the Bank. The highest level is set at the Board. The second tier is delegated by the Chief Risk Officer and the third tier to the Business Unit, which limits traders to specific products and size of deals. Trading limits are documented through a formal delegation letter and monitored using the Group's treasury system.

<u>Process and control</u>
Market risk measures are monitored with differing degrees of frequency dependent upon the nature of the risk. FX positions, credit spread exposure and stress tests are all measured daily whereas others such as profit and loss measures and the traded credit are performed monthly. Detailed market risk compliance reports are produced and circulated to senior management monthly and a summary version supplied to the Board quarterly.

<u>Risk measurement</u>
The Bank has four main measures of market risk:

- Value at Risk (VaR), wherever feasible VaR enables the meaningful comparison of the risks in different asset classes;
- Outright position, used predominantly for FX;
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk;
  Stress scenarios based upon a combination of theoretical situations and historical events

24. Financial risk management (continued)

D. Market risk (continued)

Risk measurement (continued)

Position
This risk measure is used predominantly for the Bank's foreign exchange business. The measure, monitored daily, focuses upon the outright long or short position in each currency from either the spot or trading position and on a structural basis. Any forward contracts or foreign exchange swaps are also incorporated. There are also notional position limits on the size of the bond portfolios.

Sensitivity
The main two measures utilised by the Bank are the DV01 (delta value of a 1 basis point move, also known as the PV01 or present value of a 1 basis point move) and the CSDV01 (credit spread delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the change in economic value by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is no further curve risk of having; for example, a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilised within the scenario analysis. The sensitivities are calculated on a post-structural basis that includes structural assumptions for core balances of non-contractual maturity positions. The CSDV01 sensitivity is a way to measure the risk of the interest rate spread between Treasury securities and the non-Treasury securities in the bond portfolio widening or narrowing.

Stress testing & scenario analysis
Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be of concern. The Bank has two distinct approaches to this, which are as follows:

- For the hard currency testing it utilises the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The Scenario Analysis approach for the Bank's hard currency exposures simulates an impact on earnings of extreme market events up to a period of one month. Scenarios are developed using actual historical data during periods of market disruption or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by economists, business leaders and risk managers. These tests are run daily.

- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury consider the market data over approximately the last 10 years and identify the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Bank. This is performed and reported monthly as they do not tend to change rapidly.

24. Financial risk management (continued)

D. Market risk (continued)

Stress testing & scenario analysis (continued)

- For foreign exchange stresses, the Bank considers what the effect of a currency coming off a peg would have on the earnings of the Bank. This is largely judgemental, as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have existed or do exist.

Summary of key market risks

The following market risks are considered by management the most significant for the Bank arising from the various currencies, yield curves and spreads throughout the regional and broader international markets:

(i) The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios,
(ii) The low probability, high impact of a peg breaking between the USD and a local currency, impacting the structural long position of the bank

Foreign exchange risk

Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. A significant number of the regional currencies are pegged to the USD and hence the VaR measure is not appropriate resulting in more emphasis being placed on the overall position limit and related stress tests. The Board has set limits on positions by currency. These positions are monitored on a daily basis and the Forex & Derivatives Sales team are solely responsible for the hedging of the exposure of the Bank.

The Bank also uses a measure to quantify non-trading foreign exchange risk, also referred to as structural foreign exchange risk. This considers the effect of currency change on the Bank's investment in foreign operations. Due to the size of investment in Trinidad, this significantly increases the Bank's exposure to this currency. Details can be found in the CIBC Caribbean Group IFRS consolidated financial statements.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

D. Market risk (continued)

Foreign exchange risk (continued)

The following table highlights the currencies that the Bank had significant exposures to at 31 October 2024 and 2023. It also highlights the metrics used by the Bank to measure, monitor and control that risk.

	31 October 2024			31 October 2023		
Currency	**Position Long (Short) vs USD $'000**	**Stressed loss $'000**	**Average position $'000**	**Position Long (Short) vs USD $'000**	**Stressed loss $'000**	**Average position $'000**
Trinidad and Tobago dollars	(20,013)	1,740	(15,445)	(18,121)	1,576	(14,001)

( ) highlights that FCIB was short the currency vs USD
Average position taken as average of each of the 12-month end balances

Interest rate risk
For the Bank there is no trading interest rate risk. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail, wealth and corporate businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets both on and off -balance sheet.

The following table highlights the key interest rate risk measures utilised by the Bank along with comparatives for 2024

	31 October 2024		31 October 2023	
Currency	**Post structural DV01 $'000**	**60 day Stressed loss $'000**	**Post structural DV01 $'000**	**60 day Stressed loss $'000**
Trinidad and Tobago dollars	11,800	1,769	11,843	1,776

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

D. Market risk (continued)

Credit spread risk

Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The risk is measured using an estimated CSDV01 and stress scenarios. The results of these are reported monthly to Senior Management.

