

**RBC CAPITAL MARKETS (EUROPE) GMBH**

**PILLAR 3 DISCLOSURE**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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# 1 OVERVIEW

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## 1.1 BUSINESS PROFILE

### Our Organisation

RBC EG received permission from the Federal Financial Supervisory Authority (“BaFin”) in accordance with § 32 (1) sentence 1 and (2) of the German Banking act (KWG) to provide banking and financial services on 22nd November 2018 as a Broker/Dealer.

RBC EG is a wholly owned subsidiary by RBC Holdings (Germany) S.à.r.l., and an indirect subsidiary of the Royal Bank of Canada (“RBC” OR “the Group”) based in Toronto, Canada.

### Foreign Branches

In advance of the end of the Brexit transition period RBC EG has registered branches in Paris, France, Madrid, Spain and Amsterdam (Netherlands) and as at 31st October 2020, is in the process of establishing a representative office in Lausanne (Switzerland). These establishments are planned to become operational on 1st January 2021 and enable RBC to maintain continuity of services to its client base as well as provide a platform for future growth.

### Business Lines

In Continental Europe, RBC EG provides strategic advisory, capital raising and risk management capabilities to corporations, institutional investors, asset managers, governments and central banks. As of October 31st, 2020 the company’s product offering is limited to Investment Banking. Global Markets activity is planned to go live in fiscal Q1 to align with the United Kingdom’s exit from the European Union at the end of 2020, and will focus on providing EU clients with execution, distribution and liquidity on equity and fixed income securities.

### Global Investment Banking

The Global Investment Banking team work in an advisory capacity with corporate and financial investor clients in pursuing, structuring and implementing Mergers & Acquisitions as well as debt and equity financing transactions. For debt and equity origination, revenue is allocated between Corporate and Investment Banking and Global Markets based on the contribution of each group in accordance with established agreements.

## 1.2 BASIS AND FREQUENCY OF DISCLOSURES

Basel III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk. It is intended to strengthen global capital and liquidity rules with the goal of improving the banking sector’s ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spillover from the financial sector to the real economy.

The EU implemented the Basel framework through the new Capital Requirements Directive and Regulation (CRD IV package). The Basel III capital adequacy framework comprises three complementary pillars:

Pillar 1 establishes rules for the calculation of minimum capital for Credit, Market, Operational Risk and Leverage (capital adequacy requirements).

Pillar 2 is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non-Pillar 1 risks. This part of the regulatory framework requires banks to conduct an internal assessment of their capital requirements (risk management and supervision) and consider whether additional capital should be held against particular risks. Banks’ supervisors then undertake a supervisory review to assess the robustness of the bank’s internal assessment.

Pillar 3 complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparisons (market discipline).

The aim of Pillar 3 is to publish a set of disclosures which allow market participants to assess key information on the capital condition, risk exposures and risk assessment process. The information disclosed is prepared in accordance with the disclosure

requirements set out in Part Eight of the Capital Requirement Regulation (CRR), and the Capital Requirements Directive (CRD) required by section 26a of the Kreditwesengesetz (KWG). The disclosures may differ from similar information in the Company's financial statements for the year ended 31 October 2020, which are prepared in accordance with German GAAP. Therefore, the information in these disclosures may not be directly comparable with that information.

The Company updates these disclosures on an annual basis as at its financial year end of 31 October. The Company will assess the need to publish some or all disclosures more frequently than annually in the light of the criteria specified in Article 433 of the CRR and in accordance with European Banking Authority's Guidelines on materiality, proprietary information and confidentiality, and on disclosure frequency.

Under the guidelines specified in Article 432 of the CRR, this document has omitted disclosures where the information is regarded as immaterial or not applicable. This document has been prepared with the basic principles of risk-orientation and materiality has been taken into account, particularly with regard to the size of the institution, the scope of business, the complexity of the business conducted and the level of risk.

### **1.2.1 Location and Verification**

These disclosures have been reviewed and approved by the Company's Management Board. These disclosures will be published on the Company's public website: <https://www.rbc.com/regulatory-information/basel-disclosures.html#basel-iii-content>

## **1.3 REGULATORY DEVELOPMENTS**

RBC EG monitors regulatory and legislative developments on an on-going basis to ensure it is prepared for forthcoming regulatory change. RBC EG has a robust operating model and governance in place to monitor the regulatory developments. Below are the current regulatory focal points of RBC EG:

### **1.3.1 Investment Firm Directive (IFD)/Investment Firm Regulations (IFR)**

IFR/IFD introduces a new prudential regime for certain investment firms, tailored to their activities and asset size. The implications of the new regime will differ from firm to firm. IFR/IFD regime will be effective from 26th June, 2021.

RBC EG being an eligible investment firm will be required to be compliant with IFR/IFD under the German regulations WpIG/WpFG from 26<sup>th</sup> June, 2021. Given its balance sheet size and risk taking activities, RBC EG will be required to be compliant with full IFR/WpFG.

In comparison to Capital Requirements Regulation (CRR), which are applicable to Credit Institutions; Investment Firm Regulations (IFR) has certain advantages as it does not have any leverage constraint.

### **1.3.2 Capital Requirements Regulation 2 (CRR2)**

Though RBC EG is going to be compliant with Investment Firm Directive (IFD)/Investment Firm Regulations (IFR), it closely monitors the implementation of new European legislation that will amend the existing Capital Requirements Directive (CRD) and Regulation (CRR), commonly referred to as CRR 2 in case RBC EG ever falls under CRR regime. In addition, RBC EG has provided a special focus on the below aspects of CRR2 as IFR gives options to use the below CRR2 methodologies:

#### **Counterparty Credit Risk**

CRR2 introduces a new methodology for measuring and reporting counterparty credit risk of derivative positions, the Standardised Approach for Counterparty Credit Risk (SA-CCR). SA-CCR is a more complex capital calculation than the current Standardised Method for Counterparty Credit Risk and, in particular, more accurately reflects the effects of margining derivative trades. SA-CCR will also change the inputs into the Company's large exposure calculations.

#### **Fundamental Review of the Trading Book (FRTB)**

CRR2 introduces revised market risk capital calculations through Fundamental Review of the Trading Book (FRTB) rules. The FRTB rules will represent a substantial change in market risk capital calculations. Under FRTB, standardised calculations using risk sensitivities as inputs will replace the current general risk and specific risk calculations. The new FRTB capital requirements are not expected to become a binding capital requirement in Europe until 2023 at the earliest.

## 1.4 RISK GOVERNANCE

RBC EG has a clear and robust corporate and risk governance framework in order to manage, control and provide assurance on risk on behalf of both internal and external stakeholders. The governance structure determines the relationships between the Supervisory Board, Management Board, RBC and other stakeholders. It also defines the framework in which values are established and the context in which corporate strategies and objectives are set.

The Supervisory Board is responsible for monitoring the activities of the Management Board in line with the applicable corporate and regulatory requirements. The Supervisory Board receives quarterly reports from the Managing Directors on topics including Business Performance, Risk, Compliance, Internal Audit, Law and Human Resources.

