

RBC Europe Limited

Annual Pillar 3 Disclosures

31 October 2022



Contents

Overview	1
Business Profile	1
Basis and Frequency of Disclosure	1
Pillar 3 Disclosures	1
Regulatory Developments	1
Credit Valuation Adjustment and Counterparty Credit Risk:	2
Credit Risk (Standardised Approach)	2
Operational Risk	2
 Risk Governance	 4
Accountability Structure	4
Board of Directors	4
Retirement Policy for Board Members	4
Recruitment Criteria / Process	5
RBCEL Committees	5
UK Risk Committee	5
UK Audit Committee	5
UK Human Resources Committee	6
Nomination Committee	6
Asset & Liability Committee (ALCO)	6
UK Risk Executive Committee	6
 Risk Management	 8
Overview	8
Risk Management Framework	8
Risk Principles	8
Three Lines of Defence Model	9
Risk Identification	10
Risk Policy Management	10
Risk Appetite	11
Environmental Risk Management	11
Sustainable Finance	11
 Key Metrics	 13
UK KM1 – Key Metrics	13
 Own Funds	 14
CC1 – Composition of Regulatory Own Funds	14

UK PV1: Prudential Valuation Adjustments (PVA)	15
CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in Audited Financial Statements	15
Differences between Accounting and Regulatory Treatment	17
LI1 – Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories to Risk Categories	17
LI2 – Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements	18
Capital Requirements	19
OV 1 – Overview of Risk Weighted Exposure Amounts	19
Capital Buffers	20
Countercyclical Capital Buffer	20
CCyB 2 – Amount of Institution Specific Countercyclical Capital Buffer	20
Capital Conservation Buffer	20
Capital Planning	20
CCyB 1 – Geographical Distribution of Credit Exposures Relevant for Calculation of Countercyclical Buffer	21
Credit Risk	22
Definition of Credit Risk	22
Credit Risk Governance and Framework	23
Credit Risk Adjustments	24
UK CR 4 – Credit Risk Exposure and CRM Effects	26
UK CR 5 – Standardised Approach	26
UK CQ1 – Credit Quality of Forborne Exposures	27
UK CR1 – Credit and Non-Performing Exposures and Related Provision	28
Interest Rate Risk in the Banking Book	29
Overview	29
UK IRRBB1 – Quantitative Information on IRRBB	29
Counterparty Credit Risk	30
Overview	30
Assigning Internal Capital and Credit Limits	30
Wrong-Way Risk Exposures	30
Use of Credit Mitigation Techniques	31
Standardised Approach to Counterparty Credit and Credit Risk	32
CCR 1 – Analysis of CCR Exposures by Approach	32

Securitisations	33
Overview	33
Objective of Securitisation Activities	33
Risk Weight Calculation	33
Accounting Policies	34
UK SEC 1 – Securitisation Exposures in the Non-Trading Book	35
UK SEC 2 – Securitisation Exposures in the Trading Book	36
UK SEC 4 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements – Institution Acting as Investor	37
Market Risk	38
Definition of Market Risk	38
Governance and Framework	38
UK MR 1 – Market Risk under the Standardised Approach	39
Operational Risk	40
Overview	40
Capital Requirements	41
UK OR 1 – Operational risk own funds requirements and risk-weighted exposure amounts	41
Leverage Ratio	42
Overview	42
UK LR 2 – Leverage Ratio Common Disclosure	42
UK LR 1 – Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures	43
UK LR 3 – Split Up of On Balance Sheet Exposures (Excluding Derivatives, SFTs and Exempted Exposures)	44
Liquidity	45
Definition of Liquidity Risk	45
Governance and Framework	45
Risk Profile	46
Individual Liquidity Adequacy Assessment Process (ILAAP)	46
LCR Qualitative Disclosure	46
UK LIQ 1 – Quantitative Information of LCR	48
UK LIQ 2 – Net Stable Funding Ratio	49
Asset Encumbrance	50
Template A – Encumbered and Unencumbered Assets	50
Template B - Collateral Received	51
Template C - Sources of Encumbrance	51

Remuneration	52
Overview	52
Constitution and Activities of the UK HR	52
Criteria for the Identification of Material Risk Takers	53
Design and Structure of Compensation for Material Risk Takers	53
The Link between Pay and Performance for Material Risk Takers	56
CRR Compliance	61
Appendix	84
Current Independent Non-Executive Directors	84
Current Shareholder Representative Non-Executive Directors	85
Executive Directors	86
UK CCA: Main Features of Regulatory Own Funds Instruments and Eligible Liability Instruments	87
UK CQ3 – Credit Quality of Performing and Non-Performing Exposures by Past Due Days	90
UK CQ5 – Credit Quality of Loans and Advances to Non-Financial Corporations by Industry	91
UK CQ6 – Collateral Valuation – Loans and Advances	92
UK CR1-A – Maturity of Exposures	93
CCR 2 – Transactions Subject to Own Funds Requirement for CVA Risk	93
CCR 3 – Standardised Approach for CCR Exposure by Regulatory Exposure Class and Risk Weights	94
CCR 5 – Composition of Collateral for CCR Exposures	94
CCR 6 – Credit Derivative Exposures	95
CCR 8 – Exposures to CCPs	95

Overview

Business Profile

RBC Europe Limited (RBCEL, the Company) is a wholly owned subsidiary of Royal Bank of Canada (RBC), a leading provider of financial services globally. RBC is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. RBC's success comes from the 88,000+ employees who leverage their imaginations and insights to bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada's biggest bank, and one of the largest in the world based on market capitalisation, we have a diversified business model with a focus on innovation and providing exceptional experiences to our 17 million clients in Canada, the U.S. and 27 other countries.

The Company is a UK authorised bank and provides investment banking, capital markets and wealth management services to a wide range of clients including financial institutions, corporations, governments and High-Net-Worth clients. The Company works with its clients to help raise capital, access markets, mitigate risk and acquire or divest assets. The Company is regulated by the Prudential Regulation Authority (PRA) and adheres to the UK's regulations as set out in the on-shored Capital Requirements Regulation (CRR) and PRA Rules and standards.

The Company obtained a Standard & Poor's rating in October 2014. As of 31st October 2022 the Company's long- and short-term counterparty credit rating assigned by Standard & Poor's are unchanged at AA-/A-1+.

As at 31st October 2022, the Company does not have any subsidiaries or any investment in associates (2021: nil).

Basis and Frequency of Disclosure

Basel III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk. It 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 Capital Requirements Directive and Regulation (CRD IV package). Additional provisions are applied in the UK through the PRA Rulebook. 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).

Pillar 3 Disclosures

The Company makes semi-annual and annual disclosures in line with Article 433 of the PRA rulebook. The full Pillar 3 disclosure is made on an annual basis and limited disclosures are made on a semi-annual basis. The full pillar 3 disclosures are published on the date the RBCEL financial statements are published or as soon as possible thereafter.

The full Pillar 3 disclosures have been prepared in accordance with Part 8 of the CRR and associated PRA supervisory rules, regulatory standards and the Company's formal policies and internal processes, systems and controls. CRR compliance section summarises the relevant articles and associated disclosures. The full Pillar 3 disclosures have been approved by the Company's Board of Directors.

Regulatory Developments

RBCEL monitors regulatory and legislative developments on an on-going basis to ensure it is prepared for forthcoming regulatory change. RBCEL has a robust operating model in place to monitor the regulatory developments.

As part of the horizon scanning process, the most significant regulatory development that was identified affecting RBCEL was the PRA's Basel 3.1 Implementation Consultation Paper (CP16/22), as issued on 30th November 2022. The implementation target date is 1st January 2025 and includes proposed changes to the following work-streams: Market Risk (FRTB), Credit Valuation Adjustment, Credit Risk (Standardised Approach), Operational Risk, and Counterparty Credit Risk. More details can be seen below:

Credit Valuation Adjustment and Counterparty Credit Risk:

The CVA capital framework is getting a complete overhaul as the PRA is proposing new standardised and basic approaches which are aimed at adjusting the calibration of CVA and SA-CCR where the PRA considers the impact to be overly conservative. Key changes include the CCR alpha factor being reduced from 1.4 to 1 for non-financials and pension funds in Standardised Approach and Pillar 1 increases due to increased scope likely to be offset by Pillar 2A reductions. Further, the new Standardised Approach capitalises the CVA risk arising from sensitivity to market factors other than the counterparty credit spread.

Credit Risk (Standardised Approach)

Key highlights which are relevant for RBCEL include:

- Requirement for firms to perform their own due diligence of counterparty credit quality and, if the due diligence indicates a higher risk weight than the external rating.
- To maintain risk weights based on external ratings and introduces a new risk weight of 30% for exposures to institutions in CQS 2.
- Two approaches to risk-weighting unrated corporate exposures; the risk-neutral approach with a flat risk weight of 100% and a risk-sensitive approach which assigns a 65% or 135% risk weight depending on whether the exposure is to investment grade or non-investment grade obligors; the latter of which requires prior permission from the PRA.
- The CRR supporting factors for Small and Medium Enterprises (SMEs) and infrastructure lending will be removed and the implementation of an 85% risk weight for Corporate SME borrowers.
- In terms of real estate classifications and treatments, a floor of 100% risk weight will be applied to commercial real estate exposures both for exposures materially dependent on income from the property and those that are not materially dependent on income from the property. Under the new rules, the regulatory real estate exposure risk weights will be determined based on the type of property, the loan-to-value (LTV) ratio and whether repayments are 'materially dependent on the cash flows generated by the property'.
- A new treatment to the risk weighting of equity exposures, depending on whether they are venture capital or non-venture capital equity exposures.

Operational Risk

The PRA proposes a new approach for calculating Pillar 1 capital based on the business indicator component (BIC) which is a measure of firm size and economic activity and Internal Loss Multiplier (ILM).

Fundamental Review of the Trading Book

The Fundamental Review of the Trading Book (FRTB) rules represent a substantial change in market risk capital calculations. The final Basel version, published in January 2019, covers all aspects of minimum capital requirements for market risk such as:

- Stricter criteria for the assignment of instruments to the trading book;
- Risk-sensitive Standardised Approach (SA);
- More comprehensive Internal Models Approach (IMA) to better address risks that were observed during the crisis;
- Modified approach for the supervisory approval of using of internal models.

Fundamental Review of the Trading Book (FRTB) is proposed to go live in January 2025 as set out by the Bank of England. Firms are expected to submit pre-application materials at least 12 months in advance of this, i.e. by January 2024. The Bank of England published an initial rule set for consultation in Q4 2022.

Additional items

Other items affecting RBCEL include the following:

- 1 From 1st January 2023, RBCEL became an LREQ firm and therefore the leverage ratio became a regulatory requirement. On this date, RBCEL also became subject to the PRA's countercyclical leverage buffer which is also included in the requirements. The new regulatory minimum for the entity is 3.39% (3.25% + Leverage CCyB).
- 2 Risks from contingent leverage: The PRA issued CP12/22 proposing amendments to:
 - a) Its supervisory statement on the Internal Capital Adequacy Assessment Process (ICAAP) (SS31/15) to assist firms in identifying the risk of contingent leverage in their risk management processes.
 - b) The Reporting (CRR) Part to require relevant firms to report data on trading exposures where contingent leverage risks may arise, including netted repurchase agreements, agency models to transact in SFTs, collateral swaps and prime brokerage positions.

Risk Governance

Accountability Structure

The Company 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 Board of Directors, Management, 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 strength of the Company's governance starts at the top with an independent Chairman and experienced Executive and Non-Executive Directors, who give priority to strategic planning and risk oversight, ensuring that standards exist to promote appropriate behaviour throughout the organisation and driving continuous improvement in governance practices.

The RBCEL Board is ultimately responsible for the running of the firm but has delegated day-to-day decision-making to the Chief Executive Officer. A number of Board and management committees have been established to ensure that appropriate controls and procedures are embedded to support the Company's operations. Each has formal Terms of Reference (ToR) establishing the membership and responsibilities, as well as how each committee sits within the governance structure.

The mandate and membership of all committees are reviewed on a regular basis to ensure that these committees are effective and continue to be relevant to meet business and risk management needs. This allows the Board to be confident that the governance structure remains appropriate and fit for purpose. Cross-membership of various management committees also ensures that senior management have a clear picture of issues impacting the whole of the Company.

Board of Directors

Ultimate responsibility for managing risk within the business resides with the Board of Directors of RBCEL. It is tasked with ensuring that an effective systems and controls framework is in place for business, risk and capital management. Through its governance structures and controls, the Board has a line-of-sight on key risks and operational controls across the firm. The Board also monitors and assesses effectiveness of controls against changing regulatory expectations.

The Board is responsible for setting the strategic risk direction and risk appetite for RBCEL. This includes:

- Clearly articulating the risk appetite for the firm and establishing mechanisms to ensure that the level of risk within the firm remains within the specified risk appetite.
- Maintaining a direct line-of-sight over key current and emerging risks across the firm.
- Overseeing the implementation of an effective systems and controls framework in place for business, risk and capital management.
- Reviewing and approving the recovery strategies outlined in the RBCEL Recovery Plan.
- Oversight for the financial objectives which to be are aligned with risk appetite and objectives.
- Monitoring and assessing the effectiveness of controls against changing regulatory expectations.

The Board consists of four Independent Non-Executive Directors (INEDs), including the Chairman, three Non-Executive Directors (NEDs) representing the shareholder (RBC), and two Executive Directors.

Retirement Policy for Board Members

Appointments to the Board follow a formal procedure. As the Company is a wholly owned subsidiary within 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 Board has two types of directors, (i) Executive Directors (ED), and (ii) Non-Executive Directors (NED), with four directors meeting the UK Corporate Governance Code's definition of 'independent' (INED).

In 2015, the Company established a Nomination Committee as part of its enhanced Corporate Governance Framework. The Nomination Committee is responsible for:

- The identification, nomination and recommendation of INED candidates to the Board, for its consideration and approval. The nomination process follows a formal and rigorous approach, with candidates selected and assessed against established selection criteria. The Nomination Committee is governed by its Terms of Reference, under the umbrella of the SGO Policy, subject to local rules and regulations.

Recruitment 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.

In relation to EDs, candidates are identified in accordance with the SGO Policy. Following consultation with the Board Chair by the Company Secretary, and positive advice and counsel from the RBC Subsidiary Governance Office, the ED candidate is proposed to the Board for its consideration, and if deemed appropriate, approval.

All Board appointments reflect RBC's core values, in particular, "Diversity & Inclusion", which is an important factor in the assessment and nomination of all proposed director appointments. In addition, the Board is governed by a Board Diversity Policy which, inter alia, includes a diversity objective of at least 30% of the directorship being female. The diversity objective has been met for the entirety of the 2022 fiscal year. The relevant background and professional experience of the Directors of the Board are provided in the appendix.

RBCEL Committees

RBCEL has a robust Corporate Governance and Committee Framework. The key committees are set out below:

UK Risk Committee

The UK Risk Committee (RC) is a Board committee chaired by an Independent Non-Executive Director (INED) to ensure independence and robustness of review and challenge. The RC reviews risk issues, gives advice and makes recommendations to the RBCEL Board, or other parties as appropriate, as well as making decisions on risk issues within its sphere of responsibility. The UK Risk Committee is provided with a quarterly Risk Report from the CRO covering all risk types, current risk profile and emerging trends. The Chair of the UK Risk Committee provides a quarterly update to the RBCEL Board on the work of the committee including any materials issues from a risk perspective. The RC met six times during the 2022 financial year. The RC holds the following primary responsibilities:

- Develop a risk appetite for RBCEL and recommend it to the Board.
- Implement an effective risk management framework including directing and approving risk policies.
- Monitor all material risk exposures, review and approve any risk exceptions to the Board risk appetite, and ensure that any breaches of risk appetite are remediated and/or escalated.
- Review and challenge the findings from the annual RBCEL Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process and recommend these to the Board for approval.
- Review, challenge and recommend for approval to the Board the recovery strategies outlined in the RBC UK Recovery Plan.
- Review emerging risks and changes in legal, regulatory and accounting requirements and their implications on risk management at RBCEL.

UK Audit Committee

The UK Audit Committee (AC) is responsible for providing independent assurance to the senior management and the Board of Directors on the effectiveness of risk management practices. The AC is chaired by an INED and includes three additional INEDs. Main responsibilities include:

- Monitoring the integrity of RBCEL's financial statements and reviewing and, where appropriate, making recommendations to the Board on business risks, internal controls and compliance.

- Overseeing the governance of independent valuation controls pertaining to RBCEL's financial statements.
- Reviewing quarterly reports from external and internal auditors.
- Monitoring performance of the internal audit function.