	31 October 2024			31 October 2023		
	Notional $'000	CSDV 01 $'000	Stress loss $'000	Notional $'000	CSDV 01 $'000	Stress loss $'000
Regional hard currency bond portfolio	10,000	0.3	55	10,000	1.2	231

Derivatives held for ALM purposes

Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and if the transactions meet the regulatory criteria, then the Bank applies hedge accounting.

The Bank designate fair value hedges primarily as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in Net interest income.

The Bank designate cash flow hedges as part of interest rate risk management strategies that use derivatives to mitigate our risk from variable cash flows by effectively converting certain variable-rate financial instruments to fixed-rate financial instruments.

The effective portion of the change in fair value of the derivative instrument is recognized in OCI until the variability in cash flows being hedged is recognized in the consolidated statement of income in future accounting periods, at which time an appropriate portion of the amount that was in AOCI is reclassified into the consolidated statement of income. The ineffective portion of the change in fair value of the hedging derivative is included in Net interest income.

Derivative hedges that do not qualify for hedge accounting treatment are economic hedges and are recorded at market value on the Statement of Financial Position with changes in the fair value reflected through the profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

D. Market risk (continued)

Foreign exchange risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 October. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Bank's exposure to currency movements, and their fair values.

Currency concentration of assets, liabilities, and commitments, guarantees and contingent liabilities:

31 October 2024	**TTD $'000**	**USD $'000**	**Other $'000**	**Total $'000**
Assets				
Cash and balances with Central Bank	564,736	173,991	41,073	779,800
Loans and advances to customers	2,104,161	883,244	37,023	3,024,428
Investment securities	–	66,658	–	66,658
Other assets	241,587	63,351	1,281	306,219
Total assets	2,910,484	1,187,244	79,377	4,177,105
Liabilities				
Customer deposits	2,571,265	398,102	71,148	3,040,515
Borrowings from affiliated companies	–	235,906	–	235,906
Debt securities in issue	–	–	–	–
Other liabilities	100,070	166,153	6,660	272,883
Total liabilities	2,671,335	800,161	77,808	3,549,304
Net on statement of financial position	239,149	387,083	1,569	627,801
Credit commitments (Note 22)	185,002	136,953	–	321,955

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

D. Market risk (continued)

Foreign exchange risk (continued)

31 October 2023	**TTD $'000**	**USD $'000**	**Other $'000**	**Total $'000**
Assets				
Cash and balances with Central Bank	892,670	377,494	115,157	1,385,321
Loans and advances to customers	2,000,712	878,792	5,001	2,884,505
Investment securities	–	63,975	–	63,975
Other assets	213,060	53,388	(635)	265,813
Total assets	3,106,442	1,373,649	119,523	4,599,614
Liabilities				
Customer deposits	2,555,501	590,983	113,913	3,260,397
Borrowings from affiliated companies	–	269,988	–	269,988
Debt securities in issue	177,875	–	–	177,875
Other liabilities	(34,658)	290,664	2,792	258,798
Total liabilities	2,698,718	1,151,635	116,705	3,967,058
Net on statement of financial position	407,724	222,014	2,818	632,556
Credit commitments (Note 22)	196,344	144,706	–	341,050

E. Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Bank as a relatively stable core source of funding for its operations.

24. Financial risk management (continued)

F. Liquidity risk

Liquidity risk arises from the Bank's general funding activities in the course of managing assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

The Bank's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund the statement of financial position under both normal and stressed market environments.

Process and control

Actual and anticipated inflows and outflows of funds generated from exposures including those not recognised in the statement of financial position are managed on a daily basis within specific short-term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using carrying amounts recognised in the statement of financial position. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk measurement

The Bank's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Parent Company's Assets and Liabilities Committee (ALCO) is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Parent Company's Board of Directors is ultimately responsible for the liquidity of the entity.

