

COMPANY NO. 995939

RBC EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

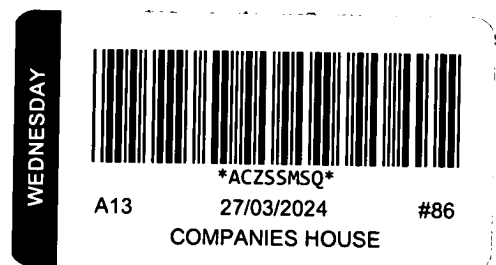


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RBC EUROPE LIMITED

STRATEGIC REPORT

2023 Business review

During the year ended 31 October 2023, RBC Europe Limited's (the "Company's") total operating income increased by 7% or £32 million from the prior year operating income to £498 million, mainly driven by an increase in revenues from Global Markets activity, offset by increased funding costs.

During the year, the allowance for credit losses on the balance sheet increased from £4.3 million to £8.5 million with £4.4 million debit in the income statement compared to £3.9 million credit in the prior year.

The Balance Sheet of the Company is shown on pages 34 and 35 of the financial statements. Total assets remain in line with the prior year, increasing by 1% to £54 billion.

Key performance indicators

The net profit for the year ended 31 October 2023 was £86 million (2022: £81 million), and net profit before tax was £97 million (2022: £90 million). During the year the Company has made total dividend payments of £30 million (2022: £18 million). The Company's return on assets ratio for the year increased slightly 0.16% (2022: 0.15%). The Company has a robust framework in place to monitor its financial resources, including regulatory capital and liquidity. For further details, please refer to the Company's Pillar 3 disclosure <https://www.rbc.com/regulatory-information/basel-disclosures.html#basel-iii-content>

Principal activities

The Company provides a wide range of financial services including corporate and investment banking, sales and trading, research and related products and services to corporations, public sector and institutional clients. The Company also provides wealth management services to high net worth individuals.

Principal risks and uncertainties

The Company's business activities expose it to a variety of financial and non-financial risks. The principal risks and uncertainties of conducting these businesses include financial risks such as credit, market, and liquidity risk, as well as non-financial risks including operational, reputational, regulatory, business and strategic risks.

The Company's principal financial risks, risk management objectives and policies are discussed in Notes 4 to 9 to the financial statements:

- **Market Risk** - The Company defines Market Risk to be the impact of market prices upon the financial condition of the firm (Note 5). This includes price, interest rate (Note 6) and foreign exchange (Note 7) risks.
- **Liquidity Risk** - The Company defines Liquidity Risk as the risk that an institution is unable to generate or obtain sufficient cash or its equivalents on a cost-effective basis to meet commitments as they fall due (Note 8).
- **Credit Risk** - The Company defines Credit Risk as the risk of loss associated with a counterparty's potential inability or unwillingness to fulfil its on or off balance sheet payment obligations (Note 9).

How these key risks are managed and mitigated is predominantly discussed in Notes 4 to 9 of the financial statements, along with details on underlying exposures.

The Company's other principal non-financial risks are defined as follows:

- **Regulatory Risk** - the risks associated with financial crimes, privacy, market conduct, consumer protection, business conduct, as well as prudential and other generally applicable non-financial requirements. Specific compliance policies, procedures and supporting frameworks have been developed to manage regulatory compliance risk.
- **Reputational Risk** - the risk of an adverse impact on stakeholders' perception of the bank due to i) the actions or inactions of the bank, its employees, third-party service providers, or clients, ii) the perceived misalignment of these actions or inactions with stakeholder expectations of the bank, or iii) negative public sentiment towards a global or industry issue.
- **Business and Strategic Risks** - the risk that the enterprise or particular business areas will make inappropriate strategic choices, or will be unable to successfully implement selected strategies or achieve the expected benefits. Business strategy is a major driver of our risk appetite and consequently the strategic choices we make in terms of business mix determine how our risk profile changes.

RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

The Company's operations additionally expose it to other risks which may adversely affect the businesses and financial results. The following list is not exhaustive, as other factors could also adversely affect results:

- **Legal & regulatory** – The risk of an agreement or arrangement, either establishing or modifying a legally binding relationship, does not reflect the business activities or commitments or fails to comply with applicable laws. The risk of failing to comply with laws, rules, regulations, or prescribed practices in any jurisdiction in which the Company operates. See disclosure in Note 32b relating to a significant legal/regulatory proceeding the Company is engaged in.
- **Money Laundering and Terrorist Financing** - The risk that products and services are used to facilitate the laundering of proceeds of crime, including the financing of terrorist activity.
- **Operational Resiliency** - The risk to the Company of not being able to continue to provide business services in the face of adverse operational events. The Company focuses on anticipating, preventing, recovering from and adapting to such events with a focus on criticality of services, customer and market impacts and end-to-end services.
- **Third Party** - The risk of failure to effectively manage third parties which may expose the Company to service disruptions, regulatory action, financial loss, litigation or reputational damage.
- **Information Technology & Cyber** – The risk of intentional unauthorised activities, including cyber attacks, designed to obtain benefits either from the Company or assets under the Company's care, or using the Company's products. Benefits can be in the form of cash, cash equivalent, or physical assets (including indirect benefit of continued employment or increased bonus).
- **Fraud** - The risk of intentional unauthorised activities designed to obtain benefits either from the Company or assets under the Company's care, or using the Company's products.
- **Data management and Privacy** - Data management is the risk of failing to manage information appropriately throughout its lifecycle due to inadequate processes and controls, resulting in legal or regulatory consequences, reputational damage or financial loss. Privacy is the risk of improper creation or collection, use, disclosure, retention or destruction of personal information.
- **Conduct** – The risk associated with behaviour that could harm employees, clients/customers or the integrity of the markets.
- **Climate Change** - Extreme weather events and the global transition to a low carbon economy could result in a broad range of impacts, including potential strategic, reputational, structural and credit related risks for the Company and its clients. Further details are given on page 6.

Macroeconomic and Geopolitical Volatility

Heightened macroeconomic and geopolitical volatility brought a series of challenges to the markets during the financial year. Throughout 2023 in particular, high levels of inflation, rising interest rates, and disruption to the US regional banking sector drove market stress. Geopolitical uncertainty continued in light of the persisting Russia-Ukraine conflict, the Israel-Hamas war, and other global tensions.

The Company has seen increases to some of its key risks, including credit risk and market risk, due to the heightened macroeconomic volatility. The Company's risk profile as a whole was not materially impacted throughout these developments as it benefitted from both having a diverse business mix as well as maintaining a strong risk appetite, which is closely monitored by management through frequent reporting to senior stakeholders and committees. The Company continues to monitor both the situation in the UK as well as the wider global environment closely through its risk management framework. No direct impacts were seen for the Company due to the macroeconomic and geopolitical uncertainty.

Through its Recovery Plan, the Company monitors stress in part through early warning indicators (EWIs). During the sustained periods of market volatility, the main EWIs that the Company saw trigger were those monitoring macroeconomic and market-based activity. These EWIs are outward-looking rather than inward-looking and reflect that the stress seen was external rather than specific to the Company. The Company remains well capitalised in excess of all requirements, providing a comfortable buffer against volatile market conditions should a need arise.

IBOR and CDOR Transition

In 2017, the Financial Conduct Authority (FCA), as the UK body that regulates the London Interbank Offered Rate (LIBOR), declared that after 31 December 2021 it will no longer compel banks to continue making LIBOR submissions and 26 LIBOR settings ceased publication on 1st Jan 2022.

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STRATEGIC REPORT (CONTINUED)

Non-USD LIBOR

On 16 November 2021, following the consultation on use of Synthetic LIBOR, the FCA confirmed it will allow the temporary use of 'synthetic' Sterling and Yen LIBOR rates for 1, 3 and 6 month settings in all legacy LIBOR contracts, other than cleared derivatives.

The Company has successfully completed the regulatory requirement of ceasing LIBOR by December 31, 2021 and is no longer offering non-USD LIBOR based products. Furthermore, all non-USD transactions, including those leveraging 'synthetic' LIBOR have been transitioned to their Risk Free Rates counterparts.

USD LIBOR

In March 2021, the FCA announced that USD LIBOR (apart from 1-week and 2-month tenors) would be extended out to June 2023.

The Company has successfully met the regulatory requirement of ceasing USD-LIBOR by June 30, 2023 and is no longer offering USD LIBOR based products.

All USD transactions have been transitioned to their RFR counterparts:

- All USD LIBOR exposure for RBCCM Issued Notes and all products under Wealth Management International have been transitioned off LIBOR.
- Across UK entities, as of November 2023, all remaining clients leveraging synthetic USD LIBOR have transitioned to RFR's.

CDOR

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

The focus of the program has shifted to the CDOR transition and, whilst the exposure impact for the Company is low, the Company is actively involved in transition discussions with impacted clients and continues to remain engaged in industry discussions on the CDOR LIBOR cessation. The Company is renegotiating and revising legal documentation to support the transition.

Refer to Note 37 for further details on the Company's remaining exposures to financial instruments referencing LIBOR and CDOR.

Credit rating

The Company has a rating of AA- / A-1+ for long-term and short-term counterparty credit assigned by Standard and Poor's Ratings Services (S&P) and is unchanged from the prior year. The ratings on the Company reflect the view that it is a "core" subsidiary of its parent and ultimate holding company Royal Bank of Canada (RBC) under S&P's group rating methodology.

Non-Financial and Sustainability Information Statement

The Company complies with the Non-Financial and Sustainability Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information contained within this section is intended to assist interested parties to gain a better understanding regarding the Company's stance in relation to non-financial matters.

Overview of the Company Policies

The Company provides a wide range of financial services including corporate and investment banking, sales and trading, research and related products and services to corporations, public sector and institutional clients. The Company also provides wealth management services to high net worth individuals, which combined with the other services provided by the Company provides value for its shareholder.

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STRATEGIC REPORT (CONTINUED)

Risk, conduct, and culture are managed across the Company and its businesses through frameworks and policies. The RBC Enterprise Culture and Conduct Risks Framework and its UK addendum, along with the RBC Code of Conduct, serve as foundation to promote a risk-aware culture of 'doing what's right' and guide employee conduct. Other risk frameworks and policies, such as the Enterprise Risk Management Framework and its addendum for the Company and the Company's Limited Risk Appetite Frameworks serve to guide and manage specific risks across the Company and its businesses. Risk frameworks are approved annually by the UK Risk Committee and policies are approved at the executive committee level. The Company's overall approach to managing risk is detailed in Note 4.

As a wholly owned subsidiary of Royal Bank of Canada ("RBC"), the Company adopts RBC's policies on Environmental, Social and Governance (ESG) matters. For more information on RBC's enterprise-wide ESG policies, programs and annual ESG performance, please see the RBC ESG Reporting website [rbc.com/esgreporting](https://www.rbc.com/esgreporting).

The RBC Modern Slavery Act Statement is made on the behalf of a number of subsidiaries of RBC including the Company pursuant to section 54(1) of the U.K. Modern Slavery Act 2015. It can be found on the RBC ESG Reporting website.

The Company adopts the UK Addendum to the RBC Enterprise Policy on Environmental (including Climate) and Social Risk as a means of effectively monitoring related risks and developing responses and behaviours. In addition, the Company also adopts the RBC Procedures on Environmental and Social Risk Management for Capital Markets and Corporate Client Group, which sets out the minimum environmental and social risk review requirements to be used when engaging in corporate lending, and debt and equity underwriting. This is supplemented by risk management practices described in the climate risk section below.

Environmental Matters

The Company is part of the RBC Group which has a long history of supporting environmental initiatives commencing with the launch of the first corporate environmental risk management policy in 1991. RBC is committed to transparent disclosure, and this is shown through our suite of Environmental, Social and Governance (ESG) related publications which can be found here: [rbc.com/esgreporting](https://www.rbc.com/esgreporting)

In addition refer to the RBC Enterprise 2023 Annual Report, page 107-109, which disclosed additional environmental and social risk practices for the RBC Group (https://www.rbc.com/investor-relations/_assets-custom/pdf/ar_2023_e.pdf)

Locally, the Company is governed by the UK Addendum to the RBC Enterprise Policy on Environmental (including Climate) and Social Risk. The Company considers the potential impact of climate risk, comprising both physical risk and transition risk, within its risk universe and its annual Internal Capital Adequacy Assessment Process (ICAAP). The risk is considered to be sufficiently monitored, managed, and mitigated through the Company's policies, scenario analysis, and risk appetite amongst other tools.

Climate change

The Board has taken appropriate steps to address the risks posed by climate change and continues to review the Company's integration of climate risk into its risk management framework in accordance with evolving regulatory requirements. The UK Risk Committee receives a quarterly climate risk dashboard which integrates outputs of climate scenario analysis, top-down sector-based risk assessments, and progress with financed emissions.

RBC Group, including the Company, is a member of the UN-convened Net-Zero Banking Alliance (NZBA) and committed to publishing annual climate-related disclosures that consider the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD). RBC Group has provided such disclosures since 2017 and they can be found on the RBC ESG Reporting site: [rbc.com/esgreporting](https://www.rbc.com/esgreporting)

In the past financial year, the Company remained a member of the Green Bond Principles and has continued to report annually on its green, social and sustainable bond underwriting activities. The RBC Green Bond Report can be found on the RBC ESG Reporting site.

