RBC ROYAL BANK (CAYMAN) LIMITED

<u>Basel II Pillar 3 (Semi-Annual) Disclosures</u>
October 31, 2023

RBC Royal Bank (Cayman) Limited

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CAP – DETAILS ON THE BANK'S CAPITAL, INCLUDING SPECIFIC CAPITAL INSTRUMENTS

Scope

RBC Royal Bank (Cayman) Limited is ultimately owned by Royal Bank of Canada (RBC), a publicly traded chartered bank. In June 2008, RBC acquired RBTT Financial Group (RBTT) creating RBC Financial (Caribbean) Limited (RBCFCL) with headquarters in Port of Spain, Trinidad. The Bank was incorporated locally on September 21, 2011, to become RBC Royal Bank (Cayman) Limited, a subsidiary of RBCFCL. The Bank has no subsidiaries and therefore, consolidation differences for accounting and regulatory purposes does not apply.

Capital Structure

The Bank's accounting capital is comprised mainly of issued ordinary shares at par $1.00 and retained earnings less any dividends paid. As recorded in the company's financial statements as of October 31, 2023 the Bank's total equity is $212 million (audited financial statements as of October 31, 2022 was $169 million).

The following table shows the Bank's total eligible capital in respective Tiers as outlined in the guidelines on minimum capital requirements:

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CAP – DETAILS ON THE BANK'S CAPITAL, INCLUDING SPECIFIC CAPITAL INSTRUMENTS (Continued)

A. Tier 1 Capital	
Paid up capital	16,486,373
Share premium	98,406,628
Retained earnings	54,101,979
Eligible innovative instruments	-
Minority interest	-
Other Tier 1 Capital	-
Total Tier 1 Capital	**168,994,980**
B. Deductions from Tier 1 Capital	
Goodwill	-
Intangible assets	-
50/50 pro rata basis deduction	-
Other Tier 1 Deductions	-
Total Deductions from Tier 1 Capital	**-**
Total Tier 1 Capital	**168,994,980**
C. Tier 2 Capital	
Perpetual cumulative preference shares	-
Perpetual cumulative subordinated debt	-
Excess on innovative instruments	-
General provisions	2,586,897
Other upper tier 2 instruments	43,081,668
Total Upper Tier 2 Instruments	**45,668,565**
Term subordinated debt	-
Other lower tier 2 instruments	-
Total Lower Tier 2 Instruments	**-**
Total Tier 2 Instruments	**45,668,565**
D. Deductions from Tier 2 Capital	
50/50 pro rata basis deduction	-
Other Tier 2 Deductions	
Total Deductions from Tier 2 Capital	**-**
Net Tier 2 Capital	**45,668,565**
Total Net Tier 1 and Net Tier 2 Capital	**214,663,545**
E. Tier 3 capital	
Fully paid, unsecured subordinated debt	-
Available Capital Base	**214,663,545**

CAP – DETAILS ON THE BANK'S CAPITAL, INCLUDING SPECIFIC CAPITAL INSTRUMENTS (Continued)

Capital Adequacy

RBCFCL has in place a comprehensive Capital Management Framework (CMF) that provides a high-level overview of how RBCFCL and its subsidiaries, manage its capital in a coordinated and consistent manner across its organizational structure in order to ensure capital adequacy and ongoing compliance with all regulatory requirements and self-imposed internal targets. This framework is reinforced by key supporting policies and processes, which provide further detail surrounding the Annual Capital Plan process, the management of capital adequacy, subsidiary capital management and all capital-related transactions.

RBC Cayman adheres to an annual stress testing program to evaluate the subsidiary's capital position under severe but plausible scenarios, to assist with capital adequacy and contingency planning. RBC Cayman is considered adequately capitalized as at October 2023 and is expected to remain so over the next 3 years (i.e. up to October 2026).

Corporate Treasury - Caribbean in conjunction with Finance prepares the Annual Capital Plan for its regulated subsidiaries such as RBC Cayman; incorporating financial goals, including the capital ratio targets within which the Group's capital management is conducted. This is done in alignment with the Group Operating / Business Plan.

Internal Capital Adequacy Assessment Plan (ICAAP) is a regulatory prescribed process and forms one of its tools of 'Supervisory Review' as required by Pillar II of the Basel II framework. Through development of the ICAAP, Banks are required to demonstrate to Boards of Directors and to regulators that they have a thorough process for assessing adequacy of Capital relative to their risks, and also have sufficient capital resources to cover all material risks beyond the core minimum requirements, i.e. they maintain a safety cushion to accommodate a range of unexpected but plausible contingencies.

