RBC ROYAL BANK (CAYMAN) LIMITED

<u>Basel II Pillar 3 (Annual) Disclosures</u>
October 31, 2025

OVERVIEW AND PURPOSE

In accordance with Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines (September 1, 2021) issued by the Cayman Islands Monetary Authority, this document provides the Market Discipline Disclosures (Pillar 3) for RBC Royal Bank (Cayman) Limited for the period ended October 31, 2025.

The aim of Pillar 3 is to encourage market discipline by allowing market participants to access key pieces of information regarding capital adequacy and risk management of institutions through a prescribed set of disclosure requirements.

These disclosures were reviewed and approved internally in line with our Board approved disclosure policy. The level of internal control processes for these disclosures are similar to those applied to the Bank's annual Financial Reports.

OVA – BANK RISK MANAGEMENT APPROACH

Governance starts at the top at Royal Bank of Canada (RBC), with an independent chairman leading a board of well-informed directors, who give priority to strategic planning, ensure that standards exist to promote ethical behaviour throughout the organization, and seek continuous improvement in governance practices. These strengths are fostered Enterprise-wide by a proactive governance culture that has consistently adopted industry- leading standards.

Senior Management and Board Oversight - RBCFCL & RBC Cayman

- At the RBC Financial Caribbean Limited (RBCFCL) level, Caribbean Banking's Operating Committee (OC) sets, executes, and refines strategies and initiatives for all of RBC Caribbean Banking. The O C is responsible for business strategy, financial results, key performance measures, risk management, compliance oversight and talent management.

- The Group Asset Liability Committee (ALCO) supervises the optimization and adequacy of the capital structure of RBCFCL and its subsidiaries within regulatory constraints, reviews and recommends Capital Management strategies to the RBCFCL Group and subsidiary Boards and Group Management, and makes operating decisions that impact the capital positions of all subsidiaries across the Group, in alignment with the approved Capital Management guidelines and policies.

- At the level of RBC Cayman, the Board of Directors has the role of decision making and oversight, including strategic planning, governance, identification and management of risks, internal policies, and controls. The decision-making function is exercised with respect to the Board's oversight and approval of fundamental policies and through the approval of certain significant actions; the oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. The Board of Directors is also responsible for approval and oversight of its Annual Capital Plan, approval of its Dividend Policy and the Internal Capital Adequacy Assessment Process (ICAAP).

Risk Management and Governance

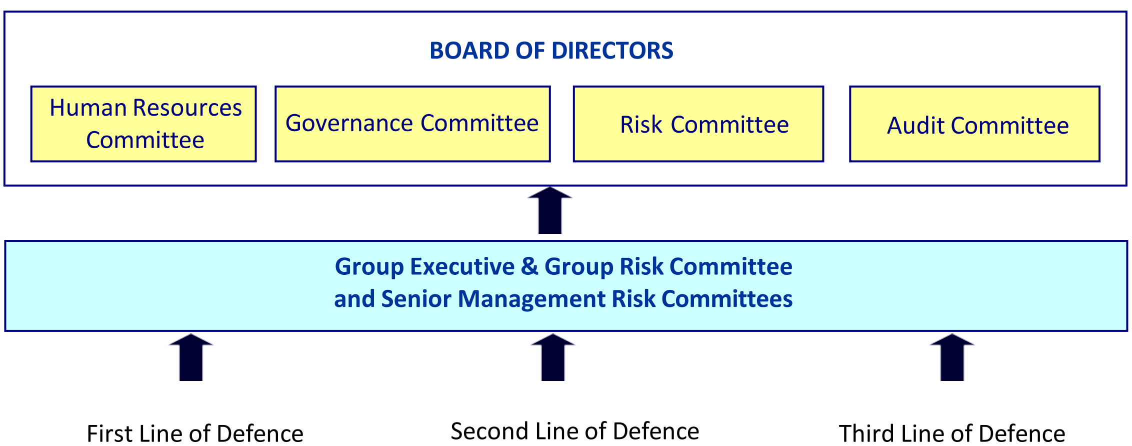
RBC Cayman manages risks by seeking to ensure that business activities provide an appropriate balance of return for the risks assumed and remain within RBC Risk Appetite, which is collectively managed throughout RBC, through adherence to RBC Enterprise Risk Appetite Framework.

RBC Risk Appetite is the amount and type of risk we are able and willing to accept in the pursuit of business objectives. RBC Risk Appetite Framework has the following major components: Risk Capacity, Risk Appetite, Risk Limits and Tolerances, and Risk Profile.

RBC has the following Risk Management principles which guide RBC Enterprise-wide management of risk:

- Effective balancing of risk and reward by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive and detective controls and transferring risk to third parties.
- Shared responsibility for risk management as business segments are responsible for active management of their risks, with direction and oversight provided by Group Risk Management (GRM) and other corporate functions groups.
- Business decisions are based on an understanding of risk as we perform rigorous assessment of risks in relationships, products, transactions, and other business activities.
- Avoid activities that are not consistent with RBC Values, Code of Conduct or Policies, which contributes to the protection of RBC reputation.
- Proper focus on clients reduces risks by knowing RBC clients and ensuring that all products and transactions are suitable for and understood by RBC clients.
- Be operationally prepared for a potential crisis.
- Use of judgment and common sense in order to manage risk throughout the organization.

The Enterprise utilizes the Three Lines of Defense Governance Model to ensure that risks in achieving RBC's strategic objectives are appropriately and adequately managed.



Risk Owners

- Business and Support Functions embedded in the business
- Accountable for:
  - Identification
  - Assessment
  - Mitigation
  - Monitoring and
  - Reporting of risk against approved policies and appetite

Risk Oversight

- Establishes risk management practices and provide risk guidance
- Provides oversight of the effectiveness of First Line risk management practices
- Monitors and independently reports on the level of risk against established appetite

Independent Assurance

- Internal and External Audit
- Independent assurance to management and the Board of Directors on the effectiveness of risk management practices

Risk Appetite Framework

Risk appetite is defined as the amount and type of risk that RBC Cayman is able and willing to accept in the pursuit of its business objectives. Prudent risk management protects RBC Cayman from an unacceptable loss or an undesirable outcome with respect to capital adequacy, liquidity, reputation, or other risks while supporting and enabling overall business strategy.

As a subsidiary of RBC, RBC Cayman's risk appetite is set in the context of RBC's direct and indirect financial backing and support, risk appetite and strategic direction and how these factors influence risk considerations and decisions for the subsidiary.

RBC Cayman's risk appetite is aligned with that of its ultimate parent RBC through RBCFCL; risk appetite is also a key element within RBC's overall enterprise-wide risk management program for the identification, measurement, control and reporting of significant and emerging risks faced by the organization.

The Risk Appetite Framework includes the following major components:

1: Risk Appetite

Risk Appetite Statements

RBC's quantitative and qualitative Risk Appetite Statements serve as guardrails on the amount of risk RBC is willing to accept given our financial strength, corporate objectives, and business strategies. Our Risk Appetite Statements are designed to account for the economic cycle ranging from normal to stress to recovery/resolution conditions, in alignment with the overarching concepts of earnings at risk, capital at risk and adequate liquidity at all times.

Key Measures and Self-Imposed Constraints

Our Quantitative Risk Appetite Statements are supported by Key Measures, and their associated Self- Imposed Constraints, which are designed to be specific, meaningful, measurable, forward-looking and enable aggregation and disaggregation, at appropriate levels. Key Measures target to enable prudent Risk Profile management by accounting for the material risks we are exposed to and ensuring that we are within risk capacity over both normal and stressed periods.

The design of our Quantitative Risk Appetite Statements and Key Measures also considers the management of financial resources such as capital, leverage, liquidity, and funding within regulatory constraints to achieve our strategic financial drivers over the economic cycle. Their design also targets to address other key aspects of RBC's risk management principles and the expectations of our key stakeholder groups such as our shareholders, clients, regulators, and financial markets (e.g., sound management of regulatory compliance and operational risks, expectations of credit agencies).

