Pillar 3 remuneration disclosures for RBC Finance BV for the performance year ended October 31, 2012

Introduction

RBC Finance BV ("BV Group"), a firm which is a significant subsidiary of a European Economic Area ("EEA") parent financial holding company, as defined under BIPRU 11.2.5R, exercises the waiver granted by the Financial Services Authority in effect from 9 December 2011 to 9 December 2014 with respect to disclosure requirements included in BIPRU 11.5.2R through BIPRU 11.5.18(7) of the Financial Services Authority Prudential Sourcebook for Banks, Building Societies and Investment Firms.

In accordance with the terms of this waiver:

- a. Disclosure requirements at the local level are contained herein and include:
 - the constitution and activities of the local Human Resources Committee ("the Committee");
 - the criteria for the identification of Code Staff and the corresponding compensation design and structure, and link between pay for performance for Code Staff employees; and,
 - the Pillar 3 remuneration disclosure as at October 31, 2012.

b. Disclosure requirements at the parent financial holding company level, as set out in BIPRU 11.5.2R through BIPRU 11.5.18(7) of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms are included in the Royal Bank of Canada 2013 Management Proxy Circular, available at http://www.rbc.com/investorrelations/pdf/2013englishproxy.pdf

1. Constitution and Activities of the RBC Europe Human Resources Committee

RBC Europe has a Human Resources Committee which is responsible for the application of the compensation principles, practices and processes within all of RBC's operations on the UK mainland, except BlueBay Asset Management Ltd., to ensure that they support the business objectives determined by the Board of Directors and/or senior management and take into appropriate account sound risk management practices, including long-term and short-term risk. Within the authority delegated by the Board, the Committee 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 other senior Company employees, including all in positions of significant influence and those having an impact on our risk profile (Code Staff).

The members of the Committee throughout 2012 were:

Sir Andrew Foster (Chair)

Janice Fukakusa

Dr John Roberts

Art Siksna

Jim Pettigrew

All of the members of the Committee are independent of day to day management under the standards set out by the Board. Dr Roberts, Sir Andrew Foster and Jim Pettigrew are all independent Non-Executive Directors. No individual is involved in decisions relating to his or her own compensation.

There were 4 meetings in fiscal year 2012. Dr Roberts, Mr Pettigrew and Mr Siksna attended all Committee meetings. Sir Andrew Foster and Ms Fukakusa attended 3 meetings.

During the year, the Committee received advice from RBC Europe Limited's Head of Human Resources, Head of Compliance and Chief Risk Officer, who provided advice to the Committee on the implications of the compensation policy on risk and risk management.

External consultants

The Committee received independent advice on executive compensation issues from PricewaterhouseCoopers LLP.

Role of the Relevant Stakeholders

The Committee takes full account of the Company's strategic goals in setting compensation policy and is mindful of its duties to shareholders and other stakeholders. The Committee seeks to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

2. Criteria for the Identification of Code Staff

The following groups of employees have been identified as meeting the FSA's criteria for Code Staff:

- Significant Influence Functions individuals registered with the FSA as holding a significant influence function (a SIF).
- Senior Managers unless already registered as a SIF, an individual who is head of, or has responsibility for the management and supervision for a significant business line or business unit/team.
- Control Functions unless already registered as a SIF, individuals who are heads of functions which have a material impact on a Company's risk profile
- Risk Takers all staff whose professional activities could have a material impact on a Company's risk profile.

The categories above include all senior level management across the Company as well as those responsible for the management of the Capital Markets and Wealth Management businesses. The heads of all significant businesses are included.

3. Design and structure of compensation for Code Staff

a. Salary

All Code Staff receive a salary that reflects their market value, responsibility and contribution to the Company.

b. Annual Incentives

All Code Staff, other than two of the Independent Non-Executive Directors participate in the RBC Capital Markets Compensation Plan or the General Discretionary Incentive Programme described in the Royal Bank of Canada 2012 Management Proxy Circular, available at http://www.rbc.com/investorrelations/pdf/2013englishproxy.pdf

4. The link between pay and performance for Code Staff

Performance is assessed against key financial, risk, strategic and operational measures that are aligned with RBC's strategic goals. A significant portion of performance-based pay is deferred in the form of equity incentive awards in order to align compensation with the risk time horizon and motivate employees to generate longer-term value for shareholders. 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 results fall below expectations.

At the individual level, there are a number of factors that are considered in determining the extent to which an employee participates in a discretionary bonus distribution. Individual performance is evaluated using both financial and non-financial measures. Non-financial measures considered in the discretionary bonus evaluation process include the following:

- Adherence to our Code of Conduct. All employees are expected to adhere to our Code of Conduct, and failure to adhere through unethical or non-compliant behaviours results in disciplinary or corrective action, which may include immediate or eventual dismissal. All employees receive Code of Conduct training and testing on joining RBC and every 2 years 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 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 those employees who report to you 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; and
- 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 that are not meeting the above mentioned non-financial performance standards for their role are subject to our corrective action process, which can include either a significant reduction in bonus amounts or dismissal.

Pillar 3 Disclosures at 31 October 2012

Table 1: Aggregate remuneration expenditure

	2012			
	Capital Markets GBPm	Wealth Management GBPm	Other GBPm	Total GBPm
Aggregate remuneration expenditure (Code Staff) 1,2	20.2	2.8	7.3	30.3

¹ Code Staff is defined in the Report

Table 2: Analysis of remuneration between fixed and variable amounts

rable 2. Analysis of remaineration between mean	2012			
		Code Staff		
	Senior Management	Non Senior Management	Total	
Number of Code Staff	19	21	40	
	GBPm	GBPm	GBPm	
otal Fixed	4.1	3.7	7.8	
ariablo 1				
ash	3.0	2.1	5.1	
ested notional shares	2.9	1.9	4.8	
eferred cash	2.4	1.9	4.3	
deferred notional shares	5.3	3.0	8.3	
Total Variable Pay	13.6	8.9	22.5	

¹ Variable pay in respect of performance year 2012

Table 3: Analysis of deferred remuneration

	2012 Code Staff		
	Senior Management	Non Senior Management	Total
	GBPm	GBPm	GBPm
Deferred remuneration at 31 October 2012 1			
Outstanding, vested 2	6.1	3.8	9.9
Outstanding, unvested ³	20.2	13.6	33.8
Awarded during financial year 4	7.4	6.7	14.1
Paid out 5	4.2	1.9	6.1
Reduced through performance adjustments	•	•	•

¹ Where deferred remuneration is held in Canadian Dollars, the rate of £1 = C\$1 6121 has been used

Table 4: Details of sign-on and severance payments

Code Staff			
Senior Management	Non Senior Management	Total	
0	0	0	
0	0	0	
1.2	0	1.2	
1	0	1	
	Management 0 0	Code Staff Senior Non Senior Management Management 0 0 0 0 1.2 0	

2012

² Includes fixed and variable remuneration awarded in respect of performance year 2012 (including deferred components)

² Value of deferred cash and notional shares vested at 31 October 2012.

³ Value of deferred cash and notional shares unvested at 31 October 2012

⁴ Value of deferred cash and notional shares awarded during 1 November 2011 to 31 October 2012.

⁵ Value of notional shares vested on 31 October 2012 Share price as at 31 October 2012