The Head of Business and Head of Functions manage RBC EG jointly as members of the Management Board. This includes day to day operational management, ongoing employee management and strategic management of the entity as well as appropriate reporting and involvement of the Supervisory Board as appropriate.

## 1.5 REGULATORY CAPITAL MANAGEMENT

As at 31 October 2020, the Company was adequately capitalised with a Common Equity Tier 1 ratio and Total Capital ratio of 48.8%. The total capital surplus was €37.9 million (2019: €41.6 million) over its total capital requirements. The table below illustrates the distribution of the RBC EG's risk profile.

Table 1: Distribution of Risk-weighted amount

€'000	2020	2019
<b>Risk-weighted exposure amounts for credit and counterparty credit</b>		
Banking book credit risk	11,548	10,394
Counterparty credit risk	-	-
Risk exposure amount for contributions to the default fund of a CCP	-	-
	<b>11,548</b>	<b>10,394</b>
	-	-
<b>Risk-weighted exposure amount settlement/delivery risk in the Trading book</b>	-	-
	-	-
<b>Risk-weighted exposure amount for position, foreign exchange and commodities risks</b>		
Interest rate	-	-
Equity	-	-
Foreign exchange risk	1,370	-
Commodities	-	-
	<b>1,370</b>	-
	-	-
<b>Risk-weighted exposure amount for operational risk</b>	<b>90,012</b>	<b>48,576</b>
	-	-
<b>Risk-weighted exposure amount for credit valuation adjustment</b>	-	-
	-	-
<b>Total</b>	<b>102,930</b>	<b>58,969</b>

## 2 RISK GOVERNANCE

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### 2.1 ACCOUNTABILITY STRUCTURE

RBC EG is equipped with a clear and robust risk governance framework to ensure the management and mitigation of risk in addition to providing stakeholder assurance with regards the risk landscape for the Company. The framework sets out the responsible parties tasked with the oversight and management of risk on behalf of the Company including any risk-related responsibilities delegated to management committees or otherwise.

RBC EG operates by way of a two-tier structure comprising of the Management Board and the Supervisory Board.

The Management Board is responsible for the day to day management of RBC EG. The Management Board comprises of two Managing Directors; the Head of Business and Head of Functions respectively. Similar to the Supervisory Board, the Management Board is governed by its Rules of Procedure, the Articles of Association and the relevant regulatory and statutory provisions. Updates to the Rules of Procedure of the Management Board require a resolution of the Supervisory Board, therefore the ultimate responsibility for the allocation of the roles and responsibilities to the Management Board rests with the Supervisory Board. The Management Board meets quarterly and also reports to the Supervisory Board on a quarterly basis in respect of key activity and for items requiring positive advice and counsel.

The Supervisory Board is responsible for monitoring the activities of the Management Board in line with the applicable corporate and regulatory requirements. The Supervisory Board meets on a quarterly basis to consider reports from the Management Board in respect of topics including Business Performance, Risk, Compliance, Internal Audit, Law Group and Human Resources with one additional meeting following each fiscal yearend to consider the performance and variable compensation to be awarded to the Management Board members in respect of the prior fiscal year. The Supervisory Board is governed by its regulatory and statutory provisions, its Articles of Association and its Rules of Procedure. The Rules of Procedure set out the roles and responsibilities of the Supervisory Board in particular in relation to its oversight and monitoring of the activities of the Management Board.

In addition, there are two management committees of RBC EG: the Risk & Compliance Committee and the Finance & Tax Committee established under the specific authority of the Head of Functions, RBC EG. The Finance & Tax Committee ensures oversight of the financial performance, statutory reporting and controls, and the Risk & Compliance Committee provides for effective oversight and management of risk. The Committees meet quarterly and escalate matters to the Management Board/Head of Functions as appropriate. Each committee has a formal Terms of Reference establishing the membership and responsibilities, in addition to how each committee sits within the governance structure. The Company also falls within the remit of the New Business Committee ('NBC'). The NBC provides a forum for the consideration and approval of new business initiatives, some of which will be of relevance to the Company.

The Supervisory Board is responsible for undertaking a regular review of the performance of the Management Board in addition to ensuring effective succession plans for the Management Board to maintain the appropriate balance of skill and experience within the Company.

#### 2.1.1 Board of Directors

The Supervisory Board is responsible for the oversight of the risk environment of the Company and ensures that an effective systems and controls framework is in place for business, risk and capital management. The Supervisory Board is responsible for providing oversight and challenge to the Management Board. The Supervisory Board receives quarterly risk reporting regarding the overall risk environment for the Company including information relating to any existing or emerging risks. Through its governance structure, the Supervisory Board has a line-of-sight in respect of the key risks facing the Company in addition to the risk controls in operation across RBC EG. The Supervisory Board also monitors and assesses the effectiveness of controls against the regulatory expectations and seeks guidance from external sources where necessary in interpreting the local regulations.

The Management Board is accountable for the implementation of the risk control framework with the support of the RBCEG risk function and ensures that the Company adheres to applicable regulatory, corporate and other legal requirements in respect of risk. The Management Board oversees and monitors risks applicable to the Company's business environment in addition to the capital and liquidity of the Company. The approval of risk limits, recovery plans, risk frameworks, risk appetite statements and ICAAP (Internal Capital Adequacy Assessment Process) document is also the responsibility of the Management Board.

## Recruitment Policy for Board Members

As the Company is a wholly owned subsidiary within the RBC Group, the nomination and selection of Board members is undertaken in accordance with internal corporate governance practices, stated within RBC's Policy on the Legal Governance of Subsidiaries (SGO Policy). The SGO Policy was approved by the Company in February 2020.

### Selection Criteria/Process

Director selection is based on local applicable laws, regulations and rules, taking into consideration the skills, diversity, geographies and areas of expertise already represented on the Board. In addition to this, successful candidates undergo a robust background check, including inter alia, criminal, financial, regulatory checks and competency validation. The relevant background and professional experience of the Directors of the Board are provided in Appendix 1. The Board Governance Framework including the director selection protocol and its objectives is detailed within the SGO Policy and is subject for review and approval by the Management Board. Diversity forms a central focus in the director nomination and appointment process in reflecting RBC's core value, "Diversity & Inclusion". The Subsidiary Governance Office and HR have collaborated to create a succession pipeline for the Company in leveraging director vacancies to best deliver on RBC values particularly in regards to Diversity when considering future board appointments.

Following consultation with the Supervisory (or Management) Board Chair and upon receipt of positive advice and counsel from the Subsidiary Governance Office, the candidate is proposed to the respective Board for its consideration, and if deemed appropriate, approval. The proposal is also subject to a number of internal approvals in accordance with the SGO Policy.

## 2.2 RISK MANAGEMENT

RBC EG defines risk as the potential for loss or an undesirable outcome affecting the value of RBC EG business with respect to volatility of actual earnings in relation to expected earnings, capital adequacy, and liquidity. This definition includes both risks that have a direct and immediate impact (e.g., Credit risk due to a loan default), and risks that have an indirect or longer term impact (e.g., regulatory and reputation risks due to failure to comply with regulatory guidelines or the failure to live up to clients' expectations).