2: Risk Limits and Tolerances

- Risk Limits are quantifiable levels of maximum exposure RBC will accept.
- Tolerances are qualitative statements about RBC`s willingness to accept risks that are not necessarily quantifiable and for those risks where RBC does not have direct control over the risk accepted (such as legal risk and reputational risk).

3: Risk Profile

Analysis of Risk Profile ensures that RBC's businesses operate within established Business Segment Risk Appetite, identifies areas where business activity or growth may be constrained in the future, and assesses whether situations exist in which risk taking is overly conservative.

4: Risk Appetite Breaches (situations where Risk Profile may exceed Risk Appetite)

In general, the proactive management of risk throughout RBC should not result in situations where our Risk Profile will exceed Risk Appetite.

Although the Enterprise Risk Appetite Framework recognizes that stress events, unanticipated events, or unanticipated opportunities could result in RBC's Risk Profile temporarily exceeding established Risk Appetite, RBC will not deliberately exceed its articulated Risk Appetite. Risk Appetite breaches should be appropriately reflected in the Risk Profile relative to Risk Appetite reports, including appropriate commentary. The Board of Directors may choose to approve breaches that temporarily exceed RBC's longer-term drivers and Risk Appetite but remain within regulatory constraints.

Risk Identification and Management

Risk identification occurs during the business pursuing approved business strategies and as part of the execution of risk oversight responsibilities by RBC GRM, Corporate Treasury, Compliance, and other control functions. Risk oversight activities which can lead to the identification of new, evolving, or emerging risks include control mechanisms (e.g., approval of new products, transactions, client relationships or new projects or initiatives); business strategy development; stress testing; portfolio level measurement, monitoring and reporting activities; and the ongoing assessment of industry and regulatory developments and expectations.

At RBC Cayman, both the identification and quantification of risks are dynamic processes that evolve with time. As well, risk management processes ensure that both existing and emerging risks are identified and incorporated into risk assessment, measurement, monitoring and reporting processes.

Risk Monitoring and Reporting

Risk monitoring and internal reporting are critical components of our risk management program and support the ability of senior management and the Board to effectively perform their risk management and oversight responsibilities. In addition, we provide external reports on risk matters to comply with regulatory requirements. On a quarterly basis, we provide our Risk Report to senior management and the Audit Committee of the Board which includes, among others, top and emerging risks, risk profile relative to our risk appetite, portfolio quality metrics and a range of risks we face along with an analysis of the related issues, key trends and, when required, management actions. In addition to our regular risk monitoring, other risk-specific presentations may be provided to, and discussed with, senior management and the Board on top and emerging risks or changes in our risk profile.

CREDIT RISK:

- Credit risk is the risk of loss associated with a counterparty's potential inability or unwillingness to fulfill its on and off-balance sheet payment obligations.
- Credit risk management is the practice of mitigating losses leveraging standard credit risk policies, processes, tools and understanding the adequacy of a bank's capital and loan loss reserves.
- An Allowance for Credit Losses (ACL) is a valuation reserve established and maintained by provisions for credit loss charges against operating income. The ACL quantifies the credit risk inherent in the bank's assets. The ACL for RBC Cayman is reviewed and approved quarterly by the Caribbean Banking Group Allowance Committee.
- RBC Cayman also monitors the status and trend of credit risk through the Quarterly Risk Report that is presented to its Board.

MARKET RISK:

- Market risk is the impact of market factors and prices upon the financial condition of the firm. This includes potential financial gains or losses due to changes in market determined variables such as interest rates, credit spreads, equity prices, commodity prices, foreign exchange (FX) rates and implied volatilities.
- RBC Cayman's risk position is measured monthly based on the low level of complexity of the portfolio. Measurement of risk is based on rates charged to clients. The economic value of equity is equal to the net present value of assets and liabilities.
- Interest rate risk limits are reviewed by ALCO and approved annually by the Board of Directors. Quarterly Risk Report is also generated for its Board to monitor the status and trend of market risk.

LIQUIDITY & FUNDING RISK:

- At RBC Cayman, liquidity risk is defined as the risk that the institution is unable to generate or obtain sufficient cash or its equivalents on a cost-effective basis to meet commitments as they fall due.
- To ensure liquidity risk is properly recognized and managed, policies, procedures, and practices have been created, and responsibilities have been assigned throughout the organization.
- Liquidity reports are produced on a quarterly basis to inform RBC Cayman's Board of changes in the liquidity risk profile, position, or strategies of the entity.

OPERATIONAL RISK:

- Operational risk is the risk of loss or harm resulting from people, inadequate or failed internal processes, controls, and systems or from external events.
- We have an Enterprise Operational Risk Framework that sets out the processes to identify, assess, monitor, measure, report and communicate on operational risk. The processes are established through the following:

- Risk identification and assessment tools, including the collection and analysis of risk event data, help risk owners understand and proactively manage operational risk exposures.
- Risk monitoring tools alert management to changes in the operational risk profile, can identify risk trends, warn management of risk levels that approach or exceed defined limits, as well as prompt actions and mitigation plans to be undertaken.
- Risk capital measurement is designed to provide credible estimation of potential risk exposure.
- Risk reporting and communication processes seek to ensure that relevant operational risk information is made available to management in a timely manner to support risk-informed business decisions.

REGULATORY COMPLIANCE RISK:

- Regulatory compliance risk is the risk of potential non-conformance with laws, rules, regulations, and prescribed practices.
- Specific compliance policies, procedures and supporting frameworks have been developed to seek to manage regulatory compliance risk. Compliance has developed a comprehensive Regulatory Compliance Management (RCM) Framework that is consistent with regulatory guidance from regulators. Within the RCM Framework there are five elements that form a cycle by which all regulatory compliance risk management programs are developed, implemented, and maintained.
    - RBC regulatory compliance programs evolve alongside RBC business activities and operations.
    - Regulatory compliance risks are identified and assessed appropriately.
    - Design and implementation of specific controls.
    - Appropriate monitoring and oversight of the effectiveness of the controls.
    - Timely escalation and resolution of issues, and clear and transparent reporting. This is a critical step in enabling senior management and Boards of Directors to effectively perform their management and oversight responsibilities.

We have a strong ethical and compliance culture grounded in the RBC Code of Conduct which broadly addresses a variety of ethical and legal concerns that face RBC employees on a day-to-day basis. We regularly review and update the Code to ensure that it continues to meet the expectations of regulators and other stakeholders. All RBC employees must reconfirm their understanding of and commitment to comply with the Code of Conduct at least every two years, and employees in certain key roles, must do so annually.

BUSINESS & STRATEGIC RISK:
Strategic risk is the risk that business area will make inappropriate strategic choices or will be unable to successfully implement selected strategies or achieve the expected benefits. Business strategy is a major driver of our risk appetite and consequently the strategic choices we make in terms of business mix determine how our risk profile changes.

Business risks through competitive, strategic, and reputational risks are considered as a key component of the Bank's Product, Initiative and Project assessment. Responsibility for selecting and successfully implementing business strategies is mandated to the individual heads of each business segment. Oversight of strategic risk is the responsibility of the heads of the business segments and their operating committees. Our annual Business Portfolio Review process helps to identify and mitigate strategic risk by seeking to ensure that strategies align with risk appetite and risk posture.

REPUTATION RISK:
Reputation risk is the risk of an adverse impact on stakeholders' perception of the bank due to i) the actions or inactions of the bank, its employees, third-party service providers, or clients, ii) the perceived misalignment of these actions or inactions with stakeholder expectations of the bank, or iii) negative public sentiment towards a global or industry issue. Our governance of reputation risk aims to be holistic and provides an integrated view of potential reputation issues across the organization. This governance structure is designed to ensure that ownership and accountability for reputation risk are understood across the enterprise, both proactive and reactive reputation risk decisions are escalated to senior management for review and evaluation.