UK Human Resources Committee

The UK Human Resources Committee (UK HRC) is responsible for ensuring that RBC's compensation programme aligns with prudent risk management principles, regulatory guidance and sound compensation practices. RBCEL has an established process in place to assist the UK HRC in the determination of whether any performance adjustment to compensation are required. The UK HRC is chaired by an INED. Main responsibilities include:

- Review and approve the remuneration of Senior Managers (under the Senior Managers Regime) and Executive Directors ('Designated Employees').
- Review the remuneration of Material Risk Takers.
- Review incentive remuneration plans and equity-based remuneration plans.
- Review RBC Group Remuneration and Compensation policies.
- Review performance measures to be used to determine the remuneration of Designated Employees.
- Review management succession plans for the Executive Directors and senior officers of RBCEL.
- Review the output from the annual talent management process for the key staff in RBCEL.

Nomination Committee

The RBCEL Nominations Committee (Nomco) is chaired by an INED. It is a sub-committee of the Board established to lead the process for Independent Non-Executive Director succession planning and appointments to the RBCEL Board and its sub-Committees. The Committee is responsible for amongst other things, the identification, nomination and recommendation of INED candidates for appointment to the Board and its Committees. Main responsibilities include:

- Review the structure, size, and composition (including the skills, knowledge, experience, diversity and independence) of the Board and its Committees, and make recommendations to the Board with regard to any changes taking into account any legislative and/or regulatory requirements.
- Give full consideration to succession planning for INEDs, taking into account local regulatory requirements and corporate governance best practice, and the skills and expertise needed on the Board in the future.
- Be responsible for identifying and nominating, for the approval of the Board, suitable INED candidates to fill vacancies as and when they arise.

Asset & Liability Committee (ALCO)

The ALCO is a key management committee of RBCEL responsible for the oversight and monitoring of the financial resources including the management of balance sheet, capital position, funding & liquidity and interest rate risk in the banking book. ALCO is comprised of senior management from the Business, Risk, Finance, and Corporate Treasury functions, and meet on a monthly basis. Main responsibilities include:

- Review and monitor of current and projected positions relative to regulatory, Board, and management limits.
- Ensuring business and operational strategies are consistent with appetite, in the context of capital, balance sheet, liquidity and funding.
- Oversee and monitor major projects relevant to ALCO.
- Review regulatory developments and assess their relevance and impact on the business profile and strategy.

UK Risk Executive Committee

The UK Risk Executive Committee is an executive committee to manage and oversee all aspects of risk within RBCEL. The Committee will review and recommend for approval to the UK Risk Committee (RC) risk-specific frameworks, policies, mandates and limits, as appropriate. The Committee will provide oversight of risk management committees (Credit Risk, Market Risk, Operational Risk, etc.). The Committee will also address any additional matters as

may be delegated by the RC. The committee is chaired by the Chief Risk Officer, Europe and meets at least monthly. The committee's main responsibilities include:

- Approve management committee structures, mandates and authorities for the risk-related functions of RBCEL on an annual basis.
- Approve UK risk-specific policies, standards, procedures and standing orders.
- Review and recommend risk frameworks and risk policies that articulate the significant risks to which RBCEL is exposed to the RC.
- Review and recommend the RBCEL Risk Universe to the RC.
- Review and recommend the RBCEL ICAAP risk methodologies, input parameters, stress scenario definitions and the ICAAP report to the RC.
- Review and recommend RBCEL risk appetite statements to the RC.
- Review and recommend the RBCEL recovery plan to the RC.
- Review the risk profile of RBCEL against risk appetite on a monthly basis and bring any relevant issues to the attention of the RC.
- Review and discuss issues affecting the risk management of RBCEL and bring such issues to the attention of the RC.
- Review and discuss significant risks facing RBCEL, including but not limited to credit, market and operational risks, and bring such risks to the attention of the RC.
- Review the UK Risk Committee report in advance of the RC meeting and make recommendations as to the issues which should be brought before the RC.
- Oversee the risk management committees.
- Regularly review risk-related supervisory findings, Internal Audit issues and self-identified limitations and monitor progress against remediation plans.
- Review progress on regulatory change initiatives owned by GRM.

Perform functions as delegated by Board Committees.

Risk Management

Overview

RBCEL defines risk as the potential for loss or an undesirable outcome affecting the value of RBCEL's 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 reputational risks due to the possible 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 RBCEL. For this reason, risk management is considered to be an intrinsic part of the strategy and capital planning processes.

Risk Management Framework

The RBCEL Enterprise Risk Management Framework (ERMF) sets out the overarching arrangements for risk management, control and assurance within RBCEL. 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 RBCEL's business activities will not be excessively impacted by risks that could have been reasonably foreseen. This, in turn, reduces the uncertainty of achieving RBCEL's strategic objectives.

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

- Prudential Regulatory Authority (PRA) rules;
- Financial Conduct Authority (FCA) rules; and
- Office of the Superintendent of Financial Institutions (OSFI) requirements as a subsidiary of a Canadian banking group.

Risk Principles

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

Principle	Description
Effectively balance risk and reward to enable sustainable growth.	RBCEL 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.
Collectively share the responsibility for risk management.	<p>Following the Three Lines of Defence risk governance model, employees at all levels of the organisation, as one RBC, are responsible for managing the day-to-day risks that arise in the context of their roles.</p> <p>Decision-makers must understand the risks, determine appropriate actions to mitigate these risks, and be able to explain the risk considerations and rationale for their decisions</p>

Undertake only risks we understand. Make thoughtful and future-focused risk decisions.	To create long term value for our shareholders, clients, employees and communities, we exercise rigour in our risk assessments, analyse emerging risk factors and trends, ensure transparency in risk discussions, and improve processes and tools for simpler, better, faster decision-making without exposing us 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, we champion good conduct and do business openly and fairly. We never compromise quality or integrity for growth. We adhere to the “Know Your Client” standards, and ensure transparency and suitability of the products and services offered. We continue to educate ourselves and our clients on the risks and opportunities posed by evolving risk trends (e.g. climate change) in support of our Purpose that is to help our clients thrive and communities prosper in a more socially inclusive and sustainable environment. We also comply with all laws and regulatory requirements, and support 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, we employ effective processes and controls and resiliency practices to minimise harm from internal and external threats, avoid business interruptions, and ensure timely resolution of control issues.
Use judgement and common sense.	Policies and procedures cannot cover all circumstances. Employees should apply judgement and common sense, and when in doubt, escalate. Management should hire the right people for the right jobs and provide proper training and support.
Always be operationally prepared and financially resilient for a potential crisis.	RBCEL 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.

Three Lines of Defence Model

RBCEL has implemented a robust system of monitoring, reporting and control based on the Three Lines of Defence model. This 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 RBCEL’s approved risk appetite and risk policies;
- 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; and
- Execution of Business and Corporate Segments’ Risk Governance practices.

Second Line of Defence - This is provided by areas with independent oversight accountabilities residing in functions such as Group Risk Management, Group Compliance, and other areas within Control and Group Functions. The Second Line of Defence is accountable for:

- Establishing RBCEL's 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 - This is provided through Internal Audit Services and the Audit Committee. The Third Line provides independent objective assurance on the effectiveness of risk management policies, processes and practices in all areas of RBCEL to senior management and the Board of Directors. Further assurance is provided by the firm's external auditor, PricewaterhouseCoopers LLP, in the form of a quarterly report to the Audit Committee.

Risk Identification

RBCEL has a comprehensive system of identifying, monitoring, reporting and control based on the three lines of defence model. This 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.

The process of risk identification and assessment is intrinsic within RBCEL's pursuit of approved business strategies, and is 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;
- Risk appetite formulation
- Monitoring and reporting
- Ongoing assessment of industry and regulatory developments

RBCEL's risk 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.

Risk Policy Management

RBCEL has implemented RBC policies and processes in the context of the RBCEL Risk Policy Management Requirements to support the assessment and management of risks. RBCEL regularly reviews policies and controls to ensure continued effectiveness and alignment with relevant laws and regulations. To ensure operation with integrity, RBCEL adheres to a number of other principles, codes and policies, including the RBC Code of Conduct which governs the behaviour of RBCEL employees and informs how RBCEL conducts its business operations.

RBCEL adopts the Enterprise policies and where necessary, addenda to the Enterprise policies or RBCEL-specific policies to ensure compliance with local legal and regulatory requirements and expectations. The CRO Europe has the responsibility of ensuring these policies are consistent with:

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

The RBCEL Risk Policy Management Requirements document adopts the following three-tier hierarchy for approving risk frameworks, policies, standing orders, standards and procedures (collectively referred to as policy documents):

- **Level 1:** overarching risk frameworks and policies that outline regulatory requirements and risk governance for RBCEL. These are approved by the RBCEL Board or a Board Committee (UK Risk Committee) with subsequent notification to the Board.
- **Level 2:** includes risk-specific frameworks and policies that lay the foundations for how each risk (and any sub-risk) is managed. These are approved by the UK Risk Executive Committee;
- **Level 3:** includes those policy documents that are put in place to support Level 2 policy documents. These are approved by either Management Committees or Heads of Risk.

The Board of Directors delegates responsibility to the Risk Committee to ensure that all Level 1 RBCEL risk and capital policies meet the minimum governance standards defined within the RBCEL Risk Policy Management Requirements. RBCEL's Frameworks and policies (including the Risk Management Framework) are reviewed and refreshed regularly, and approved by the Risk Committee. RBCEL's Risk Frameworks were last approved by the Risk Committee in June 2022.

Risk Appetite

RBCEL'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 RBCEL Risk Appetite Framework is to protect RBCEL 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 RBCEL risk appetite principles and is reviewed and approved at least annually by the Board.

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

Environmental Risk Management

The Environmental and Social Risk Management (ESRM) process of RBC is designed to ensure we apply a suitable level of due diligence when dealing with clients and transactions. As part of the RBC Group, the Company is subject to a suite of ESRM policies designed to identify, assess and mitigate the environmental and social risks associated with providing banking services to our clients. When appropriate, these issues are escalated to our dedicated ESRM team for additional risk review and assessment. The ESRM policies and procedures are proactively reviewed and updated to address regulatory changes, emerging and evolving issues, and industry best practices. Please see our **Responsible Financing website** for more information on:

- Enterprise-wide ESRM policy
- Financing projects: The Equator Principles
- ESRM approach for Capital Markets

Sustainable Finance

Commitment to sustainable finance is going to be a necessary public disclosure in the future. RBC is committed to sustainable finance and started disclosing its activities, commitment and Governance as below:

Environmental Matters

The Company is part of the RBC Group which has a long history of environmental leadership commencing with the launch of the first corporate environmental policy in 1991. RBC is committed to transparent disclosure and this is shown through the reporting of key environmental performance metrics and targets in the 2020 **Environmental, Social, and Governance (ESG) Performance Report**, the **2021 TCFD Report** and the 2020 **RBC Climate Blueprint**.

Climate change

The Board has taken appropriate steps to address the risks posed by climate change through updating the risk appetite statement of the Company in addition to designating appropriate Senior Management with responsibility for identifying and managing financial risk due to climate change.

The Board continues to review the Company's integration of climate risk into its risk management framework in accordance with evolving regulatory requirements.

RBC Group is committed to publishing annual climate-related disclosures that consider the recommendations of the Financial Stability Board's Task Force on **Climate-related Financial Disclosures**, and has provided these since 2017.

Key Metrics

UK KM1 – Key Metrics

£m

		Oct-22	Apr-22	Oct-21
		T	T-2	T-4
Available own funds (amounts) ¹				
1	Common Equity Tier 1 (CET1) capital	1,377	1,344	1,349
2	Tier 1 capital	1,677	1,644	1,649
3	Total capital	1,764	1,724	1,721
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	8,911	9,759	8,961
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.46%	13.77%	15.05%
6	Tier 1 ratio (%)	18.82%	16.85%	18.40%
7	Total capital ratio (%)	19.80%	17.66%	19.21%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a	Additional CET1 SREP requirements (%)	1.14%	1.12%	2.08%
UK 7b	Additional AT1 SREP requirements (%)	0.38%	0.37%	0.69%
UK 7c	Additional T2 SREP requirements (%)	0.51%	0.50%	0.93%
UK 7d	Total SREP own funds requirements (%)	10.03%	10.00%	11.71%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	0.025	2.50%
9	Institution specific countercyclical capital buffer (%)	0.09%	0.05%	0.03%
11	Combined buffer requirement (%)	2.59%	2.54%	2.53%
UK 11a	Overall capital requirements (%)	12.61%	12.54%	14.24%
Leverage ratio				
13	Total exposure measure excluding claims on central banks	40,753	45,175	N/A
14	Leverage ratio excluding claims on central banks (%)	4.12%	3.63%	N/A
Additional leverage ratio disclosure requirements				
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.12%	3.63%	N/A
14b	Leverage ratio including claims on central banks (%)	3.27%	2.97%	N/A
14c	Average leverage ratio excluding claims on central banks (%)	N/A	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)	N/A	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	N/A	N/A	N/A
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	10,868	8,757	8,388
UK 16a	Cash outflows - Total weighted value	11,851	10,075	9,203
UK 16b	Cash inflows - Total weighted value	3,155	3,193	2,586
16	Total net cash outflows (adjusted value)	8,696	6,881	6,618
17	Liquidity coverage ratio (%)	125%	127%	127%
Net Stable Funding Ratio				
18	Total available stable funding	18,964	16,464	14,695
19	Total required stable funding	17,081	16,249	15,247
20	NSFR ratio (%)	111%	101%	97%

¹ Restatement of capital for Oct-21 and Apr-22 following restatement of FY 21 audited financial statements

Own Funds

CC1 – Composition of Regulatory Own Funds

The below table shows the Company's breakdown of regulatory own funds as at 31st October 2022

£m		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	499	
	of which: Instrument type 1	499	a
2	Retained earnings	814	b
3	Accumulated other comprehensive income (and other reserves)	94	c
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,408	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(16)	
15	Defined-benefit pension fund assets (negative amount)	(15)	d, e ²
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	0	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(30)	
29	Common Equity Tier 1 (CET1) capital	1,377	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	300	
31	of which: classified as equity under applicable accounting standards	300	f
36	Additional Tier 1 (AT1) capital before regulatory adjustments	300	
44	Additional Tier 1 (AT1) capital	300	
45	Tier 1 capital (T1 = CET1 + AT1)	1,677	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	87	g
51	Tier 2 (T2) capital before regulatory adjustments	87	
58	Tier 2 (T2) capital	87	
59	Total capital (TC = T1 + T2)	1,764	
60	Total Risk exposure amount	8,911	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.46%	
62	Tier 1 (as a percentage of total risk exposure amount)	18.82%	
63	Total capital (as a percentage of total risk exposure amount)	19.80%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8.23%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.09%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	638	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities 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)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in		

² Deferred tax liabilities on pension fund assets are a component of the deferred tax liability on the balance sheet.

	those entities (amount below 17.65% thresholds and net of eligible short positions)		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		

As at 31st October 2022, the Company had total own funds of £1,764 million (2021: £1,688 million), which comprises of Tier 1 Capital of £1,677 million (2021: £1,615 million) and Tier 2 Capital of £87 million (2021: £73 million) under the transitional provisions. A full reconciliation of own funds items to audited financial statements are shown in the document.

The Company continued to be well capitalised with a Common Equity Tier 1 capital ratio of 15.46% (2021: 15.1%), Tier 1 capital ratio of 18.82% (2021: 18.4%) and Total Capital Ratio of 19.80% (2021: 19.2%).

UK PV1: Prudential Valuation Adjustments (PVA)

The below table shows the Company's PVA as at 31st October 2022

£m	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	FX	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	7	4	0	3	0	-	-	12	-	-
Set not applicable in the UK						-	-			
Close-out cost	0	2	-	-	0	-	-	1	-	-
Concentrated positions	-	-	-	0	-	-	-	0	-	-
Early termination	-	-	-	-	-	-	-	-	-	-
Model risk	-	-	-	-	-	-	-	-	-	-
Operational risk	-	1	-	-	-	-	-	1	-	-
Set not applicable in the UK										
Set not applicable in the UK										
Future administrative costs	-	1	-	-	-	-	-	1	-	-
Set not applicable in the UK										
Total Additional Valuation Adjustments (AVAs)								16	-	-

CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in Audited Financial Statements

£m		Balance sheet as in published financial statements and under regulatory scope of consolidation	Reference
Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and due from banks	10,594	
2	Securities - Trading	3,930	
3	Securities - Investments, net of applicable allowance	625	
4	Assets purchased under reverse repurchase agreements and securities borrowed	23,177	
5	Loans and advances	8,022	
6	Derivative assets	1,702	
7	Post-employment benefit asset	18	d
8	Other assets	5,244	
9	Total assets	53,313	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
1	Deposits by banks	8,540	
2	Deposits by customers	11,060	
3	Obligations related to securities sold short	2,396	
4	Obligations related to assets sold under repurchase agreements and securities loaned	22,635	
5	Derivative liabilities	1,637	
6	Other liabilities	5,248	
7	Deferred tax	3	e
8	Subordinated liabilities	87	g
9	Total liabilities	51,606	

Shareholders' Equity		
1	Common shares	498
2	Other equity	300
3	Retained earnings	814
4	Capital contribution	37
5	Share premium	1
6	FVOCI securities	52
7	Post-employment benefits	6
8	Total shareholders' equity	1,707

Differences between Accounting and Regulatory Treatment

LI1 – Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories to Risk Categories

£m

£m		Carrying values as reported in published financial statements and under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset class according to the balance sheet in the published financial statements							
1	Cash and due from banks	10,594	10,697	-	-	-	
2	Securities - Trading	3,930	-	3	0	3,197	
3	Securities - Investments, net of applicable allowance	625	627	-	400	-	
4	Assets purchased under reverse repurchase agreements and securities borrowed	23,177	-	33,596	-	-	
5	Loans and advances	8,022	7,241	-	-	-	
6	Derivative assets	1,702	-	140	-	-	
7	Post-employment benefit asset	18	-	-	-	-	18
8	Other assets	5,244	24	5	-	-	
	Total assets	53,313	18,589	33,742	400	3,197	18
Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits by banks	8,540		-		-	
2	Deposits by customers	11,060		-		-	
3	Obligations related to securities sold short	2,396		-		2,652	
4	Obligations related to assets sold under repurchase agreements and securities loaned	22,635		32,771		-	
5	Derivative liabilities	1,637		-		-	
6	Other liabilities	5,251		4		-	
7	Subordinated liabilities	87		-		-	
8	Total liabilities	51,606	-	32,776	-	2,652	-

As there are no subsidiaries which consolidate into the Company, there are no differences between the accounting and regulatory scope of consolidation.

