RBC EUROPE LIMITED

INTERIM PILLAR 3 DISCLOSURE

As at 30th April 2022

To be read in conjunction with
PILLAR 3 DISCLOSURE
FOR THE YEAR ENDED 31 OCTOBER 2021
[http://www.rbc.com/aboutus/rbcel-index.html]

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1 BACKGROUND

RBC Europe Limited is supervised in the UK by the Prudential Regulation Authority. Any references to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as on shored into UK law under the European Union (Withdrawal) Act 2018, including any subsequent amendments. The Basel Committee's framework is structured around three 'pillars': Pillar 1, minimum capital requirements; Pillar 2, supervisory review process; and Pillar 3, market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of banks' application of the Basel Committee's framework. It also aims to assess their application of the rules in their jurisdiction, capital conditions, risk exposures and risk management processes, and hence their capital adequacy. All European legislation that was in place on 31 December 2020 was on shored into UK law, subject to certain amendments.

RBC Europe Limited Pillar 3 Disclosures at 30 April 2022 comprises quantitative and qualitative information required. These disclosures are made in accordance with part 8 of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022.

2 RISK GOVERNANCE

Refer to Annual disclosure for 31 October 2021

3 KEY METRICS

3.1 AVAILABLE OWN FUNDS

As at 30 April 2022, the Company had total own funds of £1,724 (April 2021: £1,629). The numbers are in millions.

Capital adequacy and capital ratios measured are monitored daily against internal thresholds by the Regulatory Reporting team in the Finance department. Any breaches would be escalated immediately. In addition the Asset and Liability Committee (ALCO) receives monthly reports detailing capital requirements, while the Board and the Risk Committee (RC) are updated on a quarterly basis. Analysis, monitoring and reporting of risk profiles and performance against risk appetite limits and tolerances are conducted by the relevant risk functions. Results are reported to the RC at least quarterly, with management committees updated on a more regular basis.

As at 30 April 2022, the Company's minimum capital requirements are illustrated below, expressed in terms of risk-weighted exposure, as calculated by the approaches adopted by the Company to calculate the minimum capital resources requirements. Exposure classes not mentioned below were immaterial and are not shown separately.

Table 1 – Own Funds Key Metrics

GBP(m)

		Apr-22	Oct-21	Apr-21
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,344	1,349	1,257
2	Tier 1 capital	1,644	1,649	1,557
3	Total capital	1,724	1,721	1,629
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	9,759	8,961	8,642
5	Common Equity Tier 1 ratio (%)	13.77%	15.05%	14.55%
6	Tier 1 ratio (%)	16.85%	18.40%	18.02%
7	Total capital ratio (%)	17.66%	19.21%	18.85%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.12%	N/A	N/A
UK 7b	Additional AT1 SREP requirements (%)	0.87%	N/A	N/A
UK 7c	Additional T2 SREP requirements (%)	0.50%	N/A	N/A
UK 7d	Total SREP own funds requirements (%)	9.99%	N/A	N/A
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	N/A	N/A
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)			
9	Institution specific countercyclical capital buffer (%)	0.04%	N/A	N/A
UK 9a	Systemic risk buffer (%)			
10	Global Systemically Important Institution buffer (%)			
UK 10a	Other Systemically Important Institution buffer			
11	Combined buffer requirement (%)	2.54%	N/A	N/A
UK 11a	Overall capital requirements (%)	12.54%	N/A	N/A
12	CET1 available after meeting the total SREP own funds requirements (%)			

Table 2 – Leverage Ratio Key Metrics

GBP(m)

		Apr-22	Oct-21	Apr-21
	Leverage ratio			
13	Leverage ratio total exposure measure	45,175	N/A	N/A
14	Leverage ratio	3.63%	N/A	N/A

Table 3 - Liquidity Key Metrics

UK LIQB ON QUALITATIVE INFORMATION ON LCR, WHICH COMPLEMENTS TEMPLATE UK LIQ1.

In accordance with Article 451a(2) CRR.