A reputational risk framework which provides an overview of the Bank's approach to the management of risk is established at the enterprise level and applied to RBC Cayman operations.
Reputational risk is explicitly considered a key component of the Bank's Product, Initiative and Project assessments.

The following principles guide RBC management of Reputation Risk:

- RBC must operate with integrity at all times in order to sustain a strong and positive reputation.
- Protecting RBC's reputation is the responsibility of all RBC employees, including senior management and extends to all members of the Board of Directors.
- Reputation Risk is unique and different from other risks in that the sources of Reputation Risk are virtually infinite, and at times relatively difficult to foresee. Any number of activities performed by RBC, its employees, Board of Directors, clients, and other representatives can give rise to Reputation Risk. RBC has a fair degree of control and influence through its policies and governance to manage this risk.
- As per RBC Enterprise Risk Management Framework, the controllability of Reputation Risk flows, in part, from the fact that it often occurs in connection with, as a result, or outcome of, other reasonably controllable risks such as credit risk, market risk and operational risk. While effective management of all of RBC's risks will reduce our Reputation Risk, it will not eliminate it entirely.
- Reputation risk may also result from stakeholders' expectations regarding RBC's role as a good corporate citizen and as a purpose-driven organization that is striving to "help clients thrive and communities prosper" (as per RBC's Collective Ambition).

Dissemination and Enforcement of RBC's Risk Culture

- RBC's communications strategy is designed to provide context and transparency to key internal and external audiences by establishing approved, coordinated, and consistent key messages to embed a strong risk culture.
- Embedding of strong Risk Culture is communicated and supported through mandatory all-employee training in the areas of RBC's Code of Conduct, Operational Risk, and Anti Money Laundering (AML).
- Dependent on the risk scenario or message to be conveyed, communication would be led by the Caribbean Banking Operating Committee (OCC), RBC GRM, Market / Business Leadership and/or representatives from the various functional groups and may include a cadence of updates coordinated by assigned parties.
- Strong focus supported through "Tone at the top" on Transparency, "Speaking Up' and effective challenge geared towards driving proactive risk management throughout the organization.
- Routine communication includes a cadence of reporting between the Functions and the Business which outlines risk performance against established thresholds / risk tolerance.
- Regularly measure and monitor risk profile to ensure alignment with risk appetite and business strategies.
- Regularly assess and communicate employee and client satisfaction metrics.

Stress Testing Process

RBC Cayman adheres to an annual stress testing program to evaluate its capital position under severe but plausible scenarios, to assist with capital adequacy and contingency planning. The results of the stress tests are used to assess the sensitivity of capital ratios to potential changes in the capital structure and risk profile.

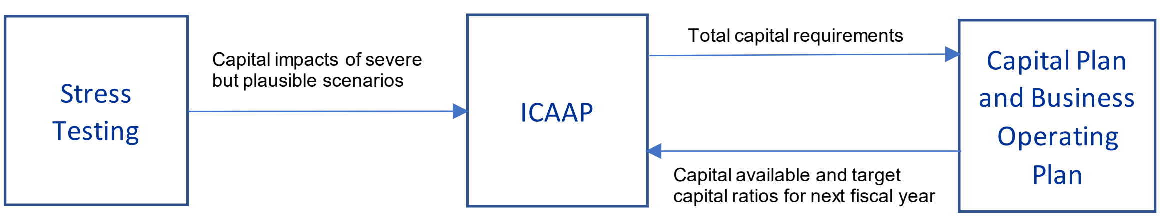
Stress testing is an integral part of the governance and risk management culture at RBC. It is used throughout the organization to evaluate the potential effects of various changes in risk factors on the institution's financial condition. Both sensitivity tests and scenario tests corresponding to exceptional but plausible events are used to set risk appetite statements, challenge business assumptions and models and to help identify hidden vulnerabilities that may not be exposed by traditional risk-specific approaches.

At the level of RBC Cayman, a risk-based capital stress testing program is carried out annually, to determine the impact of stress scenarios on capital requirements and capital availability; and to incorporate that analysis into the capital planning and adequacy assessment processes. The key objectives are to assess the sensitivity of capital ratios to potential changes in risk profile due to stress and examine future capital requirements and resources under these adverse scenarios. Sensitivity tests considered include credit risk and market risk such as interest rate risk. Scenario tests consider severe and very severe economic recessions that result in considerable credit losses and lower revenues.

Additionally, Liquidity Stress Testing and updating of the Contingency Funding Plan is completed as a requirement of the Caribbean Banking Liquidity Contingency Policy. The subsidiary stress testing is undertaken monthly assessing the potential impact of contingent liquidity risk on the liquidity risk profile of RBC Cayman. A range of low probability, high impact scenarios are considered in order to assess the liquidity demands required by RBC Cayman to meet with on-balance sheet stresses. Under the stress testing methodology, internally defined Net Cash Flow (NCF) is cumulatively estimated across 30-day, and 60-day time buckets. In order to estimate the net liquidity position under each stress scenario, assumptions are made in respect to cash flows related to assets and liabilities, and haircuts related to liquidation of securities.

Linkage between Stress Testing, ICAAP and Capital Plan

As shown in the figure below, Stress Testing and Capital Planning processes have key linkages with ICAAP.



Monitoring and Reporting

For RBC Cayman, capital ratios and adequacy are monitored by both Finance (Unit- and Group-level), and Caribbean Treasury. Regular (at least quarterly) reporting is provided to the Senior Management Committees and the Board on the current state and target capital ratios.

LI1 – DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENTS WITH REGULATORY RISK CATEGORIES

The following table maps the financial statement categories with regulatory risk categories. There is no difference between the Bank's accounting and regulatory scopes of consolidation.

USD (in $000s)	Carrying values as reported in published financial statements	Carrying values of items:				
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and cash equivalents	446,833	439,391	-	-	6,039	-
Loans and advances to customers	1,056,147	1,062,304	-	-	-	-
Investment securities	79,584	79,584	-	-	-	-
Due from affiliated companies	6,292	6,292	-	-	5,632	-
Premises and equipment	9,256	9,256	-	-	-	-
Other assets	12,394	2,024	-	-	-	-
Total Assets	**1,610,506**	**1,598,851**	**-**	**-**	**11,671**	**-**
Liabilities						
Due to banks	7,414	-	-	-	73	7,414
Customer deposits	1,208,714	-	-	-	6,999	1,208,714
Due to affiliated companies	135,742	-	-	-	3,083	135,742
Other liabilities	18,142	-	-	-	1,404	18,142
Total Liabilities	**1,370,012**	**-**	**-**	**-**	**11,559**	**1,370,012**

LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN THE FINANCIAL STATEMENTS

The following table outlines the main sources of differences between regulatory exposure amounts and the carrying values in the financial statements.

USD (in $000s)	Total	Items subject to:			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Assets carrying value amount under scope of regulatory consolidations (as per template LI1)	1,610,522	1,598,851	-	-	11,671
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	11,559	-	-	-	11,559
Total net amount under regulatory scope of consolidation	1,598,963	1,598,851	-	-	112
Off-balance sheet amounts	98,737	98,737	-	-	-
Difference in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	(1,828)	(1,828)	-	-	-
Differences due to prudential filters	-	-	-	-	-
Exposure amounts considered for regulatory purposes	**1,695,872**	**1,695,760**	**-**	**-**	**112**

LIA – EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS

There are no differences between the scope of accounting consolidation and the scope of regulatory consolidation. As such, only the carrying amounts as provided in the audited financial statements as of October 31, 2024, are shown in Table LI1.

Carrying values of financial statement assets included as subject to the market risk framework in Table LI1 are those balances of nostro accounts denominated in currencies other than the United States dollar (USD) or currencies pegged to USD (i.e., the Cayman Island dollar). These amounts include CAD, GBP and EUR and are also subject to credit risk. They have been included in both columns as being subject to the credit risk and market risk frameworks.