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STRATEGIC REPORT (CONTINUED)

Environmental risk management

The Environmental and Social Risk Management (ESRM) process of RBC Group is designed to ensure we apply a suitable level of due diligence on a transaction. 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 financing for our clients. When appropriate, such risks are escalated to our dedicated ESRM team for additional risk review and assessment. The ESRM policies and procedures are proactively reviewed and updated to seek to address regulatory changes, emerging and evolving issues, and international best practices. Please see our Responsible Financing website (<https://www.rbc.com/community-social-impact/environment/environmental-social-risk-management.html>) for more information on:

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

The RBC Climate Blueprint, originally published in 2019 and most recently updated in February 2022, is the RBC Group's enterprise climate strategy to accelerate the pace of climate action and support our clients in an orderly and inclusive transition to a net-zero economy.

RBC's Climate Blueprint sets out four strategic priorities: help clients as they transition to net-zero (which includes RBC's commitment to provide C\$500 billion in sustainable finance by 2025); hold ourselves accountable (which includes RBC's intention to achieve net-zero emissions in our lending by 2050); inform and inspire a sustainable future (which includes producing research on climate issues and policies, and convening stakeholders, to stimulate and effect meaningful actions and incentives for progress across all sectors); and advancing net-zero leadership in our own operations (which includes RBC's goals of reducing our greenhouse gas emissions by 70% (the target is inclusive of our global operations, Scope 1, 2 and 3 (business travel) emissions, and uses a baseline of 2018) and of increasing our sourcing of electricity from renewable and non-emitting sources to 100% by 2025). For further information, including relevant calculation methodologies, please refer to RBC's Climate Report).

In 2023, the Company has continued to enhance its approach to measuring and reporting climate financial risks, in line with the requirements of the Prudential Regulation Authority's (PRA) Supervisory Statement 3/19 (SS3/19), "Enhancing banks and insurers' approaches to managing the financial risks from climate change". The Company continues to align its approach with the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and its objective to improve and increase the reporting of climate-related financial information. See the Appendix of the RBC Climate Report for a summary of the financial impacts of climate change, see the RBC ESG Reporting site.

Governance

The Company has a robust corporate framework in place to ensure the appropriate oversight and transparency of Climate Financial Risk. The Board provides oversight of our strategic approach to climate change, which includes how the Company manages climate-related risks and opportunities. The Chief Risk Officer, holding Senior Management Function (SMF) designations, is responsible for the oversight of climate risk and is supported by a dedicated Climate Risk Management team. The team develops approaches to identify, assess, monitor and report on climate-related risks, as appropriate. Climate-related reporting is reviewed in appropriate governance forums including the Board and Executive Committees. This includes a Climate Risk quarterly dashboard which reports on the climate risk appetite and the results of financial impacts of climate change from our scenario analysis.

Risk Management

Environmental and social risks, including climate risk, are each unique and transverse risks and impact all our principal risk types in different ways and to varying degrees, including but not limited to strategic, operational, credit, reputation, legal and regulatory environment, and regulatory compliance. The Company continues to advance its capabilities and approach to climate risk management, drawing on enterprise best practice while meeting local regulatory requirements. Key activities to date include:

- Conducting portfolio, client, and scenario analyses to assess the Company's exposure to, and the impact of, climate-related risks.
- Building out climate-related scenario analysis and stress testing capabilities. As part of the Company's annual stress testing and analysis, components of climate risk have been incorporated through transition and physical risk stresses and assessed its impact on key portfolios.

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STRATEGIC REPORT (CONTINUED)

- With the potential for climate risk to translate to increased credit risk, the Company has identified sectors within its wholesale portfolio that are most affected by physical and transition risk, which allows the Company to better focus ongoing monitoring of climate risk; and
- Analysing the Company's financed emissions for three key sectors (oil & gas, power generation and automotive) that are within scope of RBC Group's interim targets for lending, which will support an understanding of the Company's contribution to RBC Group's total financed emissions.

The Company has adopted a composite climate risk appetite measure with four underlying KRIs as approved by the Company's Board. This metric is monitored monthly and reported on a quarterly basis to senior management. The Company's risk appetite is refreshed annually and is expected to evolve as climate factors are further embedded into decision making throughout RBC, through the enterprise risk appetite and stress testing, and the setting of interim targets for our loan portfolio. A summary of the risk appetite performance, and additional scenario analysis is available within the RBC Climate Report.

Scenario Analysis

Short-term and long-term scenario analysis is performed by the Company for both the largest sectoral Transition and Physical risk exposures, predominantly for the Company's loan portfolio. All scenario analysis exercises are included within the Company's ICAAP.

Physical Risk Scenario Analysis

The Company conducted a physical risk assessment of the Company's own London premises, considering impact to operations.

Short-term and long-term flood risk scenario analysis was performed on the Company's most significant physical risk credit exposure, Real Estate, comprising of corporate and residential properties, to assess credit metrics such as the loan-to-value ratio and expected credit loss. The Company has also analysed the credit risk exposure of Real Estate to physical risks, such as subsidence, wildfire, extreme heat, and coastal sea rise.

In addition, the Company has analysed the loan book exposure to sectors most sensitive to extreme heat risk.

Greenwashing and Transition Scenario Analysis

Greenwashing refers to accusations of false or misleading claims about the environmental benefits of a product, service or technology. In 2022, the Company conducted an operational risk review of those of its business lines which self-identified as marketing a product or service as taking into consideration environmental factors, to evaluate hypothetical exposure to greenwashing in relation to such products or services. In 2023, the Company reviewed the inherent risk profile of the businesses.

The Company's ongoing Market Risk Stress VaR monitoring considers several scenarios, including an Energy Crisis scenario. The Energy Crisis scenario addresses transition risk to a low-carbon economy incorporating hypothetical climate change themes brought about by government climate legislation, shareholder resolutions, and reduced interest in potential investors and moderate loss of confidence from existing investors.

In 2023, transition risks scenario analysis was performed for the Company's climate sensitive sectors within the Company's loan book, namely Automotive, Energy, Utilities, Industrial Products, Mining & Metals, and Transportation. This employed long-term scenario analysis (30 years) and aligns with the 2021 Bank of Canada (BoC)/OSFI pilot project model and transition scenarios. Credit metrics such as scenario adjusted borrower risk ratings and expected credit losses were analysed.

In addition, the Company has analysed the energy efficiency rating for the UK properties in its real estate credit exposure.

Disclosure

The Company is committed to providing annual disclosure updates on its progress toward understanding and assessing the financial impacts of climate change on its operations and balance sheet. The Company has done so through RBC's Climate Report (see Appendix of the RBC Climate Report) and its Pillar 3 disclosures, and in addition its ICAAP which is submitted to the PRA.

RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

The Company continues to monitor legal and regulatory requirements associated with environmental matters which may apply to it.

Please see additional disclosures relating to climate and environmental risks within the Directors' Report.

Metrics

RBC tracks and reports on its priority ESG performance metrics and targets in the Environmental, Social and Governance (ESG) Performance Report, the most recent version of which can be found on this page: [rbc.com/esgreporting](https://www.rbc.com/esgreporting). Additional information can be found in the annual report <https://www.rbc.com/investor-relations/annual-meetings.html> and website <https://www.rbc.com/about-rbc.html>. The Company's Streamlined Energy and Carbon Reporting (SECR) is disclosed on pages 19 to 21.

Employees

Details of the average number of employees and related costs can be found in Note 17 to the financial statements.

Employee Engagement

Through its executive directors, the Board has clear and open channels of communication with employees facilitated through a number of mechanisms including town halls, employee engagement surveys and targeted employee listening sessions. Executive directors attend and participate at town halls in delivering financial results and briefing employees on the progress of strategic targets. The Board also receives regular management information through the UK Human Resources Committee and UK Risk Committee on culture and conduct metrics which is a large focus for the Board and has been accompanied by a significant roll out of conduct related training to staff to clarify their obligations in this regard. During the fiscal year, the Board has received quarterly reporting from the Human Resources function, including updates on talent initiatives such as talent reviews, employee engagement surveys, and succession planning. The Board also receives a quarterly report on diversity & inclusion initiatives, metrics and how we are delivering against our public commitments of the women in finance charter, race at work charter and the disability confident charter.

The Company operates a Share Incentive Plan as part of the ultimate parent company Royal Bank of Canada's Group Plan (RBC Group Plan) which is eligible to all employees who have completed 12 months' service. Under this plan, participating employees are awarded one additional share for every share purchased under the plan. All employees are eligible from time to time to be considered for a discretionary annual bonus. Bonuses will be influenced by business results as well as individual contribution and performance.

Health & Safety

The Company adheres to Group health and safety policies as approved by the Board and underpins the Group's focus in ensuring the safety of all personnel using its premises and equipment. The policies set out the measures in place to prevent an incident of injury or harm to be caused to an employee, supplier, customer, contractor or member of the public whilst attending at an RBC premise. As part of the review process, the Board assesses the governance framework in place to implement and oversee the policy on a day to day basis. The wellbeing of employees is a key focal point for the Board and the directors maintain oversight of the support incentives available to employees in this area through the data presented at the quarterly Human Resources Committee reporting as outlined in the paragraphs above.

Disabled Employees

The Company is an equal opportunities employer. It is the Company's policy not to discriminate against employees or job applicants on the grounds of disability. The Company's Equal Opportunities Policy applies to the advertisement of jobs, recruitment and appointments, training, conditions of work, pay and to every other aspect of employment. When a disabled person is recruited and where employees become disabled during the course of their employment, the Company will make reasonable adjustments as are practicable which may assist them in the performance of their duties. To demonstrate RBC commitment to supporting persons with disability, in 2022 the employee resource group ICare was extended to cover both carers and persons with disability; and RBC signed the Disability Confident Charter and are now Level 1 (Committed).

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STRATEGIC REPORT (CONTINUED)

Employee Code of Conduct

RBC and the Company holds itself to the highest standards of integrity. RBC Values and the Code of Conduct (the “Code”) <https://www.rbc.com/our-company/assets-custom/pdf/Code-Of-Conduct.pdf> sets expectations for ethical behaviour and decision-making. The Code applies to all employees, contract workers and members of the board of directors of the Company. The Company accepts accountability for the social and economic effects of business decisions on the communities in which it operates. The Company has a responsibility to behave with integrity so that it can continue to serve clients and generate value for its stakeholders. Employees of the Company are required to undertake mandatory training, and, as a condition of employment, must commit to and acknowledge the Code of Conduct annually. Through the Conduct Risk Report to the UK Risk Committee, the Board remains apprised of compliance with completion of mandatory training courses.

The RBC Leadership Model, which applies to the Company and sets out key behaviours expected of the Company’s workforce, encourages speaking up for the good of RBC, and the Code of Conduct requires all employees to report misconduct. Employees are encouraged to speak to their manager, Human Resources manager or Compliance when they identify issues. A number of other channels are available if they are not comfortable with these ones, including a global Conduct Hotline. This is a confidential channel for all employees to report misconduct. A third party independent of the Company administers the Conduct Hotline, and employees can use it to report anonymously. Alternatively, employees can report misconduct concerns via a UK mailbox or phone line, or direct to the relevant regulators. The Company is committed to ensuring employees have a fair and transparent experience in having their concerns heard and addressed in accordance with RBC’s Values, and to protecting employees from retaliation when they raise concerns. Potential retaliation events are actively monitored including by following up with employees after an investigation is closed, and annually reviewing key indicators such as performance ratings, compensation and employment status, and any retaliation is treated as a breach of the Company’s Code of Conduct. Oversight of this area is conducted through the UK Human Resources Committee which receives regular management information concerning whistleblowing and retaliation monitoring. The Board and UK Human Resources Committee have been closely involved in the development of the local Whistleblowing Framework including the review of the Whistleblowing Policy and review of the Whistleblowing Guidelines and Whistleblowing Committee terms of reference. A senior leadership forum meets on a quarterly basis to review whether any trends are identifiable with respect to concerns raised by employees, combined with other data sources such as attrition data and feedback from Employee Engagement surveys.

The UK Human Resources Committee is also kept apprised of any trends identified. In addition, in order to ensure the Board continues to remain apprised of developments in this area and are fully aware of its obligations on this matter, annual training sessions are held for the Board on whistleblowing and related matters.

Diversity and Inclusion

In July 2023, the British Isles Diversity Leadership Committee was renamed the European Diversity Leadership Committee (DLC) with the committee being comprised of senior leaders from across businesses and functions including RBC BlueBay UK and RBC Brewin Dolphin agreeing to meet regularly to discuss strategy and action plans and helping ensure RBC across Europe is making measurable progress in achieving diversity goals. The mandate of DLC members is to drive accountability and action, and inspire as influential change agents and role models. The committee refreshes the key actions for Europe on an annual basis aligned to the revised enterprise D&I strategy which was launched in March 2022. The committee is chaired by the Head of RBC Europe.

The UK Human Resources Committee receives a quarterly Diversity Report which details the actions put together to encourage diversity and inclusion within the Company and the work of the European Diversity Leadership Committee.

The Human Resource Committee spends a significant amount of time discussing initiatives to drive and improve diversity across the organisation. In addition, each year in December, the Board receives an annual report of the progress made towards the Enterprise and European Diversity & Inclusion D&I key action plan.

The RBC Environmental, Social and Governance (ESG) Performance Report (the “Report”) ([rbc.com/esgreporting](https://www.rbc.com/esgreporting)) includes information about Royal Bank of Canada (“RBC”, “we”, “our” or “us”) and its operations globally, except where the context indicates that “RBC”, “we”, “our” or “us” refers to a particular subsidiary. This Report sets out a comprehensive view of our diversity and inclusion (“D&I”) priorities, programs and performance, reflecting the importance of improving diversity and inclusion in areas such as age, gender, ethnicity, national origin, sexual orientation, persons with disabilities, Indigenous people, gender expression/identity, education and religion. The Report provides global information as well as regional insights, as we recognize that individual regions may have different priorities in driving equitable opportunities for groups that are historically underrepresented.