GBP(m)

		Apr-22	Oct-21	Apr-21
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	8,757	8,388	8,849
UK 16a	Cash outflows - Total weighted value	10,075	9,203	9,329
UK 16b	Cash inflows - Total weighted value	3,193	2,586	2,246
16	Total net cash outflows (adjusted value)	6,881	6,618	7,083
17	Liquidity coverage ratio (%)	127%	127%	125%
	Net Stable Funding Ratio			
18	Total available stable funding	16,464	14,695	14,027
19	Total required stable funding	16,249	15,247	14,831
20	NSFR ratio (%)	101%	97%	95%

4 LIQUIDITY RISK

4.1 DEFINITION OF LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to generate sufficient cash or its equivalents in a timely and cost-effective manner to meet obligations. Liquidity risk arises from mismatches in the timing and the value of both on-balance sheet and off-balance sheet cash flows. Cash flow gaps can result from: maturity mismatches of assets and liabilities, unexpected draws from off-balance sheet commitments, or in the event of a loss in value of assets in comparison to repayment obligations. If the sources of cash (liquid assets / funding) are not available to meet these cash flow requirements, there is potential for a liquidity event to adversely impact the Company.

Liquidity management activities are designed to safeguard the Company against stresses, and to ensure the safety and soundness of the organisation.

4.2 GOVERNANCE AND FRAMEWORK

The Company has in place a robust governance model with individuals empowered to make decisions that benefit the organisation without creating unnecessary risk. Ultimate responsibility for liquidity management resides with the Company's Board. The Board is tasked with ensuring that an effective systems and controls framework is in place for business activity, capital and liquidity risk management, and other risk management, enabling all risks to be adequately overseen, assessed and managed.

The role of the Board for liquidity risk, alongside monitoring and oversight of the liquidity position of the Company, includes approval of Liquidity Risk Policy and Framework, Risk Appetite Statement and Metrics, Recovery Plan, and the annual Internal Liquidity Adequacy Assessment Process (ILAAP). Responsibility for the detailed management and oversight of liquidity risk is delegated to the Risk Committee (RC) and Asset and Liability Committee (ALCO). An overview of management information is presented to the ALCO monthly, and to RC on a quarterly basis.

The company takes direction from the Group Liquidity Management Framework and supporting Liquidity Risk Policy, and maintains standalone appendices to both documents that detail the Company's business model, local market idiosyncrasies and local regulatory framework. Alongside this, as outlined in the parent Pillar 3 disclosure, the Company also employs several liquidity risk mitigation strategies that include:

- Maintaining broad funding access, including both core client deposits and diversified wholesale funding;
- A comprehensive liquidity stress testing program to ensure sufficiency of unencumbered marketable securities and demonstrated capacity to monetize assets during time of stress, recovery or resolution;
- Standing Orders that instruct business areas on how to manage specific areas of liquidity risk; and
- Three lines of defense governance model.

As a standalone entity, the Company maintains its own Risk Tolerance Statement, Risk Appetite and risk limits. This takes direction from RBC Group (the parent) with additional aspects designed to capture locally specific risks and ensure relevance to local business practice and operational differences.

Within the Company, the risk tolerance statement is articulated through a series of limits, covering both internal and regulatory metrics. The risk tolerance statement states the Company must maintain sufficient liquidity to meet all financial needs on a commercially viable basis, under business as usual conditions, while maintaining a prudent degree of protection to mitigate the effects of severe but plausible adverse events.

The Company's risk appetite is defined within the Company's Limited Risk Appetite Framework, which is approved regularly.

Corporate Treasury (CT) is responsible for all liquidity reporting, including ensuring completeness and accuracy of data. The Company primarily uses RBC Group strategic platforms for liquidity risk measurement and monitoring. Reports include, but are not limited to, LCR, NSFR, Asset Encumbrance, PRA110, ALMM and several internally defined reports designed to complement the regulatory requirements.

4.3 Risk Profile

The Company is comfortable with the level of liquidity risk within the organisation. Throughout the financial year the Company remained within both internal risk appetite and regulatory limits as it at all times maintains sufficient levels of short and long term funding, and holds substantial high quality unencumbered securities that are diverse in nature, prudently valued and regularly turned over as part of its trading activities.

