Royal Bank

Consolidated Financial Highlights 2024

October 31, 2024

Board of Managing Directors' Report

In line with our Investing for Growth strategy, RBC Royal Bank N.V. ("the Bank") realized continued improvement in revenue in fiscal 2024, fueled by higher interest income as a result of our increased loan book by 11.3% and lower operating costs. Our results reflect a resilient bank that is well-positioned to pursue strategic growth.

In 2024, we continued with growth in both personal and business segments, supported not only by increased business activities in Aruba, Bonaire, Curaçao, Saba and Sint Maarten but also by our improved offering of advice backed by our products and services.

At RBC, our clients are at the centre of everything we do. With this client-centric approach, enabled by our investments in both technology and talent, we are confident that our differentiated advice, products and services will continue to deliver long-term value to our clients.

At the global level we continue to experience a period of historic change, in consumers' behaviours, priorities and needs.

Our commitment endures as we look ahead, with a refreshed focus on delivering exceptional client value, enhancing operational efficiency and resilience, and developing engaged and empowered teams.

As a technology enabled relationship-driven bank, our employees remain focused on creating exceptional client experiences, while ensuring an inclusive environment as we continue to manage our journey of digitization. In 2024, we saw a continued growth in the demand and success for our digital banking offerings.

This past year, we are proud to have successfully launched Chip Visa Debit cards to our clients in Sint Maarten and Curaçao and look forward to rolling out this improved technology, offering improved security and an improved client experience, to our clients in Aruba, Bonaire and Saba in 2025.

With real GDP projected to continue to expand in 2025, although at a more normalized rate as economic recovery matures, we will continue to focus on growth strategies, improving operational efficiency, and adding value for our clients. This commitment to our clients reflects our culture and Purpose – to help clients thrive and communities prosper.

Financial Performance

For 2024, the Bank reported net income after tax of Nafl 52.7 million, an increase of Nafl 17.4 million over the prior year. This was driven by revenue growth, lower costs and relatively low levels of provisions for credit losses. Revenue improved by Nafl 20.0 million or 14.0%, driven by higher interest income from our investment portfolio, complemented by solid loans portfolio growth partly offset by higher interest expenses. Non-interest income also increased mainly from higher foreign exchange earnings. Non-interest expenses decreased by Nafl 4.2 million primarily from lower depreciation and amortisation costs. Provisions for credit losses shifted to a modest expense in 2024 following a recovery in the prior year, highlighting the improved credit quality of the underlying portfolio. The increase in revenue and lower non-interest expenses contributed to an overall improvement in our efficiency ratio. The Bank's total assets increased by Nafl 164.2 million year-on-year with the loans book increasing by Nafl 191.1 million and customer deposits up Nafl 82 million. The Bank is well capitalized with a capital adequacy ratio of 25% up from 24% last year and well above regulatory requirements.

Economic Outlook

Aruba: The Aruba economy continued its strong growth momentum in 2024, expanding by an estimated 6.1%, according to the Central Bank. Robust tourism travel, alongside large construction projects, mostly linked to the tourism sector supported this performance. During calendar year 2024, the Aruba Hotel and Tourism Association (AHATA) reported that Aruba's hotels achieved an average room occupancy of 81.7% compared with 78.0% for 2023. AHATA forecasted that Aruba's hotels will see an average room occupancy of 86.5%, 87.7% and 86.8% in January 2025, February 2025 and March 2025, respectively. AHATA also forecasted an average room occupancy of 80.9% for calendar 2025. Minimum wage hikes at the start of 2024 caused minimal price pressures, with the inflation rate moderating to 0.8%y/y in November 2024. Government achieved a fiscal surplus of 4% of GDP in 2023, up from a deficit of 0.9% in 2022 and above the 1% surplus target agreed to in the fiscal framework with the Netherlands. Aruba continued to generate quarterly budget surpluses in 2024, with fiscal data through 2024Q3 showing that the government ran a surplus of Afl.150.7 million, compared with Afl. 67.3 million in 2023Q3; on track to achieving the 2024 budget target of an overall surplus of 2.2% of GDP. During 2024, the Aruban government reached an agreement with the Netherlands to lower the interest rate on its pandemic liquidity loan to 5.1% from 6.9% until May 2025. The enactment of the Kingdom Law on financial supervision by May 2025 could further lower the interest rate.