The risk of financial and non-financial loss through business activities is inherent in all of the businesses conducted by the company. For this reason, risk management is considered to be an intrinsic part of the strategy and capital planning processes.

### 2.2.1 Risk Management Framework

The RBC EG Enterprise Risk Management Framework (ERMF) sets out the overarching arrangements for risk management, control and assurance within RBC EG. The ERMF is designed to provide a consistent and structured approach to identify, assess, measure, control, monitor and report on significant risks.

The ERMF helps to ensure that risk is managed and controlled on behalf of internal and external stakeholders, including shareholders, customers, employees and regulators. Effective and efficient risk governance and oversight provide Management with assurance that RBC EG business activities will not be excessively impacted by risks that could have been reasonably foreseen. This, in turn, reduces the uncertainty of achieving RBC EG strategic objectives.

RBC EG Risk Management begins with the adoption of the Enterprise Risk Frameworks (where possible) with local changes adopted in a local entity addendum. Where the scope of local changes in ensuring adherence to local requirements is significant, an RBC EG specific policy is incorporated. In the circumstance an enterprise-wide policy document is deemed to be wholly applicable to RBC EG (and where no local, internal or regulatory requirements are identified), the policy will be adopted by the Company with no specific customization to RBC EG. The Risk Frameworks are approved by the Management Board on an annual basis and subject to the review and challenge by the Supervisory Board.

RBC EG complies with the laws and regulations that govern its businesses in the jurisdictions in which it operates. The ERMF recognises that RBC EG is required to comply with a range of external risk governance requirements, including but not limited to:

- Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) rules; and
- Office of the Superintendent of Financial Institutions (OSFI) requirements as a subsidiary of a Canadian banking group.

## 2.2.2 Risk Principles

The Company applies the following general principles for its management of risk:

Table 2: Risk Management Principles

Principle	Description
Effectively balance risk and reward to enable sustainable growth	RBC EG balances risk and reward to capitalise on opportunities within our business strategy and risk appetite, avoid excessive concentrations of risk through diversification and risk transfer, manage earning volatility, and ensure the long-term viability and profitability of the organisation.
Responsibility for risk management is shared	Collectively as One RBC following the Three Lines of Defence risk governance model (below), employees at all levels of the organisation are responsible for managing the day-to-day risks that may arise in the context of their roles.
Undertake only risks we understand. Make thoughtful and future-focused risk decisions	In order to create long term value for RBC Group, clients, employees and communities, RBC EG exercises rigour in our risk assessments, analyses emerging risk factors and trends, ensures transparency in risk discussions, and improves processes and tools for simpler, better, faster decision-making without exposing the Company to undue risks.
Always uphold our Purpose and Vision, and consistently abide by our Values and Code of Conduct to maintain our reputation and the trust of our clients, colleagues and communities	Guided by our Collective Ambition, RBC EG exhibits Good Conduct and does business openly and fairly. RBC EG never compromises quality or integrity for growth. RBC EG adheres to the “Know Your Client” standards, and ensures transparency and suitability of the products and services offered. RBC EG complies with all laws and regulatory requirements, and supports transactions and relationships with proper and complete documentation.
Maintain a healthy and robust control environment to protect our stakeholders.	To achieve our operational and financial performance goals while maintaining our reputation and integrity, and operating within the parameters of applicable laws and established risk appetite, RBC EG employs effective processes and controls and resiliency practices to minimise harm from internal and external threats, avoids business interruptions, and ensures timely resolution of control issues.
Use judgment and common sense	Policies and procedures cannot cover all circumstances. RBC EG Employees should apply judgment and common sense, and when in doubt, escalate through appropriate channels. RBC EG strives to hire the right people for the right functions and provide them with proper training and support.
Always be operationally prepared and financially resilient for a potential crisis	RBC EG strives to maintain effective protocols and escalation strategies to respond to all risks that we face, including regulatory, macroeconomic, market and other stakeholder developments. This includes maintaining operational readiness and financial resilience to effectively operate during and following a financial crisis. It is also critical to maintain agility and readiness to respond to potential disruptors to the financial industry.

## 2.2.3 Risk Policy Management

### Three Lines of Defence Model

RBC EG has implemented a robust system of monitoring, reporting and control based on the Three Lines of Defence model. This model details responsibility for risk management, control and assurance, and clarifies the segregation of duties between those who take on risk, those who control risk and those who provide assurance.

*First Line of Defence* - This is provided by the business and support functions embedded in the business. The First Line of Defence has the ownership and accountability for:

- Risk identification, assessment, mitigation, monitoring and reporting in accordance with established RBC EG risk policies and Risk Appetite;
- Ensuring appropriate and adequate capabilities to manage risks relevant to the business;
- Alignment of business and operational strategies with risk conduct and culture and risk appetite.

*Second Line of Defence* - This is provided by areas with independent oversight accountabilities residing in functions such as GRM, Group Compliance, and other areas within Control and Group Functions<sup>2</sup>. The Second Line of Defence is accountable for:

- Establishing the RBC EG-level risk management frameworks and providing risk guidance;
- Providing oversight for the effectiveness of First Line risk management practices; and
- Monitoring and independently reporting on the level of risk against the established appetite measures and associated constraints.

*Third Line of Defence* - The Management Board of RBC EG has outsourced the Internal Audit (IA) function to the head of the UK IA team. The Third Line provides independent objective assurance on the effectiveness of risk management policies, processes and practices in all areas of RBC EG to the Management Board and inform the Supervisory Board. Further assurance is provided by the firm's external auditor, PricewaterhouseCoopers LLP (or one of its affiliates in Germany), in the form of an annual report to the Management Board.

#### **2.2.4 Risk Identification**

The process of Risk Identification and assessment is intrinsic within RBC EG's pursuit of approved business strategies, and as part of the risk oversight responsibilities undertaken by the support functions outlined in this document. Risk Identification is embedded within a wide range of activities, including but not limited to:

- The approval of new products, transactions, client relationships, projects or initiatives;
- Business strategy development;
- ICAAP, Stress Testing and Recovery Planning;
- Monitoring and Reporting
- Ongoing assessment of Industry and Regulatory Developments

RBC EG's assessment, identification, monitoring and escalation processes are continuously advancing in response to the environment in which it operates and the consequent risks to which it is exposed.

#### **2.2.5 Risk Policy Management**

RBC EG has implemented RBC policies and processes in the context of the RBC EG Risk Policy Management Requirements to support the assessment and management of risks. RBC EG policies and controls review process is continuous to ensure continued effectiveness and alignment with relevant laws and regulations as they are issued. To ensure operation with integrity, RBC EG adheres to a number of other principles, codes and policies, including the RBC Code of Conduct which governs the behavior of RBC EG employees and informs how RBC EG conducts its business operations.