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STRATEGIC REPORT (CONTINUED)

RBC and the Company's D&I vision is to be among the most inclusive and successful companies. By putting diversity into action, we attract, engage and develop strong talent, and bring RBC's Purpose of helping clients thrive and communities prosper to life. RBC's Action Plan Against Systemic Racism (<https://www.rbc.com/diversity-inclusion/action-plan-against-systemic-racism.html>) provides specific objectives and goals in three key areas to enable the success of Black, Indigenous and other racialized groups in the Company's workforce and in the Company's communities. The three key action areas include: Enabling Economic Growth and Wealth Creation; Investing in the Future; and Redefining Inclusive Leadership.

The composition of the Company's workforce is an important measure of how well its diversity efforts are working and is tracked by the UK Human Resources Committee. In 2023, RBC published a Statement of Performance showing the Company's performance against measures of the Company's diversity and inclusion priorities and programmes globally and for specific regions. Please see link: https://www.rbc.com/diversity-inclusion/_assets-custom/includes/pdf/rbc-diversity-&-inclusion-statement-of-performance-2022.pdf

RBC strives to be among the most inclusive and successful companies in the world, putting diversity into action to help employees, clients and communities thrive. The Company believes in creating equal opportunities for employees, regardless of race, age, gender, disability, religion, sexual orientation or ethnic origin; and operating in a way that does not reinforce stereotypes or establish barriers. The Company also promotes diversity and inclusion, and proactively uses RBC's diverse workforce to generate innovative business strategies. This is demonstrated through the company-wide diversity-focused policies and practices including the Code of Conduct, Respectful Workplace Policy, Equal Employment Opportunity Policy, Accommodation Policy, Compassionate Leave Policy, Workplace Accessibility Guidelines, the Company's commitment to the HM Treasury's Women in Finance Charter and ensuring compliance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 via the disclosure of The UK Gender Pay Gap Report in 2019, 2020, 2021 and 2022. In addition, RBC signed the Race at Work Charter in 2020 as a demonstration of the Company's commitment to ethnic minority talent as well as the Disability Confident Charter (Level 1 – Committed).

Talent Management

The Company is committed to attracting, retaining and engaging the very best employees who can help clients thrive. In today's competitive talent marketplace, the Company is continuously enhancing its talent practices and remains focused on providing employees with meaningful work and development opportunities that inspire them to build long-term careers at the organisation. RBC, as a wider group, continues to focus on attracting and retaining the right talent.

Leaders who have diverse skill sets and backgrounds fuel diverse perspectives. To strengthen RBC's pipeline of future leaders, the Company aligns talent management strategies and succession planning with the Company's business strategies and the Company's Leadership Model. An important part of the Company's succession plan is to assess, identify and develop executives and priority talent to build their leadership capabilities and ensure the Company has a diverse group of leaders who drive the Company's performance. The Company is strengthening the Company's pipeline of top talent and driving inclusion at all position levels. RBC's programmes include:

- **Women in Leadership:** A global, 10- to 12-month leadership program offered to nominated, priority, senior-level, non-executive women.
- **Ignite Leadership Development Program:** A 10- to 12-month leadership program for nominated priority BIPOC talent aimed at accelerating their path to senior management
- **Intro Leadership Development Program:** A five- to six-month leadership program for nominated priority BIPOC talent who are new people managers, aimed at accelerating their development
- **Steps Leadership Development Program:** A new five- to six-month leadership program for nominated, priority talent women who are new leaders to deepen their leadership capabilities, accelerate development and prepare for a path to senior leadership
- **Social Impact Learning Programme (SILP):** provides high potential leaders the opportunity to strengthen their leadership skills and global mindset during a 10-week assignment with a community partner organization.
- **Tech Women's Advisory Programme:** A multi-month early insight and development programme for student women keen on careers in finance and technology, culminating in an early interview process for junior summer internships. Programme features include a continuum of virtual and in-person programming and advisor matches with RBC employees in technology roles.

RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

The UK Human Resources Committee annually reviews the succession plans for Senior Management Functions and the executive directors of the Company to ensure appropriate plans are in place to support transition of talent to the top of the Company (last review conducted in September 2023).

Social Matters

Community Involvement

The Board is committed to supporting the wider community through its ongoing support for its core charity partners: Great Ormond Street Hospital Children's Charity (GOSH Charity), The Old Vic, The Royal Parks, SportsAid and The Prince's Trust. The Company, as part of the wider RBC Group, participates in the annual 'RBC Race for the Kids' event in support of GOSH Charity with the recent event in October 2023 celebrating its fourteenth consecutive year of the race with over 900 employees participating. The company has a more than money approach, supplementing corporate investment with employee engagement and through each partnership leverages a range of opportunities for employees to enhance our overall support. Several special milestones have been reached this year, including 10 years in partnership with SportsAid and over £1 million raised and donated, and five years of supporting both The Prince's Trust Enterprise Programme as well as The Old Vic, Take the Lead, enhancing employability skills for young people. The Board remains well apprised of and provides support to the various initiatives across the Company.

- Donations to registered charities as gifts
- Support to non-profits and organizations providing significant community benefit
- Community sponsorships that align with our brand and business goals and deliver social, environmental or economic benefits
- Volunteer efforts of employees, with financial support from RBC to their chosen charities
- Other community investment activities including gifts in-kind and employee activities in support of community development during working hours
- Financial products and services that generate social and environmental benefits as well as financial returns

Employee community involvement

The Company, as part of the RBC Group has access to a number of programs to support the fundraising and volunteer efforts of employees, including financial support from RBC in the form of myCommunity rewards to employee's charities of choice, employee donations and other employee activities in support of community development.

RBC is committed to measuring the impact of social programs. The framework used to do so captures the quantifiable benefits of RBC social initiatives and investments across multiple areas. For more information, see RBC's website <https://www.rbc.com/community-social-impact/index.html>.

Human Rights

The Company is committed to taking actions in order to meet the responsibility of businesses like ours to respect human rights as set out in the United Nations Guiding Principles on Business and Human Rights. The Company endeavours to respect the Universal Declaration on Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights in addition to the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. If applicable laws in countries in which it operates conflict with the Company's commitment to respect human rights, the Company will seek ways to promote respect for human rights in accordance with the UN Guiding Principles and our Values.

The Company will give particular attention to the rights of vulnerable groups who bear a disproportionate risk of adverse human rights impacts. These include, at a minimum, women; national, ethnic, racial linguistic, and religious minorities; children; persons with disabilities; LGBTQ+ people and migrant workers and their families. For more information, see RBC's Human Rights Position Statement [rbc.com/esgreporting](https://www.rbc.com/esgreporting)

RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Modern Slavery Act

The Company strives to maintain the highest professional and ethical standards and expects the same from employees, contract workers, clients and suppliers. The Group has published an annual Modern Slavery Act Statement (the “Statement”) since 2016, which describes the policies and processes that are in place to prevent slavery and human trafficking from taking place in our operations and supply chain. Further details regarding the Modern Slavery Act is available on RBC’s website rbc.com/esgreporting.

The Board approves the Statement annually in accordance with the UK Modern Slavery Act 2015, reinforcing RBC’s efforts in mitigating slavery in today’s society. The Statement references a number of key enterprise principles endorsed by the Company in complying with RBC’s group standards in terms of conduct, supplier engagement, risk management and speaking up. The Board reviews the Statement and the governance and process for its production on an annual basis. In addition, the Board is provided with an overview of the frameworks and policies, due diligence processes in place and training provided to staff to mitigate the risk of slavery within the 5 pages Company’s value chain.

Suppliers

The Company adopts a principles-based Supplier Code of Conduct <https://www.rbc.com/sourcing/index.html> and suppliers’ acknowledgment of this Code is monitored. It sets out the expectation around human rights, labour and employment standards for our suppliers and subcontractors.

RBC’s Supplier Code of Conduct articulates RBC’s expectations with respect to a supplier’s business integrity, responsible business practices and responsible treatment of individuals and the environment. We also have a comprehensive risk assessment and due diligence program in place for suppliers, which includes ensuring suppliers have policies that address discrimination, the minimum age of employment, minimum wages, overtime hours and legally mandated benefits at all of their facilities.

Anti-corruption and bribery matters

The Company is committed to the highest standards of governance, consistent with regulatory expectations, evolving best practices, the Company’s strategy and risk appetite as approved by the Board. The Company’s Code of Conduct, the Risk Conduct and Culture Framework, the Enterprise Risk Management Framework and Enterprise Risk Appetite Framework guide all other business risk frameworks and associated employee conduct to enforce zero tolerance on corruption and bribery.

The “Integrity in How We Do Business” section of the Code of Conduct governs every aspect of the Company’s business and supports (among other concepts) its anti-bribery and anti-corruption measures.

The Company is subject to the RBC Enterprise Anti-Bribery Anti-Corruption (ABAC) Policy which is designed to support compliance with the requirements of ABAC legislation in all the jurisdictions in which the Company conducts business, including but not limited to the UK Bribery Act, Canada’s Corruption of Foreign Public Officials Act and the US Foreign Corrupt Practices Act, and all applicable accounting provisions which require the Company to accurately record and describe all transactions in its books and records. To support these efforts and the Company’s commitment to operate with integrity, RBC continues to enhance its enterprise-wide, ABAC Policy. The Policy expands on the broad principles set in the Company’s Code of Conduct and sets consistent enterprise-wide standards, which address, among other things, corruption and bribery of both government officials and private persons, requirements for internal controls to identify and manage areas exposed to bribery and corruption risk, and measures to address the specific anti-bribery anti-corruption requirements of the jurisdictions in which RBC and the Company conducts business.

At the highest level, there is mandatory compliance training, and all of the Company’s employees must complete the Introduction to Risk Management at RBC course biennially. Employees must also complete the Combating Money Laundering and Terrorist Financing course annually, which includes a testing element, and completion is monitored. In addition to this training, a comprehensive online training course is provided to employees covering internal ABAC roles and responsibilities, key global legislation, gifts and entertainment, facilitation payments, books and records requirements, third-party risks, jurisdictional risk, dealing with public officials, mergers and acquisitions risk, requirements for appropriate due diligence in dealing with external parties and certain transactions, and monitoring, reporting and escalation of actual, potential or perceived suspicious activity. In addition to this, an annual assessment of each Business Unit’s bribery and corruption risks is undertaken to assess the adequacy and efficacy of the controls to manage the inherent risks identified. The results of the Risk and Control assessment are presented to the relevant UK Governance committees.

RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

Section 172 of the Companies Act 2006

The Board of Directors act in accordance with Section 172 (S.172) of the Companies Act 2006 through the performance of their fiduciary duties in the furtherance of the Company's objectives. In doing so, the Board has regard for the interest of all its stakeholders (including employees, regulators, the Company's shareholders, clients and suppliers) in the broader context and in consideration of the long-term outcomes of the Board decisions, see pages 3 to 13 for details.

The directors consider the consequences of any actions taken in the pursuit of its strategic objectives on the wider community and the environment. See pages 6 to 13 for information on how the Board has had regard for community initiatives, its support for local charities, the impact of the business on the environment, climate change and its oversight of the risk of modern slavery within its supply chains and the measures in place to prevent corruption. This was supported by a standing quarterly ESG Update to the Company Board and a Board education / deep dive session held in January 2023 where the Head of ESG in Europe presented on the developments and enhancements being implemented through RBC's ESG framework in the region. In addition, a key direct stakeholder of the Board are the employees. See pages 9 to 13 for an overview of the various mechanisms utilised by the Board in ensuring consistent open and transparent engagement with employees, their welfare and the way in which it takes them into account in making strategic decisions. The Board has also maintained continued oversight of the whistleblowing framework through the UK Human Resources Committee and held a conduct and culture deep dive meeting in December 2022.

As part of its review of the business' strategy at the Board Meeting in July 2023, the Board considered the sustainability of the five-year business plan and long term success of the organisation. The Board reviewed the strategic plan for the Company from a financial, shareholder, employee and client perspective by reference to business goals, impact on people and clients and the long term returns to be generated for the shareholder. When reviewing and approving the Financial Plan in September 2023, it had regard to the long term success of the Company, the importance of the diversification across the business and the ongoing value to the shareholder. In addition, there has been continued focus on embedding a number of enhancements made to the governance structure of the Company in 2021 and 2022 including establishing functional executive committees and formalising the rights and responsibilities of the Board with respect to business strategy.

The Board has maintained strong engagement with the RBC Group Board and Group Executive which has been facilitated by attendance at the Company Board meetings by the Group Chief Risk Officer, Global Head of Capital Markets and Global Head of Wealth Management. In addition, the Board continues to endorse the model of composition of the Board with three Canadian directors on the Board as a strong link to the wider organisation. Further to this, the Chairs of the Board Committees have each met with their independent non-executive counterparts on the Group Board including the RBC Board Chair. This model and approach allows the Board to reinforce relationships with key members of Group and to ensure alignment of priorities with the Company's shareholder, in line with its duty under S.172 to be able to understand how its actions are most likely to promote the success of the Company for the benefit of its members as a whole.