The carrying values of the audited financial statements and the amounts included in Table LI2 include the following:

- Clearing and settlement accounts carrying debit balances have been reclassified to other assets on the audited financial statements. See Line 6

- Non-specific provisions are included in loans and advances to customers on the audited financial statements. See Line 7

CRA – GENERAL INFORMATION ABOUT CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's potential inability or unwillingness to fulfill its on and off-balance sheet payment obligations. Credit risk may arise directly from the risk of default of a primary obligor (e.g., issuer, debtor, borrower, or policyholder), or indirectly from a secondary obligor (e.g., guarantor, reinsurance) and/or through off-balance sheet exposures, contingent credit risk and/or transactional risk. Credit risk includes counterparty credit risk from both trading and non-trading activities. Exposure to credit risk occurs any time funds are extended, committed, or invested through actual or implied contractual agreement.

Credit risk exposures are primarily classified into two categories for the purpose of credit risk assessment: wholesale borrowers and portfolios and retail borrowers and portfolios. The wholesale portfolio comprises business, including small business, sovereign and bank exposures, while the retail portfolio is comprised of residential mortgages and personal loans and credit cards. For the wholesale portfolio, borrowers are assessed and assigned a Borrower Risk Rating (BRR) using a Risk Assessment Framework methodology. For retail borrowers, an alpha credit score is assigned using a credit score calculator.

The responsibility for managing credit risk is shared broadly following the three lines of defense governance model. The allocation of the Board approved credit risk appetite is supported by the establishment of risk approval authorities and risk limits. To facilitate day-to-day business activities, the CRO has been empowered to further delegate credit risk approval authorities to individuals within GRM and the business segments.

We balance our risk and return by setting the following objectives for the management of credit risk:

- Ensuring credit quality is not compromised for growth;
- Mitigating credit risk in transactions, relationships and portfolios;
- Avoiding excessive concentrations in correlated credit risks;
- Using our credit risk rating and scoring systems or other approved credit risk assessment or rating methodologies, policies and tools;
- Pricing appropriately for the credit risk taken;
- Detecting and preventing inappropriate credit risk through effective systems and controls;
- Applying consistent credit risk exposure measurements;
- Ongoing credit risk monitoring and administration;
- Transferring credit risk to third parties where appropriate through approved credit risk mitigation techniques (e.g., sale, hedging, insurance, securitization); and
- Avoiding activities that are inconsistent with our values, Code of Conduct, or policies.

Under the Standardized Method, which is used for RBC Cayman operations, risk weights prescribed by the Cayman Island Monetary Authority (CIMA) are used to calculate risk-weighted assets (RWA) for credit risk exposure.

Credit risk is assessed through the stress testing exercises. Total capital ratio projections for severe and very severe scenarios remain above the 13% regulatory minimum. Management deems credit risk to be low.

CRB – ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

A loan is considered past due when contractual payments are more than 30 days in arrears. A loan is considered impaired and in default when the borrower is 90 days or more past due on any material obligation to the Bank and/or the Bank considers the borrower unlikely to make their payments in full without recourse action. For certain credit card balances, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by the performance experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Financial assets are assessed for credit-impairment at each reporting period and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of the expected changes. In the normal course of business, modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset.

The following updated table shows our loan portfolio by country of residence of the underlying borrower:

Loan portfolio by country of residence - US $'000s	Amount
Aruba	1,253
Bahamas	-
Bermuda	1
Canada	2,525
Cayman Islands	1,052,537
United Kingdom	213
United States of America	4,867
Grand Total	**1,061,395**

Loans analyzed by industry sector is as follows:

Breakdown by Sector (SIC) - US $'000s	Amount
Category 'A' Banks - Non-Retail	1,340
CIG Statutory Authorities & Government Owned Companies (NonFinancial Services)	262,589
Households	336,465
Insurance Companies and Pension Funds	-
Other Financial Institutions (intermediaries & auxiliaries)	47,278
Other NonProfit Organizations	-
Private Sector - Manufacturing	1,631
Private Sector - Accommodation, Food, Bar & Entertainment Services	110,245
Private Sector - Agriculture, Fishing, Quarrying	263
Private Sector - Construction - Commercial, Residential and Infrastructural Development	114,235
Private Sector - Education, Recreational & Other Professional Services	60,342
Private Sector - Trade & Commerce	59,619
Private Sector - Transportation, Storage, Warehousing and Communications	17,986
Private Sector - Utilities	147
real estate development	44,471
Trusts & Mutual Funds	4,785
Grand Total	**1,061,395**

The below table shows loans by remaining period to maturity:

Breakdown by Maturity - US $'000s	Amount
01 < 1 month	1,267
02 1 - 3 months	64
03 3 - 6 months	21,164
04 6 - 12 months	51,958
05 1 - 5 years	76,741
06 >5 years	910,200
Grand Total	**1,061,395**

Impaired exposures analyzed by geographical areas and industry are as follows:

Impaired Exposures by Residency - US $'000s	Total Impaired Balance	Total Allowance
Cayman Islands	3,438	768
United Kingdom	-	-
Grand Total	**3,438**	**768**

Impaired Exposures by Sector - US $'000s	Total Impaired Balance	Total Allowance
Households	3,329	741
Private Sector - Education, Recreational & Other Professional Services	-	-
Private Sector - Trade & Commerce	108	27
Grand Total	**3,438**	**768**

Ageing analysis of past-due exposures are as follows:

Ageing analysis of past-due exposures not impaired - US $'000s	1-29 days	30-89 days	90+ days	Total
Loans:				
Retail	3,238	1,039	717	4,994
Commercial	2,755	1,221	0	3,976
Mortgages	24,481	4,001	2,721	31,203
Grand Total	**30,474**	**6,261**	**3,438**	**40,173**

As at October 31, 2025, the balance of total loans restructured was $14,207,148; of which $75,494 is designated as impaired.

CRC – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CREDIT RISK MITIGATION (CRM) TECHNIQUES

The goal of credit risk management at RBC is to maximize our risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. This means managing the credit risk inherent in the entire portfolio, as well as the risk in individual credits or transactions.

The borrower's credit risk profile and its operation of credit facilities, including all terms and conditions, must be assessed on a regular basis. More complex and larger exposures are assessed at minimum on an annual basis.

Single name limits are assessed at the transaction stage, and we are guided by Prudential Limits and our internal limit which is 85% of the prudential limit.

The objective of our guidelines is to assist in the development of sound underwriting practices and good portfolio quality management routines, including the following:

- Comprehensive and detailed Borrower risk assessments.
- Accurate and consistent risk ratings.
- Appropriate loan structuring & financial monitoring to enable timely recognition of deteriorating trends.
- Complete and accurate credit applications and loan documentation with a focus on data integrity, and
- Comprehensive and effective portfolio management activities completed on an ongoing and timely basis.

With regards to collateral,

- ❖ Security is assessed on whether it is sufficient to mitigate the risks of the transaction, and its adequacy as it pertains to its ranking, liquidity/accessibility, enforceability, and the coverage of realizable values to advances.

- ❖ The type of security will determine its liquidation/realizable values and appropriate margining of balance sheet assets. The level of our exposure will determine the quality of financial statements provided and/or asset listings to assess adequacy.

- ❖ When real property is taken as security, an appraisal by an independent, bank-approved valuator is obtained to ensure Loan-To-Value is within guidelines based on the cost, market, and income value approaches.

- ❖ An independent valuation is obtained at origination from a valuer on our approval panel and/ or when there is a significant credit event, such as a material increase. Any exceptions/deviations are appropriately identified and mitigated in the credit application and approved under the appropriate delegated lending authority.

- ❖ In the situation where a client is in mortgage enforcement, i.e., non-payment over 90 days, an updated valuation is obtained by the authorized attorneys to support approved listing of the property for sale. An updated valuation could also be obtained to renew homeowner's insurance.