Where necessary, RBC EG adapts the Enterprise policies to ensure compliance with local legal and regulatory requirements and expectations.

The Head of Functions, RBC EG has the responsibility of ensuring these policies are consistent with:

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<sup>2</sup> Other Control and Group Functions include Finance, Corporate Treasury, Law and HR

- Regulatory requirements;
- Relevant RBC policies; and
- Higher and lower level policy documents within the risk policy architecture.

RBC EG's Frameworks and policies (including the Risk Management Framework) are reviewed and refreshed annually, and approved by the Management Board. RBC EG's Risk Frameworks were last approved in February 2020.

### **2.2.6 Risk Appetite**

RBC EG's Risk Appetite is defined as the amount and type of risk that the Firm is able and willing to accept in the pursuit of its business objectives.

The overall objective of the RBC EG Risk Appetite Framework is to protect RBC EG from unacceptable levels of risk while supporting and enabling the firm's overall business strategy and goals. The Framework is defined in the context of the RBC Enterprise Risk Appetite Framework and has been customised to cater to local requirements. It provides details on RBC EG risk appetite principles, constraints and metrics and is reviewed and approved at least annually by the Management Board.

A comprehensive quarterly risk appetite scorecard is disseminated to the Senior leadership team which shows the monthly trend against the Board Approved Risk Appetite.

RBC EG's Risk Profile considers several internal and external risk and performance indicators including but not limited to Capital, Liquidity, Credit, Market and Operational Risk, Profitability, Market Based and Macroeconomic Indicators. The MB concludes that RBC EG's Risk Profile remains within its risk tolerance.

### **2.2.7 Capital Planning**

The Company undertakes a regular Internal Capital Adequacy Assessment Process (ICAAP) to ensure that the business strategy and planning translate into adequate capital levels over internal and external capital minima, and identifies any period where capital buffers become tight so corrective action can be undertaken in advance. This also includes reviewing the capital levels against risk appetite to ensure that the business strategy and planned capital levels remain in line with the Company's risk appetite. The ICAAP includes both the Normative and Economic perspective, as required by regulation.

The capital plan is derived from the Company's base case business plan and takes into account changes to business forecasts, market conditions and other developments, such as accounting or regulatory changes that may impact capital requirements.

The base case capital plan also forms the basis for stress testing analysis. Stressing the capital plans, enables the Company to test the strength of its capital base and also to consider mitigating actions in advance in order to maintain overall financial adequacy in periods of stress.

The capital plan is updated on a periodic basis to reflect actual operating results, updated Profit and Loss forecasts and any changes in business strategies.

The ICAAP is an annual process managed by the Enterprise Risk Management (ERM), Europe function within Group Risk Function.

The RBC EG ICAAP Working Group, which consists of senior management representatives from ERM, Finance, and Corporate Treasury, oversee all aspects involved in the development of the ICAAP, including accurate documentation of key findings from the assessment. Following the ICAAP Working Group review, the ICAAP report is submitted to the Management Board for review, challenge and approval.

RBC EG's approach to the identification, monitoring, reporting, and control of the risks that it faces (Risk Management) and the underlying systems put in place as defined within this Pillar 3 disclosure, the RBC Enterprise Frameworks, policies and standards and where relevant, the RBC EG specific addendums are deemed sufficient by the Management Board for its Risk Profile and Overall Strategy. The October ICAAP 2020 considered the Operational, Credit, Market, Counterparty Credit, and Settlement Risk - Normative; and Business, Operational, Credit Market and Interest Rate Risk in the Banking Book - Economic perspectives. The ICAAP concluded that RBC EG was sufficiently capitalised in both normal and adverse market conditions, as approved by the Management Board.

## 3 OWN FUNDS

### 3.1 OVERVIEW OF OWN FUNDS

As at 31 October 2020, the Company had total own funds of €50.2 million, which comprises of solely Common Equity Tier 1 Capital. A full reconciliation of own funds items to unaudited consolidated financial statements is shown in the table below.

Table 3: Full reconciliation of own funds items to unaudited consolidated financial statements

<b>Per Audited Statement of Changes in Equity</b>	
<b>€'000</b>	<b>31 October 2020</b>
Common shares	25
Other components of equity:	
<i>Capital reserves</i>	-
<i>Share premium</i>	49,975
<i>ATI equity issuance</i>	-
Total other components of equity	49,975
Retained earnings	
<i>Opening</i>	103
<i>Net profit</i>	133
Audited retained earnings at 31 October 2020	236
<b>Total equity</b>	<b>50,236</b>
Adjustments to CET1 due to prudential filters	-
<i>Value adjustments due to the requirements for prudent valuation</i>	-
Deductions of CET1 Capital	-
<i>Other intangible assets</i>	-
<i>Deferred tax liabilities associated to other intangible assets</i>	-
<i>Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities</i>	-
<i>Defined benefit pension assets</i>	-
<i>Deferred tax liabilities associated to defined benefit pension assets</i>	-
<i>Deduction of holdings Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity</i>	-
Total CET1 deductions	-
<b>Total Fully Loaded Tier 1 Capital</b>	<b>50,236</b>
<b>Tier 2 Capital</b>	-
Subordinated loans	-
Collective provision gross of tax	-
<i>Deduction of holdings Tier 2 instruments where an institution does not have a significant investment in a financial sector entity</i>	-
Total Tier 2 deductions	-
<b>Total Fully Loaded Tier 2 Capital</b>	-
<b>Fully Loaded Own Funds</b>	<b>50,236</b>

As at 31 October 2020, 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.

Table 4: Own funds disclosure

	31 October 2020 €'000
<b>Common Equity Tier 1 capital: instruments and reserves</b>	
<b>Capital instruments and the related share premium accounts</b>	<b>50,000</b>
of which: Common shares	25
Retained earnings	236
Accumulated other comprehensive income (and any other reserves)	
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>50,236</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>	
Goodwill and Other intangible assets (net of related tax liability)	
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>50,236</b>
<b>Additional Tier 1 (AT1) capital</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>50,236</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>
<b>Total capital (TC = T1 + T2)</b>	<b>50,236</b>
<b>Total risk-weighted exposures</b>	<b>102,930</b>
<b>Capital ratios and buffers</b>	
Common Equity Tier 1 ratio	48.8%
Tier 1 ratio	48.8%
Total capital ratio	48.8%
Institution specific buffer requirement	2,573
of which: capital conservation buffer requirement	2,573
of which: countercyclical buffer requirement	-
of which: systemic risk buffer requirement	-
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	40.8%
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>	
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
Deferred tax assets arising from temporary difference	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (applicable between 1 Jan 2014 and 1 Jan 2022)</b>	
- Current cap on CET1 instruments subject to phase-out arrangements	-
- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
- Current cap on AT1 instruments subject to phase-out arrangements	-
- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
- Current cap on T2 instruments subject to phase-out arrangements	-
- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Table 5: Capital instruments main features table

Capital instruments' main features template	Common shares
Issuer	RBC Capital Markets (Europe) GmbH
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Governing law(s) of the instrument	German
<i>Regulatory treatment</i>	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 as published in Regulation (EU) No 575/2013 Article 28
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 50m
Nominal amount of instrument	EUR 25,000
Issue price	EUR2000 per share
Redemption price	100 per cent of Nominal amount and Share Premium
Accounting classification	Equity
Original date of issuance	20 December 2017
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates, and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>	
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Non cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	No
If write-down, write-down trigger (s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A

## **3.2 COUNTERCYCLICAL CAPITAL BUFFER**

The implementation of CRD IV requires institutions to maintain an institution-specific countercyclical capital buffer based on regulatory determined buffer rates. This requirement follows closely the international approach of Basel III which introduced the countercyclical capital buffer to be implemented by national jurisdictions when excess aggregate credit growth is judged to be associated with a build-up of system-wide risk in each country the Company is exposed to.