In addition, the Board has considered its obligations under S.172 of the Companies Act 2006 in navigating and approving the implementation plan for the new Consumer Duty as per the FCA's new regulations implemented in July 2023. This was conducted through Board education sessions on the new regulatory regime and quarterly reporting to the Board on the firm's plans for execution. The Consumer Duty Champion who is responsible for ensuring the Board practices the appropriate oversight and receives effective management information on this topic on a regular basis. The Board has been cognisant of the regulatory focus on this area and has overseen management to ensure that engagement with the regulator on this topic has been proactive and provided clarity as to the business' plans through this initiative.

During 2023, the Board and its Risk Committee, were fully focused on operational resilience/ third party risk and the subsequent potential impact caused by disruption to its stakeholders including clients, the wider market and suppliers. The Board receives a standing quarterly report on this topic to ensure the Company is meeting expectations and the business can continue to service its clients during disruptive events. The Board has ensured that management remain fully engaged with the PRA on this topic given its current level of regulatory focus. These specific meetings are in addition to the quarterly reporting which has been implemented to the UK Risk Committee on an ongoing basis. In addition, the reporting to the Board and UK Risk Committee from a technology perspective has been enhanced through the year to ensure there is appropriate information on cyber and IT risk demonstrating the Board's consideration for potential impacts on the business, suppliers and relevant third parties and clients.

With regards to suppliers specifically, page 13 above sets out the framework in place through which the Company engages with its suppliers. In addition, the Board annually approves the Modern Slavery Act Statement which includes information as to the treatment and due diligence in place when it engages with this group of stakeholders. The Board and UK Audit Committee also receives quarterly reporting on regulatory submissions including the completion of the bi-annual Payment Practices Return.

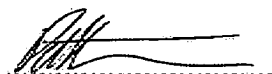
RBC EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

A further example of the Board's consideration of Section 172, particularly noting the long term success of the Company and value to the shareholder and other stakeholders, is in its oversight of the impact of various matters such as the current macroeconomic climate, strategic future of the RBC business in the UK and risks to the business operation as a result of disruption caused by third party suppliers. This has included specific updates to the Board on these items which have covered the impact to clients, the market, the economic outlook and capital and liquidity of the Company and wider UK / European business within RBC. The Board continues to ensure it has oversight of these matters through specific updates outside of the main Board meeting cycle and the UK Audit Committee's has continued focus with respect to assessing appropriate potential financial provisions for losses sustained as a result of the ongoing economic situation.

The Board is committed to exercising the fiduciary duties owed in accordance with Section 172 of the Companies Act in considering stakeholders interests as a whole in the longer term through the pursuit of the Company's objectives.

The Strategic Report was approved by the Company's Board of Directors on 14 December 2023 and was signed on its behalf by:



Peter Dixon
Director
18 December 2023

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 October 2023.

Future prospects and developments

The Company expects to continue to provide a range of financial services for the foreseeable future.

Going concern

The Company holds capital resources in excess of regulatory requirements. Liquidity positions within the Company are actively managed to ensure sufficient liquidity is maintained at all times to support the business while at the same time remaining well within regulatory and internal limits. The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from the date of the approval of the financial statements. Taking these factors into consideration, the Directors believe that the Company is well placed to manage the Company's business risks successfully despite the continuing uncertain economic outlook. The going concern basis of preparation of the financial statements is discussed in Note 1(b) to the financial statements.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, except where noted, were:

N. Ahn – Group Non-Executive Director (resigned 13 September 2023)
D. Buckley – Chair and Independent Non-Executive Director
P. Dixon – Chief Financial Officer
A. Hammond - Group Non-Executive Director
V. T. Maxwell - Group Non-Executive Director
N. Mumford – Independent Non-Executive Director (resigned 8 November 2023)
C. Taylor – Independent Non-Executive Director (appointed 8 November 2023)
D. Thomas – Chief Executive Officer
T. C. Wade – Independent Non-Executive Director
P. A. Williams – Independent Non-Executive Director

Secretary

A.P. Richardson

Statement of Corporate Governance Arrangements

The Company has applied the Wates Corporate Governance Principles for Large Private Companies for the financial year ended 31 October 2023. In doing so, the Company has applied each of the six principles (Purpose and Leadership, Board Composition, Director Responsibilities, Opportunity and Risk, Remuneration and Stakeholder Relationships and Engagement) against the corporate governance arrangements of the Company in reflecting adherence to each principle.

1. Purpose and Leadership

The Board has an integral role in the oversight of the implementation of the strategy of the Company. This is achieved through leveraging the strategy rolled out at the parent level (RBC Europe Limited is a direct subsidiary of Royal Bank of Canada). RBC Europe Limited is classified as a key strategic subsidiary under RBC's Policy on the Legal Governance of Subsidiaries and adopts and carries on its business with RBC's values and purpose. The Board of RBC Europe Limited oversees the implementation in the Company of the Group's strategy to ensure it aligns with local requirements and benefits its shareholders and stakeholders. In order to achieve this, the Board holds an Annual Strategy Meeting at which it is able to review and challenge the local business lines strategic plans and to challenge and approve the five-year strategic plan for the business. In addition to this, the Board receives regular reporting from the CEO and the businesses on the implementation of its defined strategy and selected businesses present to the Board on a quarterly basis to provide an in-depth analysis of their goals, performance and challenges.

The Board of RBC Europe Limited has oversight and monitors metrics with regards to the culture within the Company to ensure that it aligns with the overall strategy and purpose of the organisation. It ensures effective oversight of culture through the receipt of relevant quarterly reporting to the Board and its committees, in addition to specific Board education sessions.

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

The Board is committed to developing and cascading the culture throughout the organisation and this is evidenced through the significant enhancements to the board and committee reporting in respect of conduct and culture and subsequent messaging to employees over the past two years.

The Board of the Company comprises of one Group Executive ('GE') director (Nadine Ahn (who has resigned in September 2013 and will be replaced by a member of the GE in due course)) and the Chief Operating Officer of Capital Markets, RBC and Global Head of Market and Counterparty Credit Risk of RBC (Troy Maxwell and Andrew Hammond respectively). Each of these individuals hold senior executive level roles at Royal Bank of Canada, based in Toronto and are responsible for ensuring the connectivity and flow of information between the strategy setting conducted at the parent level and the wider group.

2. Board Composition

The UK Human Resources Committee and UK Nomination Committee have assumed the responsibility for ensuring an effective board composition comprising the desired mix of skills, backgrounds, knowledge and diversity. The Board comprises of nine directors including an independent non-executive chair who ensures outside perspective and constructive challenge and debate. The board consists of four independent non-executive directors ("INED"), three shareholder representative directors and two local management directors (the Chief Executive Officer and Chief Financial Officer of the Company), ensuring a good balance of management and non-management representation. The UK Human Resources Committee is tasked with the responsibility of the Board's succession-planning and talent management with regards to key executive positions. The UK Nomination Committee is responsible for INED succession-planning and appointments to the Board and its committees and continually assesses the composition of the Board from a diversity perspective. Regular board self-assessments are conducted to enable a board evaluation and provide for the identification of potential weaknesses and opportunities for improvement. A board self-assessment was conducted during 2022 and identified items of enhancement within the Board's operation. A further board effectiveness review is planned to be conducted towards the beginning of calendar 2024.

3. Director Responsibilities

The Board has established clear delegations of authority to its respective board committees (Risk, Audit, Nomination and Human Resources Committees) and the respective delegations of each committee are clearly defined in the Terms of Reference of each. In addition, an Executive Committee operates monthly chaired by the Company's CEO in order to enable the executive team to implement the strategic direction of the Company as directed by the Board and the Shareholder. The Company is subject to the provisions of the RBC Policy on the Legal Governance of Subsidiaries. The Policy sets out the internal governance requirements for all RBC subsidiaries globally and ensures alignment across all subsidiaries with regards matters including subsidiary transactions, corporate restructurings and board appointments.

The Board has delegated key responsibilities to the committees and has appointed an independent chair to each Board Committee. Each director is prescribed a mandate upon appointment to the Board in setting out the scope of the role, relevant skills and attributes as required in addition to the overarching Directors' duties responsibilities. In addition, the Directors operate in accordance with the Senior Management Functions ('SMF') responsibility maps implemented in conjunction with the Senior Managers Regime ('SMR') detailing prescribed responsibilities relative to each SMF function as appropriate. The Board and committee governance arrangements requires quarterly board reporting from each of the committees with ad-hoc Board and committee meetings convened from time to time to report on priority items. There is also regular liaison between the independent non-executive directors and executive management outside of the board cycle to ensure consistent connectivity.

4. Opportunity and Risk

The Company maintains a risk appetite statement which details the types and amount of risk that the business accepts in the pursuit of its business objectives. The risk appetite statement is reviewed by the UK Risk Committee and subsequently approved annually by the Board. This review is conducted concurrently with the Board Annual Strategy meeting in order to enable the Directors to challenge the risk appetite statement and ensure it has fully incorporated (i) the salient risks facing the business and organisation and (ii) opportunities for the business to pursue initiatives and add value.

The Board receives a Risk Report from the UK Risk Committee quarterly which sets out the current risk profile of the Company and any areas of importance or change. The Board operates via a robust risk framework encompassing a defined risk appetite and a series of enterprise risk frameworks with local addendums incorporated as relevant. The risk control function monitors, identifies and categorises the risks facing the organisation and develops risk mitigation tools to manage the risk. In addition,

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

through the UK Risk and UK Audit Committees, the Board receive regular reporting and assurance on control processes such as Internal Audit reviews, Compliance Monitoring testing and the risk control self-assessments.

The UK Risk Committee has regard to emerging risks facing the Company, including but not limited to credit, market, operational, liquidity, funding, pension, regulatory compliance, cyber, tax and reputational risks. The UK Risk Committee has established a standing 1st Line Risk Report from the individual businesses on a rotational basis to allow the Board to assess the ownership and clarity of responsibilities with regards to risk management within the business.

5. Remuneration

The UK Human Resources Committee is responsible for the approval of the total remuneration, including variable compensation of UK employees who are either designated senior management functions under the SMR and/or executive directors of the Company. The Chair of the Committee and the Committee members are independent.

The Committee acts in adherence to a robust compensation framework encompassing many formalities to ensure remuneration alignment with employee behaviours and conduct including the UK Remuneration Conduct and Performance Adjustment Protocol. This protocol sets out guidance for the adjustment of variable compensation following disciplinary action and enables a consistent risk and performance adjustment process.

The UK Human Resources Committee approves and adopts the RBC Group Remuneration and Compensation Policies and annually adopts a Remuneration Policy for the Company. The remuneration of the Non-Executive directors is currently approved by the Shareholder upon appointment. In support of the Committee, the CEO of RBC Europe Limited, Control Function Heads, the Head of Human Resources RBC UK and Channel Islands and Global Chief Human Resources Officer attend Committee meetings as standing invitees.

The Committee is supported in fulfilling its Terms of Reference by a number of robust governance processes which includes:

- reporting from the Company's Chief Financial Officer on the alignment between financial performance and bonus pool accruals;
- quarterly updates from the Head of Human Resources on a range of topics including whistleblowing incidents, diversity, turnover, recruitment;
- quarterly reporting from Human Resources on regulatory changes impacting the Company, gender and equal pay metrics and bonus pool spend analysis;
- an annual report from the Internal Audit function on the Company's adherence to regulatory requirements and internal policies and procedures; and
- annual adoption of RBC enterprise remuneration policies and review and approval of specific regional policies and key regulatory submissions (e.g., the Company's Code MRT list, Pillar 3 disclosure).

On an ongoing basis, the Company's Risk function monitors a number of non-financial risk factors that may not have been reflected in current financial performance but could have the potential to be sufficiently significant to justify adjustments to the current year's variable compensation pool. Subsequently, the Chief Risk Officer provides bi-annual reports to the UK Human Resources Committee highlighting any risk based adjustments that are proposed for the variable compensation pools for the business. The Head of the Compliance Function also provides an annual report to the Committee setting out any proposed individual compensation adjustments as a result of compliance and/or conduct breaches.

6. Stakeholder Relationships and Engagement

The framework through which the Board engages with its stakeholders (employees, suppliers, clients and the wider community) is set out in more detail within the Strategic Report on pages 3 to 15.

With regards to the shareholders, the Company is classified as a Governance Level 1 subsidiary (by virtue of the Internal Policy on the Legal Governance of Subsidiaries) and therefore must include an RBC Group Executive ("GE") member or a delegate of a GE member as a Director. The responsible GE member is a designated GE oversight person and acts in ensuring connectivity with the shareholder. In the case of the Company, Nadine Ahn is the GE member appointed to the Company's Board, and following her resignation from the Board in September 2023, will be replaced by a member of the Group GE in due course. This is in addition to Troy Maxwell and Andrew Hammond as senior RBC executives sitting on the Company's Board to provide appropriate further formal representation from the shareholder. In addition, the Board has invited a number of senior Group

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

executives to attend its meetings including Derek Neldner, RBC Global Head of Capital Markets and Group Chief Risk Officer, Graeme Hepworth to ensure appropriate connectivity between the Board and the shareholder on an ongoing basis.

Climate Change

Climate risk is the risk related to the global transition to a net-zero economy (transition risk) and the physical impacts of climate change (physical risk), which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event driven) risks (e.g., wildfires and floods). Both the Company and our clients may be exposed to climate-related transition risk, including through emerging regulatory and legal requirements, changing business and consumer sentiment towards products and services, technological developments, and changes in stakeholder expectations. As part of the RBC Group, the Company is subject to a suite of Environmental and Social Risk Management (ESRM) policies (including climate) designed to identify, assess, and mitigate the environmental and social risks associated with financing for our clients.