Minimum liquid asset buffer requirements are monitored and managed against regulatory metric LCR and an internally defined metric Net Cash Flow (NCF), and term funding buffer requirements are maintained against NSFR. NCF estimates net liquidity surpluses (or shortfalls) over specific short time horizons (7, 30, 60 days) for on-balance sheet and off-balance sheet transactions. The metric measures the amount of potential liquidity and funding risk being taken after liquidity sources such as liquid ass ets have been factored in.

4.4 Individual Liquidity Adequacy Assessment Process (ILAAP)

The ILAAP is the Company's internal assessment of the management and measurement of liquidity risk within the organisation, under both stressed and business as usual conditions. The ILAAP document covers all aspects of liquidity risk. It is prepared annually, and approved by the Board.

The stress tests, which include elements of scenario and sensitivity analysis, measure the Company's prospective exposure to systemic or/and RBC-specific events over a period of several weeks. Different levels of severity are considered for each type of crisis with some scenarios reflecting multiples downgrades to the credit ratings.

Contingency liquidity risk planning assesses the impact of sudden stress events and the Company's planned responses. The Company's Liquidity Contingency Plan (LCP) maintained and administered by CT has been developed to guide potential responses to liquidity crises. The process identifies contingent funding needs and sources under various stress scenarios. Further details are covered in the Company's LCP and ILAAP documents.

CT, Group Risk Management and Treasury Market Services perform ongoing monitoring of market developments and Early Warning Indicator (EWI) signals to assess the potential for a change in liquidity conditions and if necessarily to call for a LCT (Liquidity Crisis Team), and when in a crisis situation, to determine if a change in Liquidity crisis stage is warranted.

4.5 LCR Qualitative Disclosure

Main drivers that contribute to the LCR
LCR captures cash flows from on and off-balance sheet activities that are either expected or could potentially occur within 30 days in an acute stress scenario.

The Company's LCR trend remains stable and is managed within the firm's liquidity risk tolerance and takes into account business mix, asset composition and funding capabilities. The Company's outflows during the LCR window are primarily driven by outflows from intragroup deposits, committed credit facilities, secured lending, and collateral swaps activities, which are key components of the Company's business model. Cash inflows arise primarily from secured funding inflows, collateral swaps, monies due and other inflows.

Concentration of funding sources
The Company's core stable funding comes from a diverse range of sources and maturity structures to mitigate the concentration risk. This includes funding from capital, a range of RBC group affiliates, wholesale secured funding, and third party retail and wholesale deposits. It is deemed there is no material risk in the concentration of funding.

Composition of the institution's liquidity buffer
The Company's liquid asset buffer primarily comprises of cash placed with central bank reserves and unencumbered HQLA issued by governments and supranational entities. The Company maintains a diverse portfolio of securities, across many types of issuers and country of risk, with no excessive single name exposures, and has good access to wholesale secured funding markets to monetize this collateral as and when required

Derivative exposures and potential collateral calls

The Company enters derivatives trading with RBC affiliates to hedge market risk in its fixed income businesses. The Company includes an outflow for collateral related risk in its LCR.

The Company is active in tri-party secured lending arrangements where market counterparties deliver a basket of collateral daily to fulfil their pledging requirements. The Company takes the view that these collateral could be downgraded to illiquid assets. Therefore this ring-fenced collateral is excluded from the available HQLA.

Currency mismatch in the LCR

The Company's HQLA buffers and net cash outflows are primarily comprised of GBP, EUR, USD and CHF denominated assets. The currency mix of the balance sheet will vary over time as it is dictated by evolving internal strategy and external market demand, but there are no plans to grow presence in any one currency. The Company prepares its regulatory LCR return on a consolidated basis and by major currency.

4.6 LCR Quantitative Disclosures

The LCR quantitative disclosures reflect the monthly average value for the last 12-month period, for each quarter end period.