As at 31 October 2020, the Company's specific countercyclical capital buffer rate is 0.0% and the capital requirement is €0 million. This is because the Company has no relevant credit exposure.

## **3.3 UNENCUMBERED ASSETS**

RBC EG does not undertake any secured financing activities and has no encumbered assets.

## 3.4 LEVERAGE RATIO

As at 31 October 2020, the Company's leverage ratio is 95.38%

Table 6: Leverage ratio disclosure

As at 31 October 2020

€'000

Summary reconciliation of accounting assets and leverage ratio exposures	
	Applicable Amounts
Total assets as per published financial statements	52,667
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
Adjustments for derivative financial instruments	-
Adjustments for securities financing transactions "SFTs"	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
Other adjustments	-
<b>Total leverage ratio exposure</b>	<b>52,667</b>
Leverage ratio common disclosure	
	CRR leverage ratio exposures
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	52,667
(Asset amounts deducted in determining Tier 1 capital)	-
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>52,667</b>
<b>Derivative exposures</b>	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
Exposure determined under Original Exposure Method	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
(Exempted CCP leg of client-cleared trade exposures)	-
Adjusted effective notional amount of written credit derivatives	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
<b>Total derivative exposures</b>	<b>-</b>
<b>Securities financing transaction exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
Counterparty credit risk exposure for SFT assets	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
Agent transaction exposures	-
(Exempted CCP leg of client-cleared SFT exposure)	-
<b>Total securities financing transaction exposures</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>	
Off-balance sheet exposures at gross notional amount	-
(Adjustments for conversion to credit equivalent amounts)	-
<b>Total other off-balance sheet exposures</b>	<b>-</b>
<b>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</b>	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
<b>Capital and total exposures</b>	
<b>Tier 1 capital</b>	<b>50,236</b>
<b>Total leverage ratio exposures</b>	<b>52,667</b>
<b>Leverage ratio</b>	<b>95.38%</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>	
Choice on transitional arrangements for the definition of the capital measure	Fully phased in
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

**Leverage ratio split-up of on-balance sheet exposures (excluding derivatives and SFTs)**

	CRR leverage ratio exposures
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>	
<b>Total on-balance sheet exposures (excluding derivatives and SFTs), of which</b>	<b>52,667</b>
Trading book exposures	-
Banking book exposures, of which	<b>52,667</b>
Covered Bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
Institutions	52,667
Secured by mortgages of immovable properties	-
Retail exposures	-
Corporate	-
Exposures in default	-
Other exposures	-

## 4 CAPITAL REQUIREMENTS

Capital adequacy and capital ratios measured are monitored against internal thresholds by the Regulatory Reporting team in the Finance department. Any breaches would be escalated immediately.

Table 7: Risk exposure amount by risk type and calculation approach adopted

As at 31 October 2020

	Risk-weighted Exposure	CET1 Capital requirement @ 4.5%	Tier 1 Capital requirement @ 6%	Total Capital requirement @8%
<i>€'000</i>				
<b>Risk-weighted exposure amounts for credit and counterparty credit risks</b>				
<i>Calculated under the Standardised Approach</i>				
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral Development Banks	-	-	-	-
Institutions	11,548	520	693	924
Corporates	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-
Equity	-	-	-	-
Other items	-	-	-	-
	<u>11,548</u>	<u>520</u>	<u>693</u>	<u>924</u>
Risk exposure amount for contributions to the default fund of a CCP	-	-	-	-
	<u>11,548</u>	<u>520</u>	<u>693</u>	<u>924</u>
<b>Risk-weighted exposure amount settlement/delivery risk in the Trading book</b>	-	-	-	-
<b>Risk-weighted exposure amount for position, foreign exchange and commodities risks</b>				
<i>Calculated under the Standardised Approach</i>				
Interest Rate	-	-	-	-
Equity	-	-	-	-
Foreign Exchange	1,370	62	82	110
Commodities	-	-	-	-
Collective Investment Units	-	-	-	-
	<u>1,370</u>	<u>62</u>	<u>82</u>	<u>110</u>
<b>Risk-weighted exposure amount for operational risk</b>				
<i>Calculated under the Basic Indicator Approach</i>	90,012	4,051	5,401	7,201
<b>Risk-weighted exposure amount for credit valuation adjustment</b>				
<i>Calculated under the Standardised Method</i>	-	-	-	-
<b>Total</b>	<b>102,930</b>	<b>4,632</b>	<b>6,176</b>	<b>8,234</b>
Surplus CET1 Capital over the minimum requirement		45,604		
Surplus Tier1 Capital over the minimum requirement			44,060	
Surplus Total Capital over the minimum requirement				42,001

## 5 CREDIT RISK

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### 5.1 DEFINITION OF CREDIT RISK

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

### 5.2 GOVERNANCE AND FRAMEWORK

Credit risk exposures across all banking and trading activities are aggregated and reported to the Risk and Compliance Committee ("RCC") on a quarterly basis.

Individually, credit risk is controlled and reported as follows:

#### *Banking Book Credit Risk*

RBC EG banking book credit risk exposure solely consists of cash deposit balances as at 31<sup>st</sup> October 2020.

The banking book credit risk profile is managed through the RCC. The monitoring of Credit risk is a continuous process. All borrowers are subject to a risk assessment and an exposure/limit review at least annually, with risk managed proactively on an ongoing basis. Borrowers that experience a material deterioration in credit quality and/or that may breach their covenants are added to a watch list which is monitored by the RCC and senior management.

Risk appetite is managed and controlled through exposure limits defined across single names, country, industry sector and ratings. Single Name exposures across the Banking Book are limited to the lower of any RBC group limits and the Company's Single Name Framework.

Ongoing monitoring and review processes undertaken by Group Risk Management include:

- **Borrower Risk Rating (BRR) Regular Reviews** – BRRs (measures probability of borrower default) are reviewed quarterly;
- **Continuous Risk Assessment** – The impact of new information on borrowers is assessed on an ongoing basis to adjust BRR if appropriate;
- **Borrower Classification Code (BCC)** – Considers the probability of recovery of all monies due to the Company, and is based on an assessment of the borrower's current repayment capacity, including structure and collateral; and
- **Limit monitoring** – Exposures are monitored against single name limits.