In 2023, the Company has continued to enhance its approach to measuring and reporting climate financial risks, in line with the requirements of the Prudential Regulation Authority's (PRA) Supervisory Statement 3/19 (SS3/19), "Enhancing banks and insurers' approaches to managing the financial risks from climate change". The Company continues to align its approach with the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and its objective to improve and increase the reporting of climate-related financial information. See Appendix of the RBC Climate Report for a summary of the financial impacts of climate change, see here: [rbc.com/esgreporting](https://www.rbc.com/esgreporting).

The PRA's 2023 Priorities Letter stated that financial risks arising from climate change remains a key priority. In addition, the 2023 Dear CEO letter from the FCA noted the important role of wholesale banks in the transition to a more sustainable future, highlighting the need to demonstrate that their financing activities are aligned with their own transition plans, having regard to the Transition Plan Taskforce's (TPT) framework for disclosure.

The Company continues to monitor legal and regulatory requirements which may apply to it associated with climate change.

Energy Usage

The table below reports the Company's annual greenhouse gas (GHG) emissions from sources as required by the Companies and Limited Liability Partnerships Regulations 2018, which implements the UK government's policy on Streamlined Energy and Carbon Reporting (SECR). The Company's GHG emissions and energy usage data is below. The Company's GHG emissions data is split into the following categories based on the source of their emission:

- Scope 1 (Direct): Emissions from sources that the company owns or controls, e.g. generation of electricity, heat or steam from combustion of fuels.
- Scope 2 (Energy Indirect): Indirect emissions from the consumption of purchased energy (electricity, heat, steam and cooling) consumed by the Company's operations.

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Global greenhouse gas emissions data for the annual reporting period

| | 2023 | 2022 |
|--|--------------|--------------|
| Energy consumption used to calculate emissions (MWh): | | |
| Gas | 904 | 950 |
| Electricity | 1,407 | 1,452 |
| Total energy consumption (MWh) | 2,311 | 2,402 |
| Scope 1 | | |
| Emissions from combustion of gas tCO ₂ e (Scope 1) | 178 | 185 |
| Scope 2 | | |
| Emissions from purchased electricity tCO ₂ e (Scope 2) | 291 | 295 |
| Total gross tCO₂e based on above | 469 | 480 |
| GHG emissions intensity from energy use (tonnes of CO₂e/m²) | 0.069 | 0.065 |

Additional details on the Group's operational footprint and emissions can be found in the 2022 Climate Report at <https://www.rbc.com/community-social-impact/reporting-performance/index.html>

Methodology

This data covers most of the Company's emission sources for which the Company is responsible. Some are omitted based on materiality and/or a lack of data. Scope 2 emissions calculations for purchased electricity follow the location-based methodology of the GHG Protocol. RBC's service provider JLL gathered energy use data (natural gas and electricity). The most up to date emissions factors from the UK Department for Environment, Farming and Rural Affairs (DEFRA) were used to calculate Scope 1 and Scope 2 emissions. The Company reports its operational emissions for the RBC group fiscal year, 1 November – 31 October and has adopted a reporting cycle for its Scope 1 and Scope 2 energy data for buildings of 1 August to 31 July, to ensure there is enough time for data collection, review and approval.

Data quality for electricity and gas consumption

Our data for electricity and gas consumption comes from the following source:

Metered data: Consumption bills from suppliers/reports from property agents, meter reading evidence for the space the Company occupies within a building.

Partial Occupancy

In cases where the Company occupied a space for a portion of the reporting year, a time-weighted square footage figure was calculated as a product of the proportion of the year the building was occupied, and the total square footage occupied by the Company throughout the period. This approach was designed to maintain accuracy for energy use intensity figures and to avoid using a yearly consumption value, when occupancy did not occur for 100% of the reporting year. For example, where a building was occupied for 100 days within a reporting year:

- 100 / 365 days = 27.4%. In a building with 5000 sqft, the time weighted sqft becomes 5000 x 27.4% = 1370 sqft.

RBC EUROPE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

In cases where a specific business entity with SECR reporting requirements (such as RBC Europe Limited) occupies a portion of an RBC office, the time weighted square footage is then multiplied by the proportion of the office's area occupied by the business entity. This calculation gives us the *entity area percentage*. The entity area percentage is then multiplied by RBC's total emissions from the building to attain figures for the specific entity's emissions within the building.

- $10,000 \text{ sqft (entity area)} / 80,000 \text{ sqft (total RBC office area)} = 12.5\%$. In this scenario, the entity would be attributed 12.5% of RBC's total emissions from the building.

Efficient energy action

The Company is part of the RBC Group, which is dedicated to reducing its GHG emissions globally and has implemented policies, strategies and targets to achieve this goal.

Monitoring and reduction of energy usage, and the implementation of energy efficiency measures are actively pursued within the Company and with its landlords.

Details on the Group's actions taken to reduce emissions, and the overall climate strategy can be found in the RBC Climate Blueprint (http://www.rbc.com/community-sustainability/_assets-custom/pdf/RBC-Climate-Blueprint.pdf)

Third Party Indemnities

During the financial year, the Company's Directors benefited from qualifying third party indemnities granted by the Company's parent, Royal Bank of Canada, indemnifying the Directors against liabilities and associated costs, which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of the financial statements. A copy of each of the indemnities is kept at the registered office of the Company.

Financial risk management objectives and policies

The Company makes extensive use of financial instruments in the conduct of its business. The Company's principal risks and uncertainties and financial risk management objectives and policies are discussed in Note 4 to the financial statements.

Charitable donations

The Company made charitable donations totalling £611,590 (2022: £750,582) to several registered charities during the year and no political donations (2022: £nil).

Employee engagement

Section 172 of the Companies Act 2006 requires that Directors consider the interests of all stakeholders including employees, shareholders, clients and suppliers in the exercise of their fiduciary duties under this section. The Strategic Report on pages 3 to 15 references the various mechanisms utilised by the Board in ensuring consistent open and transparent engagement with employees including through the board's visibility of employee's opinions or in the frequency of executive led strategic presentations attended by employees.

The Company operates a Share Incentive Plan as part of the ultimate parent company Royal Bank of Canada's Group Plan (RBC Group Plan) which is eligible to all employees who have completed 12 months' service. Under this plan, participating employees are awarded one additional share for every share purchased under the plan. All employees are eligible from time to time to be considered for a discretionary annual bonus. Bonuses will be influenced by business results as well as individual contribution and performance.

Disabled Employees

The Company is an equal opportunities employer. It is the Company's policy not to discriminate against employees or job applicants on the grounds of disability. The Company's Equal Opportunities Policy applies to the advertisement of jobs, recruitment and appointments, training, conditions of work, pay and to every other aspect of employment. When a disabled person is recruited and where employees become disabled during the course of their employment, the Company will make reasonable adjustments as are practicable which may assist them in the performance of their duties.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment.

RBC EUROPE LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

Dividends

During the year, £30 million dividends have been paid (2022: £18 million).

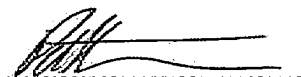
Independent Auditors

All non-audit services provided by PwC are pre-approved by the Group audit committee in accordance with the Group auditor independence policy to ensure that services do not create a conflict. Non-audit service fees to the independent auditors are disclosed in Note 19.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors.

The Directors Report was approved by the Company's Board of Directors on 14 December 2023 and was signed on its behalf by:



Peter Dixon

Director

18 December 2023

RBC EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

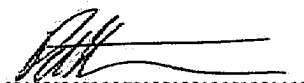
The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



Peter Dixon
Director
18 December 2023

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, RBC Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 October 2023; the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 19, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We perform a full scope audit of the financial statements of the Company. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The scope of the audit and the nature, timing and extent of audit procedures were determined with consideration of our risk assessment, the financial significance of account balances and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which represent a risk of material misstatement to the financial statements.

Key audit matters

- Valuation of defined pension benefit obligations
- Expected credit losses (ECL) on loans and advances

Materiality

- Overall materiality: £17,300,000 (2022: £16,700,000) based on 1% of the Company's Tier 1 capital resources.
- Performance materiality: £12,900,000 (2022: £12,500,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Completeness of sub-participation risk fees on loans and advances to customers, which was a key audit matter last year, is no longer included because the risk has reduced following management's remediation of the control deficiencies in relation to the completeness of sub-participation risk fees. Otherwise, the key audit matters below are consistent with last year.

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|--|---|
| <p><i>Valuation of defined benefit pension obligations</i></p> <p>The Company has a defined benefit pension obligation of £75,600,000 (2022: £84,571,000).</p> <p>The Company is a participating employer in the RBC (UK) Pension Plan ('the Plan'), a defined benefit pension scheme for which the principal employer is the Royal Bank of Canada. The plan provides pension benefits based on years of service and average earnings over three years at leaving. The plan is closed to new members since 2001 and closed to future accrual from 2015.</p> <p>The valuation of the defined benefit pension obligation is dependent on a number of actuarial assumptions, the most significant of which are discount rate, inflation rate and mortality rate. When making these assumptions, the directors take independent actuarial advice relating to their appropriateness.</p> <p>We focussed our audit on the significant assumptions where there were greater levels of management judgement involved. Specifically, these included the discount rate, inflation rate and mortality rate.</p> <p>Refer to Note 3 (c) 'Significant accounting policies' and Note 20 "Pension" in the financial statements.</p> | <p>We understood and evaluated the control environment over valuation of defined benefit pension obligations.</p> <p>We used our actuarial experts to understand the judgements made by management and their actuarial expert in determining the actuarial assumptions used by the Company in calculating the defined benefit pension obligation. This included comparing the significant assumptions on discount rate, inflation rate and mortality to our independently compiled expected ranges based on market observable data and the views of our actuarial experts.</p> <p>We assessed the appropriateness of the valuation methodology used and tested the accuracy of the calculations used to estimate the liability. We assessed the sensitivity of the defined benefit pension obligation to changes in the significant assumptions.</p> <p>We assessed the competence, capabilities and independence of the Company's actuarial expert.</p> <p>We evaluated and tested financial statements disclosures in relation to the defined benefit obligation.</p> |
| <p><i>Expected credit losses (ECL) on loans and advances</i></p> <p>Determining expected credit losses ('ECL') (31 October 2023: £8,359,000, 2022: £4,097,000) involves management judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating ECL. The significant assumptions that we focussed on were those involving a greater level of management judgement. These included assumptions made in determining forward looking information used in the ECL models and scenario weightings.</p> <p>Models are used to collectively assess and determine expected credit loss allowances on loans and advances. Key inputs and assumptions include significant increase in credit risk criteria,</p> | <p>We understood and evaluated management's process and tested key controls around the ECL model, including controls relating to:</p> <ul style="list-style-type: none">• Model validation;• Scenario design, weightings, economic variables and consistency of data;• Staging triggers and monitoring of internal Borrowers' Risk Rating ('BRR') ratings; and• The review and approval of the ECL balance (including overlays) by the governance forum. <p>We assessed and tested the:</p> |

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

probability of default (PD), loss given default (LGD) and the use of multiple probability weighted economic scenarios.

We focused our work on the areas that we considered to be the most judgemental, being:

- Model assessment - the risk that the current model is not appropriate in the current economic environment.

Refer to Note 3 (b) Significant accounting policies in the financial statements and Note 24 'Allowance for credit losses'.

- Reasonableness of the default definition for significant increase in credit risk criteria using code comparisons to identify and test the changes during the year;

- Conceptual soundness of the PD and LGD models for the methodology applied by reviewing model change and validation documentation and code comparisons;

- Reliability and reasonableness of macroeconomic and forward-looking information used in the ECL models;

- Reasonableness of key assumptions and scenario weightings;

- Reasonableness of the BRR ratings for a sample of borrowers; and

- Completeness of management overlays and performed benchmarking analysis to assess reasonableness.

We used our credit risk modelling experts to support the audit team in the performance of these audit procedures. We evaluated and tested the disclosures in the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company provides a wide range of financial services including corporate and investment banking, sales and trading, research and related products and services to corporations, public sector and institutional clients. The Company also provides wealth management services to high-net-worth individuals. We consider the Company to represent a single audit component. There are a number of centralised functions operated by the ultimate parent Company, Royal Bank of Canada, incorporated in Canada that are relevant to the audit of the Company.

A key element of our audit involved instructing PricewaterhouseCoopers LLP, Canada (PwC Canada) to test certain controls and perform certain substantive tests of detail, including (but not limited to):

- Valuation of certain financial instruments.
- Information Technology General Controls ('ITGC') and automated business controls operated in Toronto.
- Controls in relation to loans and advances, including expected credit losses.
- Globally operated entity level controls.

