

RBC ROYAL BANK (ARUBA) N.V.

Financial Statements
October 31, 2025

RBC Royal Bank (Aruba) N.V.

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Independent auditor's report

To: the general meeting of shareholders and the supervisory board of RBC Royal Bank (Aruba) N.V.

Report on the audit of the financial statements 2024/2025

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of RBC Royal Bank (Aruba) N.V. (the "Company") as at 31 October 2025, and of its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards issued by International Accounting Standards Board (IASB) and the Directive on Publication of the Audited Annual Financial Statements by virtue of article 15, paragraph 1, of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) for credit institutions licensed by the Centrale Bank van Aruba (CBA) ("Directive on Publication of the Audited Annual Financial Statements").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 October 2025;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

The basis for opinion

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

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

Independence

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

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the IFRS Accounting Standards issued by IASB and the Directive on Publication of the Audited Annual Financial Statements, and for such internal control as management determines is necessary to

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enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



Amsterdam, 29 January 2026
PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.E. Smolders RA

RBC Royal Bank (Aruba) N.V.

Statement of Financial Position As at October 31, 2025

Expressed in thousands of Aruban Florins

	Notes	2025 (AWG'000)	Restated ⁽¹⁾ 2024 (AWG'000)
Assets			
Cash and cash equivalents	3	394,447	326,893
Balances with central bank	4	116,435	151,596
Loans	5	773,301	752,314
Securities	6	8,892	8,880
Due from associates and affiliated companies	23	2,625	7,755
Intangible assets	7	91	99
Premises and equipment	8	14,324	14,408
Deferred tax assets	9	2,647	2,837
Other assets	10	4,705	10,036
Total assets		1,317,467	1,274,818
Liabilities			
Due to banks		2,928	1,677
Customers' deposits	11	1,040,452	1,028,276
Due to associates and affiliated companies	23	19,413	16,711
Current income tax liabilities		7,902	7,057
Other liabilities	12	16,068	15,114
Deferred tax liabilities	9	792	794
Total liabilities		1,087,555	1,069,629
Equity			
Stated capital		43,865	43,865
Share premium		1,000	1,000
Regulatory loan loss reserve	13	23,197	22,568
Other components of equity	14	2,808	2,808
Retained earnings		159,042	134,948
Total equity		229,912	205,189
Total liabilities and equity		1,317,467	1,274,818

⁽¹⁾ Note 26: Details of the restatement.

On January 13, 2026 the Board of Directors and the Board of Supervisory Directors of RBC Royal Bank (Aruba) N.V. approved these financial statements for issuance.

The total authorised number of shares at period end was unlimited with a par value of AWG1,000 each. All 43,865 issued shares were fully paid.

The notes on pages 10 to 92 form an integral part of these financial statements.

RBC Royal Bank (Aruba) N.V.

Statement of Income and Other Comprehensive Income For the year ended October 31, 2025

Expressed in thousands of Aruban Florins

	Notes	2025 (AWG'000)	2024 (AWG'000)
Interest income	15	52,948	49,556
Interest expense	16	<u>(14,073)</u>	<u>(12,760)</u>
Net interest income		38,875	36,796
Non-interest income	17	<u>22,104</u>	<u>18,732</u>
Total revenue		60,979	55,528
Non-interest expenses	18	(32,239)	(32,319)
Provision for credit losses on off balance sheet items		(8)	-
Release of credit losses on loans	5.1	3,434	6,674
Release of credit losses on securities		<u>-</u>	<u>10</u>
Total non-interest expenses		<u>(28,813)</u>	<u>(25,635)</u>
Net income before taxation		32,166	29,893
Taxation expense	19	<u>(7,443)</u>	<u>(6,464)</u>
Net income		<u>24,723</u>	<u>23,429</u>
Other comprehensive income net of taxes			
Items that may be reclassified subsequently to profit or loss:			
Net unrealised gain on revaluation of debt securities - FVOCI		-	35
Tax impact		-	(5)
Items that will not be reclassified subsequently to profit or loss:			
Net unrealised gain on revaluation of equity securities - FVOCI		-	177
Tax impact		-	(37)
Other comprehensive income for the year, net of taxes		<u>-</u>	<u>170</u>
Total comprehensive income for the year		<u>24,723</u>	<u>23,599</u>

The notes on pages 10 to 92 form an integral part of these financial statements.

RBC Royal Bank (Aruba) N.V.

Statement of Changes in Equity For the year ended October 31, 2025

Expressed in thousands of Aruban Florins

	Share capital (AWG'000)	Share premium (AWG'000)	Regulatory loan loss reserve (AWG'000)	Other components of equity (AWG'000)	Retained earnings (AWG'000)	Total (AWG'000)
Year ended October 31, 2025						
Balance at beginning of year (restated)	43,865	1,000	22,568	2,808	134,948	205,189
Other comprehensive income	-	-	-	-	-	-
Net income	-	-	-	-	24,723	24,723
Total comprehensive income	-	-	-	-	24,723	24,723
Appropriation to regulatory loan loss reserve	-	-	629	-	(629)	-
Balance at end of the year	43,865	1,000	23,197	2,808	159,042	229,912
Year ended October 31, 2024						
Balance at beginning of year	43,865	1,000	20,339	2,638	111,115	178,957
Restatement	-	-	-	-	2,633	2,633
Balance at beginning of year (restated)	43,865	1,000	20,339	2,638	113,748	181,590
Other comprehensive income	-	-	-	170	-	170
Net income	-	-	-	-	23,429	23,429
Total comprehensive income	-	-	-	170	23,429	23,599
Appropriation to regulatory loan loss reserve	-	-	2,229	-	(2,229)	-
Balance at end of the year (restated)	43,865	1,000	22,568	2,808	134,948	205,189

The notes on pages 10 to 92 form an integral part of these financial statements.

RBC Royal Bank (Aruba) N.V.

Statement of Cash Flows For the year ended October 31, 2025

Expressed in thousands of Aruban Florins

	2025	2024
	(AWG'000)	(AWG'000)
Cash flows from operating activities		
Income before taxation	32,166	29,893
Adjustments for:		
Depreciation and amortisation of premises and equipment	1,391	1,758
Release of credit losses	(3,426)	(1,731)
Unrealised gains on securities	(12)	(335)
Gain on disposal of premises and equipment	(46)	(30)
Operating profit before changes in operating assets and liabilities	30,073	29,555
(Increase)/decrease in operating assets and liabilities:		
Balances with central bank	35,161	33,290
Loans	(17,553)	(72,564)
Due from affiliated companies	5,130	1,357
Other assets	5,331	(6,779)
Increase/(decrease) in operating liabilities:		
Customers' deposits	12,176	115,927
Due to banks	1,251	(474)
Due to affiliated companies	2,702	(1,138)
Other liabilities	1,050	4,240
Income taxes paid	(6,410)	(3,968)
Cash generated from operating activities	68,911	99,446
Cash flows from investing activities		
Proceed from sale and maturities of securities	-	4,961
Additions to premises and equipment and intangible assets	(1,246)	(2,111)
Proceeds from sale of premises and equipment	46	30
Net cash (used in)/generated from investing activities	(1,200)	2,880
Cash flows from financing activities		
Principal elements of lease payments	(157)	(71)
Net cash used in financing activities	(157)	(71)
Net increase in cash and cash equivalents	67,554	102,255
Cash and cash equivalents - beginning of the year	326,893	224,610
Effects of exchange rate changes on cash and cash equivalents	-	28
Cash and cash equivalents - end of year	394,447	326,893

The notes on pages 10 to 92 form an integral part of these financial statements.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

1. Incorporation and principal activities

RBC Royal Bank (Aruba) N.V. (the "Bank"), was incorporated under the laws of Aruba on December 18, 1985 and started operations on February 2, 1987. The principal activities of the Bank is commercial and retail banking in Aruba. The address of RBC Royal Bank (Aruba) N.V.'s registered office is Italiëstraat 36, Aruba.

The Bank is a wholly owned subsidiary of RBC Royal Bank N.V., a company incorporated in Curaçao. Its ultimate parent company is Royal Bank of Canada, a company incorporated in Canada. The address of Royal Bank of Canada's registered office is 200 Bay Street, Royal Bank Plaza, Toronto, Ontario, Canada.

2. Summary of material accounting policies, estimates and judgements

The material accounting policies used in the preparation of these Financial Statements are summarised below.

These financial statements, in all material respects, have been prepared in accordance with IFRS[®] Accounting standards which comprise the following authoritative literature:

- IFRS[®] Accounting Standards,
- IAS[®] Standards; and
- Interpretations developed by the IFRS[®] Interpretations Committee (IFRIC[®] interpretations) or its predecessor body, the Standing Interpretations Committee (SIC[®] Interpretations).

These Financial Statements have also been prepared as required by the Directive on the Publication of the Audited Annual Financial Statements and the Supervisory Directives Section III.6 Directive on the Publication of the Audited Annual Financial Statements, issued by the Central Bank of Aruba (together the "Regulations"). These Regulations allow management to exclude certain disclosures related to the compensation of management and the Supervisory Board.

Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value or revalued amount
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell.

Basis of measurement

The Financial Statements are prepared in Aruban Florin (AWG).

These Financial Statements include the assets and liabilities and results of operations of RBC Royal Bank (Aruba) N.V.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Use of estimates and assumptions

In preparing our financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures.

Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, the allowance for credit losses, pensions and other post-employment benefits, income taxes provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future financial statements. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

Significant judgements

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

Commission and fees	Note 2, Note 17
Fair value of financial instruments	Note 2, Note 25
Allowance for credit losses	Note 2, Note 5, Note 6
Application of the effective interest method	Note 2
Derecognition of financial assets	Note 2
Income taxes	Note 2, Note 9
Intangibles	Note 2, Note 7

Future changes in accounting policy and disclosure

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (the Amendments). The Amendments clarify the recognition and derecognition of financial instruments and introduce an accounting policy option for financial liabilities settled through electronic payment systems. The Amendments also clarify classification guidance for financial assets with contingent features not directly related to changes in basic lending risks and introduce additional related disclosure requirements for financial instruments with such contingent features. The Amendments will be effective for us on November 1, 2026 and will be applied retrospectively with no restatement of comparative periods required. To manage the implementation of the Amendments, we established a program to assess the impact on systems, processes and financial reporting. We continue to assess the impact of adopting the Amendments on our Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard. The standard introduces new defined subtotals to be

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Future changes in accounting policy and disclosure (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) (continued)

presented in the Statement of Income, disclosure of management-defined performance measures and requirements for aggregation and disaggregation of information. This standard will be effective for us on November 1, 2027 and will be applied retrospectively. To manage the transition to IFRS 18, we established a program to assess the impact on systems, processes and financial reporting required for adoption. We continue to assess the impact of adopting this standard on our Financial Statements.

Other material accounting policies

The following accounting policies are applicable to all periods presented.

Classification of financial assets

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

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

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

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Classification of financial assets (continued)

Business model assessment

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

- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 26, and the activities taken to manage those risks;
- Historical and future expectations of sales of the loans and securities managed as part of a business model; and
- The compensation structures for managers of the businesses within the Bank, to the extent that these are directly linked to the economic performance of the business model.

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

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

SPPI assessment

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

Securities

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Securities (continued)

Investment securities include all securities classified as FVOCI and amortised cost.

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

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

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

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

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Fair value option (continued)

embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category subsequently. Financial assets designated as FVTPL are initially recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in non-interest income.