Core risks include credit, market and operational risks as defined and measured in accordance with prescribed regulatory guidance. Also considered within the scope of adequacy assessments are a broader range of risks. The ICAAP evaluates the Bank's capital position in relation to its risk appetite, risk profile, business strategies, operating environment and sensitivity to a number of contingencies defined in stress tests.

Risk appetite and business strategy decisions determine the types and magnitude of risks faced by the institution. This in turn dictates the potential for unexpected losses and the institution's overall requirements for capital. For RBC Cayman, the Capital Adequacy assessment is a function of capital required versus available, as measured by regulatory and internal requirements. Regulatory capital requirements of the entity are subject to Basel II Pillar 1 stipulations as required by CIMA.

The following table shows the risk weighted assets for credit, market and operational risk along with the minimum capital requirement for each. Also shown is the Total and Tier 1 capital adequacy ratio.

CAP – DETAILS ON THE BANK'S CAPITAL, INCLUDING SPECIFIC CAPITAL INSTRUMENTS (Continued)

	RWA	Minimum Capital Requirements (12%)
	October 31, 2023	October 31, 2023
Credit risk (excluding counterparty credit risk) (CCR)	**579,557,046**	**69,546,846**
Securitisation exposures	**-**	**-**
Counterparty credit risk	**-**	**-**
Of which: current exposure method	-	-
Of which: standardized method	-	-
Market risk	**50,576**	**6,069**
Of which: Equity risk	-	-
Operational risk	**49,521,050**	**5,942,526**
Of which: Basic Indicator Approach	-	-
Of which: Standardised Approach	49,521,050	5,942,526
Of which: Alternative Standardised	-	-
Total	**629,128,672**	**75,495,441**

Total Tier 1 Capital Ratio	**26.86%**

Total Capital Ratio	**34.12%**

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CR1 – CREDIT QUALITY OF ASSETS

		a	b	c	d
		Gross carrying values of:			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1	Loans	8,248,630	888,863,198	4,344,095	892,767,734
2	Debt Securities	-	137,055,887	1,242	137,054,645
3	Off-balance sheet exposures	-	86,771,957	168,291	86,603,665
4	***Total***	**8,248,630**	**1,112,691,042**	**4,513,628**	**1,116,426,044**

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.

CR2 – CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

		May 2023 to October 2023
1	**Defaulted loans and debt securities at end of the previous reporting period**	9,262,095
2	Loans and debt securities that have defaulted since the last reporting period	2,778,804
3	Returned to non-defaulted status	(1,249,237)
4	Amounts written off	(216,130)
5	Other changes	(2,326,902)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**8,248,630**

New defaults occurring over the period consist of 19 personal facilities. These are anchored with our special loans teams for the appropriate collection and recovery efforts.

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CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

		October 31, 2023					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
1	Soverigns and their central banks	541,148,195	-	541,148,195	-	-	0.00%
2	Non-central government public sector entities	18,888,797	-	18,888,797	-	-	0.00%
3	Multilateral development banks	85,031,210	-	85,031,210	-	-	0.00%
4	Banks	99,473,089	-	99,473,089	-	19,894,618	20.00%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	236,205,449	-	236,205,449	-	236,205,449	100.00%
7	Regulatory retail portfolios	30,351,272	3,775,682	30,351,272	3,775,682	30,351,272	88.94%
8	Secured by residential property	299,459,241	-	299,459,241	-	224,594,431	75.00%
9	Secured by commercial real estate	52,158,582	-	52,158,582	-	52,158,582	100.00%
#	Past-due exposures	4,807,171	-	4,807,171	-	4,807,171	100.00%
#	Higher-risk categories	11,545,523	-	11,545,523	-	11,545,523	100.00%
#	Other assets	-	-		-		0.00%
#	**Total**	**1,379,068,529**	**3,775,682**	**1,379,068,529**	**3,775,682**	**579,557,046**	**41.91%**

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CR5 – STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