#### *Trading Credit Risk*

RBC EG has no trading credit risk exposure as at 31<sup>st</sup> October 2020.

Each trading credit risk type is managed separately both as part of the RBC Group framework, and as part of a combined exposure metric specific to the Company.

#### *Assigning Internal Capital and Credit Limits*

The Company utilises credit risk ratings assigned by RBC Group to its borrowers to reflect its assessment of the specific credit risk of each borrower over a medium term time horizon starting from the time of risk assessment or revision or confirmation.

The rating is determined through an assessment of factors, specific to the industry and/or product, that differentiate the riskiness of the borrowers and reflects the probability of default of the borrower over the time horizon. The rating is maintained through a process of continuous monitoring and periodic review. This internal rating will be used to determine internal economic capital allocation.

## 5.3 CREDIT RISK PROFILE

Cash at bank is the main source of credit risk for RBC EG.

Table 8: Risk exposure amounts by banking and trading activities

As at 31 October 2020			
€'000	Banking	Trading	Total
<b>Risk-weighted exposure amounts for credit and counterparty credit</b>			
<i>Calculated under the Standardised Approach</i>			
Institutions	11,548	-	11,548
Corporates	-	-	-
Secured by mortgages on immovable property	-	-	-
Equity	-	-	-
Other items	-	-	-
<b>Total</b>	<b>11,548</b>	<b>-</b>	<b>11,548</b>

### 5.3.1 Banking Book Credit Risk

As at 31<sup>st</sup> October 2020, the Company's banking book credit risk arose from cash at other financial institutions.

Table 9: Gross credit exposures within the banking book

As at 31 October 2020				
€'000	Gross Exposure	Credit Risk Provisions	Final Exposure	Risk-weighted Exposure
<b>Exposure amounts for credit risk in the banking book</b>				
<u>On balance sheet exposures</u>				
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral Development Banks	-	-	-	-
Institutions	57,738	-	57,738	11,548
Corporates	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-
Equity	-	-	-	-
Other items	-	-	-	-
	<u>57,738</u>	<u>-</u>	<u>57,738</u>	<u>11,548</u>
<u>Off balance sheet exposures</u>				
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral Development Banks	-	-	-	-
Institutions	-	-	-	-
Corporates	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-
Equity	-	-	-	-
Other items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>57,738</b>	<b>-</b>	<b>57,738</b>	<b>11,548</b>
Small and medium enterprises included in Corporates	-	-	-	-

Table 10: Average gross credit exposures within the banking book

As at 31 October 2020

€'000

	Gross Exposure	Final Exposure	Risk-weighted Exposure
<u>On balance sheet exposures</u>			
Central governments or central banks	-	-	-
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
Institutions	52,699	52,699	10,540
Corporates	-	3	1
Secured by mortgages on immovable property	-	-	-
Equity	-	-	-
Other items	-	-	-
	<u>52,699</u>	<u>52,702</u>	<u>10,541</u>
<u>Off balance sheet exposures</u>			
Central governments or central banks	-	-	-
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
Institutions	-	-	-
Corporates	-	-	-
Secured by mortgages on immovable property	-	-	-
Equity	-	-	-
Other items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>52,699</u>	<u>52,702</u>	<u>10,541</u>

Table 11: Gross credit exposure by residual maturity

As at 31 October 2020

€'000

Gross exposure amounts for credit risk in the banking book	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
<u>On balance sheet exposures</u>						
Central governments or central banks	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Institutions	57,738	-	-	-	-	57,738
Corporates	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	-	-	-	-	-	-
	<u>57,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,738</u>
<u>Off balance sheet exposures</u>						
Central governments or central banks	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>57,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,738</b>

Table 12: Final credit exposure by residual maturity

As at 31 October 2020

€'000

Final exposure amounts for credit risk in the banking book	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
<u>On balance sheet exposures</u>						
Central governments or central banks	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Institutions	57,738	-	-	-	-	57,738
Corporates	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	-	-	-	-	-	-
	<u>57,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,738</u>
<u>Off balance sheet exposures</u>						
Central governments or central banks	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>57,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,738</b>

Table 13: Credit conversion factor for off balance sheet credit exposures

As at 31 October 2020

€'000

Exposure amounts for credit risk in the banking book	Conversion Factors	Gross Exposure	Final Exposure	Risk-weighted Exposure
<u>Off balance sheet exposures</u>				
Central governments or central banks	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	100%	-	-	-
Institutions	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	100%	-	-	-
Corporates	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	100%	-	-	-
<b>Total</b>		<u>-</u>	<u>-</u>	<u>-</u>

Table 14: Gross credit exposure by geographic distribution

As at 31 October 2020

€'000

Gross exposure amounts for credit risk in the banking book

	Asia-Pacific	Caribbean	EEA	Europe Other	Middle East	North America	Others	Total
<u>On balance sheet exposures</u>								
Central governments or central banks	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-
Institutions	-	-	57,728	-	-	8	2	57,738
Corporates	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
	-	-	57,728	-	-	8	2	57,738
<u>Off balance sheet exposures</u>								
Central governments or central banks	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>57,728</b>	-	-	<b>8</b>	<b>2</b>	<b>57,738</b>

Table 15: Final credit exposure by geographic distribution

As at 31 October 2020

€'000

Final exposure amounts for credit risk in the banking book

	Asia-Pacific	Caribbean	EEA	Europe Other	Middle East	North America	Others	Total
<u>On balance sheet exposures</u>								
Central governments or central banks	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-
Institutions	-	-	57,728	-	-	8	2	57,738
Corporates	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
	-	-	57,728	-	-	8	2	57,738
<u>Off balance sheet exposures</u>								
Central governments or central banks	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>57,728</b>	-	-	<b>8</b>	<b>2</b>	<b>57,738</b>

Further details on geographic distribution in relation to the EEA member states are shown below.

Table 16: Gross credit exposure by geographic distribution within the EEA

As at 31 October 2020

€'000

Gross exposure in relation to the EEA member states

	United Kingdom	France	Spain	Germany	Luxembourg	Ireland	Netherlands	Others	Total
<u>On balance sheet exposures</u>									
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Institutions	12,982	-	-	8,306	36,440	-	-	-	57,728
Corporates	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
	12,982	-	-	8,306	36,440	-	-	-	57,728
<u>Off balance sheet exposures</u>									
Central governments or central banks	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,982</b>	-	-	<b>8,306</b>	<b>36,440</b>	-	-	-	<b>57,728</b>

Table 17: Final credit exposure by geographic distribution within the EEA

As at 31 October 2020

€'000

Final exposure in relation to the EEA member states	United Kingdom	France	Spain	Germany	Luxembourg	Ireland	Netherlands	Others	Total
<u>On balance sheet exposures</u>									
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Institutions	12,982	-	-	8,306	36,440	-	-	-	57,728
Corporates	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
	12,982	-	-	8,306	36,440	-	-	-	57,728
<u>Off balance sheet exposures</u>									
Central governments or central banks	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12,982</b>	<b>-</b>	<b>-</b>	<b>8,306</b>	<b>36,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,728</b>

### 5.3.2 Credit Risk Adjustments

No credit risk adjustments have been raised by the Company, as all exposure is to investment grade financial institutions. There is no lending activity in the entity.