Financial liabilities designated as FVTPL are initially recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognised in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in non-interest income. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognised in net income. To make that determination, we assess whether we expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on our financial liabilities designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Loans

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

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Loans (continued)

recognised in interest income at the prepayment date.

For loans carried at amortised cost or FVOCI, impairment losses are recognised at each statement of financial position date in accordance with the three-stage impairment model outlined below.

Allowance for credit losses

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

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

We measure the ACL at each statement of financial position date according to a three-stage expected credit loss impairment model:

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

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

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

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

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

Measurement of expected credit losses

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

An expected credit loss estimate is produced at the loan level. The estimate is based on an IFRS 9 model that takes into account different segments of our portfolio and forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment can be exercised in determining the final expected credit losses using a range of possible outcomes.

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

Expected life

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

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Expected life (continued)

product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption are credit cards balances. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Assessment of significant increase in credit risk

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

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

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

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

Use of forward-looking information

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

Further details on our forward looking assumptions and scenarios as at October 31, 2025 are provided in Note 5.1.

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Scenario design

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

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

Definition of default

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

The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each statement of financial position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, 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.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Credit-impaired financial assets (Stage 3) (continued)

An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

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

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, the accrual is calculated by applying the effective interest rate to the carrying amount, which is recorded on the statement of financial position. The discount resulting from the impact of time delays in collecting principal (time value of money) is established and recorded through provision for credit losses.

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

Individually assessed loans (Stage 3)

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Individually assessed loans (Stage 3) (continued)

Individually assessed allowances are established in consideration of a range of possible outcomes, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions based on expert credit judgement.

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

Collectively assessed loans (Stage 3)

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

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

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

Write-off of loans

Loans are generally written off, either partially or in full, when there is no or minimal realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Allowance for credit losses (continued)

Write-off of loans (continued)

For credit cards, the balances are generally written off when payment is 180 days past due. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due, unless liquidation of underlying real estate collateral is expected to be closed in the short term. In such cases write-off may be delayed beyond 2,000 days. In all other instances, the write-off will be completed at 2,000 days, although recovery efforts will continue.

Modifications

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

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

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognised only if material. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment. If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Determination of fair value

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

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

In determining fair value, a hierarchy is used which prioritises the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Determination of fair value (continued)

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

Interest

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Commissions and fees

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

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

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

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

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

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

Commission and fees primarily relate to transaction service fees and commissions; credit related commissions and fees, which are recognised based on the applicable service contracts with customers.

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

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Commissions and fees (continued)

fees and are recognised over a twelve month period.

Credit related commissions and fees include credit fees and commissions related to securities brokerage services. Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided.

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

Transaction costs

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

Offsetting financial assets and financial liabilities

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

Cash and cash equivalents

Cash and short term instruments comprise cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are normally those with original maturities up to three months from the date of acquisition.

Derecognition of financial assets

Financial assets are derecognised from our Statement of Financial Position when our contractual rights to the cash flows from the assets have expired, when we retain the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements or when we transfer our contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. When we retain substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised from our Statement of Financial Position and are accounted for as secured financing

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Derecognition of financial assets (continued)

transactions. When we neither retain nor transfer substantially all risks and rewards of ownership of the assets, we derecognise the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognise the transferred assets to the extent of our continuing involvement.

We derecognise transferred financial assets if we transfer substantially all the risk and rewards of the ownership in the assets. When assessing whether we have transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. When the benefits of servicing are greater than fair market value, a servicing asset is recognised in Other assets in our Statement of Financial Position. When the benefits of servicing are less than fair market value, a servicing liability is recognised in Other liabilities in our Statement of Financial Position.

Derecognition of financial liabilities

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

Guarantees

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

Share-based compensation

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

For cash-settled awards, The Bank’s accrued obligations are adjusted to their fair value at each balance sheet date. Changes in obligations, are recorded as Non-interest expense in the Statement of Income with a corresponding change in Other liabilities. Compensation expense is

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Share-based compensation (continued)

recognised in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

Income taxes

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

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes.

A deferred income tax asset or liability is determined for each temporary difference. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Current tax assets and liabilities are offset when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. Our Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

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

We are subject to income tax laws in Aruba and the complex tax laws are potentially subject to different interpretations by the relevant taxation authority and the Bank. Significant judgement is required in the interpretation of the relevant tax laws, and in assessing the probability of acceptance of our tax positions to determine our tax provision, which includes our best estimate of tax positions that are under audit or appeal by relevant taxation authority. We perform a review on a quarterly basis to incorporate our best assessment based on information available, but additional liability and income tax expense could result based on decisions made by the relevant tax authority. The determination of our deferred income tax asset or liability also requires significant management judgement as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realised or the liability is settled. Any changes in our projection

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Income taxes (continued)

will result in changes in deferred tax assets or liabilities on our Statement of Financial Position, and also deferred tax expense in our Statement of Income and Other Comprehensive Income.

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

The IASB issued amendments to IAS 12 Income Taxes (IAS 12) to address the Pillar Two Model Rules for International Tax Reform, including a global 15% minimum tax. Pillar Two income taxes may arise in or in relation to jurisdictions where the operations of a multinational enterprise such as Royal Bank of Canada, the ultimate parent entity, have an effective tax rate below 15%. The Aruba jurisdiction in which the Bank operates has not introduced a domestic minimum tax as the effective tax rate is above 15%. Therefore, no impact would have arisen for the Bank had the Pillar Two legislation applied to the fiscal year ended October 31, 2025.

Business combinations

The Bank undertakes certain transactions involving the transfer of businesses or entities between parties that are ultimately controlled by the same parent before and after the transaction. Such transactions are considered business combinations under common control and fall outside the scope of IFRS 3 'Business Combinations'.

For re-organizations or restructurings under common control, the Bank applies a predecessor accounting (carry-over) basis rather than the acquisition method. Under this policy:

- Assets and liabilities of the transferred entity or business are recognised at their existing carrying amounts in the consolidated financial statements of the transferring entity's highest-level parent that provides consolidated financial statements under IFRS.
- No goodwill is recognised on the transaction. Any difference between the consideration transferred (if any) and the carrying amounts of the net assets acquired is recognised directly in equity within a common control reserve.
- Transaction costs related to the reorganisation are expensed as incurred.

Management believes this approach provides more relevant and reliable information to users of the financial statements by reflecting the continuation of the existing group structure.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Other intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite-life are amortised on a straight-line basis over their estimated useful lives as follows: computer software – 3 to 10 years. We do not have any intangible assets with indefinite lives.

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

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

Other material accounting policies (continued)

Translation of foreign currencies

All other borrowing costs are recognised in the Statement of Income and Other Comprehensive Income in the period in which they are incurred.

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The financial statements are presented in Aruban Florins, which is the Bank's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Bank, transactions that occur in a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in non-interest income in the Statement of Income.

Premises and equipment

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

- 25 to 50 years for freehold properties,
- 5 to 50 years for leasehold properties
- 3 to 10 years for computer equipment
- 3 to 15 years for furniture, fixtures, vehicles and other equipment.
- The amortisation period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years.
- Land is not depreciated. Gains and losses on disposal are recorded in non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the

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Notes to the financial statements October 31, 2025

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

Other material accounting policies (continued)

Premises and equipment (continued)

asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

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

Leases

At inception of a contract, the Bank assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee the right to obtain substantially all of the economic benefits from, and direct the use of, an identified asset for a period of time in return for consideration in the form a payment or series of payments.

When we are the lessee in a lease arrangement, we initially record a right-of-use asset and corresponding lease liability, except for short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are unspecialised, common, technologically unsophisticated, widely available, and widely used non-infrastructure assets. For short-term leases and leases of low-value assets, we record the lease payments as an operating expense on a straight-line basis over the lease term.

Where we are reasonably certain to exercise extension and termination options, they are included in the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at our incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method, recorded in interest expense.

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for lease payments made on or before the commencement date, initial direct costs incurred, and an estimate of costs to dismantle, remove, or restore the asset, less any lease incentives received. Costs related to dismantling are capitalised as part of the leasehold improvement asset (rather than the right-of-use asset of the lease) when the leasehold improvements are separately capitalised.

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Notes to the financial statements October 31, 2025

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

Other material accounting policies (continued)

Leases (continued)

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to the Bank or we are reasonably certain to exercise a purchase option, in which case the useful life of the right-of-use asset is used. The Bank applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the premises and equipment accounting policies in these financial statements.

Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. We record provisions related to litigation, asset retirement obligations and other items. Provisions are recorded under other liabilities on our Statement of Financial Position.

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

Dividend income

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

Stated capital

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

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

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3. Cash and short term instruments

	2025 (AWG'000)	2024 (AWG'000)
Cash on hand	17,587	20,443
Due from banks	16,698	32,842
Due from central bank	66,812	98,608
Certificates of deposit central bank	293,350	175,000
	<u>394,447</u>	<u>326,893</u>

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

Due from banks are deposits held with other banks on demand or for fixed periods not exceeding 90 days. Treasury bills have original maturities up to three months.

There are no balances due from banks that have been pledged as security on behalf of any affiliated party this year (2024: Nil).

4. Balance with central bank

In accordance with regulations governing banks in the region, the Bank is required to maintain monetary reserves with the central bank, which is based on a ratio to customers' deposits and other specified liabilities.

5. Loans

	2025 (AWG'000)	2024 (AWG'000)
Retail	68,427	60,985
Commercial	372,478	384,299
Mortgages	342,639	318,089
Gross loans	<u>783,544</u>	<u>763,373</u>
Unearned interest	(141)	(141)
Allowance for credit losses (Note 5.1)	<u>(10,102)</u>	<u>(10,918)</u>
Net loans	<u>773,301</u>	<u>752,314</u>
Stage 1	738,852	705,838
Stage 2	30,816	33,796
Stage 3	13,876	23,739
Gross loans	<u>783,544</u>	<u>763,373</u>
Current	79,925	74,095
Non-current	<u>703,619</u>	<u>689,278</u>
Gross loans	<u>783,544</u>	<u>763,373</u>

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

5. Loans (continued)

5.1 Allowance for credit losses

	For the period ended October 31, 2025				
	Balance at beginning of period (AWG'000)	Provision for credit losses (AWG'000)	Net write-offs (AWG'000)	Exchange and other (AWG'000)	Balance at end of period (AWG'000)
Retail	647	324	(242)	-	729
Commercial/corporate	6,519	(3,099)	2,636	(15)	6,041
Mortgages	3,752	(659)	509	(270)	3,332
	10,918	(3,434)	2,903	(285)	10,102
Undrawn loan commitments	218	32	-	-	250
	For the period ended October 31, 2024				
	Balance at beginning of period (AWG'000)	Provision for credit losses (AWG'000)	Net write-offs (AWG'000)	Exchange and other (AWG'000)	Balance at end of period (AWG'000)
Retail	879	(648)	416	-	647
Commercial/corporate	7,583	(7,582)	6,562	(44)	6,519
Mortgages	4,187	1,556	(1,660)	(331)	3,752
	12,649	(6,674)	5,318	(375)	10,918
Undrawn loan commitments	236	(18)	-	-	218

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Notes to the financial statements October 31, 2025

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5 Loans (continued)

5.1 Allowance for credit losses (continued)

The following tables reconcile the opening and closing allowance for credit losses for loans and commitments, by stage.