Curaçao: According to preliminary estimates from the Central Bank of Curaçao and Sint Maarten (CBCS), Curaçao grew in real terms by 5.4% in 2024 and is projected to moderate in 2025 to 3.2%. The Curaçao Tourist Board (CTB) reported a milestone year in 2024, after the island exceeded 700,000 stayover arrivals. Stayovers, day-trippers and cruise passengers combined to bring 1.57 million visitors, representing a 20% y/y increase. The CBCS expects that inflation will continue to slow, in line with current projections for Curaçao's main trading partners, the U.S. and the Netherlands. Headline inflation is expected to decline from 3.6% in 2023 to 3.1% in 2024. Government's overall budget surplus is projected to narrow from 1.9% of GDP in 2023 to 1.7% of GDP in 2024, while public debt to GDP is anticipated to continue to decline. Anchored by the normalization of economic and monetary conditions across the union and the likelihood of further cuts in the Fed funds rate, the CBCS adjusted its monetary policy in November 2024, reducing its reserve requirement by 0.50 percentage points to 18.50% while the pledging rate was lowered further from 5.25% to 4.75%.

Sint Maarten: According to preliminary estimates from the CBCS, Sint Maarten expanded in real terms by 3.1% in 2024 and is expected to temper to 2.6% in 2025. According to the Government of Sint Maarten's Department of Statistics, in the first nine months of 2024 Sint Maarten saw the number of stopovers increase by 5.7% y/y, with visitors from the USA up 10.1% y/y. Sint Maarten received 913,589 cruise visitors, down marginally by 2.8% y/y. Headline inflation rates are estimated by the CBCS to have accelerated from 2.1% in 2023 to 3.1% in 2024, however, disinflation is projected in 2025. The import coverage of the monetary union rose marginally from 4.5 months at the end of 2023 to 4.6 months in December 2024.

Bonaire and Saba: According to the Tourism Corporation Bonaire (TCB), Bonaire achieved a new milestone in 2024 by welcoming 182,181 stay-over visitors, not only exceeding its target for the year but also surpassing previous records set in 2023, 2022 and 2019. Dutch visitors formed the largest group, accounting for 45% of total visitors while American visitors followed with 25%. According to Statistics Netherlands (CBS), in 2024, Bonaire and Saba saw annual average price levels increase by 2.6% y/y and 2.1% y/y, respectively. Effective January 1st 2025, the statutory minimum wage will be indexed across Bonaire and Saba, based on 2024 inflation figures. For Bonaire, the minimum wage will increase by 2.5% to USD10.35 per hour, and for Saba by 2% to USD10.30 per hour.

RBC and our community

Our collective success depends on attracting, retaining and developing the right talent to deliver on our strategy. From wellness and flexibility to skill building and leadership development, we are committed to supporting, enabling and empowering our employees as they help our clients thrive and communities prosper.

Supporting the communities where we live and work is central to our Purpose. Through our local partnerships, donations and employee initiatives, RBC is committed to building vibrant, socially inclusive and sustainable communities.

In 2024, we continued our donations and community investments because we know our bank is only as strong as the collective wellbeing of the communities where we live and work.

We are particularly proud of the various initiatives that broaden development opportunity amongst youth and underrepresented groups while fostering community spirit.

We deepened our long-standing relationship with the Little League Foundations in Aruba, Curaçao and Sint Maarten as main sponsorship partner. In Curaçao, we increased our commitment to investing in our youth through support of track and field competitions and music week in schools.

RBC employees also supported their communities throughout the year with donations and activities that provided everything from school supplies to uniforms as well as gifts to less-advantaged children.

In Aruba, Curaçao and Sint Maarten we supported the cultures of the islands through sponsorship of Carnival community groups. Also in Curaçao, we supported the traditional harvest festival (Se) celebrations.

We were also proud to sponsor and support World Environment and World Oceans Day, throughout the Dutch Caribbean, where RBC employees rolled up their sleeves and made a difference by participating in beach clean-up activities.

On behalf of the Board of Directors and management of RBC Royal Bank N.V., we would like to thank our clients for their continued confidence and their loyalty. We would also like to thank our employees, who continue to be the driving force behind all our achievements. We remain committed to serving the Dutch Caribbean region and steadfast in delivering excellence as we help our clients thrive and our communities prosper.