CRD – QUALITATIVE DISCLOSURES ON BANK'S USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

Risk weights are used to calculate risk-weighted assets for the credit risk exposures. For our business and retail exposures, we use the standard risk weights prescribed by the Cayman Islands Monetary Authority's Rules and Guidelines on Minimum Capital Requirements.

CCRA – QUALITATIVE DISCLOSURE RELATED TO COUNTERPARTY CREDIT RISK (CCR)

Counterparty credit risk is the risk that a party with whom the bank has entered into a financial or non-financial contract will fail to fulfill its contractual agreement and default on its obligation. It incorporates not only the contract's current value, but also considers how that value can move as market conditions change. Counterparty credit risk usually arises from trading-related derivative and repo-style transactions.

The Bank does not engage in these types of trading activities at this time.

LIQA – LIQUIDITY RISK MANAGEMENT

Qualitative Disclosures

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to credit risk, liquidity risk, operational risk, and market risk. The Board of Directors is ultimately responsible for identifying and controlling risks. The Bank's Operating Committee is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Bank has developed strategies, policies, procedures, standards, and practices ("policies and procedures" to manage liquidity and funding risk ("liquidity risk") in accordance with established risk tolerances ensuring that sufficient liquidity is maintained. Liquidity risk objectives, tolerances, methodologies and policies are designed to accommodate a range of operating conditions. These are reviewed regularly and updated to align with both changes in risk appetite and local regulatory requirements.

Risk Indicators:

Liquidity risk is the risk that the Bank may be unable to generate sufficient cash or its equivalents in a timely and cost-effective manner to meet commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. A number of various indicators will depend on the type of crises that are monitored at different frequencies and are assessed in light of the Bank outright or relative condition compared with its peers. Indicators and early warning signals include, but not limited to:

i. Market Monitoring –
   - Lower market liquidity
   - Increasing funding cost
   - Reduction in access to inter-bank funding lines
   - Reduction in wholesale funding access

ii. Internal Monitoring –
   - Increased market volatility and collateralized borrowings
   - Inability to manage within key liquidity limits, e.g. – NCF targets, pledging limits
   - Declining contingency buffers
   - Material increases in the risk profile of balance sheet liquidity under idiosyncratic and combined stress testing
   - Change in value of management actions
   - Meeting 90% of internal threshold used to ensure compliance to regulatory requirements

iii. Market Indicators –
   - Government bond yields / FX rates / Interest rates

The Banks' liquidity profile is structured to ensure there is sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. Despite the Bank's funding strategy being decentralized, Corporate Treasury-Caribbean located in Trinidad and Tobago supports each RBCC entity in all their funding efforts as outlined within the Liquidity Contingency Plan ("LCP"). Under normal business conditions, intragroup funding supports the efficient allocation of funding for the Bank, reducing reliance on third-party placements. Intragroup support is determined according to business needs and maintaining sufficient operational buffers to accommodate volatility in the liquidity profile arising from stress events. Under stress conditions, intragroup transfers allow for redeployment of liquidity as needed. Intragroup transfers are always done taking into account local needs, regulatory requirements and supporting core business.

There are additional options the Bank will consider when facing an immediate need to generate liquidity which can include generation of new liabilities, reduction in assets and asset growth to name a few.

The estimated cash flow to be generated by the implementation of an action, the tenor, and the time it will take to complete, including ease of implementing this action are all assessed in isolation.

There is a suite of policies used to manage the liquidity risk including pledged assets. These policies outline and provide guidance to manage liquidity risk and ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments.

Along with this suite, the LCP describes the plan for assessing and responding to severe disruptions in the ability to obtain funding on a timely basis and at a reasonable cost. Potential actions are outlined to rectify situations where cash-generating capabilities are negatively impacted to the point where the bank may experience difficulty in either maintaining its preferred maturity profile or meeting its commitments as they fall due.

To manage liquidity risk within the Banks' risk appetite, the Bank operates within a tactical 30- and 60-day measurement, with set limits/targets and an Internal Liquidity Mismatch ("ILM"), which measures the mismatch between the market liquidity of assets and the funding liquidity of liabilities greater than one year under both normal and stressed conditions. These liquidity risk measurement and control activities are divided into three categories as follows:

Structural (longer-term) liquidity risk
To guide the Bank's wholesale, retail and term funding activities, the ILM is employed to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Tactical (shorter-term) liquidity risk
To address potential immediate cash flow risks in times of stress, the Bank uses short-term net cash flow limits over 30 and 60 days to measure currency risk and perform stress testing assessments on a monthly basis. Net cash flow ("NCF") positions are determined by applying results of the liquidity parameter review ("LPR") methodology utilizing internally derived risk assumptions and parameters to known and anticipated cash flows for all material unencumbered assets and liabilities. Encumbered assets are not considered a source of available liquidity.

Contingency liquidity risk
Contingency liquidity risk planning identifies options to generate additional liquidity. The LCP is maintained and administered by Corporate Treasury-Caribbean, has been developed to guide potential responses to liquidity crises. The contingency liquidity risk planning process identifies contingent funding needs and sources under various stress scenarios, and as a result informs requirements for our earmarked unencumbered liquid asset portfolios.

Stress testing:
Stress testing plays a key role in assessing the potential impact of contingent liquidity risk on the liquidity risk profile. A range of low probability, high impact scenarios are considered in order to assess the liquidity demands required by the bank to meet with on-balance sheet stresses.

Under the stress testing methodology, internally defined NCF is cumulatively estimated across 30-, and 60-day time buckets. In order to estimate the net liquidity position under each stress scenario, assumptions are made in respect to cash flows related to assets and liabilities, and haircuts related to liquidation of securities.

Business as Usual ("BAU") refers to situations that carry no liquidity stress test assumptions. However, it does consider management action to repo securities through secured funding using haircuts consistent with normal market conditions. Where deposits are concerned, BAU should represent volatility under normal market conditions. Therefore, run-off rates should be easily absorbed through day-to-day cash management.

Three different stress testing scenarios are utilized – (i) Idiosyncratic, (ii) Systemic, and (iii) Combined.

i. Under the Idiosyncratic scenario, there is the availability to repo or monetize assets with full usage of interbank lines. All buckets showed the ability to fund deposit run-offs.
ii. Systemic scenario assumes the ability to repo or monetize a portion of all assets. Since this stress scenario is faced by all banks in the market, clients may not have the confidence to move funds to competitors. This may allow the run-off rate on deposit to be less under this scenario.
iii. Combined stress scenario will see a portion of assets available for repo or monetization, and a reduced deposit run-off rate, as the combined situation as the systemic condition, which is faced by all commercial banks.

The Bank ensures monthly, there is sufficient liquidity to meet with projected stress test under all scenarios. Any negative impacts are given a timeline to resolve to meet with projected liquidity stress event.

The following table presents the NCF position under the 30- and 60-day period under both BAU and stress conditions.

RBC Royal Bank Cayman Limited – USD/KYD Consolidated

OCTOBER 2025	BAU		IDIOSYNCRATIC		SYSTEMIC		COMBINED	
	30-Days	60-Days	30-Days	60-Days	30-Days	60-Days	30-Days	60-Days
TOTAL ASSETS - per period	516,035	0	507,349	0	503,007	0	494,321	0
TOTAL ASSETS - cumulative	516,035	516,035	507,349	507,349	503,007	503,007	494,321	494,321
TOTAL LIABILITIES - per period	108,120	114,278	131,820	137,978	20,653	26,812	238,691	244,849
TOTAL LIABILITIES - cumulative	108,120	222,398	131,820	269,798	20,653	47,465	238,691	483,540
ASSETS LESS LIABILITIES - cumulative	407,915	293,637	375,530	237,552	482,354	455,542	255,630	10,781
ASSETS % LIABILITIES - cumulative	477%	232%	385%	188%	2436%	1060%	207%	102%

The NCF metric measures liquidity from a tactical position over 30- and 60-days buckets, along with the target that is monitored. For long-term liquidity measurement, ILM is completed monthly.