### 5.3.3 Counterparty Credit Risk

RBC EG did not have any trading exposure and therefore no counterparty credit risk.

### 5.3.4 Wrong-Way Risk Exposures

As at 31<sup>st</sup> October 2020 no wrong way risk exposure exists.

### 5.3.5 Counterparty Credit Risk Arising from Derivative Transactions

As at 31 October 2020, the company did not have any exposure to derivative transactions.

### 5.3.6 Use of Credit Risk Mitigation Techniques

As of 31<sup>st</sup> October 2020 no credit risk mitigation techniques are used.

### 5.3.7 Use of External Credit Assessment Institutions

The Company uses the following External Credit Assessment Institutions (ECAIs) for credit risk calculations purposes throughout the reporting period:

- Standard & Poor's, and
- Moody's.

As at 31 October 2020, the gross exposure amount subject to the use of the ECAIs was £57.7 million. There were no exempt exposures as a result of the use of ECAIs

Table 18: Exposures amounts subjected to the use of the ECAIs

As at 31 October 2020

€'000	Gross Exposure	Final Exposure	Risk-weighted Exposures
<b>Exposure amounts subject to the use of the ECAIs</b>			
Central governments or central banks	-	-	-
Regional governments or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral Development Banks	-	-	-
Institutions	57,738	57,738	11,548
Corporates	-	-	-
<b>Total</b>	<b>57,738</b>	<b>57,738</b>	<b>11,548</b>

Final exposure is after netting and credit risk mitigation.

Table 19: Exposures amounts by CQS

€'000	2020		
	Gross Exposure	Final Exposure	Risk-weighted Exposures
<b>CQS</b>			
1	49,428	49,428	9,886
2	2	2	-
3	8,306	8,306	1,661
4	-	-	-
5	-	-	-
6	-	-	-
<b>Total</b>	<b>57,736</b>	<b>57,736</b>	<b>11,547</b>

Final exposure is after netting and credit risk mitigation.

## 6 MARKET RISK

### 6.1 DEFINITION OF MARKET RISK

Market risk is defined as the risk of loss resulting from changes in market factors and the volatility of these factors. Market risk can be exacerbated by thinly-traded or illiquid markets. RBC EG considers market risk to fall into the following categories:

- Credit Spread Risk: The risk of loss due to the change in credit spreads on all financial instruments whose accounting fair value depends on credit spreads. This includes securities, credit derivatives and fair value liabilities.
- Interest Rate Risk: The risk of loss resulting from changes in interest rates.
- Foreign Exchange Risk: The risk of loss resulting from changes in exchange rates.
- Equity Risk: The risk of loss resulting from changes in equity prices and indices.
- Commodity Risk: The risk of loss resulting from changes in commodity prices.
- Volatility risk: The risk of a change of price of a portfolio as a result of changes in the volatility of a risk factor.
- Underwriting Risk: The risk of loss resulting from:
  - (i) the failure to place or sell a particular security or bond concurrent with a negative market or credit risk event; and
  - (ii) inadequate due diligence in connection with a securities offering.

### 6.2 GOVERNANCE AND FRAMEWORK

As of 31<sup>st</sup> October 2020 the company is not exposed to Market Risk. Market Risk will be managed through the Company's Market Risk Framework which will be governed and overseen by the Head of Functions. The Company is also subject to the RBC Group policies laid out in the RBC Group Market Risk Framework and standing orders.

Prior to the commencement of market risk taking, Group Market Risk will implement a process to produce daily reports for the business and senior management detailing the Company's exposure against limits, as well as monthly summaries and quarterly reports for the Risk and Compliance Committee (RCC).

The Company's market risk appetite shall be set and reviewed by the Management Board. The Company will have a range of limits in place covering the risk measurement metrics noted above. All limits set by the Company will be consistent with the stated risk appetite. In addition to limits approved by the Management Board, exposures are also limited by the RBC Group limit structure.

Additional information is provided in the Company's Annual Accounts and Financial Statements.

### 6.3 RISK PROFILE

As at 31 October 2020, the Company's capital requirement in relation to the market risk is €110k. The company has not yet commenced trading activities, with the entirety of the Market risk exposure being generated by on balance sheet FX risk, above the de minimus threshold.

Table 20: Market risk by risk type

As at 31 October 2020	Risk-weighted Exposure	Capital Requirement
€'000		
Interest rate risk	-	-
Equity risk	-	-
Large exposure excess	-	-
Foreign-exchange risk	1,370	110
Commodities risk	-	-
	<u>1,370</u>	<u>110</u>

## 7 SECURITISATIONS

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As at 31<sup>st</sup> October 2020 the company did not have any exposure to securitisation positions.

## 8 SUMMARY OF RELEVANT ACCOUNTING POLICIES

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**Loans and advances to banks** and **other assets** are recognized at their nominal value.

Payments prior to the reporting date are recorded as **prepaid expenses** if they represent an expense for a specific period after that date.

**Liabilities** are recognized at the settlement amount.

Other **provisions** include all uncertain liabilities. They are recognized at the settlement amount which is necessary in accordance with prudent business judgement.

**Equity** is recorded at the nominal amount.

**Assets and liabilities in foreign currencies** were generally translated at the average spot rate on the reporting date.

Where the remaining term was more than one year, the realization principle was observed (section 252 (1) no. 4 second half-sentence HGB). If the remaining term was one year or less, section 253 (1) sentence 1 and section 252 (1) no. 4 second half-sentence HGB were not applicable.

For the purpose of determining the fair value measurement of interest-related transactions in the banking book (IDW AcP BFA 3), the present value at the reporting date of the discounted cash flows from the financial instruments in the banking book was used, taking into account risk and administration costs. There was no excess of liabilities at the balance sheet date. The recognition of a provision pursuant to section 340a in conjunction with section 249 (1) sentence 1 alternative 2 HGB is not necessary.

## 9 OPERATIONAL RISK

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Defined as losses due to inadequate or failed processes people or systems, or from external events. The assessment of Operational Risk identified that the combined presence of multiple Low Risk events hypothetically occurring together in a stress scenario render it a top risk. In addition to Execution Risk, Supplier Risk, Cyber Risk and Regulatory Compliance risk were assessed as material contributors in the current operating environment.

### **Management of Operational Risks**

RBC EG operates under the Operational Risk Management Framework established at the RBC enterprise level. The Framework outlines the principles and approach to Operational Risk Management and is supported by a Standard that details further the programme specific requirements for stakeholders within their respective 3 lines of defence roles.

The Operational Risk Management Framework sets an operational risk event capture, reporting and materiality assessment process which fed into its exposure computation model.