Reconciling items include the following:

- Model Changes reflects the impact of updates during the year to the models used to derive an estimate of credit losses. There were no updates to the existing models during the reporting period or the prior period.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements.
- Purchases and originations, which reflect the newly recognised assets and the related allowance during the period.
- Derecognitions and maturities, which reflect the assets and related allowance derecognised during the period without a credit loss being incurred.
- Remeasurements for allowances, which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- Write-offs represent the closure/ elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or cash equivalents for a loan balance previously written-off.
- Exchange rate and other: This category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

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Notes to the financial statements October 31, 2025

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5 Loans (continued)

5.1 Allowance for credit losses (continued)

Retail

	For the period ended October 31, 2025			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	387	204	56	647
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	42	(41)	(1)	-
Transfers in (out) to Stage 2	(5)	6	(1)	-
Transfers in (out) to Stage 3	(3)	(33)	36	-
Purchases and originations	179	-	-	179
Derecognitions and maturities	(34)	(20)	(35)	(89)
Remeasurements	(69)	53	250	234
Write-offs	-	-	(681)	(681)
Recoveries	-	-	439	439
Exchange rate and other	-	-	-	-
Balance at end of period	497	169	63	729

Commercial/corporate

	For the period ended October 31, 2025			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	1,397	1,290	3,832	6,519
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	552	(552)	-	-
Transfers in (out) to Stage 2	(46)	54	(8)	-
Transfers in (out) to Stage 3	(1)	(57)	58	-
Purchases and originations	376	-	-	376
Derecognitions and maturities	(142)	(346)	(3,764)	(4,252)
Remeasurements	(427)	737	467	777
Write-offs	-	-	(16)	(16)
Recoveries	-	-	2,652	2,652
Exchange rate and other	-	-	(15)	(15)
Balance at end of period	1,709	1,126	3,206	6,041

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

5 Loans (continued)

5.1 Allowance for credit losses (continued)

Mortgages

	For the period ended October 31, 2025			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	679	878	2,195	3,752
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	274	(274)	-	-
Transfers in (out) to Stage 2	(10)	477	(467)	-
Transfers in (out) to Stage 3	(2)	(10)	12	-
Purchases and originations	199	-	-	199
Derecognitions and maturities	(65)	(86)	(344)	(495)
Remeasurements	(219)	23	(167)	(363)
Write-offs	-	-	(104)	(104)
Recoveries	-	-	613	613
Exchange rate and other	-	-	(270)	(270)
Balance at end of period	856	1,008	1,468	3,332

Total

	For the period ended October 31, 2025			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	2,463	2,372	6,083	10,918
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	868	(867)	(1)	-
Transfers in (out) to Stage 2	(61)	537	(476)	-
Transfers in (out) to Stage 3	(6)	(100)	106	-
Purchases and originations	754	-	-	754
Derecognitions and maturities	(241)	(452)	(4,143)	(4,836)
Remeasurements	(715)	813	550	648
Write-offs	-	-	(801)	(801)
Recoveries	-	-	3,704	3,704
Exchange rate and other	-	-	(285)	(285)
Balance at end of period	3,062	2,303	4,737	10,102

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

5 Loans (continued)

5.1 Allowance for credit losses (continued)

Retail

	For the period ended October 31, 2024			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	370	204	305	879
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	44	(44)	-	-
Transfers in (out) to Stage 2	(5)	63	(58)	-
Transfers in (out) to Stage 3	(3)	(12)	15	-
Purchases and originations	147	-	-	147
Derecognitions and maturities	(45)	(29)	(117)	(191)
Remeasurements	(121)	22	(505)	(604)
Write-offs	-	-	(205)	(205)
Recoveries	-	-	621	621
Exchange rate and other	-	-	-	-
Balance at end of period	387	204	56	647

Commercial/corporate

	For the period ended October 31, 2024			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	1,304	1,788	4,491	7,583
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	194	(192)	(2)	-
Transfers in (out) to Stage 2	(33)	33	-	-
Transfers in (out) to Stage 3	(3)	(410)	413	-
Purchases and originations	424	-	-	424
Derecognitions and maturities	(140)	(201)	(406)	(747)
Remeasurements	(349)	272	(7,182)	(7,259)
Write-offs	-	-	(1,692)	(1,692)
Recoveries	-	-	8,254	8,254
Exchange rate and other	-	-	(44)	(44)
Balance at end of period	1,397	1,290	3,832	6,519

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

5 Loans (continued)

5.1 Allowance for credit losses (continued)

Mortgages

	For the period ended October 31, 2024			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	662	1,157	2,368	4,187
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	293	(293)	-	-
Transfers in (out) to Stage 2	(9)	171	(162)	-
Transfers in (out) to Stage 3	(2)	(183)	185	-
Purchases and originations	152	-	-	152
Derecognitions and maturities	(65)	(122)	(800)	(987)
Remeasurements	(352)	148	2,595	2,391
Write-offs	-	-	(2,055)	(2,055)
Recoveries	-	-	395	395
Exchange rate and other	-	-	(331)	(331)
Balance at end of period	679	878	2,195	3,752

Total

	For the period ended October 31, 2024			
	Allowance for Credit Losses (AWG'000)			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	2,336	3,149	7,164	12,649
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	531	(529)	(2)	-
Transfers in (out) to Stage 2	(47)	267	(220)	-
Transfers in (out) to Stage 3	(8)	(605)	613	-
Purchases and originations	723	-	-	723
Derecognitions and maturities	(250)	(352)	(1,323)	(1,925)
Remeasurements	(822)	442	(5,092)	(5,472)
Write-offs	-	-	(3,952)	(3,952)
Recoveries	-	-	9,270	9,270
Exchange rate and other	-	-	(375)	(375)
Balance at end of period	2,463	2,372	6,083	10,918

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Notes to the financial statements October 31, 2025

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5 Loans (continued)

5.1 Allowance for credit losses (continued)

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

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include our internal historical default rates, changes in credit quality and real GDP growth rates.

Our base scenario considers the existing economic conditions and real GDP growth rates in Aruba. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

In arriving at the real GDP growth rates, we incorporate external agencies such as International Monetary Fund (IMF) and Central Bank's projections as well as the actual historic results of GDP growth in the Caribbean.

To assess the reasonableness of our GDP rates, if we amended Year 1 of the calendar quarter forecast of relevant GDP growth rates per territory used in the base case model to estimate the allowance for credit losses, the base case allowance for credit losses will move as follows:

- A 100 basis points increase will lower the allowance for credit losses by AWG345,344 (2024: AWG170,381).
- A 100 basis points decrease will increase the allowance for credit losses by AWG371,610 (2024: AWG222,156).

RBC Royal Bank (Aruba) N.V.

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5 Loans (continued)

5.1 Allowance for credit losses (continued)

Further details on the key inputs and assumptions used as at October 31, 2025 are provided in Note 2.

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	As at October 31	
	2025 (AWG'000)	2024 (AWG'000)
ACL on performing loans ⁽¹⁾		
Carrying Value	5,365	4,835
Base Scenario	3,874	3,689

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

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

	As at October 31	
	Performing loans ⁽¹⁾	
	2025 (AWG'000)	2024 (AWG'000)
ACL - all performing loans in Stage 1	3,175	2,567
Impact of staging	2,190	2,268
Stage 1 and 2 ACL	5,365	4,835

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

5.2 Loan modifications

Relief provided to clients has been on a case by case basis as requested by the client. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2025, the amortised cost of Stage 2 and Stage 3 loans whose contractual terms were modified was AWG4.1 million (2024 - AWG3.2 million), resulting in no material modification gains or losses.

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6. Securities

Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period.

For the year ended October 31, 2025							
Term to maturity ⁽¹⁾							
	Within 3 months (AWG'000)	3 months to 1 year (AWG'000)	1 year to 5 years (AWG'000)	5 years to 10 years (AWG'000)	Over 10 years (AWG'000)	With no specific maturity (AWG'000)	Total (AWG'000)
Fair value through profit or loss⁽²⁾							
Money market instruments	-	-	-	-	-	4,842	4,842
	-	-	-	-	-	4,842	4,842
Fair value through other comprehensive income							
Equities ⁽³⁾							
Cost	-	-	-	-	-	450	450
Fair value	-	-	-	-	-	4,050	4,050
	-	-	-	-	-	4,050	4,050
Total carrying value of securities	-	-	-	-	-	8,892	8,892
For the year ended October 31, 2024							
Term to maturity ⁽¹⁾							
	Within 3 months (AWG'000)	3 months to 1 year (AWG'000)	1 year to 5 years (AWG'000)	5 years to 10 years (AWG'000)	Over 10 years (AWG'000)	With no specific maturity (AWG'000)	Total (AWG'000)
Fair value through profit or loss⁽²⁾							
Money market instruments	-	-	-	-	-	4,830	4,830
	-	-	-	-	-	4,830	4,830
Fair value through other comprehensive income							
Equities ⁽³⁾							
Cost	-	-	-	-	-	450	450
Fair value	-	-	-	-	-	4,050	4,050
	-	-	-	-	-	4,050	4,050
Total carrying value of securities	-	-	-	-	-	8,880	8,880

⁽¹⁾ Actual maturities may differ from contractual maturities shown above since borrowers may have the right to extend or prepay obligations with or without penalties.

⁽²⁾ Trading securities are recorded at fair value.

⁽³⁾ We hold equity securities designated as FVOCI as the investments are not held-for-trading purposes.

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6. Securities (continued)

6.1 Unrealised gains and losses on securities at fair value through other comprehensive income

The following tables present unrealised gains and losses on securities at fair value through other comprehensive income as at the end of the period.

	As at October 31, 2025		
	Cost/ Amortised cost (AWG'000)	Gross unrealised gains ⁽¹⁾ (AWG'000)	Fair value (AWG'000)
FVOCI			
Equities ⁽¹⁾	450	3,600	4,050
	450	3,600	4,050

	As at October 31, 2024		
	Cost/ Amortised cost (AWG'000)	Gross unrealised gains ⁽¹⁾ (AWG'000)	Fair value (AWG'000)
FVOCI			
Equities ⁽¹⁾	450	3,600	4,050
	450	3,600	4,050

⁽¹⁾ Unrealised gains on equities will not reclassify to profit and loss when realised.

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Notes to the financial statements October 31, 2025

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6. Securities (continued)

6.2 Allowance for credit losses on securities

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

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognised during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognised during the period without a credit loss being incurred.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

	For the period ended October 31, 2025			Total
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	-	-	-	-
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchase and originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Remeasurements	-	-	-	-
Write-offs ⁽¹⁾	-	-	-	-
Recoveries	-	-	-	-
Balance at end of period	-	-	-	-
	For the period ended October 31, 2024			Total
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	5	-	-	5
Provision for credit losses				
Model changes	-	-	-	-
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Purchases and originations	7	-	-	7
Derecognitions and maturities	(5)	-	-	(5)
Remeasurements	(7)	-	-	(7)
Write-offs ⁽¹⁾	-	-	-	-
Recoveries	-	-	-	-
Others	-	-	-	-
Balance at end of period	-	-	-	-

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Notes to the financial statements October 31, 2025

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6. Securities (continued)

6.3 Movement in securities

	FVTPL	FVOCI	Amortised Cost	Total
	(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
As at October 31, 2024	4,830	4,050	-	8,880
Disposal (sale and redemption)	-	-	-	-
Gains from changes in fair value	12	-	-	12
Allowance for credit losses	-	-	-	-
As at October 31, 2025	<u>4,842</u>	<u>4,050</u>	<u>-</u>	<u>8,892</u>

	FVTPL	FVOCI	Amortised Cost	Total
	(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
As at October 31, 2023	4,456	3,870	4,956	13,282
Disposal (sale and redemption)	-	-	(4,961)	(4,961)
Gains from changes in fair value	374	180	-	554
Allowance for credit losses	-	-	5	5
As at October 31, 2024	<u>4,830</u>	<u>4,050</u>	<u>-</u>	<u>8,880</u>

There are no securities that have been pledged as security on behalf of any affiliated party this year (2024: Nil).