The NCF methodology is quantitative and principally derived from balance sheet exposures. Liquid assets are assigned haircuts in line with the Enterprise-wide haircut grid, whilst results from the LPR provides core deposits balances. These results are applied as deposit liabilities run-off. Volatile deposits are extracted from core deposits and given percentage run-off.

The NCF metric estimates the level of liquidity coverage (liquid assets ability to cover liabilities over the tactical period). The goal is for each bucket to maintain a minimum target of 100% or greater. Results below the 100% target must be followed up with a liquidity strategy and timeframe to close the existing gap. Using the Enterprise-wide haircut grid, the NCF template measurement assumes BAU conditions.

The Bank operates within the following approved limits which reflect local characteristics and marketplace practice within each entity:

1. NCF - measured monthly for all RBCC entities over 60 days maintaining a positive target/limit of > 100% with an internal desk trigger of >120%.
2. ILM – measured monthly for all RBCC entities maintaining a positive position.
3. Notional Pledging Limit - risk adjusted limit for pledged assets subject to security interest or otherwise not readily available.

In the event the NCF falls below 100%, assessment will be made of the underlying reasons and circumstances of the decline, along with the recommendation of optimal corrective actions to pre-empt a breach to any regulatory limit.

	Less than three months	Three to six months	Six to twelve months	One to five years	Over 5 years	Total
At October 31, 2025						
Assets:						
Cash and cash equivalents	$ 446,833	$ -	$ -	$ -	$ -	$ 446,833
Gross loans	278,472	35,602	76,079	240,331	430,911	1,061,395
Allowance for credit losses and unearned interest	-	-	-	-	-	(5,248)
Due from affiliated companies	6,292	-	-	-	-	6,292
Investment securities	27,827	28,871	22,886	-	-	79,584
Other assets	8,422	-	-	-	-	8,422
Total assets	767,846	64,473	98,965	240,331	430,911	1,597,277
Liabilities:						
Due to banks	$ 7,414	$ -	$ -	$ -	$ -	$ 7,414
Customers' deposits	1,088,769	64,134	55,786	24	-	1,208,714
Due to affiliated companies	88,875	46,868	-	-	-	135,742
Other liabilities	10,453	158	310	2,421	2,817	16,159
Total liabilities	1,195,511	111,159	56,096	2,445	2,817	1,368,029
Liquidity gap	(427,666)	(46,686)	42,869	237,885	428,094	229,248
Cummulative gap	(427,666)	(474,351)	(431,482)	(193,597)	234,497	

SECA – QUALITATIVE DISCLOSURE RELATED TO SECURITISATION EXPOSURES

The Bank does not currently participate in securitization activities.

MRA – QUALITATIVE DISCLOSURE RELATED TO MARKET RISK

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

The bank does not hold financial assets and liabilities sensitive to changes in market variables aside from foreign exchange and interest rates. As such, the Bank is not deemed to have significant other price risk exposures and the Bank does not engage in market trading activities.

OPR – QUALITATIVE & QUANTITATIVE DISCLOSURES RELATED TO OPERATIONAL RISK

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk is embedded in all RBC activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

QUALITATIVE DISCLOSURES

Risk Management Objectives and Policies
The RBC Operational Risk Management Framework (ORM Framework) provides an overview of RBC's comprehensive and coordinated enterprise-wide approach to operational risk management. This includes establishing appropriate oversight, common language, defining the Operational Risk Categories, a Three Lines of Defense governance model and the operational risk management programs and practices for managing the operational risks inherent in RBC's activities. The ORM Framework is aligned with RBC's overall approach to risk management, as articulated in the RBC Enterprise Risk Management Framework. The ORM Framework is applicable enterprise-wide as well as at a regional or legal entity level; and is reviewed and approved annually by the Risk Committee of the RBC Board.

The ORM program establishes a process to identify, assess and monitor operational risk as described below:

- Internal Events – Operational risk events are specific instances where operational risk leads to, or could have led to, an unintended identifiable impact. Internal events are those that affected RBC. The Internal Events program is a structured and consistent approach for collecting and analyzing internal event experience.
- External Events – External events are operational risk events that affect institutions other than RBC. External event monitoring and analysis is critical to gain awareness of operational risk experience within the industry and to identify emerging industry trends.
- Risk Register and is the book of record where risks generated by RBC's business activities, as well as mitigants of these risks (i.e., internal controls, strategies, actions), are documented and assessed. A Risk and Control Self-Assessment (RCSA) is a process to holistically evaluate the risks documented in the Risk Register in the context of an assessment unit (e.g., a business unit, process, legal entity, geographic region). Risks documented in the Risk Register are used as inputs into the RCSA, and one of the potential outcomes of the RCSA is updates to the Risk Register, improving and ensuring its completeness over time.
- Assessments of Change Initiatives, Projects, and New/Amended Products – which ensure that the risk and rewards of projects, change initiatives and new and amended products are well understood and that RBC does not assume risks that are not aligned with its risk appetite. Examples of projects and change initiatives include outsourcing arrangements, changes in business processes, implementation of new technology.
- Key Risk Indicators (KRIs) – KRIs are developed to support the ongoing monitoring of key risks to the business. KRIs can be used at the business or support unit level, Segment level and Enterprise level to provide a mechanism for articulating operational risk exposure and risk appetite; as well as for day-to-day management in the business and support units to monitor internal control adequacy.

- Internal Control Effectiveness Monitoring (ICMP) – The focus on internal control effectiveness monitoring is to assess both the design effectiveness and operating effectiveness of the internal control framework.

Operational risk management, which is founded on the principles of RBC Enterprise Risk Management Framework and sets out the elements that support these principles with respect to management of operational risk, is established for RBC Cayman. RBC Cayman's operational risk management assesses the entity's performance against quantitative KRIs. These metrics cover a broad range of operational risk components: processing & execution risk, business continuity/resilience risk, AML, people risk, privacy & information risk, regulatory compliance risk, and conduct risk. Sample measures used to inform the operational risk assessment include:

- Operational risk events impacting earnings as a % of Gross Revenue
- Number of major privacy breaches
- Number of repeat regulatory issues
- Percentage of high-risk code of conduct breaches reported

Operational risk KRIs for RBC Cayman are refreshed annually and reported quarterly to the Governance Committee and includes highlights of overall operational risk themes and significant issues.

Operational risk is managed through RBC infrastructure, controls, systems, and people, complemented by central groups focusing on enterprise-wide management of specific operational risks such as fraud, privacy, outsourcing, business disruption, people and systems risks; as well as business-specific groups such as the RBCFCL Operational Risk Unit. Specific programs, policies, standards, and methodologies have been developed to support the management of Operational risk. These programs involve (i) Risk and control assessment and monitoring, (ii) Operational risk event data collection and analysis, and (iii) Key risk indicator reviews.

Operational risk is difficult to measure in a complete and precise manner, given that exposure to operational risk is often implicit, bundled with other risks, or otherwise not taken on intentionally. In the banking industry, measurement tools and methodologies continue to evolve. The three options available to RBC Cayman under CIMA's implementation of Basel II are the Basic Indicator Approach, the Standardized Approach, and the Alternative Standardized Approach. RBC Cayman has adopted the Standardized Approach to measure operational risk RWA.

QUANTITATIVE DISCLOSURES

Operational Risk exposure in total managed at the consolidated level for RBC Caribbean Banking as at FY 2025

- Gross Reportable Operational Risk Losses not to exceed 84 basis points of Gross Revenue
- Net Fraud Losses not to exceed 84 basis points of Gross Revenue

Operational risk capital charge as a % of minimum regulatory capital

- Of the total 12% minimum regulatory capital required, 9.7% of that capital minimum is applicable to operational risk under the standardized approach.