The carrying values reported in the financial statements do not equal the sum of the columns to the right as items may be subject to more than one risk framework. Items considered on and off balance sheet are covered under the credit risk framework. Those items classified as derivative or secured financing transactions are subject to both CCR and market risk framework.

LI2 – Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

£m

		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	53,313	18,589	400	33,742	3,197
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	51,606	-	-	32,776	2,652
3	Total net amount under the regulatory scope of consolidation	1,707	18,589	400	967	545
4	Off-balance-sheet amounts	3,070	3,070			
5	Differences in valuations ³	6,576			6,576	
6	Differences due to different netting rules, other than those already included in row 2	(36,393)			(36,393)	
7	Differences due to consideration of provisions					
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(5,743)	(5,743)			
9	Differences due to credit conversion factors	(1,053)	(1,053)			
10	Differences due to Securitisation with risk transfer					
11	Other differences					
12	Exposure amounts considered for regulatory purposes	19,188	14,863	400	3,925	

³ Includes regulatory haircuts (Article 224 of CRR) and Potential Future Exposure (Article 278 of PRA Rulebook)

Capital Requirements

OV 1 – Overview of Risk Weighted Exposure Amounts

The below table shows the breakdown of risk weighted exposure (RWE) and pillar 1 requirements by risk type for the Company as at 31st October 2022.

<i>£m</i>		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		Oct-22	Oct-21	Oct-22
1	Credit risk (excluding CCR)	3,061	2,791	245
2	Of which the standardised approach	3,061	2,791	245
6	Counterparty credit risk - CCR	1,954	1,954	156
7	Of which the standardised approach	1,954	1,954	156
UK 8a	Of which exposures to a CCP	6	32	0
UK 8b	Of which credit valuation adjustment - CVA	5	4	0
9	Of which other CCR ⁴	23	46	2
15	Settlement risk	8	3	1
16	Securitisation exposures in the non-trading book (after the cap)	133	202	11
18	Of which SEC-ERBA (including IAA)	30	30	2
19	Of which SEC-SA approach	103	172	8
20	Position, foreign exchange and commodities risks (Market risk)	2,856	3,130	228
21	Of which the standardised approach	2,856	3,130	228
23	Operational risk	900	881	72
UK 23a	Of which basic indicator approach	900	881	72
29	Total	8,911	8,961	713

Movements over the period

During the year, risk weighted exposure remained relatively flat due to offsetting movements between market risk and credit risk.

⁴ Risk weighted exposure of default fund contribution

Capital Buffers

Countercyclical Capital Buffer

The UK implementation of CRD V requires institutions to maintain an institution-specific countercyclical capital buffer (CCyB) 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.

CCyB 2 – Amount of Institution Specific Countercyclical Capital Buffer

	£m	Total
1	Total risk exposure amount	8,916
2	Institution specific countercyclical capital buffer rate	0.09%
3	Institution specific countercyclical capital buffer requirement	7.6

As at 31st October 2022, the Company's specific countercyclical capital buffer rate is 0.09% (2021: 0.04%) and the capital requirement is £7.6 million (2021: £3.3 million). The increase in the requirement is largely due to an increases in CCyB rates.

Capital Conservation Buffer

The capital conservation buffer (CCB) is a CRR buffer requirement equal to 2.5% of total risk exposure amount. It must be met by CET1 capital and can be used to absorb losses during periods of stress.

Capital Planning

The Internal Capital Adequacy Assessment Process (ICAAP) is a comprehensive examination of RBCEL's capital position on the assessment date and over a three year planning period, considered under both a base case and a stress scenarios. The assessment includes a detailed review of:

- RBCEL's risk profile and the appropriateness of the risk management and internal control frameworks;
- Capital methodologies employed in assessing RBCEL's capital adequacy to determine whether these remain suitable for the firm's risk profile; and
- The governance surrounding capital management at RBCEL.

Through the above, RBCEL seeks to establish whether the capital base maintained by the firm is adequate in light of the risk profile and strength of internal controls and risk management frameworks.

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 the capital adequacy of RBCEL over the planning period. The ICAAP also considers the impact on RBCEL's Leverage position as at 31st October 2022 and over the planning period.

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 capital 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. If there is a significant change to the business plan, then a revised capital plan will also be produced.

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

CCyB 1 – Geographical Distribution of Credit Exposures Relevant for Calculation of Countercyclical Buffer

The below table shows the geographical breakdown of credit exposures relevant for the calculation of the countercyclical buffer for the Company as at 31st October 2022.

£m	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
BELGIUM	102	-	21	-	-	124	8	1	-	9	117	2.05%	0.00%
CANADA	122	-	38	-	-	160	4	1	-	5	62	1.09%	0.00%
CAYMAN ISLANDS	364	-	4	-	-	369	29	0	-	29	367	6.46%	0.00%
CZECH REPUBLIC	16	-	0	-	-	16	1	0	-	1	16	0.29%	1.50%
DENMARK	-	-	36	-	-	36	-	3	-	3	36	0.64%	1.00%
FRANCE	21	-	241	-	-	262	2	12	-	14	171	3.00%	0.00%
GERMANY	156	-	118	-	-	274	10	7	-	17	215	3.79%	0.00%
HONG KONG	8	-	0	-	-	8	0	0	-	0	3	0.06%	1.00%
IRELAND	164	-	43	-	-	207	14	2	-	16	196	3.46%	0.00%
JAPAN	198	-	11	-	-	209	11	0	-	11	138	2.43%	0.00%
JERSEY	182	-	31	-	200	413	14	3	8	25	306	5.39%	0.00%
LUXEMBOURG	598	-	86	-	200	884	48	4	2	54	674	11.87%	0.50%
NETHERLANDS	219	-	373	-	-	592	17	22	-	39	485	8.54%	0.00%
NORWAY	4	-	9	-	-	13	0	0	-	0	6	0.10%	1.50%
SWEDEN	51	-	34	-	-	85	4	2	-	6	76	1.33%	1.00%
SWITZERLAND	113	-	0	-	-	113	9	0	-	9	110	1.93%	0.00%
UNITED KINGDOM	1,849	-	389	-	-	2,238	118	23	-	141	1,766	31.09%	0.00%
UNITED STATES	311	-	343	-	-	654	22	15	-	37	457	8.05%	0.00%
Other Countries	417	-	181	-	-	598	27	12	-	38	477	8.40%	0.00%
All countries	4,895	-	1,958	-	400	7,254	338	106	11	454	5,680	100%	

Credit Risk

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 obligations on a timely basis. 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.

Each of the risk principles outlined in RBC's Enterprise Risk Management Framework is relevant to credit risk management:

Effectively balance risk and reward to enable sustainable growth.

An appropriate balance of risk and return is achieved through the alignment of business strategy and risk appetite. In the credit risk context, this includes ensuring that credit quality is not compromised for growth; managing credit risks in transactions, relationships, and portfolios; avoiding excessive concentrations in correlated credit risks; using RBC's credit risk rating and scoring systems or other approved credit risk assessment or rating methodologies, policies, and tools; pricing appropriately for the credit risk taken; detecting and preventing inappropriate credit risk through effective systems and controls; applying consistent credit risk exposure measurements; ongoing credit risk monitoring and administration; and transferring credit risk to third parties where appropriate through approved credit risk mitigation techniques (e.g., sale, hedging, insurance, securitisation); and RBC's values, Code of Conduct, or policies.

Collectively share the responsibility for risk management.

Ensuring strong credit quality and underwriting practices is essential to RBC's profitability, and requires the ongoing commitment of all employees involved. RBC follows the "Three Lines of Defence" governance model for the management of credit risk. This helps us define how we work together and the risk management objectives we strive to achieve collectively as one RBC.

Undertake only risks we understand. Make thoughtful and future-focused risk decisions.

Rigorous assessment of credit risk in relationships, products, transactions, and other business activities, including monitoring, is essential to understand and mitigate our risk exposure.

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.

The value of our reputation should supersede transaction, loan, deal, client, or profit opportunity at all times. Many potential reputational issues arising from credit risk will be avoided if employees follow the Code of Conduct, comply with regulatory requirements, and support credit transactions and relationships with proper and complete due diligence and 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, we must employ effective credit processes, controls, and resiliency practices to minimise harm from internal and external threats, avoid business suits, for example: standardised credit processes and tools, multiple levels of approval, post credit-granting review, and segregation of duties where appropriate.

Use judgement and common sense.

Be operationally prepared and financially resilient for a potential crisis

Maintain effective protocols and escalation strategies, to respond to all risks that we face, including regulatory, macroeconomic, market, and other stakeholder developments.

Credit Risk Governance and Framework

Credit risk exposures across all lending and trading activities are aggregated and reported to the RC on a quarterly basis.

Individually, credit risk is controlled and reported as follows:

Banking Book Credit Risk

The loan credit risk profile is managed through the RC and more specifically the UK Lending Risk Management Committee (UKLRMC) and Wealth Management International Risk and Compliance Committee (WMI-RACC). The monitoring of Credit risk is a continual 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 UKLRMC, the WMI-RACC and senior management.

Ongoing monitoring and review processes undertaken by Group Risk Management Credit 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.

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.

The Company's credit risk appetite is set and reviewed by the Board. The Company has a range of limits in place covering various risk measurement metrics around rating, sector and product concentration. All limits set by the Company are consistent with the stated risk appetite. In addition to the Board approved limits, exposures are also limited by the RBC Group Limit structure.

The Company uses a two tier credit risk limit structure:

- Board Limits are set and approved by the Board. Board Limits are designed so risk taken cannot exceed available financial resources. All Board Limit changes are reported to the UKLRMC
- Operational Limits are reviewed and approved by UKLRMC. Operational Limits must always remain lower than Board Limits. All Operational Limit excesses are reported to the Managing Director, GRM Credit and all Operational Limit changes are reported to UKLRMC.

Risk approval authorities and risk limits are defined in the RBCEL Credit Risk Limit Policy and RBC Enterprise Policy on Risk Limits and Risk Approval Authorities.

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

First Line of Defence - The First Line of Defence is provided by employees across the business and functional units who are involved in

Business segments and their operational support groups in their first line of defence roles are responsible in establishing and maintaining the appropriate credit processes, accountabilities, and formalised business-specific credit policies and procedures to ensure informed and active credit risk management in partnership with GRM;

Senior management responsible for undertaking credit risks and executing on credit risk activities own the risks within their mandate. They are accountable for the identification, assessment, management, monitoring, and reporting of credit risks within the approved enterprise policies and risk appetite. Furthermore, they are responsible to ensure appropriate and adequate capabilities to manage credit risks relevant to the Segment are in place.

Second Line of Defence - The Second Line of Defence is provided by independent areas with oversight accountabilities residing in functional units such as GRM.

GRM, under the direction of the CRO, has the second line of defence accountabilities in developing enterprise-level credit risk policy documents, establishing risk appetite, limits and methodologies, and adjudicating transactions exceeding business' delegated authorities. It provides oversight and challenge for the credit risk management practices of the First Line, and monitors and independently reports on the level of credit risk against established appetite.

Third Line of Defence - The Third Line of Defence is provided by Internal Audit (IA) and U.S. Credit Risk Review Team (U.S. CRR) who are accountable for conducting independent review and testing of the First and Second Line activities.

They conduct independent, objective assessment and evaluation of the adequacy and effectiveness of credit risk management practices and processes, and provide assurance to senior management and the Board of Directors

Lending credit risk is mitigated through guarantees, collateral and/or the use of credit default swaps (CDS) where commercially feasible. As at 31st October 2022, none of the loans within the Company's loan portfolio carried any CDS as the credit worthiness of the borrowers remains within the Company's risk appetite (2021: nil).

Loan transactions are signed off by the UK Regulatory Reporting team for compliance with Regulatory Large Exposure Limits.

Credit Risk Adjustments

The Company defines a credit risk adjustment as the amount of specific loan provision for credit losses that has been recognised in its financial statements in accordance with the International Financial Reporting Standards (IFRS).

An Allowance for Credit Losses (ACL) is established for all financial instruments, except for financial assets classified or designated as fair value to profit and loss (FVTPL) and equity securities designated as fair value other comprehensive income (FVOCI), which are not subject to impairment assessment. Assets subject to impairment assessment include certain loans, debt securities and accrued interest receivable. ACL on loans is presented in Allowance for loan losses. ACL on debt securities measured at FVOCI is presented in Other components of equity. Other financial assets carried at amortised cost are presented net of ACL on Balance Sheet. Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For certain wealth management products, expected credit losses are measured based on the total exposure and are not attributable to the on- and off-balance sheet components. For these products, ACL is presented in Allowance for Loan Losses to the extent that ACL does not exceed the related loan balance, and thereafter presented in Other Liabilities – Provisions. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions. The Company interacts with the Group when calculating expected credit losses utilising its scale and sophistication of modelling processes as well as governance structure in order to measure the ACL on each balance sheet date according to a three-stage expected credit loss impairment model. It also has its own local governance and oversight of its calculation, which includes local adjustments. The three stage model per for credit losses follows:

- **Stage 1** – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.
- **Stage 2** – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- **Stage 3** – When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, de-recognitions or maturities, and re-measurements due to changes in loss expectations or stage transfers are reported in the profit and loss account as Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on the financial assets as at the balance sheet date. Judgement is required in making assumptions and estimations when calculating the ACL, including movements between

the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from year to year that significantly affect the Company's results of operations.

Impaired Exposures

IFRS9 states that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred (this is often referred to as 'stage 3').

The bank's definition of a default matches Article 178 CRR, which states that a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

- 1 The institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security;
- 2 The obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

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

Individually-assessed allowances are established in consideration of a range of possible outcomes, which may include macroeconomic or non-macroeconomic scenarios, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

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

Past-due Exposures

The bank accounts for its financial assets in accordance with IFRS9, which states that an asset is past due when a counterparty has failed to make a payment when that payment was contractually due. It is possible for a financial asset to be past due without triggering a default event or becoming credit-impaired.

Material financial assets that are 90 days or more past due are generally treated as impaired. The bank has documented policies in respect of the counting of days past due, which it uses to make its assessment. As at the 31st October, the Company currently has no assets that are 90 days or more past due.

Forborne Exposures

The bank's definition of a restructured exposure is entirely consistent with the definition of a forborne exposure, i.e. a concession by the bank towards an obligor that is experiencing or is likely to experience difficulties in meeting its financial commitments.

Write-off of loans

Loans and the related ACL are written-off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. As at the 31st October 2022, the Company had no non-performing loans within the entity.

UK CR 4 – Credit Risk Exposure and CRM Effects

The table below shows a breakdown of exposure before and after CRM and CCF and RWA of the Company as at 31st October 2022.

£m	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	10,771	-	10,771	-	-	0.00%
Public sector entities	17	-	17	-	3	20.00%
Multilateral development banks	330	-	330	-	-	0.00%
Institutions	146	28	146	20	43	26.01%
Corporates	1,597	2,936	789	1,076	1,746	93.67%
Secured by mortgages on immovable property	5,523	82	1,543	32	1,110	70.48%
Exposures associated with particularly high risk	126	26	42	1	65	150.00%
Institutions and corporates with a short-term credit assessment	7	-	7	-	4	48.98%
Equity	66	-	66	-	66	100.00%
Other items	24	-	24	-	24	100.00%
TOTAL	18,606	3,071	13,734	1,129	3,061	20.60%

UK CR 5 – Standardised Approach

The table below shows a breakdown of credit risk exposure of the Company by counterparty type and risk weight as at 31st October 2022.