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7. Intangible assets

	2025 (AWG'000)	2024 (AWG'000)
Opening net carrying value	99	247
Additions	55	-
Amortisation	(63)	(148)
Closing net carrying value	<u>91</u>	<u>99</u>
Cost	30,030	29,975
Accumulated amortisation	<u>(29,939)</u>	<u>(29,876)</u>
Net book value	<u>91</u>	<u>99</u>

During the year, no assets have been fully depreciated and retired (2024: Nil)

There were no contractual commitments to acquire intangible assets in 2025 or 2024.

8. Premises and equipment

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

	2025 (AWG'000)	2024 (AWG'000)
Premises and equipment owned (Note 8.1)	14,078	14,065
Right-of-use leased assets (Note 8.2)	<u>246</u>	<u>343</u>
	<u>14,324</u>	<u>14,408</u>

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8. Premises and equipment (continued)

8.1 Premises and equipment owned

	Freehold properties (AWG'000)	Leasehold improvements (AWG'000)	Equipment (AWG'000)	Work in progress (AWG'000)	Total (AWG'000)
Year ended October 31, 2025					
Cost	22,858	208	5,257	1,106	29,429
Accumulated depreciation	(11,956)	(208)	(3,187)	-	(15,351)
Net book amount	<u>10,902</u>	<u>-</u>	<u>2,070</u>	<u>1,106</u>	<u>14,078</u>
	Freehold properties (AWG'000)	Leasehold improvements (AWG'000)	Equipment (AWG'000)	Work in progress (AWG'000)	Total (AWG'000)
Opening net book value	11,318	-	1,557	1,190	14,065
Additions	-	-	163	1,028	1,191
Reinstatement from HFS	-	-	-	-	-
Transfers	-	-	1,112	(1,112)	-
Disposals	-	-	-	-	-
Depreciation charge	(416)	-	(762)	-	(1,178)
Adjustments	-	-	-	-	-
Closing net book amount	<u>10,902</u>	<u>-</u>	<u>2,070</u>	<u>1,106</u>	<u>14,078</u>
	Freehold Buildings (AWG'000)	Leasehold improvements (AWG'000)	Equipment (AWG'000)	Work in progress (AWG'000)	Total (AWG'000)
Year ended October 31, 2024					
Cost	22,858	208	4,811	1,190	29,067
Accumulated depreciation	(11,540)	(208)	(3,254)	-	(15,002)
Net book amount	<u>11,318</u>	<u>-</u>	<u>1,557</u>	<u>1,190</u>	<u>14,065</u>
	Freehold Buildings (AWG'000)	Leasehold improvements (AWG'000)	Equipment (AWG'000)	Work in progress (AWG'000)	Total (AWG'000)
Opening net book value	11,202	9	1,682	149	13,042
Additions	344	-	53	1,607	2,004
Reinstatement from HFS	485	-	-	-	485
Transfers	-	-	566	(566)	-
Disposals	-	-	-	-	-
Depreciation charge	(713)	(9)	(743)	-	(1,465)
Adjustments	-	-	(1)	-	(1)
Closing net book amount	<u>11,318</u>	<u>-</u>	<u>1,557</u>	<u>1,190</u>	<u>14,065</u>

⁽¹⁾ Included in additions are nil transfers (2024 - nil) from intangibles (Note 7).

During the year, assets depreciated and retired amounted to AWG0.8 million (2024 AWG0.2 million).

Impairment of property

There was no impairment in 2025 (2024: Nil).

Assets pledged as security

There were no land and buildings pledged to secure borrowings of the Bank in 2025 (2024: Nil).

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8. Premises and equipment (continued)

8.2 Right-of-use leased assets: Properties

	2025 (AWG'000)	2024 (AWG'000)
Opening net book value	343	412
Additions	53	106
Disposals	-	(30)
Depreciation charge	(150)	(145)
Closing net book value	<u>246</u>	<u>343</u>
Cost	1,109	1,056
Accumulated depreciation	<u>(863)</u>	<u>(713)</u>
Net book value	<u>246</u>	<u>343</u>

Leased assets

The Bank leases branches and other premises. These leases have various terms, escalation and renewal rights and are negotiated on an individual basis. These lease agreements do not include any clauses that impose restrictions on our ability to pay dividends, engage in debt financing transactions, or enter into further lease agreements.

Some lease contracts provide us with the option to terminate after payment of a predetermined amount, allowing us to exit the contracts prior to expiration. Extension options at the discretion of the Bank are also made available to lengthen existing lease terms. We are reasonably certain to exercise extension options for specific retail and automated teller machines (ATMs) locations. Extension options for real estate leases tend to be at market rates and subject to negotiation prior to expiration of the initial lease term and therefore are not included in the measurement of lease liabilities at the commencement of the lease.

The total cash outflow for leases for the year ended October 31, 2025 was AWG399 thousand (2024: AWG367 thousand).

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9. Deferred tax assets and liabilities

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

	2025 (AWG'000)	2024 (AWG'000)
Deferred tax assets (Note 9.1)	2,647	2,837
Deferred tax liabilities (Note 9.2)	(792)	(794)
	<u>1,855</u>	<u>2,043</u>

The movement on the deferred tax account is as follows:

	2025 (AWG'000)	2024 (AWG'000)
At November 1	2,043	2,225
Statement of Comprehensive Income (Note 20)	(188)	(132)
Loss transferred to the Statement of comprehensive income	-	(50)
At October 31	<u>1,855</u>	<u>2,043</u>

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

9.1 Deferred tax assets

	2025 (AWG'000)	2024 (AWG'000)
Accelerated tax depreciation	777	958
Allowance for credit losses	678	806
General loan loss provision	1,192	1,073
	<u>2,647</u>	<u>2,837</u>

9.2 Deferred tax liabilities

	2025 (AWG'000)	2024 (AWG'000)
Accelerated tax depreciation	1	(2)
Securities FVOCI	(793)	(792)
	<u>(792)</u>	<u>(794)</u>

As at October 31, 2025, deductible temporary differences of AWG3.0 million (2024: AWG2.8 million) available to be offset against potential tax adjustments or future taxable income were recognised as deferred tax assets.

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Notes to the financial statements October 31, 2025

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10. Other assets

	2025	2024
	(AWG'000)	(AWG'000)
Interest receivable	1,137	1,183
Items in transit	3,568	8,853
	<u>4,705</u>	<u>10,036</u>
Current	<u>4,705</u>	<u>10,036</u>
	<u>4,705</u>	<u>10,036</u>

11. Customers' deposits

	2025	2024
	(AWG'000)	(AWG'000)
Term deposits	230,419	211,428
Savings	230,155	215,663
Demand	579,878	601,185
	<u>1,040,452</u>	<u>1,028,276</u>
Current	953,944	900,786
Non - current	86,508	127,490
	<u>1,040,452</u>	<u>1,028,276</u>
Sectoral analysis		
Consumers	363,333	337,553
State sector	87,504	119,672
Private sector	589,615	571,051
	<u>1,040,452</u>	<u>1,028,276</u>

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

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12. Other liabilities

	2025 (AWG'000)	Restated 2024 ⁽¹⁾ (AWG'000)
Accruals and payables	2,647	2,197
Items in transit	617	454
Unclaimed balances	1,542	1,664
Deferred income	3,891	3,668
Interest payable	4,165	3,803
Contract liabilities ²	322	324
Lease liabilities ³	252	349
Employee related costs	2,436	2,204
Allowance for credit losses (Note 20)	51	43
Other	145	408
	<u>16,068</u>	<u>15,114</u>
Current	12,100	11,029
Non - current	<u>3,968</u>	<u>4,085</u>
	<u>16,068</u>	<u>15,114</u>

⁽¹⁾ Prior Year's other liabilities have been restated to align with current year's presentation as well as the adoption of a voluntary policy amendment and correction of unclaimed balances.

Contract liabilities⁽²⁾

The Bank derives revenue from contracts with customers in the form of annual credit card fees, which are paid for upfront by cardholders for the right to use certain RBC credit cards products. The one-time annual fee represents the transaction price received to transfer the performance obligation. However as the performance obligations transpire over time, throughout the annual period, such revenues should be recognised over the applicable annual cycle. The contract liabilities balance in the Other liabilities table represents the portion of annual fee revenue which was deferred and remained outstanding as at the Statement of Financial Position date.

Lease liabilities⁽³⁾

The Bank presents its lease liabilities within other liabilities on the Statement of Financial Position Under IFRS 16 – Leases, lease liabilities represent the present value of the lease payments not paid on the date the contract starts over its lease term. This amount is computed using the incremental borrowing rate at the inception of the lease.

13. Regulatory loan loss reserve

In accordance with regulations governing banks in the region, the Bank is required, for prudential reasons, to build up a general provision of at least 3% of the net loan portion plus other risk items on the asset side of the Statement of Financial Position. The net portfolio is calculated as gross loans minus allocated provisions.

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Notes to the financial statements October 31, 2025

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14. Other components of equity

Investment revaluation reserve – securities FVOCI

	2025 (AWG'000)	2024 (AWG'000)
Balance at beginning of year	2,808	2,638
Net gains arising during the year on debt securities, net of tax	-	35
Net gains arising during the year on equity securities, net of tax	-	140
Allowance for credit losses (Note 5.1)	-	(5)
	<u>2,808</u>	<u>2,808</u>

15. Interest income

	2025 (AWG'000)	2024 (AWG'000)
Loans	50,107	46,117
Securities (Note 15.1)	60	1,494
Due from banks	2,781	1,945
	<u>52,948</u>	<u>49,556</u>

15.1 Securities

	2025 (AWG'000)	2024 (AWG'000)
FVTPL	60	427
FVOCI	-	908
Dividends	-	45
At amortised cost	-	114
	<u>60</u>	<u>1,494</u>

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16. Interest expense

	2025 (AWG'000)	2024 (AWG'000)
Customers' deposits	13,570	12,254
Due to affiliates	496	501
Lease liabilities	7	5
	<u>14,073</u>	<u>12,760</u>

17. Non-interest income

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

	2025 (AWG'000)	2024 ⁽¹⁾ (AWG'000)
<i>Non-interest income over time:</i>		
Transaction service fees and commissions	731	724
<i>Non-interest income at a point in time:</i>		
Credit related fees and commissions	2,455	2,241
Card fees and commissions net of any related expenses	3,619	581
Transaction service fees and commissions	5,214	5,281
Foreign exchange earnings	10,027	9,875
Unrealised gains on securities	12	-
Sundry income	46	30
	<u>22,104</u>	<u>18,732</u>

⁽¹⁾ Prior Year's categories have been restated to align with the current year's presentation.