Operational losses

- Operational losses for the fiscal year ended October 31, 2025, was less than 1% of gross revenue.
- Risk exposure in our context can refer to OREs that are in progress/draft where a loss has not been realized.

		Year 2025	Year 2024	Year 2023
A. Operational Risk Loss Event under $20,000 ($000s)				
1	Total amount of gross	0	0	14
2	Total amount of loss recovery	0	0	0
2a	of which: Insurance	0	0	0
3	Total amount of net operational	0	0	14
4	Number of operational loss	0	0	1
B. Operational Risk Loss Event between $20,000 and $100,000				
5	Total amount of gross	0	90	40
6	Total amount of loss recovery	0	0	0
6a	of which: Insurance	0	0	0
7	Total amount of net operational	0	90**	40***
8	Number of operational loss	0	1	1
C. Operational Risk Loss Event over $100,000 Threshold				
9	Total amount of gross	957	0	265
10	Total amount of loss recovery	0	0	0
10a	of which: Insurance	0	0	0
11	Total amount of net operational	957	0	265
12	Number of operational loss	3	0	1

Amounts shown in the table are reported in USD (these amounts were reported in KYD in previous reports).
*** Rate error resulted in the amount shown on row 11 instead row 7 in previous report.*
**** Transposition error resulted in a variance in previously reported total.*

IRR – QUALITATIVE & QUANTITATIVE DISCLOSURES RELATED TO INTERES RATE RISK IN THE BANKING BOOK ("IRRBB")

RBC's definition of IRRBB follows that of the Basel Committee, that is, the "current or prospective risk to a bank's capital and earnings, arising from adverse movements in interest rates that affect the bank's banking book positions." Insufficient management, measurement, and control of IRRBB can have an adverse effect on the Bank's capital base and/or its future earnings. The management approach to IRRBB takes into consideration all components of IRR, including directional risk, yield curve shape risk, basis risk and options risk.

Management and mitigation strategies include a number of assumptions affecting cash flows, product re-pricing and the administration of rates, underlie the models used to measure Net Interest Income (NII) and Economic Value of Equity ("EVE") risk. All assumptions are derived empirically based on historical client behavior and product pricing with consideration of possible forward-looking changes on non-maturing assets and liabilities (deposits). All models and assumptions used to measure IRRBB are subject to independent oversight by GRM. The Board approves the risk appetite for IRRBB, and the Asset-Liability Committee (ALCO), along with GRM, provides ongoing governance of IRRBB measurement and management through risk policies, limits, operating standards, and other controls.

To monitor and control interest rate risk in the banking book (IRRBB), The Group assesses two primary metrics, Net Interest Income (NII) risk and Economic Value of Equity (EVE) risk, under a range of market shocks, scenarios, and time horizons. Market scenarios include currency-specific parallel and non-parallel yield curve changes, interest rate volatility shocks, and interest rate scenarios prescribed by regulators.

In measuring NII risk, detailed banking book balance sheets are dynamically simulated to estimate the impact of market stress scenarios on projected earnings. Assets, liabilities, and off-balance sheet positions are simulated over a 1-year time horizon. The simulations incorporate maturities, renewals, and new originations along with prepayment behavior. Product pricing and volumes are forecasted based on past experience to determine response expectations under a given market shock scenario.

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

The bank calculates interest rate risk using a duration-based calculation. Duration measures the change in intrinsic value of a financial instrument as a result of interest rate movements. This calculates interest rate risk by multiplying the interest rate gaps by the duration measure. Each time period is assigned a risk weight to reflect the sensitivity of the present value of the cash flow in the time bucket with respect to the interest rate. The risk weights for all shock scenarios are calculated in a similar manner.

Static gap analysis is used to compute EVE and NII risk in the Caribbean. The GAP01 model measures IRRBB for ±100bps and ±200bps scenarios. The risk weights are provided by Corporate Treasury - Toronto monthly and the Finance unit populates the templates as per instructions provided by Corporate Treasury - Caribbean. Templates are reviewed and verified for management reporting.

RBC maintains an Interest Rate Risk in the Banking Book Policy and Limit Document which guides the management of IRRBB.

The Loan portfolio in Cayman is considered variable rates and therefore Prepayment risk is not applicable. Non-maturing deposits are assessed using historical data and trend analysis to calculate core balances. From an interest rate risk perspective, the core balance is a proportion of an asset or liability, whose volumes or prices are expected to remain relatively constant regardless of the market environment.

IRRBB reports are reviewed monthly by GRM, ALCO, and quarterly by the Board.

The below shows comparative data for both 100 bps and 200 bps stress scenarios for 2024 and 2025:

Market Risk: IRRBB Measures	RBC Royal Bank Cayman Ltd							
	2024				2025			
(Thousands of USD)	NII risk		EVE risk		NII risk		EVE risk	
	Local currency impact	Hard currency impact	Local currency impact	Hard currency impact	Local currency impact	Hard currency impact	Local currency impact	Hard currency impact
100 bps increase in rates	(6)	(34)	678	(490)	42	121	736	(267)
100 bps decrease in rates	6	34	(706)	606	(42)	(121)	(765)	374
200 bps increase in rates	(13)	(69)	1,329	(879)	83	242	1,442	(441)
200 bps decrease in rates	13	69	(1,441)	1,344	(83)	(242)	(1,562)	871

Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year	One to five years	Over five years	Non-Interest bearing	Total
At October 31, 2025					
Assets:					
Cash and cash equivalents	$ 416,384	$ -	$ -	$ 30,450	$ 446,833
Gross loans	804,724	26,904	226,369	3,397	1,061,395
Allowancefor credit losses and unearned interest				(5,248)	(5,248)
Investment securities	79,584	-	-	-	79,584
Due from affiliated companies	-	-	-	6,292	6,292
Other assets	-	-	-	8,422	8,422
Total financial assets	$ 1,300,691	$ 26,904	$ 226,369	$ 43,313	$ 1,597,277
Liabilities:					
Due to banks	-	-	-	7,414	7,414
Customer deposits	344,005	24	-	864,684	1,208,714
Due to affiliated companies	47,945	-	-	87,797	135,742
Other liabilities	-	-	-	16,159	16,159
Total financial liabilities	391,950	24	-	976,054	1,368,028
Interest sensitivity gap	$ 908,741	$ 26,880	$ 226,369		

REM – QUALITATIVE & QUANTITATIVE DISCLOSURES RELATED TO REMUNERATION

There are several layers of authority responsible for overseeing Compensation. The attachment gives an overview of the Structures and Roles therein. The attached link for the RBC Proxy Circular includes an overview of the compensation philosophy, framework, programs, and practices at RBC.

Compensation Governance Structure	**RBC Annual Report**
Comp Gov Structure - RBC updated Oct 20	Management Proxy Circular - April 2025

The only consultants we utilize in Cayman is an Independent 3rd Party consulting firm used by HR Compensation and Leadership, as a source for annual compensation market benchmarking survey data and general information on market trends.

The Policy covers all RBC employees and compensation programs.

Senior managers are employees who have responsibility for the overall operations of a unit/branch/function or country operations. RBC Bank does not have any role in Cayman categorized as 'material risk takers'.

The Compensation Management Framework (Policy) document provides a comprehensive overview of RBC's approach to compensation management, describing: RBC's Compensation philosophy and principles; the compensation governance structure and compensation risk management policies, standards and processes; the compensation program design process and the factors considered when making compensation decisions at the individual and program level; the monitoring and reporting of compensation; communication of compensation policies, program information and decisions; and the roles, responsibilities and authorities related to the management of compensation. This Framework applies to RBC and all employees participating in RBC's compensation programs.