		October 31, 2023									
	Risk Weight / Asset Classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post-CRM)
1	Soverigns and their central banks	541,148,195	-	-	-	-	-	-	-	-	541,148,195
2	Non-central government public sector entities	18,888,797	-	-	-	-	-	-	-	-	18,888,797
3	Multilateral development banks	85,031,210	-	-	-	-	-	-	-	-	85,031,210
4	Banks	-	-	99,473,089	-	-	-	-	-	-	99,473,089
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	236,205,449	-	-	236,205,449
7	Regulatory retail portfolios	3,775,682	-	-	-	-	-	30,351,272	-	-	34,126,954
8	Secured by residential property	-	-	-	-	-	299,459,241	-	-	-	299,459,241
9	Secured by commercial real estate	-	-	-	-	-	-	52,158,582	-	-	52,158,582
10	Past-due exposures	-	-	-	-	-	-	4,807,171	-	-	4,807,171
11	Higher-risk categories	-	-	-	-	-	-	11,545,523	-	-	11,545,523
12	Other assets	-	-	-	-	-	-	-	-	-	-
13	**Total**	**648,843,884**	**-**	**99,473,089**	**-**	**-**	**299,459,241**	**335,067,997**	**-**	**-**	**1,382,844,211**

CCR1 – ANALYSIS OF COUNTERPARTY CREDIT RISK EXPOSURE BY APPROACH

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.

CCR3 – STANDARDISED APPROACH OF CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

Refer to Table CCR1. The Bank does not currently engage in trading related activities that give rise to significant counterparty credit risk.

CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

Refer to Table CCR1. The Bank does not currently engage in trading related activities that give rise to significant counterparty credit risk.

CCR6 – CREDIT DERIVATIVE EXPOSURES

Refer to Table CCR1. The Bank does not currently engage in trading related activities that give rise to significant counterparty credit risk.

LIQ2 – NET STABLE FUNDING RATIO (NSFR)

The available stable funding of the entity is driven primarily from capital (100% stable) and operational deposits from personal, non-personal and sovereigns. The majority of the assets requiring stable funding (50%) are primarily <1year loans to personal, non-personal and sovereigns. The entity has more operational deposits than less-than-1year loans compared to the required funding resulting in an elevated NSFR result.

		October 31, 2023				
	In $'000s	No Maturity	< 6 Months	6 Months to 1 Year	> 1 Year	Weighted Value
	Available stable funding (ASF) item					
1	Capital	-	-	-	214,802	214,802
2	Regulatory capital				214,802	214,802
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	233,159	6,180	-	215,405
5	Stable deposits					
6	Less stable deposits		233,159	6,180		215,405
7	Wholesale funding:	-	890,544	26,880	-	402,381
8	Operational deposits		890,544	26,880		402,381
9	Other wholesale funding					
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in the above categories					
14	**Total Available Stabe Funding (ASF)**					**832,588**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					29,958
16	Deposits held at other financial institutions for operational purposes		17,019			8,510
17	Performing loans and securities:	-	267,231	1,246	-	134,238
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to soverigns, central banks and PSEs, of which:		267,231	1,246		134,238
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk					
22	Performing residential mortgages, of which:					
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk					
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories					
32	Off-balance sheet items		3,776			3,776
33	**Total RSF**					**176,482**
34	**Net Stabe Funding Ratio (%)**					**472%**

SEC1 – SECRUTISATION EXPOSURES IN THE BANKING BOOK

The Bank does not currently participate in securitization activities.

SEC2 – SECURITISATION EXPOSURES IN THE TRADING BOOK

The Bank does not currently participate in securitization activities.

SEC3 – SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS ORGINATOR OR AS SPONSOR

The Bank does not currently participate in securitization activities.

SEC4 – SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

The Bank does not currently participate in securitization activities.

MR1 – MARKET RISK UNDER STANDARDISED APPROACH

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.

The following table shows the component of RWA under the standardised approach allocable to market risk:

		October 31, 2023
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specifici)	-
3	Foreign exchange risk	50,576
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**50,576**

ENC – ASSET ENCUMBRANCE

The Bank's assets are not encumbered and are available to be liquidated, sold, transferred or assigned. Although unencumbered, given that the Bank adheres to minimum liquidity and capital regulatory requirements, some of the Bank's assets are managed within those established minimum rules.

Financial Statement Line Items	Encumbered Assets	Unencumbered Assets	Total
Assets			
Cash and cash equivalents	-	341,444,768	341,444,768
Loans and advances to customers	-	892,524,256	892,524,256
Investment securities	-	137,054,645	137,054,645
Due from affiliated companies	-	2,864,965	2,864,965
Premises and equipment	-	9,612,390	9,612,390
Other assets	-	5,809,407	5,809,407
Total Assets	**-**	**1,389,310,431**	**1,389,310,431**