18. Non-interest expenses

	2025 (AWG'000)	2024 (AWG'000)
Salaries and staff costs (Note 18.1)	19,780	19,053
Premises and equipment expenses, excluding depreciation and operating rentals	663	965
Advertising	391	107
Depreciation and amortisation	1,391	1,759
Short term lease expenses	251	224
Directors' fees	116	50
Auditors' fees (Note 18.2)	296	281
Other operating expenses (Note 18.3)	9,351	9,880
	<u>32,239</u>	<u>32,319</u>

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18. Non-interest expenses (continued)

18.1 Salaries and other staff costs

	2025 (AWG'000)	2024 (AWG'000)
Wages and salaries including bonuses	18,500	18,073
Employees' retirement benefit expense	1,280	980
	<u>19,780</u>	<u>19,053</u>

The number of persons employed by the Bank was 112 as per October 31, 2025 (2024: 121)

18.2 Audit fees

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

	2025 (AWG'000)	2024 (AWG'000)
Audit and other services*	296	281
	<u>296</u>	<u>281</u>

*Includes statutory audit and audit related services provided based on regulatory requirements.

18.3 Other operating expenses

	2025 (AWG'000)	2024 (AWG'000)
Management fees	4,731	5,270
Telephone, postage and courier expenses	935	917
Security costs	1,378	1,356
Other	2,307	2,337
	<u>9,351</u>	<u>9,880</u>

19. Taxation

	2025 (AWG'000)	2024 (AWG'000)
Current tax charge	7,159	6,314
Prior years tax charge	96	18
Deferred tax charge (Note 9)	188	132
	<u>7,443</u>	<u>6,464</u>

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19. Taxation (continued)

Reconciliation to statutory tax rate

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

Reconciliation of taxation charge:

	2025 (AWG'000)	2024 (AWG'000)
Net income before taxation	32,166	29,893
Tax calc at rate 22% (2024: 22%)	7,077	6,576
Expenses not deductible	82	(262)
Adjustment tax payable previous years	96	18
Net deferred tax	188	132
Tax charge	7,443	6,464
Accelerated tax depreciation	178	(64)
Regulatory loan loss reserve	10	196
Deferred tax charge	188	132

20. Contingent liabilities

Customers' liability under guarantees, indemnities and letters of credit

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

	2025 (AWG'000)	2024 (AWG'000)
Guarantees	8,255	7,860
Letters of credit	4,425	4,514
	12,680	12,374

Our credit review process, our policy for requiring collateral security, and the types of collateral security held are generally the same as required for loans. We believe that it is highly unlikely that all or substantially all of the guarantees and commitments will be drawn or settled within one year and contracts may expire without being drawn or settled. Historically, we have not made any significant payments under such indemnifications.

As at October 31, 2025 accumulated credit losses allowance for contingent liabilities amounted to AWG51,243 (2024: AWG43,378) (Note 6).

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21. Commitments

These represent the undrawn credit facilities for which the Bank is potentially liable at year end. These include undrawn facilities on credit cards, overdrafts, and loans. These amounts are not reflected in the Statement of Financial Position.

The following table breaks down the Bank's main credit exposure of credit commitments as categorised by industry sectors of counterparties.

	2025	2024
	(AWG'000)	(AWG'000)
Consumer	32,425	31,254
Manufacturing	3,123	2,906
Distribution	14,969	20,467
Financial services	11,044	9,824
Tourism	936	1,901
Transport	9,215	7,974
Construction	1,731	1,910
Real estate	2,225	5,463
Professional services	68	784
Health services	2,786	9,105
Other	7,622	7,409
	<u>86,144</u>	<u>98,997</u>

22. Capital commitments

There were capital commitments amounting to AWG143 thousand as at October 31, 2025 (2024: AWG11 thousand).

23. Related party transactions

Related parties

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

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

The following balances are outstanding related to other subsidiaries of Royal Bank of Canada.

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23. Related party transactions (continued)

	2025 (AWG'000)	2024 (AWG'000)
Loans and investments		
Ultimate parent	45	187
Other subsidiaries of Royal Bank of Canada	2,580	7,568
	<u>2,625</u>	<u>7,755</u>
Deposits and other liabilities⁽¹⁾		
Ultimate parent	188	236
Other subsidiaries of Royal Bank of Canada	19,225	16,475
	<u>19,413</u>	<u>16,711</u>
Interest expense		
Other subsidiaries of Royal Bank of Canada	496	501
	<u>496</u>	<u>501</u>

⁽¹⁾Deposits and other liabilities with other subsidiaries of Royal Bank of Canada includes two term deposits of value AWG11.6 million maturing in April 2026 and AWG5.4 million maturing in May 2026. These term deposits attract interest at 6%.

Key management personnel

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

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23. Related party transactions (continued)

Transactions, arrangements and agreements involving key management personnel, Directors and their close family members

In the normal course of business, RBC Royal Bank (Aruba) N.V. provide certain banking services to key management personnel, Directors, and their close family members. These transactions were made on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing and did not involve more than the normal risk of repayment or present other unfavourable features.

Management fees

Management fees by Financial (Caribbean) Limited for the year ended October 31, were:

	2025	2024
	(AWG'000)	(AWG'000)
RBC Financial (Caribbean) Limited	1,227	911
RBC Royal Bank (Trinidad and Tobago) Limited	2,809	3,505
RBC Royal Bank N.V.	901	927
less: charges to RBC Royal Bank N.V.	(1,124)	(1,047)
Royal Bank of Canada (Caribbean Banking cost allocation)	915	969
Royal Bank of Canada (trademark license fee)	3	5
	<u>4,731</u>	<u>5,270</u>

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24. Financial risk management

24.1 Statement of financial position – categorisation

	2025 (AWG'000)	Restated 2024 ⁽¹⁾ (AWG'000)
Assets		
Financial assets at fair value through profit or loss		
Securities	4,842	4,830
Financial assets at fair value through other comprehensive income		
Securities – equities instruments ¹	4,050	4,050
	4,050	4,050
Financial assets at amortised cost		
Cash and cash equivalents	394,447	326,893
Balance with central bank	116,435	151,596
Loans	773,301	752,314
Due from associates and affiliated companies	2,625	7,755
Other assets	4,584	9,960
	1,291,392	1,248,518
Total financial assets	1,300,284	1,257,398
Non-financial assets	17,183	17,420
Total assets	1,317,467	1,274,818
Liabilities		
Financial liabilities at amortised cost		
Due to banks	2,928	1,677
Customers' deposits	1,040,452	1,028,276
Due to associates and affiliated companies	19,413	16,711
Other liabilities	11,229	10,450
Total financial liabilities	1,074,022	1,057,114
Non- financial liabilities	13,533	12,515
Total liabilities	1,087,555	1,069,629
Total equity	229,912	205,189
Total equity and liabilities	1,317,467	1,274,818

⁽¹⁾ Prior Year's other liabilities and non-financial liabilities have been restated to align with current year's presentation as well as the adoption of a voluntary policy amendment and correction of unclaimed balances.

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Notes to the financial statements October 31, 2025

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24. Financial risk management

24.1 Statement of financial position – categorisation (continued)

Securities - equity instruments designated as FVOCI

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

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

Business category	Number of companies		Number of shares/units ⁽¹⁾		Carrying value		Dividends received	
	(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)	2025	2024	2025	2024
Economic development	1	1	450	450	4,050	4,050	-	45
Total					4,050	4,050	-	45

⁽¹⁾ During the year ended October 31, 2025 there were no disposals from the equity shares designated as FVOCI portfolio (2024: Nil).

24.2 Risk management

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

An important component of our risk management approach is to seek to ensure that top and emerging risks, as they evolve, are identified, managed and incorporated into our existing risk management assessment, measurement, monitoring and escalation processes and addressed in our risk frameworks and policies. These practices are intended to ensure a forward-looking risk assessment is maintained by management in the course of business development and as part of the execution of ongoing risk oversight responsibilities. Top and emerging risks are discussed by senior management and the Board on a regular basis. We have developed supplementary internal guidance to support identification and assessment of all material risks. Top and emerging risks encompass those that could materially impact our financial results, financial and operational resilience, reputation, business model or strategy, as well as those that may materially impact us as the risks evolve. The following represents our top and emerging risks:

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24. Financial risk management (continued)

24.2 Risk management (continued)

Information technology and cyber risks

Information technology (IT) risk and cyber risks remain top risks. There is a risk of cyberattacks, data breaches, cyber extortion and similar compromises, due to: (i) the size, scale and nature of our operations; (ii) our heavy reliance on the internet to conduct day-to-day business activities; and (iii) our intricate technological infrastructure. Resulting implications could include business interruptions, client service disruptions, financial loss, theft of intellectual property and confidential information, litigation, enhanced regulatory attention and penalties, as well as reputational damage. Furthermore, the adoption of emerging technologies, such as cloud computing, AI, including GenAI, and robotics, call for continued focus and investment to manage risks effectively.

Geopolitical risks

The Bank is exposed to geopolitical risks arising from global and regional political developments, including conflicts, sanctions, trade restrictions, and/or regulatory changes. These risks may adversely impact economic conditions, financial markets, and the Bank's operations in affected jurisdictions. Geopolitical events can influence credit quality, liquidity, and market risk through disruptions in supply chains, volatility in commodity prices, and changes in investor confidence. Management continuously monitors geopolitical developments and incorporates forward-looking information into its risk assessment processes. Scenario analysis is performed to evaluate potential impacts on Expected Credit Loss (ECL) models, capital adequacy, and liquidity buffers. The Bank's downside scenarios include stress assumptions for heightened geopolitical tensions, which may result in increased probability of default (PD), loss given default (LGD), and exposure at default (EAD). While no judgmental overlays were applied during the current reporting period, the Bank remains vigilant and prepared to adjust its models should significant geopolitical events occur. Disclosures reflect management's best estimates based on macroeconomic forecasts from external agencies such as the IMF and local regulators. The Bank maintains robust governance through its Risk and Allowance Committees to ensure timely response to emerging risks.

Climate risk

Climate risk is the risk related to the global transition to a net-zero economy (transition risk) and the physical impacts of climate change (physical risk), which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event driven) risks (e.g., wildfires and floods). Both we and our clients may be exposed to climate related transition risk, including through emerging regulatory and legal requirements, changing business and consumer sentiment towards products and services, technological developments, and changes in stakeholder expectations. Additionally, we and our clients may be vulnerable to climate-related physical risk through disruptions to operations and services. We continue to make progress in our climate risk management capabilities by integrating climate risk considerations in our risk management processes. Our continued development of our climate risk measurement capabilities is expected to inform the enhancements to our climate risk management practices and advance the integration of climate risks into our policies and procedures.

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24. Financial risk management (continued)

24.2 Risk management (continued)

Risk management structure

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

Operating Committee (OC)

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

Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Bank in the three key areas of credit risk, market risk and operational risk. These units, are responsible for the independent oversight of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These units also ensure the risks are completely captured in the risk measurement and reporting systems.

Group Asset and Liability Committee (ALCO)

The Group ALCO is responsible for the oversight and monitoring of the financial resources of operating entities. The committee proactively assesses balance sheet strategies and dynamics in the context of:

- economic data and forecasts;
- business and enterprise strategies;
- risks;
- The Bank's legal entity structure;
- market developments;
- accounting pronouncements and
- competitive and regulatory environments.

Considering these dynamics, the ALCO is responsible for reviewing, challenging, approving and recommending policies, frameworks, other relevant documents and benchmark limits pertaining to capital, interest rate risk in the banking book (IRRBB) for both on and off-balance sheet, structural foreign exchange risk, liquidity and funding management, and the Bank's investment portfolio, which are all centrally managed by Treasury. For these areas, the ALCO also monitors key metrics and opportunities, providing strategic direction to Treasury and Business platforms.