These reviews are ongoing as Cayman Incentive Compensation programs are aligned to the enterprise programs which are reviewed in accordance with Incentive program type. The Compensation Management Framework is reviewed for approval by the Human Resources Committee (HRC) of the RBC Board of Directors. , following review by the CRMOC (Compensation Risk Management Oversight Committee comprised of the CHRO, CFO, CRO and SVP, Compensation & Benefits) and GRC (Group Risk Committee) every three years, and reviewed by the CSG (Compensation Sub-Group of the CRMOC, composed of senior management from key stewardship and support functions, including Risk, Compliance, Finance, Law and Human Resources) annually. This Framework is reviewed more frequently if required by changes to applicable laws or regulations or to ensure the effectiveness of this Framework and RBC's adherence to best practices.

Employees in Risk and Compliance are categorized separately from the Business (Bank) when it pertains to performance incentive bonuses. Throughout RBC they are referred to as "Control Functions" and their incentive is based on all of RBC businesses and not the sole business they support. This then separates the Functions from the Businesses they support.

RBC's approach to compensation risk management is outlined in the Compensation Risk Management Policy and related policies and processes. These are aimed at ensuring compensation aligns with the short-, medium- and long-term interests of our shareholders as well as regulatory guidance and best practices.

As set out in the Code of Conduct and in the Enterprise Culture and Conduct Risks Framework, all employees have a part to play in promoting a strong risk-aware culture built on our values. These values are embedded in our recruitment, promotion, learning, leadership development and compensation practices. Adherence to company policies and processes, including the Code of Conduct and RBC Values, is taken into account in determining performance-based compensation. Additionally, management considers potential risks associated with compensation arrangements, and takes into account risk accountabilities and ethical behaviors as part of performance evaluations and compensation decisions, with oversight from the Board.

RBC uses the Three Lines of Defense Governance Model. This model supports sound risk management as a shared responsibility, requiring leadership support and individual commitment from employees and managers as follows:

First Line of Defense
Managers and business leaders assess business needs and strategic goals and engage with the Second Line of Defense functions to ensure compensation program designs are aligned with business objectives, ongoing talent requirements and sound risk management practices.

Second Line of Defense
HR is responsible for supporting the development of appropriate plans, policies, and arrangements for supporting business needs, and works collaboratively with GRM, Finance and Law Group to ensure compensation program designs are aligned with sound financial and risk management practices as well as regulatory requirements.

Third Line of Defense
Internal Audit provides independent assurance to the HRC of RBC's Board of Directors that compensation policies, standards and practices are aligned with Financial Stability Board's (FSB) Principles and Implementation Standards and other regulatory guidance through a review of compensation risk management practices, required annually by the Implementation Standards.

The Enterprise Culture and Conduct Risks Framework describes the organization's approach to culture and conduct, and the interdependencies of the Compensation Management Framework in incenting appropriate behaviors, holding employees and managers accountable, and correcting behaviors to avoid poor conduct outcomes. The Forfeiture and Claw-back Policy assists in effectively balancing risk and reward by addressing situations where employees conduct business activities inappropriately or outside of approved risk limits and tolerances, or situations involving misconduct and/or financial restatement. The Compensation Risk and Performance Adjustment Process considers risk factors that may not have been reflected in current financial performance but could have the potential to be sufficiently significant to justify adjustments to variable compensation before variable compensation is awarded (Ex-Ante) or at the time of award vesting and payout (Ex-Post).

At RBC the Compensation mix is composed of Base Salary, Short Term Incentive and Mid Term Incentive (Snr Leader only). The STI program is structured such that 70% of award is based on Individual performance in relation to annual goals, 20% based on the Business performance against its targets and 10% based on how RBC Client experience performance results.

Performance Metrics / Annual goals for Sales & Service employees may vary, however typically the 'What' (revenue) number of sales, referrals, client experience, and team performance as well as key behavioral metrics comprise the basic goals. The combination of the what (goals) and how (behaviors) ensures that employees not only focus on 'what' they need to accomplish but 'how' they accomplish their goals are just as important.

The banks performance enablement program clearly outlines how goals are set at year start and how they are to be continuously reviewed during the course of the year between employee and manager at monthly/quarterly coaching session to ensure employee has continuous feedback. At RBC the 4 Performance ratings are clearly defined - Exceeds Expectations, Fully Meeting Expectations, Partially Meeting Expectations, Did not meet Expectations. For each of these, the level of incentive payout is determined. Breaches to mandates are treated in accordance with policy and can decrease variable compensation payout by as much as 100%.

Metrics are reviewed annually based on strategic intent and the goals of the business for the fiscal year. A team of Sales and Service Effectiveness Leaders provide the linkage between the Business goals and objectives and how the various roles in the Bank's Sales and Service Teams/Branches would achieve same. They provide detailed Performance Enablement Documents to set up the manager and employee for success, they monitor operational processes and the effectiveness and determine what metrics maybe adjusted or altered as necessary.

Equity compensation (e.g., performance deferred share units) rewards employees for contribution to RBC’s medium and long-term (3 and up to 10 years, respectively) performance and for their potential for future contribution. More senior employees receive a greater portion of their pay in the form of equity-based compensation. Annually an assessment is done in accordance with guidelines to determine eligibility for an equity award, typically at year-end review. Based on assessment of performance and potential a determination is made on granting an award. Awards granted require approval from leadership at the VP and EVP level based on set criteria and are designed to support the retention of executives and senior employees and are aligned with market pay practices.

To effectively balance risk and reward, forfeiture and claw-back provisions address situations where employees engage in misconduct, or conduct business activities inappropriately, or outside the approved risk limits and tolerances, or situations involving a material error or misstatement of financial results.

The Governing body for Incentive Compensation programs meets quarterly to review and approve new programs or changes to existing programs. The main body is comprised of Senior Canadian Personnel in key functions, Law, Compliance, Risk, Finance, ER.

The Business Results of the variable incentive programs are approved at the enterprise level based on Caribbean Banking performance. These results are then communicated to Caribbean Banking and would account for 30% of an individual’s Incentive payout. The remaining 70% of payout is based on the individual performance level as assessed over the fiscal year. Incentive payouts are made in December annually.

- Number of employees that received variable incentive awards for financial year:
  - 2025 = 61
- Number and total amount of guaranteed bonuses awarded for the financial year.
  - 2025 = 0 bonus payment – KYD 0
- Number and total amount of sign-on awards for the financial year.
  - 2025 = 3 Sign on – KYD29,385
- Number and total amount of severance payments made for financial year.
  - 2025 = 1 – KYD43,504
- Total Amount of Variable Awards in Fiscal Year:
  - 2025 = KYD1,000,758
- Total Deferred Awards granted in Fiscal Year:
  - 2025 = KYD300,653
- Total amount of deferred remuneration paid out in the financial year:
  - 2025 = KYD23,348

Deferred remuneration awards are made to our most senior managerial positions in Cayman. These awards may be granted under either the Performance Deferred Share Units Plan or The Stock option plan. Below is a summary of key features of these plans:

- The Stock Option Plan is designed to reward eligible employees (Senior Vice President and above only) for their contributions to the Bank's performance by providing incentives that support growth and profitability and help attract and retain executives with experience and ability.
- Stock options and corresponding share appreciation rights (SARs) may be exercised in whole or in part, subject to applicable vesting conditions and procedures established by the Human Resources Committee.
- The exercise period for each award is determined by the Committee and may not extend beyond ten years from the grant date.
- Unvested awards will be forfeited for employees leaving the Bank for any reason other than retirement, disability, or death.
- The Performance Deferred Share Unit Program (PDSUP) may be granted to senior management employees based on sustained individual performance, an expectation of future potential contribution, and consistent contribution to the mid-term success of the Bank.
- The Award is vested for 3 years – (deferred payment made at end of year 3).
- There is a performance modifier, which has the potential to increase or decrease the award depending on RBC's performance.
- The final award will only be paid out if the employee's performance remains at the expected level or higher. If the employee's performance Does not Meet Expectations any time during the vesting period, then employee may forfeit the award.
- Unvested awards will be forfeited for employees leaving the Bank for any reason other than retirement, disability, or death.