Table 4.1 Liquidity Coverage Ratio (LIQ1)

Template UK LIQ1 - Quantitative information of LCR

GBPmm	Total unweighted value					Total weighted value				
	30-Apr-2022	31-Jan-2022	31-Oct-2021	31-Jul-2021	30-Apr-2021	30-Apr-2022	31-Jan-2022	31-Oct-2021	31-Jul-2021	30-Apr-2021
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS										
Total high-quality liquid assets (HQLA)						8,757	8,311	8,388	8,558	8,849
CASH - OUTFLOWS										
Retail deposits and deposits from small business customers, of which:	581	557	523	505	482	101	97	90	87	83
Stable deposits	61	59	57	56	54	3	3	3	3	3
Less stable deposits	521	498	466	449	428	98	94	88	84	80
Unsecured wholesale funding	6,448	6,219	6,274	6,190	6,200	5,951	5,755	5,840	5,796	5,842
Operational deposits (all counterparties) and deposits in networks of cooperative banks	212	183	168	170	167	53	46	42	42	42
Non-operational deposits (all counterparties)	6,236	6,035	6,105	6,020	6,033	5,898	5,709	5,798	5,754	5,801
Unsecured debt	-	0	-	-	-	-	-	-	-	-
Secured wholesale funding						2,296	1,904	1,510	1,311	1,278
Additional requirements	2,953	3,104	3,331	3,550	3,919	893	1,013	1,082	1,233	1,397
Outflows related to derivative exposures and other collateral requirements	642	760	812	948	1,090	642	760	812	948	1,090
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
Credit and liquidity facilities	2,310	2,344	2,519	2,602	2,828	250	253	271	286	307
Other contractual funding obligations	5,905	5,875	5,630	5,696	5,884	833	735	681	639	729
Other contingent funding obligations	202	194	177	143	149	-	-	-	-	-
TOTAL CASH OUTFLOWS						10,075	9,503	9,203	9,067	9,329
CASH - INFLOWS										
Secured lending (e.g. reverse repos)	25,526	23,338	20,204	17,929	15,444	1,836	1,651	1,309	1,188	1,117
Inflows from fully performing exposures	714	756	712	595	491	484	535	506	417	328
Other cash inflows	2,865	2,908	2,592	2,691	2,749	873	816	771	687	800
(Difference between total weighted inflows and total weighted outflows arising from transactions						-	-	-	-	-
						-	-	-	-	-
(Excess inflows from a related specialised credit institution)						-	-	-	-	-
						-	-	-	-	-
TOTAL CASH INFLOWS	29,105	27,002	23,508	21,214	18,684	3,193	3,001	2,586	2,292	2,246
Fully exempt inflows	-	-	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	20,606	18,490	15,598	14,194	12,842	3,193	3,001	2,586	2,292	2,246
TOTAL ADJUSTED VALUE										
LIQUIDITY BUFFER						8,757	8,311	8,388	8,558	8,849
TOTAL NET CASH OUTFLOWS						6,881	6,502	6,618	6,775	7,083
LIQUIDITY COVERAGE RATIO						127%	128%	127%	127%	125%