The committee's mandate also includes the recommendation of policies covering investments, capital, funding and liquidity and market risk to the relevant Senior Management Committee and the Board. In addition, the ALCO is responsible for the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.2 Risk management (continued)

Internal Audit

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

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries and geographies. Information compiled from all the business units is examined and processed in order to identify, analyse and control risks early. This data is presented and explained to the OC, the ALCO, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, and liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

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

Risk mitigation

As part of its overall risk management, the Bank can use derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by GRM and Finance units (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by The Group Market Risk Unit monthly. The Bank did not hold any derivative instruments during the current or prior reporting periods.

The Bank actively uses collateral to reduce its credit risks.

24.3 Liquidity risk

Liquidity and funding risk (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 our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Bank's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

24. Financial risk management (continued)

24.3 Liquidity risk (continued)

and prospective commitments in both normal and stressed conditions. Liquidity risk management activities are conducted in accordance with a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. These policies are in addition to the Bank's Ultimate Parent and will identify distinctions within the Caribbean. Additionally, the Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

These policies are supported by management limits and authorities that govern the measurement and management of liquidity within our risk appetite. Liquidity risk objectives, policies and risk appetite are reviewed regularly, and updated as required to reflect changes in industry practice and relevant regulatory guidance.

Liquidity risk oversight and management is the responsibility of the Board, OC and the ALCO for the Bank. The liquidity management process for the Bank is carried out by the Treasury department of each business unit and monitored by Treasury and the ALCO. Liquidity risk management activities are subject to the three lines of defence governance model. Treasury, the first line of defence for all the management of liquidity risk, is subject to independent second line challenge and oversight by GRM. Internal Audit is the third line of defence. The three lines of defence are independent of the business whose activities generate liquidity risks.

The Board and the ALCO regularly reviews information on liquidity positions. As required, the ALCO reviews and recommends the liquidity risk management policies for relevant Board approvals and annually approves the Liquidity Contingency Plan.

A robust liquidity risk measurement process is maintained to support timely and frequent reporting of information for management of liquidity positions and oversight of risk. This reporting includes both internal and regulatory metrics and is used to monitor adherence with our risk appetite and limits and position relative to regulatory minimums. The results are monitored monthly by GRM, reported to the ALCO and Regulators. Internally, liquidity is measured monthly via the internally defined net cash flow under both 'Business As Usual' (BAU) and stressed assumptions. This includes the application of scenario-specific assumptions against our assets and liabilities, to project cash flows over varying time horizons and degrees of stress. As an example, government bonds generally can be quickly and easily converted to cash without significant loss of value regardless of their contractual maturity. Similarly, while relationship-based deposits contractually can be withdrawn immediately, in practice, these balances can be relatively stable sources of funding depending on several factors, such as the nature of the client and their intended use. Risk methodologies and underlying assumptions are periodically reviewed and validated to ensure their alignment with our operating environment, expected economic and market conditions, regulatory requirements, and generally accepted industry practices. Liquidity risk appetite sets limits on various metrics over a range of time horizons considering various levels of stress conditions in the

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.3 Liquidity risk (continued)

development of appropriate contingency, recovery, and resolution plans. The Bank's liquidity risk measurement and control activities cover the undermentioned risks.

Tactical (shorter-term) liquidity risk

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

Structural (longer-term) liquidity risk

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

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events on our liquidity risk position and identifies a range of potential mitigating actions and plans. The Liquidity Contingency Plan (LCP), maintained and administered by Treasury, has been developed to guide our potential responses to liquidity crises. The contingency liquidity risk planning process identifies contingent funding needs and sources under various stress scenarios, and as result informs requirements for our earmarked unencumbered liquid asset portfolios. Also included in the LCP are regional liquidity contingency plans that guide our responses to liquidity crises. Additionally, under the leadership of Treasury, the Liquidity Crisis Teams (LCTs) meet at least annually or more frequently as required to assess our liquidity status, review the LCPs and discuss updates to market strategies. Under stress conditions, the LCT provides linkages to the front line and other functions to support effective and coordinated crisis management and oversight. The LCTs primary stakeholders informs the ALCO and the Board of the assessment of internal and external events and their potential implications on liquidity risk.

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24. Financial risk management (continued)

24.3 Liquidity risk (continued)

24.3.1 Non-derivative cash flows

Financial assets and liabilities

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

	Less than three months (AWG'000)	Three to six months (AWG'000)	Six to twelve months (AWG'000)	One to five years (AWG'000)	Over 5 years (AWG'000)	Total (AWG'000)
As at October 31, 2025						
Assets						
Cash and cash equivalents	394,447	-	-	-	-	394,447
Balances with central banks	116,435	-	-	-	-	116,435
Gross loans	99,905	24,528	47,087	277,309	334,715	783,544
Allowance for credit losses and unearned interest	(141)	-	-	-	-	(10,243)
Securities	8,892	-	-	-	-	8,892
Due from associates and affiliated companies	2,625	-	-	-	-	2,625
Other assets	4,584	-	-	-	-	4,584
Total financial assets less derivatives	626,747	24,528	47,087	277,309	334,715	1,300,284
Liabilities						
Due to banks	2,928	-	-	-	-	2,928
Customers' deposits	873,198	6,040	74,706	86,508	-	1,040,452
Due to associates and affiliated companies	2,408	11,635	5,370	-	-	19,413
Other liabilities	11,004	38	69	118	-	11,229
Total financial liabilities less derivatives	889,538	17,713	80,145	86,626	-	1,074,022
Liquidity gap	(262,791)	6,815	(33,058)	190,683	334,715	226,262
Cumulative gap	(262,791)	(255,976)	(289,034)	(98,351)	236,364	

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.3 Liquidity risk (continued)

24.3.1 Non-derivative cash flows (continued)

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

	Less than three months (AWG'000)	Three to six months (AWG'000)	Six to twelve months (AWG'000)	One to five years (AWG'000)	Over 5 years (AWG'000)	Total (AWG'000)
As at October 31, 2024						
Assets						
Cash and cash equivalents	326,893	-	-	-	-	326,893
Balances with central banks	151,596	-	-	-	-	151,596
Gross loans	89,250	26,807	47,236	282,401	317,679	763,373
Allowance for credit losses and unearned interest	(141)	-	-	-	-	(11,059)
Securities	8,880	-	-	-	-	8,880
Due from affiliated companies	7,755	-	-	-	-	7,755
Other assets	9,960	-	-	-	-	9,960
Total financial assets less derivatives	594,193	26,807	47,236	282,401	317,679	1,257,398
Liabilities						
Due to banks	1,677	-	-	-	-	1,677
Customers' deposits	876,575	9,989	14,222	127,490	-	1,028,276
Due to affiliated companies	1,496	-	15,215	-	-	16,711
Other liabilities	10,125	36	73	216	-	10,450
Total financial liabilities less derivatives	889,873	10,025	29,510	127,706	-	1,057,114
Liquidity gap	(295,680)	16,782	17,726	154,695	317,679	200,284
Cumulative gap	(295,680)	(278,898)	(261,172)	(106,477)	211,202	

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24. Financial risk management (continued)

24.3 Liquidity risk (continued)

24.3.1 Non-derivative cash flows (continued)

The following table provides remaining contractual maturity analysis of our financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g., par value or amount payable upon maturity). The amounts do not reconcile directly with those in our Statement of Financial Position as the table incorporates only cash flows relating to payments on maturity and do not recognise premiums, discounts or mark-to-market adjustments.

	Due on Demand (AWG'000)	Up to one Year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Total (AWG'000)
As at October 31, 2025					
Financial liabilities					
Due to banks	2,928	-	-	-	2,928
Customers' deposits	810,033	147,944	91,836	-	1,049,813
Due to associates and affiliated companies	2,408	17,005	-	-	19,413
Other liabilities	-	11,111	118	-	11,229
	<u>815,369</u>	<u>176,060</u>	<u>91,954</u>	<u>-</u>	<u>1,083,383</u>

	Due on Demand (AWG'000)	Up to one Year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Total (AWG'000)
As at October 31, 2024					
Financial liabilities					
Due to banks	1,677	-	-	-	1,677
Customers' deposits	816,782	85,671	133,505	-	1,035,958
Due to affiliated companies	1,496	15,562	-	-	17,058
Other liabilities	-	10,234	216	-	10,450
	<u>819,955</u>	<u>111,467</u>	<u>133,721</u>	<u>-</u>	<u>1,065,143</u>

RBC Royal Bank (Aruba) N.V.

Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.3 Liquidity risk (continued)

24.3.2 Contingent liabilities and commitments

The table below summarises contingent liabilities and commitments based on contractual maturity dates.

	Up to one year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Total (AWG'000)
As at October 31, 2025				
Guarantees and letters of credit	7,948	2,760	1,972	12,680
Credit commitments	86,144	-	-	86,144
Capital commitments	143	-	-	143
	<u>94,235</u>	<u>2,760</u>	<u>1,972</u>	<u>98,967</u>
As at October 31, 2024				
Guarantees and letters of credit	7,810	2,592	1,972	12,374
Credit commitments	98,997	-	-	98,997
Capital commitments	11	-	-	11
	<u>106,818</u>	<u>2,592</u>	<u>1,972</u>	<u>111,382</u>

24.4 Market risk

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

On a monthly basis, Treasury and Finance departments review and approve the valuation of all securities and trading liabilities sent by the Valuations department which is resident in RBC.

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

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24. Financial risk management (continued)

24.4 Market risk (continued)

24.4.1 Market risk measurement techniques

The major measurement technique used by the Bank to measure and control market risk is stress testing. The Bank applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Risk Management performs a risk sensitivity analysis by applying possible foreign currency rate stress events on the Bank's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

24.4.2 Interest rate risk

Market risk controls – Interest Rate Risk in the Banking Book (IRRBB) positions

IRRBB arises primarily from traditional customer-originated banking products such as deposits and loans and includes related hedges and interest rate risk from securities held for liquidity management purposes. Factors contributing to IRRBB include mismatches between asset and liability repricing dates, relative changes in asset and liability rates in response to market rate scenarios, and other product features affecting the expected timing of cash flows, such as options to pre-pay loans. IRRBB sensitivities are regularly measured and reported, and subject to limits and controls with independent oversight from Group Risk Management (GRM). The Board approves the risk appetite for IRRBB, and the ALCO and GRM provide ongoing governance through IRRBB risk policies, limits and other controls. IRRBB reports are reviewed monthly by GRM, the ALCO, and quarterly by the Board.

IRRBB measurement

To monitor and control IRRBB, we assess 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 NII. Assets, liabilities and off-balance sheet positions are simulated over various time horizons. The simulations incorporate maturities, renewals, and new originations along with prepayment behaviour. Product pricing and volumes are forecasted based on past experience to determine response expectations under a given market shock scenario. EVE risk captures the market value sensitivity to changes in rates. In measuring EVE risk, deterministic (single-scenario) and stochastic (multiple-scenario) valuation techniques are applied to spot position data. NII and EVE risks are measured for a range of market risk stress scenarios which include extreme but plausible changes in market rates and volatilities. IRRBB measures assume continuation of existing hedge strategies. Management of NII and EVE risk is complementary and supports our efforts to generate a sustainable high-quality NII stream. NII and EVE risks for all units are measured monthly. A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risk. The key assumptions, fixed-rate loan prepayment behaviour and empirically based historical client behaviour with product pricing with consideration and possible forward-looking changes on non-maturity assets and liabilities (deposits). All models and assumptions used to measure IRRBB are subject to independent oversight by GRM.