£m	Risk Weight						Total	Of which unrated
Exposure classes	0%	20%	35%	50%	100%	150%		
Central governments or central banks	10,771	-	-	-	-	-	10,771	-
Public sector entities	-	17	-	-	-	-	17	12
Multilateral development banks	330	-	-	-	-	-	330	-
Institutions	-	133	-	32	0	-	165	162
Corporates	-	-	-	236	1,628	-	1,865	1,511
Exposures secured by mortgages on immovable property	-	-	715	-	860	-	1,575	1,575
Exposures associated with particularly high risk	-	-	-	-	-	44	44	44
Exposures to institutions and corporates with a short-term credit assessment	-	0	-	7	0	0	7	-
Equity exposures	-	-	-	-	66	-	66	66
Other items	0	-	-	-	24	-	24	24
TOTAL	11,101	150	715	275	2,578	44	14,863	3,394

UK CQ1 – Credit Quality of Forborne Exposures

The below table shows a breakdown of forborne exposures of the Company by counterparty type as at 31st October 2022

£m		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	78	-	-	-	(0)	-	73	-
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	66	-	-	-	(0)	-	61	-
060	Non-financial corporations	3	-	-	-	(0)	-	3	-
070	Households	9	-	-	-	(0)	-	9	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	78	-	-	-	(0)	-	73	-

UK CR1 – Credit and Non-Performing Exposures and Related Provision

The below table shows a breakdown of performing and non-performing exposures of the Company as at 31st October 2022

£m	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	10,576	10,576	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	12,762	11,345	1,417	-	-	-	(4)	(3)	(1)	-	-	-	-	947	-
Central banks	54	38	16	-	-	-	-	-	-	-	-	-	-	-	-
General governments	198	186	12	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	808	762	47	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	7,398	6,081	1,316	-	-	-	(2)	(1)	(1)	-	-	-	-	335	-
Non-financial corporations	3,580	3,556	24	-	-	-	(2)	(2)	(0)	-	-	-	-	24	-
Of which SMEs	5	5	-	-	-	-	(0)	(0)	-	-	-	-	-	5	-
Households	724	722	2	-	-	-	(0)	(0)	(0)	-	-	-	-	588	-
Debt securities	561	561	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	345	345	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
Credit institutions	212	212	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
Other financial corporations	5	5	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	3,118	3,099	19	-	-	-	0	0	0	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	16	16	-	-	-	-	0	0	-	-	-	-	-	-	-
Other financial corporations	1,496	1,481	15	-	-	-	0	0	0	-	-	-	-	-	-
Non-financial corporations	1,485	1,482	4	-	-	-	0	0	0	-	-	-	-	-	-
Households	121	121	1	-	-	-	0	0	0	-	-	-	-	-	-
Total	27,017	25,581	1,436	-	-	-	(4)	(3)	(1)	-	-	-	-	947	-

Interest Rate Risk in the Banking Book

Overview

RBCEL has limited tolerance for risks arising from Interest Rate Risk in the Banking Book (IRRBB). The majority of transactions are priced relative to short-term interbank rates resetting either monthly or quarterly. This can lead to some interest rate gaps in the very short end of the curve; however, RBCEL's IRRBB risk, and any crystallisation of it, remains negligible.

RBCEL uses two main metrics to monitor and manage IRRBB risk, with risk appetite limits on each, and monthly reporting to the ALCO.

Earnings (NII) Risk: Earnings risk management seeks to manage the impact of changes in interest rates on accrual or reported NII. Limits and reporting use 100bp shocks, both up and down, over a 1 year-time horizon.

Value (EVE) Risk: Value risk management focuses on managing the exposure of an institution's economic value of equity (EVE) to interest rate changes. EVE risk represents the sensitivity of an institution's value, as measured by the net present value of assets minus liabilities (excluding equity) plus the net value of off-balance sheet items, to fluctuations in interest rates. Limits and reporting use 100bp shocks, both up and down.

The above two metrics are both suitable and sufficient to manage Interest Rate Risk in RBCEL's Banking Books as the risk only exists in short-term rates. A static run-off balance sheet, rather than a dynamic approach, is used as there is very little changes in instrument behaviour due to different rate environments as the majority of loans are floating rate. Most of the deposits are overnight with a small proportion at a fixed term, all deposits are treated at contractual tenors as part of the IRRBB framework.

The metrics under limits aggregate interest bearing assets in all material currencies using the same shocks. Since the exposures are small and only short-term there are no large offsetting exposures between material currencies. Models used in the calculation of IRRBB metrics follow standard internal policies for review and approvals.

RBCEL does not assign a term profile to its non-maturity deposits (NMDs) and instead treats them on an overnight basis.

UK IRRBB1 – Quantitative Information on IRRBB

The below table shows quantitative information with regards to interest rate risk in the banking book for the Company as at 31st October 2022.

	Δ EVE	Δ NII	Tier 1 capital
	T	T	T
Parallel shock up	0.7	4.1	
Parallel shock down	(15.4)	(4.0)	
Steeper shock	(13.0)		
Flattener shock	0.4		
Short rates shock up	(1.5)		
Short rates shock down	(17.4)		
Maximum	(17.4)	(4.0)	
Tier 1 capital (£m)			1,677

Counterparty Credit Risk

Overview

Trading book counterparty risk arises from exposure to the following:

- Securities finance transactions (SFT), as part of Fixed Income, Central Funding Group and Equity Finance businesses.
- Derivatives, primarily through Exchange traded derivatives (ETD) and over-the-counter (OTC) derivatives.

Each trading credit risk type is managed both separately as part of the RBC Group framework, and as part of a combined exposure metric specific to the Company, with exposure and limit usage reported daily to senior management by GRM Counterparty Credit Risk.

The Company's Single Name Limit Framework is the primary constraint on the Trading Credit Exposure. The limits defined as part of this framework are directly related to the Company's Risk Appetite Framework (RAF). This Framework is approved by the Board annually. The Managing Director of Credit Risk has the authority to approve temporary excesses. All operational limit excesses are reported to the UK Counterparty Credit Risk Management Committee (UKCCRMC). Monthly exposure data is also reviewed by the UKCCRMC, UK Market Risk Committee (UKMRC), and Risk Committee.

The Company's counterparty credit risk profile is largely made up of equity securities finance / stock lending and fixed income repurchase transactions (repo). Counterparty credit risk is managed through increasing over-collateralisation margins on riskier counterparties with margins being actively managed and exchanged daily.

Cash margins are introduced once the market value of collateral is insufficient to cover the underlying amount of the repurchase agreement or securities borrowed or loaned. Collateral is an important mitigation of credit risk. The Company holds collateral mainly in the form of securities and has the ability to use CDSs in order to enhance credit protection.

Credit counterparty risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The Company requires all netting arrangement to be legally enforceable. Collateral and cash margins are also obtained as an important mitigation of credit risk.

The Company ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Any collateral taken is generally subject to a valuation adjustment with a percentage applicable to each type of collateral, which will be largely based on liquidity and price volatility of the underlying security.

The UK Regulatory Reporting team also reports the overall capital requirement, including the capital requirement on credit risk, to the Company's senior management on a daily basis.

Assigning Internal Capital and Credit Limits

The Company assigns credit risk ratings 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.

Wrong-Way Risk Exposures

The Company has detailed policies and procedures in place to ensure that the wrong-way risk is identified and closely monitored. General wrong-way risk exists when there is a positive correlation between the probability of default of counterparties to general market risk factors.

For securities financing transactions, specific wrong-way risk counterparty exposure is incurred when the Company enters into a securities financing transaction with a counterparty where the underlying collateral held by the Company includes

securities issued by the counterparty or any affiliate of that counterparty. Where the risk to the collateral and the risk of default by the counterparty are potentially correlated, GRM, along with the relevant business, will evaluate and perform ad hoc wrong-way risk analyses against potential scenarios, as appropriate.

For derivative transactions, specific wrong-way risk exists when the exposure to a particular counterparty is positively and highly correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty. Specific guidelines have been established to calculate the exposure as well as the internal approval process to be used. GRM-Counterparty Credit Risk are responsible for the monitoring of the wrong-way risk in derivative transactions.

Use of Credit Mitigation Techniques

The Company uses the following credit risk mitigation techniques to actively manage its credit risks within its banking and trading portfolios:

- Netting and set-off,
- Collateral,
- Risk transfers and
- Non Payment Insurance.

The Company has detailed policies in place to ensure that credit mitigation is appropriately recognised and captured for regulatory capital purposes. In order to recognise the credit risk mitigation, the Company takes into account the following factors:

- Effectiveness and enforceability of the legal arrangements in place;
- Correlation between the value of collateral and the credit quality of the obligor;
- Eligibility and quality of the collateral received.

The Company will often seek to enter into standard master netting agreements with counterparties for derivative and SFT transactions. These master netting agreements enable the Company to apply on/off balance sheet netting to reduce net credit exposure. Collateral received from derivative and SFT transactions are mainly government and other high quality securities. All financial collateral is subject to daily revaluation and the Company also performs a revaluation on all properties held as collateral every three years. The valuation is then reviewed by a Credit Specialist and GRM. Credit Management is responsible for ensuring that the revaluation is executed in a timely manner.

The Company has established the following guiding principles for collateral management:

- Collateral should be liquid i.e. actively traded in secondary markets.
- Collateral should be of high credit quality.
- Collateral should be readily settled at an authorised clearing agency.
- Collateral should be exchanged on a regular basis.
- GRM risk capture and reporting must be in place.
- Collateral must be able to be independently valued.
- Collateral should be held so that it is available and protected in the event of a counterparty's default.
- Securities issued by a counterparty or its related entities are not eligible as collateral (excludes specified equity derivative transactions).
- Collateral should be diversified and not concentrated by issuer type or issue.

Guarantees and funded/unfunded risk participation arrangements have been sought mainly from other financial institutions by the Company to transfer its credit exposure to a counterparty which is more credit worthy than the original counterparty to reduce the overall credit risk.

The market risk and credit concentrations within the credit mitigation taken are monitored by the UK Regulatory Reporting team through its daily capital requirements and large exposure monitoring processes.

In the event of a ratings downgrade of the Company, £3.7 million additional collateral would need to be posted by the Company.

Standardised Approach to Counterparty Credit and Credit Risk

The Company uses the standardised methodology in the calculation of risk weighted exposure amounts for both counterparty credit and credit risk. It uses external ratings from Moody's and Standard & Poor's and maps these to a Credit Quality Step (CQS); the CQS along with the counterparty type (in accordance with Article 112 of the CRR) is then used to help determine the applicable risk weight. The below table shows the mapping of credit rating to CQS.

Credit Quality Step	Standard & Poor's	Moody's
1	AAA to AA-	Aaa to Aa3
2	A+ to A-	A1 to A3
3	BBB+ to BBB	Baa1 to Baa3
4	BB+ to BB-	Ba1 to Ba3
5	B+ to B-	B1 to B3
6	CCC+ and below	Caa1 and below

Where credit assessments of counterparties are not available, risk weights are assigned in accordance with CRD requirements for unrated exposures.

CCR 1 – Analysis of CCR Exposures by Approach

The below table shows the Company's counterparty credit exposure, excluding CCP related exposures as at 31st October 2022.

£m		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	18	20		1.4	396	52	52	15
2	IMM (for derivatives and SFTs)	-	-	-		-	-	-	-
2a	Of which securities financing transactions netting sets	-	-	-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets	-	-	-		-	-	-	-
2c	Of which from contractual cross-product netting sets	-	-	-		-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-		-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					39,783	3,310	3,310	1,884
5	VaR for SFTs					-	-	-	-
6	Total					40,179	3,362	3,362	1,899

Securitisations

Overview

The Company defines securitisation as a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:

- Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and
- The subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Re-securitisation means securitisation where the risk associated with an underlying pool of exposures is tranching and at least one of the underlying exposures is a securitisation position.

A securitisation position can be either classified as:

- Traditional securitisation: a securitisation involving the economic transfer of the exposures being securitised.
- Synthetic securitisation: a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator institution.

Objective of Securitisation Activities

The Company trades a range of European securitised products in the secondary market and is not engaged in any securitisation of its own originated assets or the securitisation of third party assets via special purpose vehicles.

The Company monitors the market and credit risks arising from its securitisation positions in the similar manner as those of non-securitisation trading positions. Refer to the Company's risk governance and control framework discussion in the previous sections.

In addition, the Company adopts RBC's Trading Book Securitisation Framework, which requires:

- A comprehensive understanding of the risk characteristics of its individual securitisation exposures as well as the risk characteristics of the pools underlying its securitisation exposures;
- Access performance information on the underlying pools on an on-going basis in a timely manner, including exposure type, percentage of loans past due, default rate, prepayment rates, loans in foreclosure, property type, occupancy, average credit score or other measures of creditworthiness, average loan-to-value ratio and industry and geographic diversifications;
- A thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of the Company's exposures to the transactions, such as the contractual waterfall and waterfall-related triggers, credit enhancement, liquidity enhancements, market value triggers, and deal-specific definitions of default.

Risk Weight Calculation

The Company follows the standardised approach for calculating its risk weighted exposure amounts for the securitisation positions it holds. The Company adopts both the SEC-SA and SEC-ERBA approach in line with Articles 261 to 264 of the CRR to assign risk weights to exposures it holds.

The Company uses the following ECAs to help determine the risk weight for exposures under the SEC-ERBA approach:

- Standard & Poor's
- Moody's

In addition to the three ECAs utilised (as noted below) the Company makes use of various policies, procedures and risk criteria when managing securitisation positions held in the banking book, including an independent review and adjudication of the transactions by Group Risk Management, covering items including but not limited to asset pool diversification, historic

defaults and delinquencies, and certain assumptions and stress factors, all used to determine credit enhancement levels and ultimately risk ratings.

Accounting Policies

Secondary investments in securitisation vehicles are reported as loans, FVTPL bonds or FVOCI bonds in accordance with IFRS 9 for accounting for financial instruments.

UK SEC 1 – Securitisation Exposures in the Non-Trading Book

The below table shows the Company's securitisation exposure in the non-trading book as at 31st October 2022.

£m		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Subtotal
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
		of which SRT	of which SRT	of which SRT	of which SRT											
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	200	200	-	400
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	200	200	-	400
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	200	200	-	400
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

UK SEC 2 – Securitisation Exposures in the Trading Book

The below table shows the Company's securitisation exposure in the trading book as at 31st October 2022.

£m		Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS			STS	Non-STS		
1	Total exposures	-	-	-	-	-	-	-	-	-	0	-	0
2	Retail (total)	-	-	-	-	-	-	-	-	-	0	-	0
3	residential mortgage	-	-	-	-	-	-	-	-	-	0	-	0
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

UK SEC 4 – Securitisation Exposures in the Non-Trading Book and Associated Regulatory Capital Requirements – Institution Acting as Investor

The below table shows the Company's securitisation exposure, RWE and Pillar 1 charge in the non-trading book by risk weight and regulatory approach as at 31st October 2022.

£m		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
1	Total exposures	200	173	-	27	-	-	200	200	-	-	103	30	-	-	8	2	-
2	Traditional securitisation	200	173	-	27	-	-	200	200	-	-	103	30	-	-	8	2	-
3	Securitisation	200	173	-	27	-	-	200	200	-	-	103	30	-	-	8	2	-
4	Retail underlying	200	173	-	27	-	-	200	200	-	-	103	30	-	-	8	2	-
5	Of which STS	-	173	-	27	-	-	200	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Market Risk

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. RBCEL 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.
- 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.

Governance and Framework

Market Risk is managed through the Company's Market Risk Framework which is governed and overseen by the Head of Market Risk Europe & APAC in London. The Company is also subject to the RBC Group policies laid out in the RBC Group Market Risk Framework and standing orders.

GRM Market Risk produces daily reports for the business and senior management detailing the Company's exposure against limits, as well as summary reports for the UKMRC, UK Risk Executive Committee, and the RC.

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

The Company uses a two tier market risk limit structure:

- Tactical limits are set and approved by the Board and are constrained by economic capital limits. Tactical limits are designed so risk taken cannot exceed available financial resources. All tactical limit changes are reported to the UKMRC; and
- Operational limits are approved by the Head of Market Risk Europe & APAC and reviewed as required by the UKMRC. Operational limits must always remain lower than tactical limits. All operational limit excesses are reported to the Conduct Committee, and all operational limit changes are reported to the UKMRC.

The UK Regulatory Reporting team also reports the overall capital requirement, including capital requirement on market risk, to the Company's senior management on a daily basis.

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

UK MR 1 – Market Risk under the Standardised Approach

The table below shows the risk weighted exposure amounts under the market risk framework for the Company as at 31st October 2022.

<i>£m</i>		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	2,687
2	Equity risk (general and specific)	42
3	Foreign exchange risk	126
4	Commodity risk	0
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	2,856

Operational Risk

Overview

RBCEL adopts a series of Enterprise-wide operational risk governance documents, creating local addendums where required. References linking to specific requirements are included in brackets where applicable.