5 INTEREST RATE RISK IN THE BANKING BOOK

Refer to Annual disclosure for 31 October 2021

6 OPERATIONAL RISK

Refer to Annual disclosure for 31 October 2021

7 REMUNERATION

Refer to Annual disclosure for 31 October 2021

8 APPENDICES

8.1 APPENDIX 1: BOARD MEMBERSHIP

Current Independent Non-Executive Directors

Director	Role	Biography	Number of Directorships (excluding RBCEL)
David Buckley (Residency: UK)	Chair of RBCEL Board Member of Audit, Risk, Human Resources and Nomination Committees	David Buckley is the current RBCEL Board Chair and a member of the Board Committees, He has worked in the financial services sector for 30 years with extensive experience both as a senior executive across a number of financial institutions as well as a range of non-executive director positions. Mr. Buckley's non-executive experience includes roles at CIBC World Markets plc and Redwood Bank (non-executive Chair). Mr Buckley's executive career included senior management roles at Goldman Sachs International where he was the International Head of the Global Banking Group, London and Morgan Stanley International where he was International Treasurer and CEO of Morgan Stanley Bank International.	4
Nicola Mumford (Residency: UK)	Chair of Human Resources Committee and Nomination Committee Member of Audit Committee and Risk Committee	Ms Mumford is a qualified solicitor who spent her executive career within private practice where she became the Senior Director and Managing Partner of the London Office of an international law firm. Her role as a Senior Litigation Partner in the Dispute Resolution Group including advising high profile entities including financial services organisations. As a non-executive, Ms Mumford has particular expertise in talent management and remuneration enabling her to assist RBC as Chair of the Human Resources Committee of RBC Europe Limited.	0
Polly Williams (Residency: UK)	Chair of Risk Committee Member of Audit, Human Resources Committee and Nomination Committee	Ms Williams is a chartered accountant and her executive career included becoming a partner of one of the "Big Four" consultancy practices in the financial sector practice. Following her executive career, Ms Williams has held a number of non-executive directorships in and out of the financial service industry including at both publicly listed and private organisations. She has accountancy and industry experience and particular expertise in chairing of Audit and Risk Committees.	3
Tim Wade (Residency: UK)	Chair of Audit Committee Member of Risk, Human Resources and Nomination Committees	Mr Wade is a chartered account. He has had a successful executive career in the financial services industry including as a partner at a large international consultancy practice and CEO and CFO roles in house at financial institutions. As a non-executive director Mr Wade has held a number of directorships at large publicly listed and private organisations within insurance and banking. He has particular expertise in chairing Audit and Risk Committees.	2

Current Shareholder Representative Non-Executive Directors

Director	Role	Biography	Number of Directorships (excluding RBCEL)
Troy Maxwell (Residency: Canada)	Chief Operating Officer of RBC Capital Markets	Troy Maxwell is Chief Operating Officer of RBC Capital Markets with global responsibility for all operational and administrative matters of the firm, including optimising cost base management and financial resources, and leading the response to regulatory change. Previously, he was Executive Vice President of Finance and Chief Financial Officer of RBC Capital Markets and Technology & Operations, where he oversaw all finance services to RBC's wholesale business and technology and operations platform. Prior to joining RBC, Troy was Chief Financial Officer of CIBC World Markets and a partner at PricewaterhouseCoopers LLP, where he led the financial institutions and corporate treasury risk management consulting and advisory business. Troy is a Chartered Professional Accountant, and holds an Honours BA and a Master's Degree in Accounting from the University of Waterloo.	2
Nadine Ahn (Residency: Canada)	Chief Financial Officer, RBC	Nadine Ahn is currently Senior Vice-President, CFO Capital Markets, RBC. She has global accountability for financial governance, control, valuations and performance management for Investor & Treasury Services and Capital Markets, and is a member of Operating Committees for both businesses. She is also a member of the CAO & CFO Operating Committee and is based in Toronto, Canada.	1

Executive Directors

Director	Role	Biography	Number of Directorships (excluding RBCEL)
Peter Dixon (Residency: UK)	Chief Financial Officer, Europe	Mr Dixon is the CFO, Europe and is based in London. Prior to joining RBC, Mr Dixon held a number of senior finance roles within other international investment banking organisations and has experience of working in other jurisdictions including the US, Canada and Ireland. Mr Dixon is a qualified chartered accountant. Based in London, Mr Dixon is a member of the European Capital Markets Executive Committee.	2
David Thomas (Residency: UK)	CEO, RBC Europe Limited	Mr Thomas is the CEO of RBC Europe Limited, responsible for leading all aspects of the business in the region, including strategy execution and effective governance. He is a member of the RBC Capital Markets Global Operating Committee and chairs the European Capital Markets Executive Committee. Since joining RBC, Mr Thomas has held a number of both global and regional mandates in Technology, Operations, Risk Management and Compliance. He is a member of the Corporate Partnerships Board for Great Ormond Street Hospital.	2