Pierrot Hurtado	Darice Vornis	Pierre Rafini	Farah Hardeveld
RBC Royal Bank N.V.	RBC Royal Bank N.V.	RBC Royal Bank (Aruba) N.V.	RBC Royal Bank (Aruba) N.V.
Managing Director	*Managing Director*	*Managing Director*	*Managing Director*

pwc

Independent auditor's report on the consolidated financial highlights

To the Shareholder of RBC Royal Bank N.V.

Our opinion

In our opinion, the accompanying consolidated financial highlights of RBC Royal Bank N.V. (the Company), and its subsidiaries ('together the group') are consistent, in all material respects, with the audited consolidated financial statements, *in accordance with the provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set out by the Central Bank of Curaçao and Sint Maarten.*

The consolidated financial highlights

The Groups consolidated financial highlights derived from the audited consolidated financial statements for the year ended 31 October 2024 comprise:

- the consolidated statement of financial position as at 31 October 2024;
- the consolidated statement of income and other comprehensive income for the year then ended;
- the related notes to the consolidated financial highlights.

The consolidated financial highlights do not contain all the disclosures required by IFRS Accounting Standards. Reading the consolidated summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The audited consolidated financial statements, and the consolidated financial highlights, do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 17 January 2025.

Responsibilities of management and those charges with governance for the consolidated financial highlights

Management is responsible for the preparation of the consolidated financial highlights in accordance with the provisions for the Disclosure of consolidated financial highlights of Domestic Banking Institutions, as set out by the Central Bank of Curaçao and Sint Maarten.

Those charged with governance are responsible for the overseeing the Group's financial reporting process.

Auditor's responsibility

Our responsibility is to express an opinion on whether the consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
25 April 2025

Consolidated Statement of Financial Position of RBC Royal Bank N.V. and its Subsidiaries

(Expressed in thousands of Antillean Guilders)

	As at 31 October	
	2024 ANG	2023 ANG
Assets		
Cash and due from banks	1,198,545	1,091,579
Securities	365,479	500,404
Loans and advances to customers	1,870,653	1,679,582
Customers' liability under acceptances	20,621	20,487
Bank premises and equipment	34,146	31,971
Goodwill and other intangible assets	307	639
Deferred tax assets	13,178	14,737
Other assets	16,719	15,882
Total assets	3,519,648	3,355,281
Liabilities and shareholders' equity		
Liabilities		
Customers' deposits	2,866,775	2,784,632
Due to other banks	30,046	30,354
Acceptances outstanding	20,621	20,487
Profit tax payable	10,806	8,650
Deferred tax liabilities	8,438	7,639
Provisions	721	697
Other liabilities	64,778	38,197
Total liabilities	3,002,185	2,890,656
Shareholders' equity		
Issued capital	114,455	114,455
Share premium	87,053	87,053
General reserve	33,547	30,042
Other reserve	3,231	3,080
Retained earnings	279,177	229,995
Total shareholders' equity	517,463	464,625
Total liabilities and shareholders' equity	3,519,648	3,355,281

Consolidated Statement of Income and Other Comprehensive Income of RBC Royal Bank N.V. and its Subsidiaries

(Expressed in thousands of Antillean Guilders)

	Year ended 31 October	
	2024 ANG	2023 ANG
Interest income	148,304	132,000
Interest expense	29,568	25,806
Net interest income	118,736	106,194
Fee and commission income	23,923	20,883
Net fee and commission income	23,923	20,883
Other operating income	20,311	15,868
Total revenue	162,970	142,945
Salaries and other employee expenses	44,969	44,123
Occupancy expenses	7,204	6,674
Provision for credit losses	238	(2,934)
Other operating expenses	45,607	51,329
Operating expenses	98,018	99,192
Net result from operations	64,952	43,753
Income from associates	390	322
Income before taxation	65,342	44,075
Taxation expense	(12,655)	(8,798)
Net income after taxation	52,687	35,277
Other comprehensive income, net of taxes:		
Net change in income on securities	151	187
Other comprehensive income for the year, net of tax	151	187
Total comprehensive income for the year	52,838	35,464

A. Material accounting policies

The material accounting policies adopted in the preparation of RBC Royal Bank N.V.'s consolidated fint on premises, The material accounting policies adopted in the preparation of RBC Royal Bank N.V.'s consolidated financial statements are set out below. The notes are an extract of the detailed notes prepared in our statutory consolidated financial statements. The notes detailed below coincide in all material aspects with those from which they have been derived. Throughout this report, the word Group refers to RBC Royal Bank N.V. and its consolidated subsidiaries.