The RBC Enterprise Operational Risk Management Framework (ORM Framework) articulates RBC's approach to effectively managing its operational risk exposures. Key sections include:

- Operational Risk Appetite
- Three Lines of Defence and Corporate Governance
- Operational Risk Management Tools and Practices - Risk Identification & Assessment; Risk Monitoring; Risk Capital Measurement & Risk Reporting & Communication

Additional Enterprise Framework or Policy documents exist for each of the 16 individual Operational Risk Categories in RBC's Operational Risk Taxonomy - Business Continuity Risk, Finance Risk, Fraud Risk, Information Management Risk, Information Technology Risk, Legal Risk, Model Risk, Money Laundering Risk, People Risk, Privacy Risk, Processing & Execution Risk, Product & Suitability Risk, Regulatory Compliance Risk, Safety & Security Risk, Tax Risk, Third Party Risk.

The RBCEL Addendum to Enterprise Operational Risk Management Framework represents RBCEL's approach for identifying, measuring, controlling and reporting on the operational risks that face RBCEL. The addendum provides specific RBCEL information regarding:

- Governance Structure Overview
- Internal Reporting

The RBC Enterprise Operational Risk Management Policy (ORM Policy) underpins the ORM Framework by articulating high-level objectives and requirements of operational risk management tools and practices that enable holistic evaluation and management of the operational risk profile. Key sections include:

- Roles & Responsibilities
- Operational Risk Appetite;
- Risk Rating Classification
- Operational Risk Management Tools & Practices
- Issues and Management Actions
- Management Escalation & Reporting

The RBC Enterprise Standard for Operational Risk Management (ORM Standard) supports both the ORM Framework and ORM Policy by describing the enterprise-level requirements for the execution of the ORM Tools. Key sections include:

- Roles & Responsibilities;
- Operational Risk Appetite
- Risk Assessments
- Internal Control Assessments
- Change Initiative Risk Assessments
- Internal Operational Risk Events
- External Operational Risk Events
- Risk Indicators
- Scenario Analysis
- Issues and Management Actions
- Management Escalation & Reporting

Capital Requirements

The Company adopts the Basic Indicator Approach (BIA) in line with Articles 315 and 316.

The below table shows the Company's risk weighted exposure and own funds requirement for operational risk as at 31st October 2022.

UK OR 1 – Operational risk own funds requirements and risk-weighted exposure amounts

£m	Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	524	450	466	71	900
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	<u>Subject to TSA:</u>	-	-	-		
4	<u>Subject to ASA:</u>	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Leverage Ratio

Overview

The Company calculates leverage exposure and ratio under the UK framework, which was introduced on 1st January 2022.

In order to manage the risk of excessive leverage RBCEL Management tracks changes in leverage exposure on a daily basis. This information includes a comparison of actual exposure to predefined limits. Management operates a series of Risk Appetite (Board) Limits for RBCEL supplemented by tactical limits. These limits are set such that full utilisation would still ensure RBCEL remained within the RBCEL Board approved risk appetite. The maturity of these monitoring processes mean that salient management information is readily available to identify opportunities for deleveraging balance sheet without delay in the event of a crisis.

As at 31st October 2022, the Company's leverage ratio is 4.12% (2021: 3.51%).

The Company's ratio is sufficiently above the regulatory minimum and is well positioned to be healthily above the new regulatory minimum (3.25% + Countercyclical Leverage Buffer) from 1st January 2023, when the leverage ratio becomes a regulatory requirement.

UK LR 2 – Leverage Ratio Common Disclosure

The table below shows the leverage exposure of the Company as at 31st October 2022.

£m		Oct-22
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	24,282
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(34)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	24,248
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	664
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	437
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-
UK-9b	Exposure determined under the original exposure method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	Total derivatives exposures	1,101
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	27,298
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(3,740)
16	Counterparty credit risk exposure for SFT assets	763
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-
17	Agent transaction exposures	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-
18	Total securities financing transaction exposures	24,321
Other off-balance sheet exposures		

19	Off-balance sheet exposures at gross notional amount	3,070
20	(Adjustments for conversion to credit equivalent amounts)	(1,497)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-
22	Off-balance sheet exposures	1,574
Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-
UK-22k	(Total exempted exposures)	
Capital and total exposure measure		
23	Tier 1 capital (leverage)	1,677
24	Total exposure measure including claims on central banks	51,244
UK-24a	(-) Claims on central banks excluded	(10,491)
UK-24b	Total exposure measure excluding claims on central banks	40,753
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	4.12%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.12%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	4.12%
UK-25c	Leverage ratio including claims on central banks (%)	3.27%
26	Regulatory minimum leverage ratio requirement (%)	3.25%
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27	Leverage ratio buffer (%)	N/A
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	N/A
UK-27b	Of which: countercyclical leverage ratio buffer (%)	N/A
Additional leverage ratio disclosure requirements - disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	N/A
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	N/A
UK-31	Average total exposure measure including claims on central banks	N/A
UK-32	Average total exposure measure excluding claims on central banks	N/A
UK-33	Average leverage ratio including claims on central banks	N/A
UK-34	Average leverage ratio excluding claims on central banks	N/A

UK LR 1 – Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

The table below shows the reconciliation of accounting assets to leverage ratio exposure of the Company as at 31st October 2022.

£m		Oct-22
1	Total assets as per published financial statements	53,313
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for exemption of exposures to central banks)	(10,491)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(3,784)
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	(592)
9	Adjustment for securities financing transactions (SFTs)	766

10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,574
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(16)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-
12	Other adjustments	(18)
13	Total exposure measure	40,753

UK LR 3 – Split Up of On Balance Sheet Exposures (Excluding Derivatives, SFTs and Exempted Exposures)

The table below shows the breakdown of balance sheet exposures, excluding derivatives, SFTs and exempted exposures of the Company as at 31st October 2022.

£m		Oct-22
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	13,783
UK-2	Trading book exposures	5,285
UK-3	Banking book exposures, of which:	8,498
UK-4	Covered bonds	-
UK-5	Exposures treated as sovereigns	280
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	347
UK-7	Institutions	146
UK-8	Secured by mortgages of immovable properties	5,524
UK-9	Retail exposures	-
UK-10	Corporates	1,704
UK-11	Exposures in default	-
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	497

Liquidity

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.

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 wholesale funding;
- A comprehensive liquidity stress testing program to ensure sufficiency of unencumbered marketable securities and demonstrated capacity to monetise 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 defence governance model.

As a standalone entity, the Company maintains its own 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 is articulated through a series of limits, covering both internal and regulatory metrics. 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.

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 assets have been factored in.

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, these are detailed 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 necessary to call for a Liquidity Crisis Team (LCT) meeting, and when in a crisis situation, to determine if a change in Liquidity crisis stage is warranted and remediation actions that need to be undertaken

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, 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 monetise 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 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.

UK LIQ 1 – Quantitative Information of LCR

£m

	Total unweighted value					Total weighted value				
	31-Oct-2022	31-Jul-2022	30-Apr-2022	31-Jan-2022	31-Oct-2021	31-Oct-2022	31-Jul-2022	30-Apr-2022	31-Jan-2022	31-Oct-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)						10,868	9,730	8,757	8,311	8,388
CASH - OUTFLOWS										
Retail deposits and deposits from small business customers, of which:	621	613	581	557	523	107	107	101	97	90
<i>Stable deposits</i>	63	61	61	59	57	3	3	3	3	3
<i>Less stable deposits</i>	557	551	521	498	466	103	103	98	94	88
Unsecured wholesale funding	7,647	6,979	6,448	6,219	6,274	7,178	6,465	5,951	5,755	5,840
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	207	201	212	183	168	52	50	53	46	42
<i>Non-operational deposits (all counterparties)</i>	7,440	6,778	6,236	6,035	6,105	7,126	6,415	5,898	5,709	5,798
<i>Unsecured debt</i>	-	-	-	-	-	-	-	-	-	-
<i>Secured wholesale funding</i>						2,545	2,522	2,296	1,904	1,510
<i>Additional requirements</i>	3,236	3,127	2,953	3,104	3,331	1,133	986	893	1,013	1,082
<i>Outflows related to derivative exposures and other collateral requirements</i>	878	726	642	760	812	878	726	642	760	812
<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-	-	-
<i>Credit and liquidity facilities</i>	2,358	2,401	2,310	2,344	2,519	255	260	250	253	271
Other contractual funding obligations	5,656	5,857	5,905	5,875	5,630	888	1,020	833	735	681
Other contingent funding obligations	230	245	202	194	177	-	-	-	-	-
TOTAL CASH OUTFLOWS						11,851	11,100	10,075	9,503	9,203
CASH - INFLOWS										
Secured lending (e.g. reverse repos)	26,293	25,706	25,526	23,338	20,204	1,849	1,876	1,836	1,651	1,309
Inflows from fully performing exposures	616	662	714	756	712	421	440	484	535	506
Other cash inflows	2,970	3,133	2,865	2,908	2,592	886	1,064	873	816	771
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						-	-	-	-	-
(Excess inflows from a related specialised credit institution)						-	-	-	-	-
TOTAL CASH INFLOWS	29,879	29,502	29,105	27,002	23,508	3,155	3,380	3,193	3,001	2,586
<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-	-	-
<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-	-	-
<i>Inflows subject to 75% cap</i>	22,533	21,492	20,606	18,490	15,598	3,155	3,380	3,193	3,001	2,586
TOTAL ADJUSTED VALUE										
LIQUIDITY BUFFER						10,868	9,730	8,757	8,311	8,388
TOTAL NET CASH OUTFLOWS						8,696	7,720	6,881	6,502	6,618
LIQUIDITY COVERAGE RATIO						125%	126%	127%	128%	127%

UK LIQ 2 – Net Stable Funding Ratio

£m	Unweighted value by residual maturity (average)				Weighted value (average)
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	-	-	-	1,832	1,832
Own funds	-	-	-	1,832	1,832
Other capital instruments		-	-	-	-
Retail deposits		547	0	-	496
Stable deposits		63	-	-	59
Less stable deposits		484	0	-	436
Wholesale funding:		26,154	13,829	9,947	17,154
Operational deposits		156	-	-	78
Other wholesale funding		25,998	13,829	9,947	17,076
Interdependent liabilities	-	-	-	-	-
Other liabilities:	-	8,719	-	-	-
NSFR derivative liabilities	325				
All other liabilities and capital instruments not included in the above categories		8,719	-	-	-
Total available stable funding (ASF)					19,482
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					845
Assets encumbered for more than 12m in cover pool		-	-	-	-
Deposits held at other financial institutions for operational purposes		-	-	-	-
Performing loans and securities:		21,772	10,282	6,758	14,569
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		14,405	1,436	248	1,909
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		5,697	7,775	559	6,232
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,635	1,015	4,790	5,396
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
Performing residential mortgages, of which:		-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		35	56	1,161	1,033
Interdependent assets	-	-	-	-	-
Other assets:	-	6,248	-	1,847	2,039
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		167	-	799	822
NSFR derivative assets		55	-	-	55
NSFR derivative liabilities before deduction of variation margin posted		1,986	-	-	99
All other assets not included in the above categories		4,040	-	1,048	1,063
Off-balance sheet items		2,482	-	-	124
Total RSF					17,578
Net Stable Funding Ratio (%)					111%

Asset Encumbrance

The connected templates have been prepared on a rolling quarterly median basis over the previous 12 months in accordance with the PRA Rulebook (CRR) instrument 2021. Each quarter is calculated as a median of the previous 12 months' four quarterly returns to the European Banking Authority and then a median of all 4 quarters is taken for disclosure. Each value and total on the disclosure has been derived in the same manner; totals are not a total of the rolling median values.

The Company defines the following assets as encumbered:

- Assets which have been pledged as collateral; or
- Assets which the Company believes it was restricted from using to secure funding, for legal or other reasons.

Asset encumbrance is an integral part of RBC Europe Limited's liquidity, funding and collateral management processes. The majority of the Company's encumbrance is driven by secured financing activities, predominantly transactions in collateral swaps and repo. This also includes shorts facilitation as part of its trading activities. These activities are carried out under industry standard contractual agreements (mostly Global Master Repurchase Agreements (GMRAs)). Where securities are borrowed or lent between the Company and RBC Group companies, this is done with arm's length terms.

The level of over-collateralisation is dependent on specific trade details. The Company's ratio of encumbered assets is relatively stable with a high turnover of assets available for encumbrance. Encumbrance will vary depending on the composition of the balance sheet, and there are no notable trends during the disclosure period

A significant proportion of the assets included in other unencumbered assets of £45.0bn (2021: £41.0bn) relates to reverse repurchase transactions and the Company has rehypothecation rights over the underlying security collateral. The remainder comprises of derivative related assets and receivables that are not deemed to be available for encumbrance in the normal course of RBC Europe Limited's business.

Template A – Encumbered and Unencumbered Assets

The table below shows the encumbered and unencumbered assets for the Company as at 31st October 2022.

£m	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	4,605	1,609			48,136	6,954		
Equity instruments	955	-			83	-		
Debt securities	2,485	1,496	2,485	1,496	2,704	-	2,704	-
of which: covered bonds	69	43	69	43	8	-	8	-
of which: asset-backed securities	-	-	-	-	0	-	0	-
of which: issued by general governments	1,079	915	1,079	915	0	-	0	-
of which: issued by financial corporations	753	260	753	260	-	-	-	-
of which: issued by non-financial corporations	556	205	556	205	2,699	-	2,699	-
Other assets	1,027	-	-	-	45,032	6,954	-	-
of which: Loans on demand	67	-	-	-	6,791	6,791	-	-
of which: Loans and advances other than loans on demand	-	-	-	-	7,308	163	-	-

Template B - Collateral Received

The table below shows the collateral received for the Company as at 31st October 2022.

£m	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the reporting institution	49,819	27,339	4,081	1,113
Equity instruments	5,702	-	1,004	-
Debt securities	44,201	27,339	2,913	1,113
of which: covered bonds	24	9	80	33
of which: asset-backed securities	551	-	0	-
of which: issued by general governments	35,450	27,049	1,384	883
of which: issued by financial corporations	2,219	145	755	99
of which: issued by non-financial corporations	6,053	87	556	98
Total assets, collateral received and own debt securities issued	54,291	28,722		

Template C - Sources of Encumbrance

The table below shows the sources of encumbrance for the Company as at 31st October 2022.

£m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	28,696	28,763
of which: Derivatives	964	964
of which: Repurchase agreements	27,683	27,750
Other sources of encumbrance	26,192	26,192

Remuneration

Overview

Remuneration disclosures are made in line with the Company's application of the qualitative and quantitative remuneration disclosure requirement under the Pillar 3 framework and the Disclosure Part of the Prudential Regulation Authority Rulebook and reflecting the requirements of Article 450 of the CRR⁵. For enhanced disclosure on RBC's enterprise-wide compensation practices, please refer to RBC's proxy circular⁶. For the purposes of this remuneration disclosure, any reference to an EU regulation or guidelines or similar is a reference to the UK version.

For the 2022 fiscal year, the Company applied the remuneration rules in line with the updated requirements of the PRA and FCA.

Constitution and Activities of the UK HR

The Company has a Human Resources Committee (the UK HRC) which during the year was responsible for the application of the compensation principles, practices and processes within all of RBC's operations on the UK mainland, except in relation to RBC Global Asset Management Ltd and BlueBay Asset Management Ltd (which are managed separately and publish separate Pillar 3 reports). The UK HRC reviews and approves the compensation policies which support the business objectives determined by the Board and/or senior management and take into appropriate account sound risk management practices, including long and short-term risk.

Within the authority delegated by the Board, the UK HRC is responsible for approving compensation policy and, in doing so, takes into account the pay and benefits across our Company. This includes the terms of bonus plans, other incentive plans and the individual compensation packages of Executive Directors and Senior Managers (Senior Management), as well as oversight of compensation for other Material Risk Takers.

The UK HRC has a specific responsibility to ensure UK-applicable group-wide policies are compliant with UK Compensation regulations which apply to each respective UK group entity, including the Company.

Each of the members of the UK HRC is a Non-Executive Director, independent of day-to-day management as defined by the standards set out by the Board. No individual is involved in decisions relating to their own compensation.

Table 1: List of Non-Executive Directors who are members of the UK HRC

Members (Fiscal Year)	Meeting Attendance
Nicola Mumford (Chair)	5 out of 5 meetings
Tim Wade	5 out of 5 meetings
Polly Williams	5 out of 5 meetings
David Buckley	5 out of 5 meetings

During the year, the UK HRC received advice from the Company's Head of Human Resources, Head of Compliance, Chief Financial Officer and Chief Risk Officer, who provided advice on the implications of the compensation policy on risk and risk management, and on the adjustments that should be made to levels of variable compensation payable to staff, at both a pool and individual level, to take into account all relevant current and future risks.

⁵ Regulation (EU) No 575/2013

⁶ https://www.rbc.com/investor-relations/_assets-custom/pdf/2022englishproxy.pdf

In June 2022, the UK HRC completed its annual review of the Company's policies, standards and protocols relating to compensation. The policies were updated during the year to reflect the updates in the remuneration rules of the PRA and FCA.