We interacted regularly with PwC Canada throughout the course of the audit. This included reviewing key working papers and discussing and challenging the results of work in higher risk areas of the audit. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|---|
| Overall materiality | £17,300,000 (2022: £16,700,000). |
| How we determined it | 1% of the Company's Tier 1 capital resources |
| Rationale for benchmark applied | The immediate and ultimate parent company, management and the Company's regulators are the primary users of the financial statements. For these users the level of Tier 1 capital resources is a key focus. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £12,900,000 (2022: £12,500,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £860,000 (2022: £800,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing and challenging key assumptions used by directors in their determination of going concern of the Company;
- assessing the liquidity and capital forecasts prepared by management. This included reviewing the results of stress testing performed by management of both liquidity and regulatory capital, including considering the severity of the stress scenarios that were used;
- corroborated legal and regulatory correspondence with audit procedures performed to ensure there are no compliance issues noted which may impact the going concern of the Company;
- critically evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Report of the Directors for the year ended 31 October 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the mis-marking of financial instruments, posting inappropriate journal entries and management bias in accounting estimates, including the valuation of the expected credit loss provision on loans and advances. Audit procedures performed by the engagement team included:

- enquiries of management, internal audit and the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing key correspondence with regulatory authorities (such as the PRA and the FCA), and meeting annually with the regulators;
- testing and evaluating management's entity level controls including board oversight and underlying committee meeting minutes review, fraud identification, assessing matters reported on the Company's whistleblowing helpline and testing a sample of management's investigations into matters raised, including the results of management's investigation of such matters;
- testing design and operating effectiveness of controls over journal entries including system controls over journal creation and approval and Information Technology General Controls testing for the general ledger system;
- testing key controls over areas susceptible to management bias including valuation controls and those surrounding impairment of loans and advances;
- testing of controls including cash reconciliations, trade confirmations, cancel and amends, those over collateral breaks and intersystem reconciliations, model reviews, price validation, independent price verification and approval of valuation adjustments;
- identifying and testing journal entries that we assessed as having a higher risk of being fraudulent;
- challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the valuation of defined pensions assets and obligations, fair value of financial instruments and expected credit loss on loans to customers;
- challenging assumptions and judgements in relation to contingent liabilities for legal proceedings, including making direct enquiries with external counsel; and
- incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

RBC EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBC EUROPE LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 7 June 2016 to audit the financial statements for the year ended 31 October 2016 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 October 2016 to 31 October 2023.



Lawrence Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 December 2023

RBC EUROPE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2023

| | Note | 2023 £'000 | 2022 £'000 |
|--|------|------------------|------------------|
| Interest income | 14 | 2,438,356 | 782,506 |
| Interest expense | 14 | (2,389,970) | (688,112) |
| Net interest income | | 48,386 | 94,394 |
| Fees and commission income | 15 | 275,441 | 278,815 |
| Fees and commission expense | 15 | (88,513) | (79,824) |
| Net fees and commission income | | 186,928 | 198,991 |
| Net trading income | 16 | 263,103 | 172,722 |
| Total operating income | | 498,417 | 466,107 |
| Provision for credit losses: (charge) / credit | 24 | (4,361) | 3,878 |
| Net operating income | | 494,056 | 469,985 |
| Human resources | 17 | (182,971) | (175,504) |
| Related party charges & recoveries | 18 | (129,311) | (121,211) |
| Other operating expenses | 19 | (84,918) | (83,603) |
| Total operating expenses | | (397,200) | (380,318) |
| Profit before income tax | | 96,856 | 89,667 |
| Income tax | 21 | (10,993) | (8,789) |
| Net profit | | 85,863 | 80,878 |

The above statement should be read in conjunction with the accompanying notes on pages 37 to 101.

RBC EUROPE LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2023**

| | 2023 | 2022 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Net profit | 85,863 | 80,878 |
| Other comprehensive income / (expense) | | |
| Items that will be reclassified to profit and loss | | |
| Net change in unrealised gains / (losses) on debt securities at fair value through other comprehensive income | | |
| Unrealised gains / (losses) on debt securities at fair value through other comprehensive income | 512 | (551) |
| Provision for credit losses recognised in OCI | 8 | (2) |
| Deferred tax thereon | (97) | 311 |
| Reclassification of net gains on FVOCI debt securities to income | (45) | (859) |
| Items that will not be reclassified subsequently to profit or loss | | |
| Net change in unrealised gains / (losses) on securities at fair value through other comprehensive income | | |
| Unrealised gains on FVOCI equity instruments | 13,289 | 2,423 |
| Deferred tax thereon | (7,922) | 1,714 |
| Net change in employee benefit plan | | |
| Changes in valuation of post employment benefit assets | (6,599) | (8,374) |
| Deferred tax thereon | 1,237 | 2,194 |
| | 383 | (3,144) |
| Total comprehensive income attributable to shareholder | 86,246 | 77,734 |

The above statement should be read in conjunction with the accompanying notes on pages 37 to 101.

RBC EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2023

| £'000 | Other components of equity | | | | | | | |
|--|----------------------------|-------------------|-------------------------|------------------|---------------------|--------------------------------|-------------------|----------------------|
| | Common shares | Other equities | Capital contribution | Share premium | FVOCI securities | Post employment benefits | Other Reserves | Retained earnings |
| | Note 31 | Note 31 | | | | Note 20 | | Total equity |
| Balance at 1 November 2021 | 497,996 | 299,694 | 36,619 | 803 | 48,817 | 12,156 | 98,395 | 751,212 |
| Net profit | - | - | - | - | - | - | - | 80,878 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - |
| Net change in gains on FVOCI securities | - | - | - | - | 3,036 | - | 3,036 | - |
| Changes in valuation of post employment benefit assets | - | - | - | - | - | (6,180) | (6,180) | - |
| Dividends on other equities | - | - | - | - | - | - | - | (17,648) |
| Balance at 31 October 2022 and 1 November 2022 | 497,996 | 299,694 | 36,619 | 803 | 51,853 | 5,976 | 95,251 | 814,442 |
| Net profit | - | - | - | - | - | - | - | 85,863 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - |
| Net change in gains on FVOCI securities | - | - | - | - | 5,745 | - | 5,745 | - |
| Changes in valuation of post employment benefit assets | - | - | - | - | - | (5,362) | (5,362) | - |
| Dividends on other equities | - | - | - | - | - | - | - | (30,127) |
| Balance at 31 October 2023 | 497,996 | 299,694 | 36,619 | 803 | 57,598 | 614 | 95,634 | 870,178 |

The above statement should be read in conjunction with the accompanying notes on pages 37 to 101.

RBC EUROPE LIMITED
BALANCE SHEET
AS AT 31 OCTOBER 2023

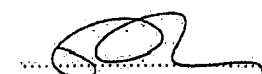
| | | 2023 | 2022 |
|--|------|-------------------|-------------------|
| | Note | £'000 | £'000 |
| ASSETS | | | |
| Cash and due from banks | 22 | 9,347,772 | 10,594,230 |
| Securities | | | |
| Trading | 25 | 4,769,474 | 3,929,825 |
| Investments, net of applicable allowance | 25 | 203,710 | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 23 | 23,063,695 | 23,177,413 |
| Loans and advances | 23 | 7,905,674 | 8,022,378 |
| Derivative assets | 34 | 1,256,698 | 1,701,873 |
| Post employment benefit asset | 20 | 12,800 | 18,492 |
| Other assets | 26 | 7,453,983 | 5,243,854 |
| TOTAL ASSETS | | 54,013,806 | 53,313,467 |

RBC EUROPE LIMITED
BALANCE SHEET
AS AT 31 OCTOBER 2023

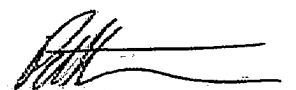
| | | 2023 | 2022 |
|--|------|-------------------|-------------------|
| | Note | £'000 | £'000 |
| LIABILITIES | | | |
| Deposits by banks | 27 | 6,811,297 | 8,540,162 |
| Deposits by customers | 27 | 11,557,114 | 11,060,215 |
| Obligations related to securities sold short | 28 | 3,787,173 | 2,395,694 |
| Obligations related to assets sold under repurchase agreements and securities loaned | 27 | 21,267,109 | 22,634,814 |
| Derivative liabilities | 34 | 1,148,184 | 1,636,975 |
| Other liabilities | 29 | 7,596,980 | 5,251,277 |
| Subordinated liabilities | 30 | 82,447 | 86,947 |
| TOTAL LIABILITIES | | 52,250,304 | 51,606,084 |
| Common shares | 31 | 497,996 | 497,996 |
| Other equity | 31 | 299,694 | 299,694 |
| Retained earnings | | 870,178 | 814,442 |
| Other reserves | | 95,634 | 95,251 |
| TOTAL EQUITY | | 1,763,502 | 1,707,383 |
| TOTAL LIABILITIES AND EQUITY | | 54,013,806 | 53,313,467 |

The above statement should be read in conjunction with the accompanying notes on pages 37 to 101.

The financial statements on pages 31 to 101 were approved and authorised to be issued by the Company's Board of Directors on 14 December 2023 and were signed on their behalf by:



D. Thomas, Director
18 December 2023



P. Dixon, Director
18 December 2023

COMPANY NO. 995939

RBC EUROPE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2023

| | | 2023 | 2022 |
|---|------|--------------------|-------------------|
| | | | Restated* |
| | Note | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Net profit | | 85,863 | 80,878 |
| <i>Adjustments for non-cash items and others</i> | | | |
| Change in provision for credit losses | | 4,208 | 3,941 |
| Deferred income taxes | | (1,294) | 3,329 |
| Interest on subordinated liabilities (shown in cash flows from financing activities) | | 4,890 | 1,637 |
| Change in subordinated liabilities due to foreign exchange | | (4,502) | 13,996 |
| <i>Adjustments for changes in operating activities</i> | | | |
| Changes in trading securities | | (839,649) | 429,656 |
| Changes in net investment securities | | 435,458 | 874,318 |
| Change in assets purchased under reverse repurchase agreements and securities borrowed | | 113,718 | 488,671 |
| Changes in loans and advances | | 112,497 | (992,291) |
| Changes in derivative assets | | 445,175 | (177,407) |
| Change in post employment benefit asset | | (907) | (502) |
| Net change in settlement accounts | | 23,662 | 849,133 |
| Change in prepayments, accrued income and other | | 167,452 | (424,608) |
| Change in deposits by banks* | | (1,682,729) | (284,402) |
| Change in deposits by customers | | 496,899 | 5,460,122 |
| Change in obligations related to securities sold short | | 1,391,479 | (1,638,627) |
| Change in obligations related assets sold under repurchase agreements and securities loaned | | (1,367,705) | 398,468 |
| Changes in derivative liabilities | | (488,791) | 227,115 |
| Change in accruals and deferred income | | 14,814 | 61,191 |
| Change in other liabilities | | (75,842) | 269,263 |
| Net cash (outflow)/ inflow from operating activities | | (1,165,304) | 5,643,881 |
| Cash flows from investing activities | | | |
| Net cash from investing activities | | - | - |
| Cash flows from financing activities | | | |
| Interest on subordinated liabilities | | (4,890) | (1,637) |
| Dividends on other equity | | (30,127) | (17,648) |
| Net cash (outflow)/ inflow from financing activities | | (35,017) | (19,285) |
| Effect of exchange rate changes on cash and due from banks* | | (46,137) | (202,274) |
| Net (decrease)/ increase in cash and cash equivalents | | (1,200,321) | 5,624,596 |
| Cash and cash equivalents at the beginning of the financial year | | 10,594,230 | 5,171,908 |
| Cash and cash equivalents at end of year | 22 | 9,347,772 | 10,594,230 |
| Net cash (used in)/ generated from operating activities include: | | | |
| Interest paid | | (2,331,032) | (582,437) |
| Interest received | | 2,259,583 | 687,684 |
| Income taxes paid | | (3,829) | (26,053) |

* See note 1(f) for details regarding the restatement.

The above statement should be read in conjunction with the accompanying notes on pages 37 to 101.

The Company's financing cash flows for the year have been disclosed within the Statement of Cash Flows. Given the nature of the Company's activities, the financing liabilities relate to subordinated liabilities disclosed in Note 30. The movement in financing liabilities is similar to change in subordinated debt liabilities due to foreign exchange disclosed in the cash flow statement within non-cash items. Hence a separate net debt reconciliation is not required to be prepared.

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

1. Basis of preparation

- a) The financial statements have been prepared in accordance with UK adopted international accounting standards and in accordance with the requirements of the Companies Act 2006. The accounting policies set out below were consistently applied to all years presented. The Company is a private company limited by shares incorporated in United Kingdom and its financial statements are presented in compliance with the Companies Act 2006. The Company's registered and domiciled address is 100 Bishopsgate, London, England, United Kingdom, EC2N 4AA.

The financial statements have been prepared under the historic cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (including derivatives used for hedging) and financial assets measured at fair value through other comprehensive income.

- b) The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Report of the Directors. The Company's financial and other risk management objectives, policies and processes for managing its capital, and details of its financial instruments and its exposures to credit risk and liquidity risk are described in Notes 4 to 9 of the financial statements.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from the date of the approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

- c) In preparing the Company's financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments (Note 12) and pensions and other post-employment benefits (Note 20). Within these notes, the Company has assessed the relevant sensitivities and significant assumptions. Accordingly, actual results may differ from these and other estimates thereby impacting the Company's financial statements. Refer to the relevant accounting policies in Note 3 for details on the use of estimates and assumptions.
- d) In preparing these financial statements, management is required to make critical judgements that affect the carrying amounts of Level 3 financial instruments and the reported amounts of revenues and expenses recorded during the year. Critical judgements have been made in the determination of the fair value of the financial instruments which are described in the relevant accounting policies in Note 3. In addition, management is required to make critical judgements on the outcome of legal proceeding or regulatory matters.
- e) These financial statements are presented in Pounds Sterling, the Company's functional currency, and all values are rounded to the nearest thousand except where otherwise indicated.
- f) The Company has retrospectively adjusted the Statement of Cashflows for 2022 to conform with the disclosure requirements of IAS 7. The restatement reclassifies certain movements for changes in cash and due from banks due to foreign exchange.

2. Changes to accounting policies

New and amended standards adopted by the Company

There were no new standards adopted by the Company in the year.

New standards and interpretations not yet adopted

There are no new standards issued that have not been adopted.

3. Significant accounting policies

The significant accounting policies used in the preparation of these Financial Statements are summarised below. These accounting policies conform, in all material respects, to IFRS. Except where otherwise noted, the same accounting policies have been applied to all years presented.