Basis of preparation

The consolidated financial statements, from which these Consolidated Financial Highlights have been derived, are prepared in Antillean Guilders (ANG) and in accordance with IFRS Accounting Standards.

Use of estimates and assumptions

In preparing our Consolidated Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance claims and policy benefit liabilities, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Consolidated Financial Statements. These consolidated financial highlights have been prepared based on the criteria established by the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set out by the Central Bank of Curacao and Sint Maarten. Management do not believe there to be a material gap between the estimates used in these Consolidated Financial Statements and actual results based on historic performance.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of RBC Royal Bank N.V. (the parent company) and its wholly owned subsidiaries RBC Royal Bank (Aruba) N.V., ABC International N.V., RBC Royal Bank International N.V., Trade Center St. Maarten N.V., Royal Services (Curaçao) N.V. and Royal Services International (Curaçao) N.V (the Group) after the elimination of intercompany transactions and balances.

The following accounting policies are applicable to all periods presented:

Classification of financial assets

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

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

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

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk 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 Group, to the extent that these are directly linked to the economic performance of the business model.

The Group'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. Realized and unrealized gains and losses on these securities are generally recorded as trading revenue in non-interest income. Dividends and interest income accruing on trading securities are recorded in interest income.

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

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

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

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

The Group 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 dates are recorded in OCI, except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.

Loans

Loans are debt instruments recognized 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 amortized cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized 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 recognized 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 recognized 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 amortized 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 recognized in interest income at the prepayment date.

For loans carried at amortized cost or FVOCI, impairment losses are recognized 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 consolidated financial statements. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the Consolidated Statement of Other Comprehensive Income and the ACL on debt securities measured at FVOCI is presented in other components of equity on the Consolidated Statement of Financial Position. Financial assets carried at amortized cost are presented net of ACL on the Consolidated Statement of Financial Position. Provision for credit losses (PCL) on amortized cost instruments are recognized directly in the Consolidated Statement of Income.

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

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

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

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 judgement 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.

Assessment of significant increase in credit risk

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

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

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

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

Use of forward-looking information

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

Scenario design

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers five distinct future macroeconomic scenarios.

Scenarios and scenario weights are set at the enterprise level; considering the RBC baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows RBC to have a consistent view of macroeconomic scenarios across business lines and legal entities.

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

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.

Royal Bank

Consolidated Financial Highlights 2024

October 31, 2024

A. Material accounting policies (continued)

Allowance for credit losses (continued)

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each statement of financial position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired.

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

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 judgement.

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).

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 realization 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. 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.

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.

Commissions and fees

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

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

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

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.

Cash and due from banks

Cash and due from banks includes balances due from associated and affiliated companies.

Customer liability under acceptances/acceptances outstanding

Customers' liability under acceptances/acceptances outstanding are not recorded on the statement of financial position in the statutory consolidated financial statements, but are required disclosures under the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions. Such amounts include Letters of Credit and Guarantees.

Occupancy expenses

Occupancy expenses include rent on premises, depreciation and maintenance of premises and taxes.

B. Specification of accounts

This specification is an extract of the most important accounts derived from the statutory financial statements.

	31 October 2024 ANG	31 October 2023 ANG
I. Assets		
Securities		
FVTPL	4,880	4,502
FVOCI	5,025	4,845
At amortised cost	355,578	491,067
	365,483	500,414
Less allowance for losses	(4)	(10)
Net securities	365,479	500,404
Loans and advances to customers		
Retail customers	884,564	850,835
Corporate customers	1,012,900	857,384
Public sector	957	957
Total loans and advances	1,898,421	1,709,176
Unearned interest	(297)	-
	1,898,124	1,709,176
Less allowance for loan losses	(27,471)	(29,594)
Net loans and advances	1,870,653	1,679,582
Customers' deposits		
Retail customers	1,119,360	1,091,556
Corporate customers	1,608,704	1,644,856
Other	138,711	48,220
Total customers' deposits	2,866,775	2,784,632