The Parent Company manages liquidity risk by maintaining a significant base of core customer deposits, liquid assets and access to contingent funding as part of its management of risk. Each operational entity has internally established specific liquidity requirements that are approved by the Parent Company's ALCO and reviewed annually.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

F. Liquidity risk (continued)

Risk measurement (continued)

The table below analyses the assets, liabilities and commitments, guarantees and contingent liabilities of the Bank into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

	Within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	Total $'000
31 October 2024				
Assets				
Cash and balances with Central Bank	779,800	–	–	779,800
Investment securities	66,658	–	–	66,658
Loans and advances to customers	199,256	1,638,988	1,186,184	3,024,428
Other assets	237,308	68,911	–	306,219
Total Assets	1,283,022	1,707,899	1,186,184	4,177,105
Liabilities				
Customer deposits	969,663	2,070,651	200	3,040,514
Debt securities in issue	–	–	–	–
Borrowings from affiliated companies	235,906	–	–	235,906
Other liabilities	272,884	–	–	272,884
Total Liabilities	1,478,453	2,070,651	200	3,549,304
Net on statement of financial position	(195,431)	(362,752)	1,185,984	627,801
Credit commitments (Note 22)	321,955	–	–	321,955

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

F. Liquidity risk (continued)

	Within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	Total $'000
31 October 2023				
Assets				
Cash and balances with Central Bank	1,385,321	–	–	1,385,321
Investment securities	63,975	–	–	63,975
Loans and advances to customers	1,042,381	876,076	966,048	2,884,505
Other assets	210,478	55,335	–	265,813
Total Assets	2,702,155	931,411	966,048	4,599,614
Liabilities				
Customer deposits	3,146,061	–	114,336	3,260,397
Debt securities in issue	3,084	174,791	–	177,875
Borrowings from affiliated companies	269,988	–	–	269,988
Other liabilities	258,256	542	–	258,798
Total Liabilities	3,677,389	175,333	114,336	3,967,058
Net on statement of financial position	(975,234)	756,078	851,712	632,556
Credit commitments (Note 22)	58,280	148,975	133,795	341,050

A substantial portion of the Bank's long-term assets is fully matched by corresponding long term liabilities. Apart from these fully matched transactions, the Bank relies on sufficient cash being generated from new and renewed customer deposits to meet short term liquidity requirements.

24. Financial risk management (continued)

G. Fair values of financial assets and liabilities

Determination of fair value and the fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e. the exit price). The determination of fair value requires judgement and is based on market information, where available and appropriate. Fair value measurements are categorised into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities we can access at the measurement date.

Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.

Level 2 – Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation techniques where all significant inputs are observable.

Inactive markets may be characterised by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.

Level 3 – Non-observable or indicative prices or use of valuation techniques where one or more significant inputs are non-observable.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

Determination of fair value and the fair value hierarchy (continued)

The table below presents the level in the fair value hierarchy into which the fair values of financial instruments, that are carried at and disclosed at fair value on the statement of financial position, are categorised.

	Level 1	Level 2	Level 3		
Financial assets	**Quoted market price $'000**	**Valuation technique – observable market inputs $'000**	**Valuation technique – non-observable market inputs $'000**	**Total 2024 $'000**	**Total 2023 $'000**
Investment securities	–	66,658	–	66,658	63,975
Loans and advances to customers	–	–	3,047,487	3,047,487	2,897,911
Total financial assets	–	66,658	3,047,487	3,114,145	2,961,886
Financial liabilities					
Customer deposits	–	–	3,040,514	3,040,514	3,231,556
Borrowings from affiliated companies	–	235,906	–	235,906	269,988
Debt securities in issue	–	–	–	–	201,445
Total financial liabilities	–	235,906	3,040,514	3,276,420	3,702,989

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the year in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability.

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

2024 **Financial assets**	**Carrying value** **$'000**	**Fair value** **$'000**	**Fair value over/(under) carrying value** **$'000**
Cash and balances with Central Bank	779,800	779,800	–
Loans and advances to customers	3,024,428	3,047,487	23,058
Debt securities at FVOCI	66,658	66,658	–
Total financial assets	3,870,886	3,893,945	23,058
Financial liabilities			
Customer deposits	3,040,514	3,040,514	–
Debt securities in issue	–	–	–
Borrowings from affiliated companies	235,906	235,906	–
Total financial liabilities	3,276,420	3,276,420	–

2023 **Financial assets**	**Carrying value** **$'000**	**Fair value** **$'000**	**Fair value over/(under) carrying value** **$'000**
Cash and balances with Central Bank	1,385,321	1,385,321	–
Loans and advances to customers	2,884,505	2,897,911	13,406
Debt securities at FVOCI	63,975	63,975	–
Total financial assets	4,333,801	4,347,207	13,406
Financial liabilities			
Customer deposits	3,260,397	3,231,556	(28,841)
Debt securities in issue	177,875	201,445	23,570
Borrowings from affiliated companies	269,988	269,988	–
Total financial liabilities	3,708,260	3,702,989	(5,271)

(Expressed in thousands of Trinidad and Tobago dollars)

24. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

Quantitative information about significant non-observable inputs

Valuation techniques using one or more non-observable inputs are used for a number of financial instruments. The following table discloses the valuation techniques and quantitative information about the significant non-observable inputs used in Level 3 financial instruments:

	2024				Range of inputs	
As at 31 October	Amortised cost $'000	Fair value $'000	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	3,024,428	3,047,487	Market proxy or direct broker quote	Market proxy or direct broker quote	3.0%	24.8%
Customer deposits	3,040,514	3,040,514	Market proxy or direct broker quote	Market proxy or direct broker quote	0.0%	1.6%

	2023				Range of inputs	
As at 31 October	Amortised cost $'000	Fair value $'000	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	2,884,505	2,897,911	Market proxy or direct broker quote	Market proxy or direct broker quote	3.0%	24.7%
Customer deposits	3,260,397	3,231,556	Market proxy or direct broker quote	Market proxy or direct broker quote	0.0%	1.6%

These financial assets and liabilities are carried at amortised cost and as such, sensitivity analysis on the inter-relationships between significant non-observable inputs and the sensitivity of fair value to changes in those inputs is not necessary.

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments, which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments:

24. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

Financial instruments recorded at fair value (continued)

- Derivative financial instruments
  Derivative products valued using a valuation technique with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

- Debt instruments at FVOCI
  Debt instruments at FVOCI are valued using a valuation technique or pricing models primarily consisting of debt securities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions about liquidity and price disclosure, counterparty credit spreads and sector specific risks.

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments, which are not already recorded at fair value in the financial statements:

- Securities at amortised cost
  The fair value of securities recorded at amortised cost is based on quoted bid or ask market prices where available in an active market. Securities for which quotes in an active market are not available are valued using all reasonably available market information.

- Loans and advances to customers
  Loans and advances to customers are stated net of provisions for impairment. The estimated fair values of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received.

- Customer deposits and other borrowed funds
  The estimated fair value of customer deposits and other borrowed funds is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

- Debt securities in issue
  The fair value is calculated using a discounted cash flow model based on a current interest rate yield curve appropriate for the remaining term to maturity.

25. Segment information

The Bank's operations are organized into three segments: Personal and Business Banking ("PBB"), and Corporate Banking ("CB"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, Human Resources, Technology, Innovation & Infrastructure Operations, Risk and Other). PBB and CB are charged or credited by Treasury with a market-based cost of funds on assets, liabilities and capital, respectively. The offset of these charges or credits are reported in the Treasury function within the Admin segment.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Bank reviews its transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices. Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude intangible assets. Securities and cash placements are normally held within the Treasury unit within the Admin segment.

(Expressed in thousands of Trinidad and Tobago dollars)

25. Segment information (continued)

31 October 2024	**Retail, Business & International banking $'000**	**Corporate & Investment banking $'000**	**Administration $'000**	**Total $'000**
External revenue	27,098	87,888	(6,260)	108,726
Internal revenue	(17,945)	(393)	18,338	–
Net interest income	9,153	87,495	12,078	108,726
Operating income	1,659	56,894	(1,452)	57,101
	10,812	144,389	10,626	165,827
Depreciation	6,227	6,139	2,785	15,151
Operating expenses	7,168	11,717	67,047	85,933
Indirect expenses	29,343	35,608	(64,951)	–
Credit loss (credit)/expense on financial assets	13,968	38,227	6	52,201
(Loss)/income before taxation	(45,894)	52,697	5,739	12,542
Income tax (credit)/expense	(16,054)	14,264	19,714	17,924
Net (loss)/income for the year	(29,840)	38,433	(13,975)	(5,382)
Segment assets	673,250	1,437,099	2,066,756	4,177,105
Segment liabilities	615,302	2,582,301	351,701	3,549,304
31 October 2023				
External revenue	29,255	88,656	(7,069)	110,842
Internal revenue	(17,865)	4,303	13,562	–
Net interest income	11,390	92,959	6,493	110,842
Operating income	788	56,272	(91)	56,969
	12,178	149,231	6,402	167,811
Depreciation	4,688	4,268	2,785	11,741
Operating expenses	6,742	9,582	52,688	69,012
Indirect expenses	24,472	30,218	(54,690)	–
Credit loss expense/(credit) on financial assets	(165)	17,239	(286)	16,788
(Loss)/income before taxation	(23,559)	87,924	5,905	70,270
Income tax (credit)/expense	(8,248)	30,829	10,680	33,261
Net (loss)/income for the year	(15,311)	57,095	(4,775)	37,009
Segment assets	681,975	2,406,830	1,510,809	4,599,614
Segment liabilities	574,173	2,826,171	566,714	3,967,058

26. Dividends

No dividends were approved for the financial year ended 31 October 2024 (2023: $6.8 million).

27. Fiduciary activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Bank had investment assets under administration on behalf of third parties amounting to $85,375 (2023: $85,378) and investment assets under management of $26,207 (2023: $23,586).