RBC Royal Bank (Aruba) N.V.

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24. Financial risk management (continued)

24.4 Market risk (continued)

Market risk measures – IRRBB Sensitivities

The following table shows the potential before-tax impact of an immediate and sustained 100 bps increase or decrease in interest rates on projected EVE and 12-month NII, assuming no subsequent hedging. Interest rate risk measures are based on current on and off-statement of financial position items which can change over time in response to business activity and management actions.

	EVE Risk		NII Risk	
	Local Currency (AWG'000)	Hard Currency (AWG'000)	Local Currency (AWG'000)	Hard Currency (AWG'000)
As at October 31, 2025				
<i>Impact before tax</i>				
100 bps increase in rates	(13,436)	447	(720)	333
100 bps decrease in rates	15,434	(406)	720	(333)
As at October 31, 2024				
<i>Impact before tax</i>				
100 bps increase in rates	(11,627)	689	(352)	88
100 bps decrease in rates	13,426	(681)	352	(88)

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Expressed in thousands of Aruban Florins

24. Financial risk management (continued)

24.4 Market risk (continued)

24.4.3 Interest sensitivity of assets and liabilities to repricing risk

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

	Up to one year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Non- Interest bearing (AWG'000)	Total (AWG'000)
As at October 31, 2025					
Assets					
Cash and cash equivalents	310,048	-	-	84,399	394,447
Balance with central bank	-	-	-	116,435	116,435
Securities	4,842	-	-	4,050	8,892
Gross loans	662,836	59,568	56,185	4,955	783,544
Allowance for credit losses and unearned interest				(10,243)	(10,243)
Due from affiliated companies	-	-	-	2,625	2,625
Other assets	-	-	-	4,584	4,584
Total financial assets	977,726	59,568	56,185	206,805	1,300,284
Liabilities					
Due to banks	-	-	-	2,928	2,928
Customers' deposits	452,796	86,508	-	501,148	1,040,452
Due to affiliated companies	17,436	-	-	1,977	19,413
Other liabilities	-	-	-	11,229	11,229
Total financial liabilities	470,232	86,508	-	517,282	1,074,022
Interest sensitivity gap	507,494	(26,940)	56,185		

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24. Financial risk management (continued)

24.4 Market risk (continued)

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

	Up to one year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Non- Interest bearing (AWG'000)	Total (AWG'000)
As at October 31, 2024					
Assets					
Cash and cash equivalents	207,842	-	-	119,051	326,893
Balance with central bank	-	-	-	151,596	151,596
Securities	4,830	-	-	4,050	8,880
Gross loans	633,030	77,101	50,208	3,034	763,373
Allowance for credit losses and unearned interest	-	-	-	(11,059)	(11,059)
Due from affiliated companies	-	-	-	7,755	7,755
Other assets	9,960	-	-	-	9,960
Total financial assets	855,662	77,101	50,208	274,427	1,257,398
Liabilities					
Due to banks	-	-	-	1,677	1,677
Customers' deposits	390,574	127,490	-	510,212	1,028,276
Due to affiliated companies	15,215	-	-	1,496	16,711
Other liabilities	10,234	216	-	-	10,450
Total financial liabilities	416,023	127,706	-	513,385	1,057,114
Interest sensitivity gap	439,639	(50,605)	50,208		

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.4 Market risk (continued)

24.4.4 Maturity and rate sensitivity

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

	Up to one year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Total (AWG'000)
As at October 31, 2025				
Loans:				
Retail	17,947	29,588	20,892	68,427
Commercial / Corporate	309,680	29,895	32,903	372,478
Mortgages	340,164	85	2,390	342,639
Gross loans	667,791	59,568	56,185	783,544
Securities:				
Securities FVTPL	4,842	-	-	4,842
Securities FVOCI	4,050	-	-	4,050
Gross securities	8,892	-	-	8,892
	Up to one year (AWG'000)	One to five years (AWG'000)	Over five years (AWG'000)	Total (AWG'000)
As at October 31, 2024				
Loans:				
Retail	18,849	26,856	15,280	60,985
Commercial / Corporate	301,085	50,100	33,114	384,299
Mortgages	316,130	145	1,814	318,089
Gross loans	636,064	77,101	50,208	763,373
Securities:				
Securities FVTPL	4,830	-	-	4,830
Securities FVOCI	4,050	-	-	4,050
Gross securities	8,880	-	-	8,880

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Notes to the financial statements October 31, 2025

Expressed in thousands of Aruban Florins

24. Financial risk management (continued)

24.4 Market risk (continued)

24.4.5 Maturity and rate sensitivity

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

	Fixed rate (AWG'000)	Floating rate (AWG'000)	Non-rate sensitive (AWG'000)	Total (AWG'000)
As at October 31, 2025				
Loans:				
Retail	51,571	16,704	152	68,427
Commercial / Corporate	65,656	302,598	4,224	372,478
Mortgages	2,476	339,585	578	342,639
Gross loans	119,703	658,887	4,954	783,544
As at October 31, 2024				
Loans:				
Retail	43,421	17,481	83	60,985
Commercial / Corporate	83,461	298,548	2,290	384,299
Mortgages	1,968	315,461	660	318,089
Gross loans	128,850	631,490	3,033	763,373

24.4.6 Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Bank is affected by changing prices of equity instruments designated as fair value through other comprehensive income with fair value movements recognised in other comprehensive income. The exposure is not significant to the Bank.

24.5 Currency risk

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

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.5 Currency risk (continued)

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

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk and US dollar denominated transactions must be officially sanctioned by the relevant authorities thus reducing exposure. The table below summarises the Bank's exposure to foreign currency exchange rate risk.

	AWG (AWG'000)	USD (AWG'000)	EUR (AWG'000)	Other (AWG'000)	Total (AWG'000)
As at October 31, 2025					
Assets					
Cash and cash equivalents	369,830	25,418	(818)	17	394,447
Balances with central bank	116,435	-	-	-	116,435
Loans	697,903	75,398	-	-	773,301
Securities	4,050	4,842	-	-	8,892
Due from associates and affiliated companies	2,514	(143)	-	254	2,625
Other assets	1,987	2,593	-	-	4,580
Total financial assets	1,192,719	108,108	(818)	271	1,300,280
Liabilities					
Due to banks	2,928	-	-	-	2,928
Customers' deposits	935,715	104,708	29	-	1,040,452
Due to associates and affiliated companies	775	18,544	-	94	19,413
Other liabilities	7,786	3,397	21	25	11,229
Total financial liabilities	947,204	126,649	50	119	1,074,022
Net statement of financial position	245,515	(18,541)	(868)	152	226,258
Credit commitments	53,861	32,283	-	-	86,144

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24. Financial risk management (continued)

24.5 Currency risk (continued)

24.5.1 Concentrations of currency risk –financial instruments on and off Statement of Financial Position (continued)

	AWG (AWG'000)	USD (AWG'000)	EUR (AWG'000)	Other (AWG'000)	Total (AWG'000)
As at October 31, 2024					
Assets					
Cash and cash equivalents	285,275	41,414	146	58	326,893
Balances with central bank	151,596	-	-	-	151,596
Loans	4,050	4,830	-	-	8,880
Securities	678,078	74,236	-	-	752,314
Due from associates and affiliated companies	2,239	859	-	4,657	7,755
Other assets	8,128	1,832	-	-	9,960
Total financial assets	1,129,366	123,171	146	4,715	1,257,398
Liabilities					
Customers' deposits	1,677	-	-	-	1,677
Due to banks	928,850	99,320	106	-	1,028,276
Due to associates and affiliated companies	107	16,501	-	103	16,711
Other liabilities	8,257	2,174	19	-	10,450
Total financial liabilities	938,891	117,995	125	103	1,057,114
Net statement of financial position	190,475	5,176	21	4,612	200,284
Credit commitments	67,757	31,240	-	-	98,997

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24. Financial risk management (continued)

24.5 Currency risk (continued)

24.5.2 Foreign currency exchange risk

Analysis was conducted to determine the sensitivity to reasonable possible movements of select currencies against the AWG to which the Bank has significant exposure as at October 31, 2025 in respect of its assets and liabilities holding all other variables constant. The results revealed that as at October 31, 2025, if the AWG had a weakened 10% against the Euro and all other currencies with all other variables held constant, profit before tax for the year would have been AWG 1 thousand (2024: AWG 1 thousand) and other components of equity would have been nil (2024: nil).

24.6 Credit risk

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

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

24.6.1 Credit risk management

a) Loans

The Bank measures the credit risk of loans and advances to corporate and commercial customers and to banks at the counterparty level using an internal risk-rating matrix. The ratings are generated by combining weighted financial and statistical criteria with credit officer judgement, which is mapped against established internal benchmarks at the time credit is granted. The Bank's risk rating is seven tiered as shown below and reflects the perceived counterparty risk. This means that, in principle, exposures migrate between levels as the assessment of their riskiness changes. The risk weightings and internal benchmarks are consistently reviewed and upgraded as necessary.

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24. Financial risk management (continued)

24.6 Credit risk (continued)

24.6.1 Credit risk management (continued)

a) Loans (continued)

The Bank's internal ratings scale and mapping of external ratings are as follows:

Group's rating	Description of the grade	Credit quality
1	Excellent	High grade
2	Very Good	High grade
3	Good	Standard grade
4	Special Mention	Substandard grade
5	Unacceptable	Past due or impaired
6	Bad and Doubtful	Past due or impaired
7	Virtual Certain Loss	Past due or impaired

b) Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's rating or their equivalents are used by the Bank for managing credit risk exposures.

24.6.2 Risk limit control and mitigation policies

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

Collateral

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

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

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

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.6 Credit risk (continued)

24.6.2 Risk limit control and mitigation policies (continued)

Credit-related commitments

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

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

Credit risk exposures relating to financial assets
on the Statement of Financial Position are as follows:

	Gross maximum exposure	
	2025	2024
	(AWG'000)	(AWG'000)
Due from other banks	376,860	306,450
Balance with central bank	116,435	151,596
Loans	783,544	763,373
Securities at FVTPL	4,842	4,830
Securities at FVOCI	4,050	4,050
Due from associated and affiliated companies	2,625	7,755
Other assets	4,584	9,960
Total	<u>1,292,940</u>	<u>1,248,014</u>

Credit risk exposures relating to financial assets
not on the Statement of Financial Position are as
follows:

Contingent liabilities (letters of credit and financial

guarantees)

Credit commitments

Total

Total credit risk exposure

12,680	12,374
86,144	98,997
<u>98,824</u>	<u>111,371</u>
<u>1,391,764</u>	<u>1,359,385</u>

The above table represents a worst-case scenario of credit risk exposure to the Bank, without taking account of collateral held or other credit enhancements attached.

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.6 Credit risk (continued)

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

The following table breaks down the Bank's main credit exposure in the loan and securities portfolio and at their carrying amounts, as categorised by industry sectors of counterparties.