External Consultants

The UK HRC did not engage consultants independent of the Company's external legal advisers (Linklaters LLP).

Role of the Relevant Stakeholders

The UK HRC takes full account of the Company's strategic goals in applying its compensation policy and is mindful of its duties to shareholders and other stakeholders. The UK HRC seeks to preserve shareholder value by ensuring alignment of variable compensation pay-outs with risk and economic performance, as well as the successful retention, recruitment and motivation of employees.

Criteria for the Identification of Material Risk Takers

The following criteria were applied to identify Material Risk Takers for the purposes of the requirements in the PRA Rulebook (Remuneration Part) and FCA Remuneration Code (SYSC19D) :

Employees identified by qualitative criteria include but are not limited to:

- Senior management including individuals registered with the UK regulators as holding a Senior Manager Function (SMF) such as heads of business areas
- Senior control function management including risk, compliance and internal audit and heads of support functions, including, finance, accounting policy, human resources, remuneration policy, information technology, legal and tax
- Staff who have authority either individually or as members of a Committee to approve or veto new products or decisions that result in market or credit risk exposures that exceed specified thresholds

Employees identified by quantitative criteria:

- Employees awarded total compensation of £660,000 or more in the preceding financial year
- Employees within the top 0.3% of staff who have been awarded the highest total compensation in the preceding year
- Employees awarded compensation in the preceding financial year which was equal to or greater than the lowest total compensation awarded to those meeting specified qualitative criteria
- In accordance with the regulatory requirements, employees identified under the quantitative criteria were then assessed to determine if the professional activities of the employee had the potential to have a material impact on the risk profile of the Company. All regulatory approval requirements on the outcomes of this assessment were submitted to the PRA in respect of 2022.

Additional RBC Material Risk Taker Identification Criteria:

- In addition to the criteria set out in the PRA Rulebook (Remuneration Part), the Company has identified Material Risk Takers on the basis of its own criteria based on its assessment of risks beyond those specifically identified in the PRA Rulebook (Remuneration Part), taking into account prudential, operational, market, credit, conduct and reputational risks

Design and Structure of Compensation for Material Risk Takers

Guided by our vision of being among the world's most trusted and successful financial institutions and our purpose of helping clients thrive and communities prosper, our approach to compensation, including executive compensation, is based on the five guiding principles set out below. The UK HRC continually evaluates the policies and procedures applicable to the Company with a view to upholding these principles:

- 1 Compensation action aligns with shareholder interests
 - Awards vary based on absolute performance of RBC

- Mid and long terms incentives vest and pay out over time, encouraging a longer term view of increasing shareholder value
- 2 Compensation aligns with sound risk management principles
 - Our risk management culture is reflected in our approach to compensation. Our compensation practices appropriately balance risk and reward, and align with shareholder interests
 - Performance of individuals, lines of business and RBC overall is assessed on a number of measures, including adherence to risk management policies and guidelines.
 - 3 Compensation rewards performance
 - Our pay-for-performance approach rewards employees for their contributions to individual, business segment and enterprise results relative to objectives that support our business strategies for sustainable growth over short, medium and long-term horizons, which are aligned with the risk appetite of RBC.
 - 4 Compensation enables the Company to attract, engage and retain talent
 - Talented and motivated employees are essential to building a sustainable future for RBC. We offer compensation that is competitive within the markets where we operate and compete for talent.
 - Compensation programs reward employees for high performance and their potential for future contribution.
 - 5 Compensation rewards behaviours that align with RBC values and drive exceptional client experiences
 - RBC values, embedded in our Code of Conduct, form the foundation of our culture and underpin our ongoing commitment to put the needs of our clients first and deliver value to all of our stakeholders.
 - Risk conduct and compliance with policies and procedures are considered in determining performance-based compensation.

The Company's compensation policies and plans align with these principles and are approved by the UK HRC. The Company's remuneration policies apply in the same way to all the divisions of RBC Europe Limited.

Elements of Compensation

The employee package is made up of fixed remuneration and benefits (reward for fulfilling the job requirements) and incentive compensation designed to incentivise employees to demonstrate achievement in terms of results and behaviours, to reward them for that achievement, and to encourage them to remain with RBC.

For more highly paid employees, a proportion of an employee's total remuneration is deferred over a minimum of 3 years with at least 50% reflecting the value of RBC shares over that period.

Incentive compensation awards may be adjusted downwards or clawed back in appropriate cases (e.g., in the case of a material failure of risk management).

A) Fixed Remuneration

All Material Risk Takers receive fixed remuneration, which is most commonly paid in the form of base salary, but which may include Role Based Pay meeting the conditions of the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22) for certain roles and which reflects the individual's market value, skills, qualifications, relevant experience, responsibility and contribution to the Company.

Fixed pay is typically only changed to reflect a change to the role or responsibilities of the recipient or market conditions.

B) Variable Remuneration

All Material Risk Takers, other than the Independent Non-Executive Directors and overseas Board Directors, are eligible to participate in discretionary performance-based incentive schemes in respect of their role with the Company.

Performance-based annual discretionary incentives may be awarded based on the performance of the Company, the business, and the individual as detailed below. Annual incentives may consist of a mix of cash and share-linked instruments. Annual incentives for Material Risk Takers in a risk taking role are subject to review by the Chief Risk Officer Europe to ensure they adequately reflect risk and performance, and are subject to review by the UK HRC.

As part of the year-end risk adjustment process, the CFO Europe reports to the UK HRC on UK-specific financial performance by reference to metrics including revenues, Net Income After Tax, entity profit, accounting profit, prudential valuation adjustment and enterprise and business economic profit. If business platform or business unit economic profit is negative or trend year over year is misaligned to the UK bonus pool trend year-over-year, additional strategic, financial and risk related factors are also considered.

The amount of variable compensation to be awarded to employees is appropriately adjusted for risk in accordance with the Company's UK Compensation Risk and Performance Adjustment Process. Key considerations that are taken into account in the risk adjustment process include financial measures such as revenue, Net Income After Tax, Economic Profit and regulatory capital and non-financial risk factors such as conduct and credit, market and operational risk exposure against risk appetite. Upon completion of the review, adjustments for risk may be recommended for consideration in the approval of final variable compensation⁷.

In October 2014 RBC Europe Limited obtained unanimous approval from its sole shareholder to operate a maximum ratio between the fixed and variable components of remuneration of 200% of the fixed component of the total remuneration for each individual as required under the UK remuneration rules and Article 91(1)(g) of CRD IV. At its meeting in June 2022, UK HRC resolved not to recommend a change to that ratio to the shareholder.

All compensation plans contain minimum compensation deferral requirements for Material Risk Takers in line with the UK remuneration rules and applicable European guidelines, as well as compensation risk and performance adjustment processes. Deferral requirements vary by plan and arrangements are typically based on the size of bonus, type of compensation plan and the individual's role. Deferral requirements are summarised in Table 2.

Table 2: Deferral Requirements

All MRTs regardless of bonus plan	Minimum 40% deferral (60% deferral if total variable compensation is £500,000 or more, or a board director)
RBC Capital Markets Compensation Plan and the RBC Investor and Treasury Services Incentive Program	The Plan contains a grid of deferral requirements starting at 30% when the bonus exceeds £75,000 and rising to 65% if the bonus is £3m or more.
RBC Discretionary Plans	These Plans award short-term incentives (STI) and mid-term incentives (MTI) which are equity-linked. The ratio of STI and MTI varies from individual to individual and is typically based on position level, and the MTI component increases with seniority.
RBC Wealth Management Incentive Compensation Plan (British Isles)	For Executives and Senior Leaders, the Plan contains a grid of deferral requirements starting at 25% (for Position Level 5) to 50% (for the EVP level).
RBC Capital Markets Compensation Plan and the RBC Investor and Treasury Services Incentive Program	The Plan contains a grid of deferral requirements starting at 30% when the bonus exceeds £75,000 and rising to 65% if the bonus is £3m or more.

At least 50% of variable compensation for MRTs is delivered in equity-linked awards which are subject to an appropriate post-vesting retention period of at least 12 months, in line with the EBA Guidelines on Sound Remuneration Policies (save in circumstances where the deferral period exceeds 5 years, where, in accordance with the EBA Guidelines, a retention period of no less than 6 months for the deferred part is permitted for employees who do not form part of the senior management).

Depending on the compensation plan, deferred compensation will vest as follows, in line with UK remuneration rules:

⁷ At its meetings in November, UK HRC received updates from the Chief Human Resources Officer, RBC on primary and secondary risk adjustment factors considered by the Compensation Management Risk Oversight Committee in its review of bonus pool funding at enterprise level.

Table 3: MRT Deferred Compensation Vesting Schedule

	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7
MRTs who perform a PRA Senior Manager Function	20%	20%	20%	20%	20%

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
MRTs who meet the criteria of Risk Managers, or PRA Senior Managers who are not Higher Paid MRTs	20%	20%	20%	20%	20%
Other MRTs, and Risk Managers who are not Higher Paid MRTs	25%	25%	25%	25%	

Variable compensation for RBC Europe Limited is awarded through the following plans which each provide an annual cash bonus and a deferred component if the Company's deferral requirements are met or deferral is otherwise required (e.g. for a Material Risk Taker):

- RBC Capital Markets Compensation Plan
- RBC Investor and Treasury Services Incentive Programme
- RBC Discretionary Plans
- RBC Wealth Management Incentive Compensation Plan (British Isles)
- RBC Wealth Management UK Sales & Relationship Management Compensation Plan

Shareholding Requirement

RBC operates a Share Ownership Requirement which requires Managing Directors in Capital Markets to hold at least 1.5 times their 3-year average base salary in Royal Bank Common Shares.

Remuneration of Control Functions

RBC's enterprise Policy on Compensation Risk Management states that performance measures for senior employees responsible for financial and risk control activities will be based on the achievements and objectives of the functions, and their compensation will be determined independently from the performance of the specific business areas they support, therefore avoiding any potential conflicts of interest. Employees who fall under this arrangement include senior employees in Compliance, CFO Group, Group Risk Management, Internal Audit and Human Resources. Global Function Heads and/or the Function Operating Committee Members will continue to review and approve the individual performance of these employees against established objectives, which are independent of the performance of the business areas that they oversee. Remuneration for employees engaged in control functions is reviewed regularly for market alignment to ensure that remuneration levels are competitive.

The Link between Pay and Performance for Material Risk Takers

Variable compensation plans reward employees on the basis of a number of factors, including individual, business and enterprise results relative to established performance objectives that are aligned with the risk appetite of RBC. A significant portion of performance-based pay is deferred in the form of equity incentive awards (linked to RBC's share price) in order to align compensation with the risk time horizon and motivate employees to generate longer-term value for shareholders and remain accountable for decisions with long tail risk. To create a clear relationship between pay and performance, employees have an opportunity to earn higher compensation for outstanding performance, and conversely, earn less compensation when RBC, a business segment and/or individual performance falls below expectations.

Incentive awards take into account firm-wide, business unit and individual financial and non-financial factors. Financial factors include the performance of RBC, its global business segments and regional operating subsidiaries. Individual performance is assessed based on the employee's contribution to the overall performance of their business or function, the achievement of individual performance objectives and performance against the Company's Leadership Model and Code of Conduct. Where appropriate (e.g., where firm-wide or entity performance is weak or in a net loss position or in the case of a significant failure of risk management) bonus pools may be reduced to zero. When determining the size of the bonus pool, financial measures such as revenues, Net Income After Tax, the compensation ratio (total compensation as a percentage of revenues), regulatory and economic capital, and economic profit are considered depending on the plan and business area.

Non-financial measures considered in the discretionary bonus evaluation process include the following:

- Adherence to our Code of Conduct. RBC's Code of Conduct (Code) promotes standards of ethical behaviour that applies to all employees globally. Our Code fosters an open environment in which questions and concerns may be brought forward. It creates a frame of reference for dealing with sensitive and complex issues, and provides for accountability if standards of conduct are not upheld. All employees are expected to adhere to our Code, and failure to do so through unethical or non-compliant behaviours may result in a disciplinary sanction up to and including immediate termination of employment. All employees receive Code of Conduct training and testing on joining RBC and every year thereafter
- Compliance with a full range of risk management policies specific to individual job requirements as outlined in employee Performance Management Documents
- Assessment of key behaviours, which are part of the RBC Global Performance Management process, and typically include the obligation to:
 - Abide by the letter and spirit of rules and procedures established by regulators
 - Follow all relevant internal policies and procedures including, but not limited to, trading and position limits and standing orders
 - At all times, act in the best interests of RBC and its clients
 - Escalate, on a timely basis, any areas of material concern related to any of the above
 - Lead by example so that direct reports adopt similar high standards
- Reports from control functions, including those from Internal Audit, Compliance (regulatory gaps, trades beyond excess limits), and Group Risk Management regarding operational, market and credit risks, among others
- Assessment of accountabilities and detailed action plans to implement and monitor changes required to close the gaps identified during risk management or internal audit reviews

Employees who are not meeting non-financial performance standards for their role are subject to a corrective action process, which can include either a significant reduction in bonus amounts or termination of employment.

Furthermore, prior to vesting, Material Risk Takers' deferred compensation is subject to review under the Company's risk and performance adjustment process whereby actual risk and performance outcomes are reviewed and if materially different from assessments made when deferred compensation was granted, or if misconduct has occurred, then deferred compensation may be reduced or forfeited in full.

All bonus awards made to Material Risk Takers under the Company's variable compensation schemes are subject to forfeiture and clawback under the RBC Forfeiture and Clawback Policy for Code Material Risk Takers. A reduction may be applied, in summary, in cases of misconduct, a material failure of risk management or if there is a material downturn in financial performance. All variable compensation awards made to Material Risk Takers are subject to clawback for a seven year period from the date of award as required under UK remuneration rules. This can be extended to ten years in relation to PRA-designated Senior Management Functions where there is an outstanding internal or external investigation at the end of the seven year period which could result in the application of clawback. Clawback can be applied in cases of misconduct or a material failure of risk management.

Guaranteed variable remuneration is only awarded in exceptional circumstances, such as senior control functions roles, business critical roles and strategic hires and then only for a maximum of the first 12 months of employment.

The Company provides severance payments to fulfil its statutory obligations and to support the transition of employees away from their employment with RBC, in circumstances where there is an early termination of their employment.

In 2022 fiscal year, the Company relied on the derogation under Sections 12.2(2) and 15.A1 (3) of the PRA Rulebook (Remuneration Part), and the equivalent provisions of SYSC 19D, in respect of 6 individuals, and to each of whom Sections 12.2 and 15.15 to 15.19 of the PRA Rulebook (Remuneration Part) (and the equivalent provisions of SYSC 19D)

therefore did not apply. For fiscal year 2022, the total remuneration for this population was £1.24m (£0.97m fixed remuneration and £0.27m variable remuneration).