### **Exposures to Operational Risks**

For operational risk economic impact calculations, RBC EG uses a Gaussian Copula Loss Distribution model. Inputs to the model include Operational Risk Scenario outputs and historical external operational risk loss data, with respect to idiosyncratic estimates of severity and frequency, as well as inter-scenario correlations. The model assumes independence of Frequency and Severity, modelling the former using a Poisson distribution and the latter using a log-normal distribution. For the fiscal year of 2020, the model calculated a resultant economic capital of T€ 9,100 at the 99.95% quantile.

### **Measurement of Operational Risk**

The Company has adopted the Basic Indicator Approach to calculate the own funds requirement for operational risk. As at 31 October 2020, the own funds requirement for operational risk is €7.2mm.

## 10 NON-TRADING BOOK EQUITY EXPOSURES

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As at 31<sup>st</sup> October 2020 the Company did not hold any equity positions within its non-trading book.

## 11 INTEREST RATE RISK IN THE BANKING BOOK

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Interest Rate Risk in the Banking Book (IRRBB) is the current or prospective risk to earnings or balance sheet value for the banking book arising from adverse movements in interest rates. IRRBB for RBC EG arises from the overnight rate of cash placements, and the wholesale funding it receives. RBC EG's IRRBB risk remains negligible.

## 12 LIQUIDITY RISK

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### 12.1 DEFINITIONS OF LIQUIDITY RISK

Liquidity risk is the risk that the Firm is unable to generate or obtain sufficient liquidity in a cost-effective manner to meet contractual and contingent commitments as they fall due.

### 12.2 LIQUIDITY RISK PROFILE

RBCEG provides investment services to a European client base, under the current product offering the entity runs negligible liquidity risk

### 12.3 GOVERNANCE AND FRAMEWORK

Ultimate responsibility for managing liquidity risk resides with the Management Board. The Board ensures that effective governance arrangement and control frameworks are in place for liquidity risk, enabling it 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 the:

- Liquidity Risk Framework;
- Risk Appetite Statement and Metrics.

## 13 REMUNERATION

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There are no disclosure obligations regarding the remuneration policy pursuant to § 16 section 2 InstitutsVergV in conjunction with Art. 450 CRR, as the institution is considered non-significant because average total assets did not reach € 3 billion on the respective balance sheet dates of the last three completed financial years.

# 14 APPENDICES

## 14.1 APPENDIX 1: BOARD MEMBERSHIP

### Current Supervisory and Management Board Members

Director	Role	Biography	Number of Directorships (excluding RBC EG)
<b>Management Board</b>			
Christian Karcher (Residency: Germany)	Head of Capital Markets, Germany	<p>Mr Karcher is Head of Capital Markets, Germany and heads the Investment Banking for Germany, Austria and Switzerland. Prior to joining RBC, Mr Karcher was Head of Investment Banking for Nomura in Germany and Austria and a member of the management board of Nomura Bank (Deutschland). Mr Karcher has held various senior management positions in the banking industry including roles at Credit Suisse First Boston and Lehman Brothers Germany prior to its acquisition by Nomura in 2008.</p> <p>Mr Karcher holds a degree in General Management from Otto Beisheim School of Management in Germany.</p>	0
Dexter-Ruthven Murray (Residency: UK)	Head of Functions, RBC EG	<p>Mr. Ruthven-Murray is the Head of Functions for RBC EG, responsible for the back office and control functions. In his role Mr. Ruthven-Murray chairs the Risk and Compliance Committee and the Finance and Tax Committee.</p> <p>Mr. Ruthven-Murray joined RBC in 2006 and has held a number of progressive senior roles within Finance and Risk. He holds a BSc (Hons) in Business and Management Studies, is a Chartered Management Accountant (ACMA) and a Financial Risk Manager (FRM).</p> <p>Mr Ruthven-Murray also serves as a Branch Manager of RBC Europe Limited – Frankfurt, and is a member of the Board of RBC Verwaltungsgesellschaft AG.</p>	1

## Supervisory Board

<p>Dave Thomas (Residency: UK)</p>	<p>Supervisory Board Member</p>	<p>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 the European Executive Committee, and chairs the European Operating Committee. Mr Thomas also holds a number of UK Board roles including Executive Director of RBC Europe Limited and Chair of RBC Global Asset Management (UK) Limited.</p> <p>Mr Thomas holds a BSc (Hons) degree from Loughborough University in the UK and joined RBC Capital Markets in 1992 following periods at a UK domestic bank and a technology company.</p>	<p style="text-align: center;">2</p>
<p>Peter Dixon (Residency: UK)</p>	<p>Supervisory Board Member</p>	<p>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 and Ireland. Mr Dixon is a qualified chartered accountant.</p> <p>Mr Dixon is a member of the European Operating Committee. He is also a member of the Board of RBC Europe Limited.</p>	<p style="text-align: center;">2</p>
<p>Richard Sheldon (Residency: UK)</p>	<p>Supervisory Board Member</p>	<p>Mr Sheldon is Chief Compliance Officer for Royal Bank of Canada's European and Asia Pacific: Capital Markets, Wealth Management and Investor &amp; Treasury Services businesses. Mr Sheldon's responsibilities include advising on the application of current &amp; future legislation for the conduct of business, conflicts &amp; reputational issues. Mr Sheldon is a qualified lawyer who obtained Bachelor of Laws from the Queensland University of Technology Australia in 1990.</p> <p>Mr Sheldon is the Chair of the Capital Markets Reputation and Compliance Committee and a member of the European Operating Committee, and Global Compliance Operating Committee.</p>	<p style="text-align: center;">0</p>

<p>Bruce Maclaren (Residency: UK)</p>	<p>Supervisory Board Member  (resigned 30 June 2020)</p>	<p>Mr MacLaren was the Chief Risk Officer UK, Europe &amp; APAC, with responsibility for providing independent oversight of risk for all RBC businesses across the UK, Europe and APAC regions. Based in London, Mr MacLaren was a member of the European Operating Committee. He was also a member of the Board of RBC Europe Limited.</p> <p>Mr MacLaren is a graduate of the University of Toronto and York University. He joined Royal Bank of Canada in 1987 and held various positions in client-facing roles in corporate banking, corporate finance, loan syndications and market management in both Toronto and London.</p>	<p>2</p>
<p>Malena Ljungkvist (Residency: UK)</p>	<p>Supervisory Board Member</p>	<p>Ms Ljungkvist is Chief Risk Officer, Europe and has responsibility for the oversight of Risk across all business platforms in Europe. Ms Ljungkvist's responsibilities include setting the strategic direction for risk management across RBC's European operations and providing leadership in the implementation and execution of leading practices in risk oversight and governance for the region and the key legal and regulatory entities. Ms Ljungkvist sits on the Capital Markets European Operating Committee.</p> <p>Ms Ljungkvist has been at RBC for 16 years and was previously Chief Operational Risk Officer for RBC Investor &amp; Treasury Services. Ms Ljungkvist holds a degree in Accounting and Management and a Master's degree in Money, Banking and Finance from Middlesex University Business School.</p>	<p>3</p>