	2025 (AWG'000)	2024 (AWG'000)
Financial services	407,754	381,801
Consumer	412,833	6,211
Distribution	66,862	69,546
Construction	23,960	339,048
Transport	26,869	23,097
Real estate	95,171	26,408
Tourism	29,445	102,647
Professional services	3,080	29,160
Manufacturing	7,652	3,349
Health services	27,407	13,869
Government	116,435	151,596
Other	75,472	88,293
	<u>1,292,940</u>	<u>1,235,025</u>

24.6.5 Risk concentration of the maximum exposures to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at October 31, 2025 was AWG26,780,190 (2024: AWG26,780,190) before taking account of collateral or other credit enhancements

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24. Financial risk management (continued)

24.6 Credit risk (continued)

24.6.6 Credit quality by class of financial assets

	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2025	(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
Balance with central bank	116,435	-	-	116,435
Due from banks	376,860	-	-	376,860
Due from associates and affiliated companies	2,625	-	-	2,625
Other assets	4,584	-	-	4,584
Loans:				
Retail	67,500	861	66	68,427
Commercial/ Corporate	346,423	17,207	8,848	372,478
Mortgages	324,929	12,748	4,962	342,639
Loans (Gross)	738,852	30,816	13,876	783,544
Securities:				
Securities at FVTPL	4,842	-	-	4,842
Securities at FVOCI	4,050	-	-	4,050
Securities (Gross)	8,892	-	-	8,892
Total	1,248,248	30,816	13,876	1,292,940
As at October 31, 2024	Stage 1	Stage 2	Stage 3	Total
As at October 31, 2024	(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
Balance with central bank	151,596	-	-	151,596
Due from banks	306,450	-	-	306,450
Due from associates and affiliated companies	7,755	-	-	7,755
Other assets	9,960	-	-	9,960
Loans:				
Retail	59,952	972	61	60,985
Commercial/ Corporate	347,074	21,423	15,802	384,299
Mortgages	298,812	11,401	7,876	318,089
Loans (Gross)	705,838	33,796	23,739	763,373
Securities:				
Securities at FVTPL	4,830	-	-	4,830
Securities at FVOCI	4,050	-	-	4,050
Securities (Gross)	8,880	-	-	8,880
Total	1,190,479	33,796	23,739	1,248,014

For those exposures that are stage 2 the majority are rated between standard (good) to excellent which is high grade.

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Notes to the financial statements October 31, 2025

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24. Financial risk management (continued)

24.6 Credit risk (continued)

24.6.7 Credit risk exposure based on the Bank's internal corporate rating system (continued)

The table below presents an analysis of due from banks, loans, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Standard & Poor's Equivalent grades	2025 (AWG'000)	2024 (AWG'000)
Excellent AA	BB+ and higher	376,860	306,450
Virtual certain loss Not rated	NR	8,892	8,880
		<u>385,752</u>	<u>315,330</u>

24.7 Capital management

Capital management is a proactive process that ensures that the Bank has and remains able to generate or raise sufficient capital on a timely and cost-effective basis to underpin its risks and ultimately protect depositors and other creditors from unexpected losses.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the regulator.

The Bank is governed by the risk based capital targets set by the Central Bank of Aruba, and are required to calculate capital ratios and capital-to-risk adjusted assets multiples using the framework adopted by the Central Bank of Aruba. Under the local guidelines, adjusted qualifying capital includes core capital and supplementary capital. Core capital mainly consists of fully paid and issued share capital, audited retained earnings, statutory reserve fund, capital reserves excluding asset revaluation reserves less goodwill. Supplementary capital includes subordinated debt, asset revaluation reserves and unaudited profits. Regulatory capital ratios are calculated by dividing core capital by risk-weighted assets and qualifying capital by risk adjusted assets. The required information is filed with the authorities on a monthly or quarterly basis as prescribed by the regulator.

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24. Financial risk management (continued)

24.7 Capital management

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended October 31.

	2025	Restated
	(AWG'000)	2024
		(AWG'000)
Tier 1 capital		
Share capital	44,865	44,865
Retained earnings	159,042	134,948
Total qualifying Tier 1 capital	<u>203,907</u>	<u>179,813</u>
Tier 2 capital		
Other components of equity	2,808	2,808
Statutory reserve	23,197	22,568
Total qualifying Tier 2 capital	<u>26,005</u>	<u>25,376</u>
Total regulatory capital	<u>229,912</u>	<u>205,189</u>
Risk-weighted assets:		
Risk weighted assets for credit risk	<u>655,158</u>	<u>633,030</u>
Total risk-weighted assets	<u>655,158</u>	<u>633,030</u>
Total regulatory capital to risk weighted assets	35%	32%

The licensed banking entity in Aruba is required to maintain a qualifying capital ratio of at least 18% increased from 16% as of January 1, 2024. Throughout the current year and prior year, the Bank submitted regulatory returns inclusive of calculations that complied with all of the externally imposed capital requirements to which it is subject.

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25. Fair value of financial assets and liabilities

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

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

Financial assets and liabilities for which fair values are disclosed

As at October 31, 2025							
	Fair value always approximates carrying value	Fair Value may not Approximate Carrying Value	Total Fair Value	Fair Value Hierarchy			
				Level 1	Level 2	Level 3	Total
				(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
Cash and cash equivalents	394,447	-	394,447	-	-	-	-
Balances with central bank	116,435	-	116,435	-	-	-	-
Loans	-	739,559	739,559	-	-	739,559	739,559
Due from associates and affiliated companies	2,625	-	2,625	-	-	-	-
Other assets	4,584	-	4,584	-	-	-	-
Due to banks	2,928	-	2,928	-	-	-	-
Customers' deposits	810,033	232,609	1,042,642	-	-	232,609	232,609
Due to associates and affiliated companies	19,413	-	19,413	-	-	-	-
Other Liabilities	11,229	-	11,229	-	-	-	-

As at October 31, 2024							
	Fair value always approximates carrying value	Fair Value may not Approximate Carrying Value	Total Fair Value	Fair Value Hierarchy			
				Level 1	Level 2	Level 3	Total
				(AWG'000)	(AWG'000)	(AWG'000)	(AWG'000)
Cash and cash equivalents	326,893	-	326,893	-	-	-	-
Balances with central bank	151,596	-	151,596	-	-	-	-
Loans	-	718,010	718,010	-	-	718,010	718,010
Due from associates and affiliated companies	7,755	-	7,755	-	-	-	-
Other assets	9,960	-	9,960	-	-	-	-
Due to banks	1,677	-	1,677	-	-	-	-
Customers' deposits	816,848	213,499	1,030,347	-	-	213,499	213,499
Due to associates and affiliated companies	16,711	-	16,711	-	-	-	-
Other Liabilities	10,450	-	10,450	-	-	-	-

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

Disclosures of fair value for financial instruments that are carried at amortised cost (continued)

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

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Loans are similarly valued taking into account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.

Disclosure for fair value for financial instruments that are measured and disclosed at fair value

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

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

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

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

As at October 31, 2025	Level 1 (AWG'000)	Level 2 (AWG'000)	Level 3 (AWG'000)	Total (AWG'000)
Securities FVTPL				
<u>Securities FVTPL classified</u>				
Money market instruments	4,842	-	-	4,842
	4,842	-	-	4,842
Securities FVOCI				
<u>Securities FVOCI designated</u>				
Equity securities	-	-	4,050	4,050
	4,842	-	4,050	8,892

As at October 31, 2024	Level 1 (AWG'000)	Level 2 (AWG'000)	Level 3 (AWG'000)	Total (AWG'000)
Securities FVTPL				
<u>Securities FVTPL classified</u>				
Money market instruments	4,830	-	-	4,830
	4,830	-	-	4,830
Securities FVOCI				
<u>Securities FVOCI designated</u>				
Equity securities	-	-	4,050	4,050
	4,830	-	4,050	8,880

There were no transfers between levels in the respective periods.

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

Reconciliation of level 3 fair value measurement of financial assets

Level 3

	FVOCI (AWG'000)
At November 1, 2024	4,050
Gains from changes in fair value	-
At October 31, 2025	<u>4,050</u>
	FVOCI (AWG'000)
At November 1, 2023	3,870
Gains from changes in fair value	180
At October 31, 2024	<u>4,050</u>

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

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

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

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

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

	Level 3 Fair value (AWG'000)	Positive fair value movement from using reasonably possible alternative assumptions (AWG'000)	Negative fair value movement from using reasonably possible alternative assumptions (AWG'000)
As at October 31, 2025			
Securities at FVOCI	4,050	1,041	(1,041)
	4,050	1,041	(1,041)
	Level 3 Fair value (AWG'000)	Positive fair value movement from using reasonably possible alternative assumptions (AWG'000)	Negative fair value movement from using reasonably possible alternative assumptions (AWG'000)
As at October 31, 2024			
Securities at FVOCI	4,050	911	(911)
	4,050	911	(911)

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

Sensitivity results

As at October 31, 2025, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of AWG 1.0 million (2024: AWG 0.9 million) and a reduction of AWG 1.0 million (2024: AWG 0.9 million) in fair value, of which AWG 1.0 million (2024: AWG 0.9 million) and AWG 1.0 million (2024: AWG 0.9 million) would be recorded in other components of equity, respectively. The effects of applying these assumptions to the Level 3 liability positions would result in a decrease of nil and an increase of nil in fair value as there are no liability positions. There are nil Level 3 liability positions as at October 31, 2025, prior year fair value decrease was (2024: nil) and increase was (2024: nil).

Level 3 valuation inputs and approaches to developing reasonably possible alternative assumptions

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

Financial assets or liabilities Sensitivity methodology

<p>Government debt and corporate debt Equity securities</p>	<p>Sensitivities are determined based on adjusting, plus or minus one standard deviation, the bid-offer spreads or input prices if a sufficient number of prices are received, adjusting input parameters such as credit spreads as reasonably possible alternative assumptions.</p> <p>For private equities, sensitivities are derived from valuation range. When the fair value is kept at historical nominal value or there is no valuation range, zero sensitivity is assigned since there are no alternative assumptions.</p>
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26. Restatement of prior period balances

As at November 1, 2023, the Bank has restated its opening balances relating to other liabilities, current income tax liabilities and retained earnings for comparability upon the adoption of a voluntary policy amendment and correction to unclaimed balances included in other liabilities. Below is the impact to the prior year's closing Statement of Financial Position.

	<u>As at October 31, 2024</u>		
	<u>Previously Stated</u>	<u>Restatement</u>	<u>Restated</u>
	<u>(AWG'000)</u>	<u>(AWG'000)</u>	<u>(AWG'000)</u>
Assets			
Cash and cash equivalents	326,893	-	326,893
Balances with central bank	151,596	-	151,596
Loans	752,314	-	752,314
Securities	8,880	-	8,880
Due from associates and affiliated companies	7,755	-	7,755
Intangible assets	99	-	99
Premises and equipment	14,408	-	14,408
Deferred tax assets	2,837	-	2,837
Other assets	10,036	-	10,036
Total assets	<u>1,274,818</u>	<u>-</u>	<u>1,274,818</u>
Liabilities			
Due to banks	1,677	-	1,677
Customers' deposits	1,028,276	-	1,028,276
Due to associates and affiliated companies	16,711	-	16,711
Current income tax liabilities	6,314	743	7,057
Other liabilities	18,490	(3,376)	15,114
Deferred tax liabilities	794	-	794
Total liabilities	<u>1,072,262</u>	<u>(2,633)</u>	<u>1,069,629</u>
Equity			
Stated capital	43,865	-	43,865
Share premium	1,000	-	1,000
Regulatory loan loss reserve	22,568	-	22,568
Other components of equity	2,808	-	2,808
Retained earnings	132,315	2,633	134,948
Total equity	<u>202,556</u>	<u>2,633</u>	<u>205,189</u>
Total liabilities and equity	<u>1,274,818</u>	<u>-</u>	<u>1,274,818</u>