- a) **Classification of financial assets**

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

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

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

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

All other debt instruments are measured at FVTPL.

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

Business model assessment

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

- How the economic activities of the Company's businesses generate benefits, for example through trading revenue, enhancing yields or hedging funding or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, Market risk, Credit risk, or Other risks as described in Notes 4 to 9, and the activities undertaken to manage those risks;
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model;
- The compensation structures for managers of businesses, to the extent that these are directly linked to the economic performance of the business model.

SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

b) Financial instruments - recognition and measurement

Securities

Trading securities include all securities that are classified as FVTPL by nature and securities designated as FVTPL. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realised and unrealised gains and losses on these securities are generally recorded as Trading revenue in Non-interest income. Dividends and interest income accrued on interest bearing and trading securities are recorded in Interest income. Interest and dividends accrued on interest-bearing and equity securities sold short are recorded in Interest expense.

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification.

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with the Company's policy for Allowance for credit losses, as described below. Interest income, including the amortisation of premiums and discounts on securities measured at amortised cost are recorded in Net interest income. Impairment gains or losses recognised on amortised cost securities is recorded in Provision for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as Net gains/ (losses) on derecognition of financial assets measured at amortised cost.

Debt securities carried at FVOCI are measured at fair value with unrealised gains and losses arising from changes in fair value included in Other components of equity. Impairment gains and losses are included in Provision for credit losses and correspondingly reduce the accumulated changes in fair value included in Other components of equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from Other components of equity to Income Statement.

Equity securities carried at FVOCI are measured at fair value. Unrealised gains and losses arising from changes in fair value are recorded in Other components of equity and not subsequently reclassified to profit or loss when realised. Dividends from FVOCI equity securities are recognised in Interest income.

Trade date accounting

All financial assets are recognised on the trade date which is the date when the Company enters into contractual arrangements with counterparties to purchase or sell the financial assets.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising related gains and losses on a different basis (an accounting mismatch). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as at FVTPL are recorded at fair value and any unrealised gain or loss arising due to changes in fair value is included in Net trading income.

Financial liabilities designated as at FVTPL are recorded at fair value and fair value changes attributable to changes in its own credit risk are recorded in OCI. Own credit risk amounts recognised in OCI will not be reclassified subsequently to Net income. The remaining fair value changes not attributable to changes in its own credit risk are recorded in Trading revenue or Non-interest income – Other, depending on the Company's business purpose for holding the financial liability. Upon initial recognition, if the Company determines that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in the debt instruments designated as at FVTPL is recognised in net income. To make that determination, the Company assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on the debt instruments designated as at FVTPL, the Company calculates the present value of the instruments based on the contractual cash flows over the term of the arrangement by using the effective funding rate at the beginning and end of the period.

Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

RBC EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2023

The Board of Directors provides oversight on valuation of financial instruments, primarily through the Audit Committee and Risk Committee. The Audit Committee reviews the presentation and disclosure of financial instruments that are measured at fair value, while the Risk Committee assesses the adequacy of governance structures and control processes for the valuation of these instruments.

The Company has established policies, procedures and controls for valuation methodologies and techniques to ensure that fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, Independent Price Verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed daily for trading portfolios. All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. The Company gives priority to those third-party pricing services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, to other pricing service values and, when available, to actual trade data. Quoted prices for identical instruments from pricing services or brokers are generally not adjusted unless there are issues such as stale prices. If multiple quotes for identical instruments are received, fair value is based on an average of the prices received or the quote from the most reliable vendor, after the outlier prices that fall outside of the pricing range are removed. Other valuation techniques are used when a price or quote is not available. Some valuation processes use models to determine fair value. The Company has a systematic and consistent approach to control the use of models. Valuation models are approved for use within the Company's model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures and approval authorities. Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly by qualified personnel who are independent of the model design and development. Annually, the Company's model risk profile is reported to the Board of Directors.

IFRS 13 *Fair Value Measurement* permits an exception, through an accounting policy choice, to measure the fair value of a portfolio of financial instruments on a net open risk position basis when certain criteria are met.

The Company has elected to use this policy choice to determine the fair value of certain portfolios of financial instruments, primarily derivatives, based on a net exposure to market or credit risk.

The Company records valuation adjustments to appropriately reflect counterparty credit quality of its derivative portfolio, differences between the actual counterparty collateral discount curve and standard Overnight Index Swaps (OIS) discounting for collateralised derivatives, funding valuation adjustments (FVA) for uncollateralised and undercollateralised over-the-counter (OTC) derivatives, unrealised gains or losses at inception of the transaction, bid-offer spreads, unobservable parameters and model limitations. These adjustments may be subjective as they require significant judgement in the input selection, such as implied probability of default and recovery rate, and are intended to arrive at a fair value that is determined based on assumptions that market participants would use in pricing the financial instrument. The realised price for a transaction may be different from its recorded value, previously estimated using management judgement. Valuation adjustments may therefore impact unrealised gains and losses recognised in Net trading income.

Valuation adjustments are recorded for the credit risk of the derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account the counterparties' creditworthiness, the current and potential future mark-to-market of transactions, and the effects of credit mitigation such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the value of expected derivative related assets and liabilities at the time of default, estimated through modelling using underlying risk factors. Probability of default and recovery rate are implied from the market prices for credit protection and the credit ratings of the counterparty. When market data is unavailable, it is estimated by incorporating assumptions and adjustments that market participants would use for determining fair value using these inputs. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data. CVA is calculated daily and changes are recorded in Net trading income.

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

FVA are also calculated to incorporate the cost and benefit of funding in the valuation of uncollateralised and under-collateralised OTC derivatives. Future expected cash flows of these derivatives are discounted to reflect the cost and benefit of funding the derivatives by using a funding curve, implied volatilities and correlations as inputs.

Where required, a valuation adjustment is made to reflect the unrealised gain or loss at inception of a financial instrument contract where the fair value of that financial instrument is not obtained from a quoted market price or cannot be evidenced by other observable market transactions based on a valuation technique incorporating observable market data.

A bid-offer valuation adjustment is required when a financial instrument is valued at the mid-market price, instead of the bid or offer price for asset or liability positions, respectively. The valuation adjustment takes into account the spread from the mid to either the bid or offer price.

Some valuation models require parameter calibration from such factors as market observable option prices. The calibration of parameters may be sensitive to factors such as the choice of instruments or optimisation methodology. A valuation adjustment is also estimated to mitigate the uncertainties of parameter calibration and model limitations.

In determining fair value, a hierarchy is used which prioritises the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs are one or more inputs that are unobservable and significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs relevant to the asset or liability and the relative reliability of the inputs might affect the selection of appropriate valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based on the lowest level of input that is significant to the measurement of fair value.

Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which an arm's length transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market risk valuation adjustments for such inputs and other model risk valuation adjustments are assessed in all such instances.

Loans and advances

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the Classification of financial assets policy provided above. The majority of the loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognised in Interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as Interest income over the expected term of such loans using the effective interest method.

Funded sub-participations are derecognized where derecognition criteria are met and unfunded risk sub-participated loans continue to be recognised on balance sheet. Associated sub-participation fees on risk sub-participations are reported within interest income as part of the effective interest rate on the loan.

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

For loans carried at amortised cost or FVOCI, impairment losses are recognised at each balance sheet date in accordance with the three-stage impairment model outlined below.

Allowance for credit losses

An Allowance for Credit Losses (ACL) is established for all financial instruments, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include 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:

Performing financial assets

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is 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.

Impaired financial assets

- 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, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage transfers are recorded in 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.

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgement is exercised in determining the final expected credit losses.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the Company has the contractual ability to demand repayment and cancel the undrawn commitment; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which the exposure to credit losses is not mitigated by the Company's normal credit risk management actions. This period varies by product and risk category and is estimated based on the historical experience with similar exposures and consideration of credit risk management actions taken as part of the Company's regular credit review cycle. Products in scope of this exemption include certain revolving lines of credit. Judgement is required in determining the instruments in scope for this exemption and estimating the appropriate remaining life based on the Company's historical experience and credit risk mitigation practices.

Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgement. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses that the Company expects to incur. The assessment is generally performed at the instrument level.

Assessment of significant increases in credit risk is performed at least quarterly based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- The Company has established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition.
- Additional qualitative reviews may be performed, as necessary, to assess the staging results, which may lead to adjustments to better reflect the positions whose credit risk has increased significantly. These reviews are completed at both the individual borrower levels and the portfolio level and may result in an instrument, a portfolio or a portion of a portfolio moving from Stage 1 to Stage 2.
- Instruments which are 30 days past due are generally considered to have experienced a significant increase in credit risk, even if the Company's other metrics do not indicate that a significant increase in credit risk has occurred.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition.

Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment. Certain interest-bearing deposits with banks have been identified as having low credit risk.

Use of forward-looking information

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The measurement of Expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Company's expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the Company's models for a five year period, subsequently reverting to long-run averages. Macroeconomic variables used in the Company's expected credit loss models include, but are not limited to, gross domestic product, unemployment rates, bond yields, equity return indices, commercial real estate indices, and commodity prices.

Estimation of Expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts published by RBC internal economics group. The published forecasts are developed from models based on historical macroeconomic data, derived from public sources and financial markets. Upside and downside scenarios vary relative to the Company's base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

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

Assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for the Company's internal credit risk management purposes. The Company's definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers, except as detailed below, default occurs when the borrower is more than 90 days past due on any material obligation to us, and/or the Company considers the borrower unlikely to make their payments in full without recourse action on the Company's part, such as taking formal possession of any collateral held. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting year as the transfer from Stage 3 to Stage 2.

When a financial asset has been identified as credit-impaired, Expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, Expected

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credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment.

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

Individually assessed loans (Stage 3)

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 realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgement.

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.

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 realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes expected to result. Modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset. Modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognised. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognised. A modified financial asset will transfer out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

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If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Derecognition of financial assets

Financial assets are derecognised from the Balance Sheet when the contractual rights to the cash flows from the assets have expired, when the Company retains the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements or when the contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. When the Company retains substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised from the Balance Sheet and are accounted for as secured financing transactions. When the Company neither retains nor transfers substantially all risks and rewards of ownership of the assets, the Company derecognises the assets if control over the assets is relinquished. If the Company retains control over the transferred assets, the Company continues to recognise the transferred assets to the extent of its continuing involvement.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether the Company retains the rights to receive cash flows on the assets but assumes an obligation to pay those cash flows. The Company derecognises transferred financial assets if it transfers substantially all the risk and rewards of ownerships assets. When assessing whether it has transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. In transfers that the Company retains the servicing rights, management has applied judgement in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair market value, a servicing asset is recognised in Other assets in the Balance Sheet. When the benefits of servicing are less than fair market value, a servicing liability is recognised in Other liabilities in the Balance Sheet.

Derecognition of financial liabilities

The Company derecognises a financial liability from its Balance Sheet when the obligation specified in the contract expires, or is discharged or cancelled. The Company recognises the difference between the carrying amount of a financial liability transferred and the consideration paid in the Income Statement.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalised on initial recognition. For financial assets and financial liabilities measured at amortised cost and debt financial assets measured at FVOCI, capitalised transaction costs are amortised through net income over the estimated life of the instrument using the effective interest method.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net when the Company has a legally enforceable right to set off the recognised amounts and intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Assets purchased under reverse repurchase agreements and sold under repurchase agreements

The Company purchases securities under agreements to resell (reverse repurchase agreement) and takes possession of these securities. Reverse repurchase agreements are treated as collateralised lending transactions whereby the market value of the securities purchased is monitored and additional collateral is obtained when appropriate. The Company has the right to liquidate the collateral held in the event of counterparty default. The Company also sells securities under agreements to repurchase (repurchase agreements), which are treated as collateralised borrowing transactions.

The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised on, or derecognised from, the Balance Sheet, unless the risks and rewards of ownership are obtained or relinquished.

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Reverse repurchase agreements and repurchase agreements are designated using the fair value option as at FVTPL and are recorded at fair value. Interest earned on reverse repurchase agreements is included in Interest income, and interest incurred on repurchase agreements is included in Interest expenses respectively, in the Income Statement. Changes in fair value for reverse repurchase agreements and repurchase agreements carried at fair value under the fair value option are included in Net trading income.

Derivatives

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of this note. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to elect the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards.

Derivatives are primarily used in trading activities. Derivatives are also used to manage the Company's exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and forward rate agreements, equity swaps and credit derivatives. All derivative instruments are recorded on the Balance Sheets at fair value.

When derivatives are used to manage the Company's own exposures, the Company determines for each derivative whether hedge accounting can be applied, as discussed in the Hedge accounting section below.

Hedge accounting

The Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The Company uses derivatives to manage its exposure to interest rate, currency, credit and other market risks. Where hedge accounting is applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is regarded as highly effective only if the following criteria are met: (i) at inception of the hedge and throughout its life, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and (ii) actual results of the hedge are within a pre-determined range. The Company performs retrospective assessments to demonstrate that the relationship has been effective since designation of the hedge and prospective assessments to evaluate whether the hedge is expected to be effective over the remaining term of hedge. In the case of hedging a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that could ultimately affect the reported net profit or loss. Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item, or when the forecast transaction is no longer deemed highly probable.

Fair value hedges

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk and recognised in Net trading income. Changes in fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which are also recognised in Net trading income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged items are amortised to Net income over the expected remaining life of the hedged items.