Table 4: Remuneration Awarded During Financial Year

£m	Supervisory Function	Managerial Function	Senior Management	Other identified staff
Number of identified staff	7	2	24	119
Total fixed remuneration	0.68	1.33	9.66	34.54
of which: cash-based	0.68	1.33	9.66	34.54
of which: shares or equivalent ownership interests	0.00	0.00	0.00	0.00
of which: share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00
of which: other instruments	0.00	0.00	0.00	0.00
of which: other forms				0.00
Number of identified staff	0	2	24	99
Total variable remuneration	0.00	1.94	11.99	28.52
of which: cash-based	0.00	0.46	3.23	10.99
of which: deferred	0.00	0.07	0.52	2.96
of which: shares or equivalent ownership interests				0.00
of which: deferred				0.00
of which: shares or other share-linked instruments	0.00	1.47	8.75	17.53
of which: deferred	0.00	1.09	6.09	10.36
of which: other instruments	0.00	0.00	0.00	0.00
of which: deferred	0.00	0.00	0.00	0.00
of which: other forms	0.00	0.00	0.00	0.00
of which: deferred	0.00	0.00	0.00	0.00
Total remuneration (2 + 10)	0.68	3.26	21.64	63.06

Table 5: MRTs with Total Remuneration above One Million Euros

Total Compensation Band (EUR)	Number of Individuals
1,000,000 < 1,500,000	8
1,500,000 < 2,000,000	9
2,000,000 < 2,500,000	5
2,500,000 < 3,000,000	1
3,000,000 < 3,500,000	1
3,500,000 < 4,000,000	1
4,000,000 < 4,500,000	0
4,500,000 < 5,000,000	0
5,000,000 < 6,000,000	0

Table 6: Deferred Remuneration

£m

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year *	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Supervisory Function	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash-based	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Managerial Function	7.73	1.71	6.03	0.00	0.00	0.26	1.71	0.29
Cash	0.22	0.01	0.21	0.00	0.00	0.00	0.01	0.00
Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share-linked instruments or equivalent non-cash instruments	7.52	1.70	5.81	0.00	0.00	0.26	1.70	0.29
Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Senior Management	45.06	21.33	23.73	0.00	0.00	0.71	21.33	4.35
Cash	1.62	0.38	1.24	0.00	0.00	0.00	0.38	0.00
Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share-linked instruments or equivalent non-cash instruments	43.44	20.95	22.49	0.00	0.00	0.71	20.95	4.35
Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other identified staff	82.29	49.21	33.08	0.00	0.00	4.56	47.90	6.13
Cash	8.50	4.17	4.33	0.00	0.00	0.00	4.00	0.00
Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share-linked instruments or equivalent non-cash instruments	73.79	45.05	28.74	0.00	0.00	4.56	43.90	6.13
Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	135.08	72.25	62.83	0.00	0.00	5.53	70.94	10.76

* Change in value of deferred remuneration impacted by share price and fx movement

Table 7: Special Payments

£m	Supervisory Function	Managerial Function	Senior Management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	0	0	0	3
Guaranteed variable remuneration awards -Total amount	0.00	0.00	0.00	1.35
of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0.00	0.00	0.00	0.00
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0.00	0.00	0.00	0.00
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0.00	0.00	0.00	0.00
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	0.00	0.00	0.00	0.00
Severance payments awarded during the financial year - Total amount	0.00	0.00	0.00	0.00
of which paid during the financial year	0.00	0.00	0.00	0.00
of which deferred	0.00	0.00	0.00	0.00
of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0.00	0.00	0.00	0.00
of which highest payment that has been awarded to a single person	0.00	0.00	0.00	0.00

Table 8: Information on Remuneration of Staff Whose Professional Activities Have a Material Impact on Institutions' Risk Profile (Identified Staff)

£m	Management Body			Business Areas						Total
	Supervisory Function	Managerial Function	Total MB	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Control Functions	All Other Business Areas	
Total number of identified staff	7	2	9	99	0	0	14	24	6	152
of which: members of the MB	7	2	9							9
of which: other senior management				8	0	0	4	7	5	24
of which: other identified staff				91	0	0	10	17	1	119
Total remuneration of identified staff	0.68	3.26	3.94	68.51	0.00	0.00	5.88	7.14	3.18	88.63
of which: variable remuneration	0.00	1.94	1.94	32.98	0.00	0.00	2.82	2.98	1.73	42.44
of which: fixed remuneration	0.68	1.33	2.00	35.53	0.00	0.00	3.06	4.16	1.45	46.19

CRR Compliance

CRR Article	Requirement	Compliance Reference	Page
Title I General Principles			
Article 431 Disclosure Requirements and Policies			
431 (1)	Institutions shall publicly disclose the information referred to in Titles II and III in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432.	The Company makes semi-annual and annual disclosures in line with Article 433 of the PRA Rulebook which are made publicly available.	P3: 1
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	The Company uses the standardised approach (SA) for credit, market and counterparty credit risk, and the basic indicator approach (BIA) for operational risk.	P3: 31, 40
431 (3)	<p>The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures.</p> <p>Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report.</p> <p>Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.</p>	<p>The Company has relevant policies in place.</p> <p>Pillar 3 disclosures are prepared in accordance with formal policies and internal processes, systems and controls and proved by the Board.</p>	<p>Policies are not publicly available.</p> <p>Attestation: P3: 1</p>

431 (4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	The disclosure includes all necessary qualitative narrative to supplement the quantitative information provided, and any additional information necessary.	Seen throughout the disclosure
431 (5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	The Company assigns credit risk ratings to its borrowers which are determined using a variety of factors, and are being monitored and reviewed continuously. Details can be provided on request; public disclosure not required.	P3: 29
Article 432 Non-Material, Proprietary or Confidential Information			
432 (1)	<p>With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material.</p> <p>Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.</p>	The Company's Pillar 3 disclosure has been prepared in line with the PRA Rulebook and intends to enable interested parties to better understand the Company's risk profile.	P3: 1
432 (2)	<p>Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450.</p> <p>Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors.</p> <p>Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.</p>	No disclosures have been excluded on the basis of being proprietary or confidential.	N/A
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	No disclosures have been excluded on the basis of being proprietary or confidential.	N/A
Article 433 Frequency and Scope of Disclosures			

433	<p>Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c.</p> <p>Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter.</p> <p>Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter.</p> <p>Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.</p>	<p>The Company makes semi-annual and annual disclosures in accordance with the present Article.</p> <p>The annual pillar 3 disclosures are published on the date the RBCEL financial statements are published or as soon as possible thereafter.</p>	P3: 1
Article 433a Disclosures by Large Institutions			
433a (1)	<p>Large institutions shall disclose the information outlined below with the following frequency:</p> <ul style="list-style-type: none"> (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: <ul style="list-style-type: none"> (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439 (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: <ul style="list-style-type: none"> (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2). 	<p>The Company makes semi-annual and annual disclosures in accordance with the present Article.</p>	P3: 1
433a (2)	<p>By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency:</p> <ul style="list-style-type: none"> (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis 	<p>The Company makes semi-annual and annual disclosures in accordance with the present Article.</p>	P3: 1
433a (3)	<p>Large institutions that are subject to Article 92a or 92b shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.</p>	<p>N/A – The Company is not a G-SII.</p>	N/A

433a (4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	N/A – The Company will become subject to LREQ requirements 1 st January 2023.	P3: 3
Article 433b Disclosures by Small and Non-Complex Institutions			
433b (1)	<p>Small and non-complex institutions shall disclose the information outlined below with the following frequency:</p> <p>(a) on an annual basis the information referred to in:</p> <p>(i) points (a), (e) and (f) of Article 435(1);</p> <p>(ii) point (d) of Article 438;</p> <p>(iii) points (a) to (d), (h), and (i) of Article 450(1);</p> <p>(b) on a semi-annual basis the key metrics referred to in Article 447.</p>	N/A – The Company is not an SNI.	N/A
433b (2)	By way of derogation from paragraph 1 of this Article, small and non-complex institutions that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis.		
Article 433c Disclosures by Other Institutions			
433c (1)	<p>Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency:</p> <p>(a) all the information required under this Part on an annual basis;</p> <p>(b) the key metrics referred to in Article 447 on a semi-annual basis;</p> <p>(c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.</p>	N/A – The Company is not a non-large institution.	N/A
433c (2)	<p>By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis:</p> <p>(a) points (a), (e) and (f) of Article 435(1);</p> <p>(b) points (a), (b) and (c) of Article 435(2);</p> <p>(c) point (a) of Article 437;</p> <p>(d) points (c) and (d) of Article 438;</p> <p>(e) the key metrics referred to in Article 447;</p> <p>(f) points (a) to (d), (h) to (k) of Article 450(1).</p>		
Article 434 Means of Disclosure			

434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users	The present disclosure document will be made available in its entirety on the Company's website for the prescribed period as required by these provisions.	N/A
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports		
Article 434a Uniform Disclosure Formats			
Article 434b Timing and Means of Disclosures under Article 441			
434b (1)	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	N/A – The Company is not a G-SII.	N/A
434b (2)	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).		
434b (3)	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.		
Title II Technical Criteria on Transparency and Disclosure			
Article 435 Disclosure of Risk Management Objectives and Policies			
435 (1)	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	Risk management objectives and policies are included under the Risk Management section of the present document, and covered by the RBCEL Enterprise Risk Management Framework.	P3: 5, 8-11 AR: 7, 16-17, 49
435 (1) (a)	the strategies and processes to manage those categories of risks;		
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	The Opportunities and Risk section in the Annual Report covers the requirements of this provision.	

435 (1) (c)	the scope and nature of risk reporting and measurement systems;	The UK Risk Committee monitors all material risk exposures.	
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;		
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	Included within the strategic report in the Annual Report, and the Report of the Directors.	AR: 3-20
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.		
435 (2)	Institutions shall disclose the following information regarding governance arrangements:		
435 (2) (a)	(a) the number of directorships held by members of the management body;	Included within Appendix relating to Directors.	P3: 84-86
435 (2) (b)	(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	Included under Recruitment Criteria / Process.	P3: 5
435 (2) (c)	(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;		
435 (2) (d)	(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	The Company has a UK Risk Committee which gives advice and makes recommendations to the Company's Board.	P3: 5
435 (2) (e)	(e) the description of the information flow on risk to the management body.		
Article 436 Disclosure of the Scope of Application			

436	Institutions shall disclose the following information regarding the scope of application of the CRR as follows:		
436 (a)	the name of the institution to which the CRR applies;	Included in the Business Profile section.	P3: 1
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds;	As there are no subsidiaries which consolidate into the Company, there are no differences between the accounting and regulatory scope of consolidation (see UK LI1)	N/A
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part	Included within UK LI1.	P3: 16
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	Included within UK LI2.	P3: 17
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	Included within UK PV1.	P3: 14
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries;	N/A – The Company does not have any subsidiaries.	N/A
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	N/A	N/A
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	N/A	N/A
Article 437 Disclosure of Own Funds			

437	Institutions shall disclose the following information regarding their own funds:		
437 (a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Included within CC1 and CC2.	P3: 13-14
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Included within UK CCA.	P3: 87-89
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;		
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	Included within CC1.	P3: 13
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the CRR and the instruments, prudential filters and deductions to which those restrictions apply;		
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR.	Included within UK KM1.	P3: 12
Article 437a Disclosure of Own Funds and Eligible Liabilities			
437a	Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities: (a) the composition of their own funds and eligible liabilities, their maturity and their main features; (b) the ranking of eligible liabilities in the creditor hierarchy; (c) the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4); (d) the total amount of excluded liabilities referred to in Article 72a(2).	N/A – The Company is not a G-SII.	N/A
Article 438 Disclosure of Own Funds Requirements and Risk-Weighted Exposure Amounts			
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:		

438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Included in Capital Planning section.	P3: 19
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	Included in UK KM1.	P3: 12
438 (c)	the result of the institution's internal capital adequacy assessment process;	Not an applicable public disclosure.	N/A
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Included in UK OV1.	P3: 18
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	N/A – The Company does not follow the single risk weighted approach.	N/A
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	N/A – The Company is not involved in the insurance business.	N/A
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	N/A – The Company is not a financial conglomerate.	N/A
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A – The Company does not use IMM.	N/A
Article 439 Disclosure of exposures to counterparty credit risk			
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:		
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	Included in Section Assigning Internal Capital and Credit Limits.	P3: 29

439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;		
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;		
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded;	Included in Use of Credit Mitigation Techniques section.	P3: 31
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) and covering the twelve months immediately preceding the disclosure reference date;	Included in UK CCR5.	P3: 94
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	Included within UK CCR1.	P3: 31
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;		
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Included in CCR2.	P3: 93
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Included in UK CCR8.	P3: 95
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	Included in UK CCR6.	P3: 95

439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	N/A – The Company uses the Standardised Approach and does not have permission to estimate its own alpha.	N/A
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Included in UK CCR1.	P3: 31
Article 440 Disclosure of countercyclical capital buffers			
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014:		
440 (1) (a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	Included in CCyB 1.	P3: 20
440 (1) (b)	the amount of their institution-specific countercyclical capital buffer.	Included in CCyB 2.	P3: 19
Article 441 Disclosure of Indicators of Global Systemic Importance			
441	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in regulation 23 of Part 4 of Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014	N/A	N/A
Article 442 Disclosure of Exposures to Credit Risk and Dilution Risk			
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:		
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	Included within Sections "Impaired Exposures" and "Past-due Exposures" under Credit Risk Adjustments. Included within the Notes to the Financial Statements.	P3: 23-25 AR: 40-44
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Included within the Section Credit Risk Adjustments.	P3: 23
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	Included within UK CQ1, UK CR1 and UK CQ3.	P3: 26, 27, 90

442 (d)	an ageing analysis of accounting past due exposures;	Included within UK CQ3.	P3: 90
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	Included within UK CQ5.	P3: 91
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	N/A – The Company does not have any defaulted exposures.	N/A
442 (g)	the breakdown of loans and debt securities by residual maturity.	Included within UK CR1-A.	P3: 93
Article 443 Disclosure of encumbered and unencumbered assets			
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	Included within Asset Encumbrance Section – Template A – Encumbered and Unencumbered Assets.	P3: 49
Article 444 Disclosure of the use of the standardised approach			
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:		
444 (a)	the names of the nominated ECAs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	Included within Standardised Approach to Counterparty Credit and Credit Risk.	P3: 31
444 (b)	the exposure classes for which each ECAI or export credit agency is used;		
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;		
444 (d)	the association of the external rating of each nominated ECAI or export credit agency with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by the competent authority;		

444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as those deducted from own funds.	Included within UK CCR3.	P3: 92
Article 445 Disclosure of Exposure to Market Risk			
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	Included within OV1 and UK MR1.	P3: 18, 38
Article 446 Disclosure of Operational Risk Management			
446	Institutions shall disclose the following information about their operational risk management:		
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	Included under Capital Requirement sin the Operational Risk section.	P3: 40
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	The Company uses the Basic Indicator Approach.	P3: 40
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	The Company only uses the Basic Indicator Approach.	P3: 40
Article 447 Disclosure of Key Metrics			
447	Institutions shall disclose the following key metrics in a tabular format:		
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	Included within UK KM1 and UK CC1.	P3: 12-13
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3);	Included within UK KM1.	P3: 12
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations;	Included within UK KM1 and UK CC1	P3: 12-13
447 (d)	their combined buffer requirement which the institutions are required to hold in accordance with regulation 35 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014;	Included within UK KM1.	P3: 12
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) and (g) and Article 451(2)(b) to (d);	Included within UK KM1.	P3: 12

447 (f)	<p>the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook:</p> <ul style="list-style-type: none"> (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; 	Included within UK KM1.	P3: 12
447 (g)	<p>the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six:</p> <ul style="list-style-type: none"> (i) the average or averages, as applicable, of their net stable funding ratio based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (iii) the average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; 	Included within UK KM1.	P3: 12
447 (h)	<p>their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.</p>	Included within UK KM1.	P3: 12
Article 448 Disclosure of exposures to interest rate risk on positions not held in the trading book			

448 (1)	<p>Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:</p> <p>(a) the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods:</p> <ul style="list-style-type: none"> (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down; <p>(b) the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods:</p> <ul style="list-style-type: none"> (i) parallel shock up; (ii) parallel shock down; <p>(c) a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;</p> <p>(d) an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;</p> <p>(e) the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including:</p> <ul style="list-style-type: none"> (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs; <p>(f) the description of the overall risk management and mitigation strategies for those risks;</p>	Included in Section Interest Rate Risk in the Banking Book and UK IRRBB1.	P3: 28
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	(g) average and longest repricing maturity assigned to non-maturing deposits.		
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	The requirements of points (c) to (e)(i) to (e) (iv) apply to the Company and EVE is described in the section Interest Rate in the Banking Book.	P3: 28
Article 449 Disclosure of exposures to securitisation positions			
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	Included within the Securitisation section.	P3: 32-33
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Included within the Securitisation section.	P3: 32-33
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Included within the Securitisation section.	P3: 32-33
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	Included within the Securitisation section.	P3: 32-33
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	N/A – The Company does not engage in securitisation of third party assets via special purpose vehicles.	N/A
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	N/A	N/A
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	N/A	N/A

449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Included within the Securitisation section.	P3: 32-33
449 (h)	the names of the ECAs used for securitisations and the types of exposure for which each agency is used;	Included within the Securitisation section.	P3: 32-33
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Included within the Securitisation section.	P3: 32-33
449 (j)	(j) separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	Included in UK SEC1 and UK SEC 2.	P3: 34-35
449 (k)	<p>(k) for the trading and the non-trading book activities, the following information:</p> <p>(i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;</p> <p>(ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;</p>	Included in UK SEC 4.	P3: 36
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	N/A – The Company does not engage in securitisation as an originator.	N/A
Article 450 Disclosure of remuneration policy			

450 (1)	<p>Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:</p> <p>(a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;</p> <p>(b) information about the link between pay of the staff and their performance;</p> <p>(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;</p> <p>(d) the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;</p> <p>(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;</p> <p>(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;</p> <p>(g) aggregate quantitative information on remuneration, broken down by business area;</p> <p>(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:</p> <ul style="list-style-type: none"> (i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person; <p>(i) the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR</p>	Included within the Remuneration section.	P3: 52-60
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	<p>1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;</p> <p>(j) [Note: Provision deleted]</p> <p>(k) information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).</p> <p>For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>		
450 (2)	<p>For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.</p> <p>Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.</p>	Included within the Remuneration section.	P3: 51-58
Article 451 Disclosure of the Leverage Ratio			
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR) Part and their management of the risk of excessive leverage:		
451 (1) (a)	the leverage ratio;	Included within the Leverage Ratio section.	P3: 41
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	Included within UK LR2.	P3: 41-42
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Included within UK LR1 and UK LR3.	P3: 42-43
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	Included within the Leverage Ratio section.	P3: 41
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	Included within UK LR2.	P3: 41-42

451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part;	Included within UK LR2.	P3: 41-42
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part.	Included within UK LR2.	P3: 41-42
451 (2)	<p>An LREQ firm must disclose each of the following:</p> <p>(a) the average exposure measure;</p> <p>(b) the average leverage ratio;</p> <p>(c) the average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and</p> <p>(d) the countercyclical leverage ratio buffer.</p>	N/A – The Company will become subject to LREQ requirements from 1 st January 2023.	N/A
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	N/A – The Company will become subject to LREQ requirements from 1 st January 2023.	N/A
451 (4)	<p>Subject to paragraph 5:</p> <p>(a) for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of:</p> <p>(i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and</p> <p>(ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and</p> <p>(b) for the purposes of paragraphs 2(a) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the:</p> <p>(i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and</p> <p>(ii) exposure measure is the sum derived in accordance with (a), unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph.</p>	N/A – The Company will become subject to LREQ requirements from 1 st January 2023.	N/A

451 (5)	<p>In relation to the quarterly periods up to 1 January 2023 an LREQ firm must calculate its average exposure measure for a quarter as the sum of:</p> <p>(a) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets on each day in the quarter; and</p> <p>(b) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets on the last day of each month in the quarter</p>	N/A – The Company will become subject to LREQ requirements from 1 st January 2023.	N/A
Article 451a Disclosure of Liquidity Requirements			
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Included within the Liquidity section.	P3: 44
451a (2)	<p>Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook:</p> <p>(a) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;</p> <p>(b) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;</p> <p>(c) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.</p>	Included within UK LIQ 1.	P3: 47

451a (3)	<p>Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:</p> <p>(a) averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;</p> <p>(b) an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;</p> <p>(c) an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.</p>	Included within UK LIQ 2.	P3: 48
451a (4)	<p>Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.</p>	Included within the Internal Liquidity Adequacy Assessment Process (ILAAP) section.	P3: 45
Article 452 Disclosure of the Use of the IRB Approach to Credit Risk		N/A – The Company does not apply the IRB Approach.	
Article 453 Disclosure of the use of credit risk mitigation techniques			
453	<p>Institutions using credit risk mitigation techniques shall disclose the following information:</p>		
453 (a)	<p>the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting</p>	Included within Note 13 of the Financial Statements.	AR: 68
453 (b)	<p>the core features of the policies and processes for eligible collateral evaluation and management;</p>	Included within the Use of Credit Mitigation Techniques section.	P3: 30
453 (c)	<p>a description of the main types of collateral taken by the institution to mitigate credit risk;</p>	Included within the Use of Credit Mitigation Techniques section.	P3: 30
453 (d)	<p>for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;</p>	Included within Note 34 of the Financial Statements.	AR: 93
453 (e)	<p>information about market or credit risk concentrations within the credit mitigation taken;</p>	Included within Note 34 of the Financial Statements.	AR: 93

453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Included within the Use of Credit Mitigation Techniques section.	P3: 30
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Included within UK CR4.	P3: 25
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Included within UK CR4.	P3: 25
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Included within UK CR4.	P3: 25
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	N/A – The Company does not apply the IRB approach.	N/A
Article 454 Disclosure of the Use of the Advanced Measurement Approaches to Operational Risk		N/A – The Company does not use the Advanced Measurement Approach to Operational Risk.	
Article 455 Use of Internal Market Risk Models		N/A – The Company does not use Internal Market Risk Models.	

Appendix

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.	<ul style="list-style-type: none"> 1 Internal RBC Non-Executive Directorship 4 External Non-Executive Directorships
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.	<ul style="list-style-type: none"> No other directorships
Polly Williams (Residency: UK)	Chair of Risk Committees 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.	<ul style="list-style-type: none"> 1 Internal RBC Non-Executive Directorship 3 External Non-Executive Directorships
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.	<ul style="list-style-type: none"> 3 External Non-Executive Directorships

Current Shareholder Representative Non-Executive Directors

Director	Role	Biography	Number of Directorships (excluding RBCEL) Internal RBC / External Appointments
Troy Maxwell (Residency: Canada)	Chief Operating Officer of RBC Capital Markets	<p>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.</p> <p>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.</p> <p>Troy is a Chartered Professional Accountant, and holds an Honours BA and a Master's Degree in Accounting from the University of Waterloo.</p>	<ul style="list-style-type: none"> 1 Internal RBC Non-Executive Directorship 1 External Non-Executive Directorships
Nadine Ahn (Residency: Canada)	Chief Financial Officer, RBC	<p>Nadine Ahn was recently appointed as the Chief Financial Officer for RBC and a member of the Group Executive. She previously held the role as Senior Vice-President, CFO Capital Markets, RBC and had 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.</p>	<ul style="list-style-type: none"> 1 Internal RBC Non-Executive Directorship
Graeme Hepworth (Residency: Canada) Resigned 30 June 2022	Chief Risk Officer, RBC	<p>Graeme Hepworth is the Chief Risk Officer for RBC and a member of the Group Executive. In his role he is responsible for setting the strategic direction for risk management, consistent with RBC's strategic vision and risk appetite. Together with the members of RBC Group Executive, he is accountable for overall management of RBC, the promotion of strong risk conduct, prudent enterprise risk management practices, and creating an organisation capable of sustainable value creation for its shareholders. Prior to this role, he has held a number of risk management roles within RBC in Canada, the US and UK.</p> <p>Graeme Hepworth earned a Bachelor of Arts in Mathematics and Economics from McGill University in Montreal, Quebec, Canada and subsequently completed his Masters of Mathematics from the University of Waterloo at Waterloo, Ontario, Canada. He is also a CFA charter holder.</p>	<ul style="list-style-type: none"> No other directorships
Andrew Hammond (Residency: Canada) Appointed 31 October 2022)	Global Head Market & Counterparty Credit Risk, RBC	<p>Andrew Hammond is responsible for the enterprise wide oversight and governance of market, counterparty credit, and liquidity risk as well as global model risk management and validation. He has held various progressively senior roles across GRM and RBC, most recently, as Senior Vice President, Enterprise Risk, he was responsible for leading the strategic management of risk, including defining and quantifying RBC's risk appetite, leading RBC's enterprise wide stress testing efforts to ensure financial resiliency, identification and management of emerging risk and acted as COO for the GRM function.</p> <p>Andrew has an MBA from the Schulich School of Business at York University with a specialisation in Finance and a Bachelor of Fine Arts from Ryerson University.</p>	<ul style="list-style-type: none"> 1 External Non-Executive Directorship

Executive Directors

Director	Role	Biography	Number of Directorships (excluding RBCEL) Internal vs External Appointments
David Thomas (Residency: UK)	CEO, RBC Europe Limited	<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 chairs the European Capital Markets Executive Committee.</p> <p>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.</p>	<ul style="list-style-type: none"> 4 RBC Subsidiary Non-Executive Directorships 1 External Non-Executive Directorship
Peter Dixon (Residency: UK)	Chief Financial Officer, Europe	<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, Canada and Ireland. Mr Dixon is a qualified chartered accountant.</p> <p>Based in London, Mr Dixon is a member of the European Capital Markets Executive Committee.</p>	<ul style="list-style-type: none"> 3 RBC Subsidiary Non-Executive Directorships

UK CCA: Main Features of Regulatory Own Funds Instruments and Eligible Liability Instruments

	Capital instruments' main features template	Common shares	Common shares	Subordinated loan due 2031	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities
1	Issuer	RBC Europe Limited	RBC Europe Limited	RBC Europe Limited	RBC Europe Limited	RBC Europe Limited	RBC Europe Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	English	English	English	English	English	English
	<i>Regulatory treatment</i>						
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2	Additional Tier 1 Capital	Additional Tier 1 Capital	Additional Tier 1 Capital
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2	Additional Tier 1 Capital	Additional Tier 1 Capital	Additional Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 as published in Regulation (EU) No 575/2013 Article 28	Common Equity Tier 1 as published in Regulation (EU) No 575/2013 Article 28	Tier 2 as published in Regulation (EU) No 575/2013 Article 63	Additional Tier 1 Equity as published in Regulation (EU) No 575/2013 Article 52	Additional Tier 1 Equity as published in Regulation (EU) No 575/2013 Article 52	Additional Tier 1 Equity as published in Regulation (EU) No 575/2013 Article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	GBP 21m	GBP 477m	GBP 87m	GBP 71.7m	GBP 70.3m	GBP 157.7m
9	Nominal amount of instrument	GBP 25m	GBP 477m	USD 100m	USD 100m	USD 100m	USD 200m
9a	Issue price	84 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Equity	Equity	Liability - amortised cost	Equity	Equity	Equity
11	Original date of issuance	20 December 1970	20 December 1970	28 May 2021	26 February 2018	18 April 2018	28 May 2019
12	Perpetual or dated	Perpetual	Perpetual	Dated	Perpetual	Perpetual	Perpetual

	Capital instruments' main features template	Common shares	Common shares	Subordinated loan due 2031	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities
13	Original maturity date	No maturity	No maturity	28 May 2031	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	Redemption at the Option of the Issuer 100 per cent of Nominal amount First call date: 28/May/2026 In addition Tax/Regulatory call	Redemption at the Option of the Issuer 100 per cent of Nominal amount First call date: 26/Feb/2023 In addition Tax/Regulatory call	Redemption at the Option of the Issuer 100 per cent of Nominal amount First call date: 18/Apr/2023 In addition Tax/Regulatory call	Redemption at the Option of the Issuer 100 per cent of Nominal amount First call date: 28/May/2024 In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A	N/A	Subsequent Interest Payment Dates	Subsequent Interest Payment Dates	Subsequent Interest Payment Dates
	<i>Coupons / dividends</i>						
17	Fixed or floating dividend/coupon	N/A	N/A	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	N/A	Reuters page LIBOR01 +1.45 per cent per annum	Reuters page LIBOR01 +3.4 per cent per annum	Reuters page LIBOR01 +4.0 per cent per annum	Reuters page LIBOR01 +4.75 per cent per annum
19	Existence of a dividend stopper	N/A	N/A	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Convertible	Convertible

	Capital instruments' main features template	Common shares	Common shares	Subordinated loan due 2031	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities	Subordinated Perpetual Contingent Conversion Securities
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	Common Equity Tier 1 Capital Ratio falls below 7.00 per cent	Common Equity Tier 1 Capital Ratio falls below 7.00 per cent	Common Equity Tier 1 Capital Ratio falls below 7.00 per cent
25	If convertible, fully or partially	N/A	N/A	N/A	Fully convertible	Fully convertible	Fully convertible
26	If convertible, conversion rate	N/A	N/A	N/A	GBP equivalent of Security Principal multiplied by 2.12, in Ordinary Shares	GBP equivalent of Security Principal multiplied by 2.12, in Ordinary Shares	GBP equivalent of Security Principal multiplied by 2.62, in Ordinary Shares
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	Mandatory Conversion	Mandatory Conversion	Mandatory Conversion
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	Ordinary Share	Ordinary Share	Ordinary Share
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	RBC Europe Limited	RBC Europe Limited	RBC Europe Limited
30	Write-down features	No	No	Yes	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

UK CQ3 – Credit Quality of Performing and Non-Performing Exposures by Past Due Days

The table below shows a breakdown of credit risk exposure of the Company by counterparty type and days past due as at 31st October 2022.

£m		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
5	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans and advances	78	77	-	-	-	-	-	-	-	-	-	-
20	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
30	General governments	-	-	-	-	-	-	-	-	-	-	-	-
40	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
50	Other financial corporations	66	66	-	-	-	-	-	-	-	-	-	-
60	Non-financial corporations	3	3	-	-	-	-	-	-	-	-	-	-
70	Of which SMEs	3	3	-	-	-	-	-	-	-	-	-	-
80	Households	9	8	-	-	-	-	-	-	-	-	-	-
90	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	-			-								-
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	-			-								-
200	Non-financial corporations	-			-								-
210	Households	-			-								-
220	Total	78	77	-	-	-	-	-	-	-	-	-	-

UK CQ5 – Credit Quality of Loans and Advances to Non-Financial Corporations by Industry

The table below shows a breakdown of carrying amounts of loans and advances to non-financial corporations by industry for the Company as at 31st October 2022.

£m		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
10	Agriculture, forestry and fishing	-	-	-	-	-	-
20	Mining and quarrying	-	-	-	-	-	-
30	Manufacturing	31	-	-	31	(0)	-
40	Electricity, gas, steam and air conditioning supply	1	-	-	1	-	-
50	Water supply	-	-	-	-	-	-
60	Construction	125	-	-	125	(0)	-
70	Wholesale and retail trade	13	-	-	13	-	-
80	Transport and storage	130	-	-	130	(0)	-
90	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	34	-	-	34	(0)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	2,846	-	-	2,846	(1)	-
130	Professional, scientific and technical activities	32	-	-	32	(0)	-
140	Administrative and support service activities	264	-	-	264	(0)	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	64	-	-	64	(0)	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	41	-	-	41	(0)	-
200	Total	3,580	-	-	3,580	(2)	-

UK CQ6 – Collateral Valuation – Loans and Advances

The table below shows a breakdown of carrying amounts of loans and advances to non-financial corporations by industry for the Company as at 31st October 2022.

£m	Loans and advances											
		Performing		Non-performing								
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
							Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount	12,762	12,762	1	-	-	-	-	-	-	-	-	-
Of which secured	5,815	5,815		-	-	-	-	-	-	-	-	-
Of which secured with immovable property	607	607	-	-	-	-	-	-	-	-	-	-
Of which instruments with LTV higher than 60% and lower or equal to 80%	438	438		-	-	-						
Of which instruments with LTV higher than 80% and lower or equal to 100%	25	25		-	-	-						
Of which instruments with LTV higher than 100%	-	-		-	-	-						
Accumulated impairment for secured assets	15	15	-	-	-	-	-	-	-	-	-	-
Collateral												
Of which value capped at the value of exposure	896	896	-	-	-	-	-	-	-	-	-	-
Of which immovable property	766	766	-	-	-	-	-	-	-	-	-	-
Of which value above the cap	-	-	-	-	-	-	-	-	-	-	-	-
Of which immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Financial guarantees received	4,737	4,737	-	-	-	-	-	-	-	-	-	-
Accumulated partial write-off	-	-	-	-	-	-	-	-	-	-	-	-

UK CR1-A – Maturity of Exposures

The table below shows a breakdown of exposures by maturity for the Company as at 31st October 2022

£m	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	-	851	1,558	130	-	2,539
Debt securities	-	856	2,433	2,441	-	5,730
Total	-	1,707	3,991	2,571	-	8,269

CCR 2 – Transactions Subject to Own Funds Requirement for CVA Risk

The below table shows the Company's exposure and RWE by approach as at 31st October 2022

£m		Exposure value	RWEA
1	Total transactions subject to the Advanced method (£m)	-	-
2	(i) VaR component (including the 3x multiplier)		-
3	(ii) stressed VaR component (including the 3x multiplier)		-
4	Transactions subject to the Standardised method (£m)	25	5
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method) (£m)	-	-
5	Total transactions subject to own funds requirements for CVA risk	8	8

CCR 3 – Standardised Approach for CCR Exposure by Regulatory Exposure Class and Risk Weights

The below table shows counterparty credit risk exposure, excluding exposures cleared through a CCP, by counterparty type and risk weight for the Company as at 31st October 2022

£m

Exposure classes	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1 Central governments or central banks	176	-	-	-	36	-	-	-	-	-	-	212
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	9	-	-	-	-	-	-	9
4 Multilateral development banks	0	-	-	-	-	-	-	-	-	-	-	0
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	598	744	-	-	0	-	-	1,342
7 Corporates	-	-	-	-	-	205	-	-	1,102	-	-	1,307
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	164	349	-	-	2	-	-	515
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-
11 Total exposure value	176	-	-	-	807	1,298	-	-	1,104	-	-	3,385

CCR 5 – Composition of Collateral for CCR Exposures

The below table shows the composition of collateral used within the counterparty credit risk calculation for the Company as at 31st October 2022.

£m

Collateral type	Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash	849	1,309	611	628	-	-
2 Debt	-	-	-	-	37,119	41,728
3 Equity	-	-	-	-	9,031	2,618
4 Other	-	670	-	-	1,299	684
5 Total	849	1,979	611	628	47,448	45,031

CCR 6 – Credit Derivative Exposures

The below table shows the Company's credit derivatives bought and sold, split by product type as at 31st October 2022.

£m		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	-	-
2	Index credit default swaps	380	322
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	Total notionals	380	322
Fair values			
7	Positive fair value (asset)	1	2
8	Negative fair value (liability)	(2)	(0)

CCR 8 – Exposures to CCPs

The below table shows the Company's exposures for all CCP related transactions as at 31st October 2022

£m		Exposure value	RWEA
1	Exposures to QCCPs (total)		50
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	555	27
3	(i) OTC derivatives	14	0
4	(ii) Exchange-traded derivatives	247	20
5	(iii) SFTs	293	7
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	100	23
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