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The Company predominantly uses interest rate swaps to hedge its exposure to the changes in a fixed interest rate instrument's fair value caused by changes in interest rates. Until the hedging relationships impacted by the IBOR Reform fully transition to ABRs, we treat the highly probable hedged IBOR based cash flows of groups of similar assets or liabilities with similar risk characteristics as unchanged as a result of the Reform. In addition, associated cash flow hedge reserves are not recycled into net income solely due to changes related to the transition from IBORs to ABRs. Subsequently, when some items in the group transition to ABRs before other items, the individual hedged items are allocated to subgroups based on the benchmark interest rate being hedged. The Company tests hedge effectiveness based on the defined subgroups, in accordance with the Amendments, if eligibility requirements are met. If a subgroup fails the eligibility requirements, the Company would discontinue hedge accounting prospectively for the hedging relationship in its entirety.

Guarantees

Financial guarantee contracts are contracts that contingently require the Company to make specified payments (in cash, other assets or provision of services) to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Liabilities are recognized on the Balance Sheet at the inception of a guarantee for the fair value of the obligation undertaken in issuing the guarantee. Financial guarantees are subsequently re-measured at the higher of (i) the amount initially recognised and (ii) the best estimate of the present value of the expenditure required to settle the present obligation less accumulated amortisation at the end of the reporting year. If the financial guarantee meets the definition of a derivative, it is measured at fair value at each balance sheet date and reported under Derivatives on the Balance Sheet.

c) Employee benefits

Pensions and other post-employment benefits

The Company's defined benefit pension expense, which is included in Human Resources, consists of the cost of employee pension benefits for the current years' service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in OCI in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Amounts recognised in OCI will not be reclassified subsequently to net income. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

For the defined benefit plan, the Company recognises the present value of its defined benefit obligations less the fair value of the plan, together with adjustments for any unrecognised actuarial gains and losses and unrecognised past service costs, as a defined benefit liability reported in Post employment benefit liabilities on the Balance Sheet. When the defined benefit liability is negative (i.e. defined benefit asset), the amount is reported as an asset in Post employment benefit assets. The measurement of the asset is limited to the lower of (i) the defined benefit asset and (ii) the sum of actuarial losses and past service costs not yet recognised, and the present value of any refunds from the plan or reductions in the future contributions to the plan.

The calculation of defined benefit expenses and obligations requires significant judgement as the recognition is dependent on discount rates, expected rates of return on assets, and various actuarial assumptions such as projected salary increases, retirement age, and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For the Company's pension and other post-employment plans, the discount rate is determined by reference to market yields on high quality corporate bonds.

Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. Management judgement is also required in estimating the expected rate of return on assets, because of possible changes to the asset allocation and the inherent risks in predicting future investment returns. The expected rate of return on assets is a weighted average of expected long-term asset return by asset class and is selected from a range of possible future asset returns. Actuarial assumptions, set in accordance with current practices in the

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respective countries of the Company's plans, may differ from actual experience as country-specific statistics are only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations and expenses recognised.

The Company's contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions, generally in the year of contribution. Defined contribution plan expense is included in Human Resources.

Share-based compensation

The Company provides compensation to certain key employees in the form of share-based awards. These share-based awards are settled in cash. The Company incurs a compensation expense equivalent to the fair value of these awards. The Company's accrued obligations are adjusted to their fair value at each balance sheet date. Changes in the Company's obligations are recorded as Human Resources in the Income Statement with a corresponding increase in Other Liabilities.

d) Income taxes

Income tax comprises current tax and deferred tax and is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the year in which profits arise, calculated using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the year that the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Both current and deferred tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. The Company's Income Statement includes items that are non-taxable or non-deductible for income tax purposes and, accordingly, caused the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax losses carried forward are included in Other Assets and Other Liabilities. On an annual basis, the Company reviews its deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realised; this review involves evaluating both positive and negative evidence.

The Company is subject to income tax laws in various jurisdictions where the Company operates, and the complex tax laws are potentially subject to different interpretations by the Company and the relevant taxation authority. Significant judgement is required in the interpretation of the relevant tax laws and in estimating the provision for current and deferred income taxes due to uncertainty in timing and amount of taxable income and in the design and ability to implement tax planning strategies.

The determination of the Company's deferred tax asset or liability also requires significant management judgement as the recognition is dependent on its projection of future taxable profits and tax rates that are expected to be in effect in the year the asset is realised or the liability is settled. Any changes in the projection will result in changes in deferred tax assets or liabilities on the Balance Sheet, and also deferred tax expense on the Income Statement.

As required by International Tax Reform – Pillar Two Model Rules issued by the IASB in May 2023, which amends IAS 12 Income Taxes (IAS 12), we are not recognizing or disclosing information on deferred tax assets and liabilities related to Pillar Two income taxes as this is only required for annual reporting periods beginning on or after 1 January 2023.

e) Provisions

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Provisions are liabilities of uncertain timing or amount and are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. The Company records provisions related to litigation, asset retirement obligations and other items.

The Company is required to estimate the results of ongoing legal proceedings, and expenses to be incurred to dispose of capital assets. The forward-looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. The Company records provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. It may not be possible to predict the resolution of these matters or the timing of their ultimate resolution. Should actual results differ from expectations, the Company may incur expenses in excess of the provisions recognized. Where appropriate, the Company applies judgment in limiting the extent of provisions-related disclosures as not to prejudice the Company's positions in matters of dispute. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

f) Fees and commissions

Commissions and fees primarily relate to Securities brokerage commissions, Services charges, Underwriting and other advisory fees and Credit fees, and are recognised based on the applicable service contracts with customers.

Commissions earned on Securities brokerage services and Service charges that are related to the provision of specific transaction type services are recognised when the service is fulfilled. Where services are provided over time, revenue is recognised as the services are provided.

Underwriting and Other advisory fees primarily relate to underwriting of new issuances of debt or equity and various advisory services. Underwriting fees are generally expressed as a percentage of the funds raised through issuance and are recognised when the service has been completed. Advisory fees vary depending on the scope and type of engagement and can be fixed in nature or contingent on a future event. Advisory fees are recognised over the period in which the service is provided and are recognised only to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur.

Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided.

When service fees and other costs are incurred in relation to commissions and fees earned, the Company record these costs on a gross basis in either Other operating expenses or Human resources based on the assessment of whether the Company has primary responsibility to fulfil the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgement.

g) Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities. Dividend income is recorded in Interest income.

h) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in Net trading income in the Income Statement.

Non-monetary assets and liabilities that are measured at historical cost are translated into Pounds Sterling at historical rates. Non-monetary financial assets classified as FVOCI securities (under IFRS 9), such as equity instruments, that are measured at fair value are translated into Pounds Sterling at rates prevailing at the balance sheet date, and the resulting foreign exchange gains and losses are recorded in Other comprehensive income until the asset is sold or becomes impaired.

i) Cash and due from banks

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For the purposes of the Statement of Cash Flows, Cash and due from banks includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with a maturity of less than three months from the date of acquisition and include cash and balances at central banks.

j) Share capital & other equity instruments

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments issued by the Company are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax. Financial instruments that will be settled by a variable number of the Company's common shares upon their conversion by the holders as well as the related accrued distributions are classified as liabilities on the Balance Sheet. Dividends and yield distributions on these instruments are classified as Interest expense in the Income Statement.

4. Financial and other risk management

The Company has a clear and robust corporate and risk management framework in order to manage, control and provide assurance on risk. The framework provides a structured approach for risk identification and assessment, risk monitoring, risk reporting, and risk control and mitigation for the various layers of management and staff within the Company. These controls and processes exist across all layers of management and staff, ranging from the Board of Directors down to individuals.

The Company's risk management frameworks and policies set out the high level arrangements for risk management, control and assurance. The frameworks and policies are designed to provide a consistent and structured approach for risk identification and assessment, risk measurement and control, and risk monitoring and reporting. Risk identification and assessment processes are established and maintained by Group Risk Management (GRM). The frameworks and policies also helps to ensure that risk is managed and controlled. Effective and efficient risk governance and oversight provides management with assurance that the Company's business activities will not be excessively impacted by risks that could have been reasonably foreseen. This, in turn, reduces the uncertainty of achieving the Company's strategic objectives. The Company's risk management practices are regularly reviewed and updated in response to existing and emerging risks, and will continue to evolve in this manner. Recent updates have given attention to operational resiliency and climate risk, amongst other areas.

Risk appetite is defined as the amount and type of risk that the Company is able and willing to accept in the pursuit of its business objectives. The overall objective of the Company's Risk Appetite Framework (RAF) is to protect the Company from unacceptable levels of risk while supporting and enabling the firm's overall business strategy and goals. The Company's RAF is defined in the context of the RBC Group's RAF and has been adjusted to cater for local requirements. It provides details on the Company's risk appetite principles, constraints and metrics and is reviewed and approved at least annually by the Board of Directors.

The Board has the ultimate responsibility for oversight of risk and capital management and reporting in the Company. The Board is tasked with ensuring that an effective control framework is in place for business, risk and capital management. Through its governance structures and controls, the Board has oversight on key risks and operational controls across the firm. The Board also monitors and assesses effectiveness of the controls against changing regulatory expectations. To perform its duties the Board is supported by the U.K. Risk Committee (RC) and the Asset and Liability Committee (ALCO) as well as GRM.

The Company operates and has risk profiles across both Capital Markets and Wealth Management. Capital Markets operations contribute to all primary material risks, including credit, operational, liquidity, reputational, regulatory capital and market risks including price, interest rate and foreign exchange risks. The Company supports the Capital Markets businesses by providing the tactical funding and by holding a high quality portfolio of assets that is used to manage the Company's liquidity profile, and is subject to the same risks. Wealth Management operations mainly contribute to credit, operational, and reputational risk, and that is limited given the Company's stringent lending standards and the scale of

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overall operations. From a risk management perspective, all financial transactions entered into by the Company are classified as either trading or non-trading (banking).

The Company's trading activities principally comprise:

- the underwriting of primary bond and equity issues;
- trading of bonds in the secondary market;
- trading of debt and equity securities under repurchase agreements;
- money market trading activities;
- equity sales to institutional customers;
- hedging of positions using derivatives; and
- treasury asset and liability management.

Banking activities principally comprise:

- lending to corporates and high net worth individuals;
- deposit taking from high net worth individuals;
- letters of credit; and
- investment banking advisory services.

5. Market Risk

The Company defines market risk to be the impact of market prices upon the financial condition of the firm. This includes potential gains or losses due to changes in market determined variables such as interest rates, credit spreads, equity prices, commodity prices, foreign exchange rates and implied volatilities. Market risk can be exacerbated by thinly-traded or illiquid markets.

(i) Management of market risks

Trading portfolios include those positions arising from transactions where the Company acts as principal with clients or with the market. All trading books are subject to a hierarchy of limits, appropriate to their activities and are also subject to independent price verification by the Product Control functions.

Banking books comprise primarily of the Company's loan portfolio and deposits. All banking books are subject to a hierarchy of limits, appropriate to their activities, with additional oversight provided by the Asset and Liability Committee.

Interest rate risk and Foreign exchange risks are discussed in Notes 6 and 7 respectively.

(ii) Exposure to market risks - trading portfolios

The Company measures and controls market risk using Value at Risk (VaR) metrics, stress testing and a range of other metrics such as sensitivities to market risk factors.

The VaR of a trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified period of time (holding period) within a specified probability (confidence) level. The VaR model used by the Company estimates VaR over a one day holding period at a 99% confidence interval. The Company calculates VaR using a combination of a historical simulation based on market movements over the last two years for general market movements and a credit sensitivity based approach for the idiosyncratic issuer specific risk.

Risk managers use VaR information alongside conventional market risk reports to ensure that the VaR measures move as anticipated. VaR is produced daily, for each of the Company's business lines and is monitored by the risk managers aligned with each business.

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VAR is computed for all positions that are FVTPL for financial reporting purposes, with the exception of those in a designated hedging relationship, and a summary of the Company's Value at Risk (VaR) and the Average VaR (Av VaR) for the year ended 31 October 2023 is presented below:

| 2023 | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 | 2022 |
|-------|--------|---------|---------|-------|--------|---------|---------|
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| VaR | Av VaR | Min VaR | Max VaR | VaR | Av VaR | Min VaR | Max VaR |
| 4,339 | 3,046 | 1,555 | 8,509 | 2,433 | 2,178 | 1,171 | 3,822 |

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to certain limitations including the following:

- a one day holding period is used as it is consistent with daily profit and loss reporting. A one-day holding period does not factor into account market liquidity. Some positions could take longer to hedge or close out, especially in times of severe market illiquidity;
- VaR is calculated at a 99% confidence interval, measured at close of business each day; and
- the general market risk VaR measure calculated using historical scenarios is based on the historically observed volatility. The VaR of an unchanged position reduces if the market price volatility declines, and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio.

In addition the Company uses a range of market risk stress tests, which provide an indication of the potential size of losses that could arise in extreme conditions. Stress testing is performed daily on trading books to estimate the impact of extreme but plausible movements.

As part of stress testing, the Company carries out scenario analysis using both historical and hypothetical scenarios, and sensitivity analysis, which allow individual risk drivers to be stressed. The Company also uses multi-year scenarios as part of the development of the Company's capital plan.

Stress test results are assessed against predefined limits. Daily reports are distributed to senior risk management with regular summaries sent to the UK Market Risk Committee (UKMRC) and RC. Excesses are discussed and reviewed on a regular basis by the UKMRC and RC.

6. Market risk – Interest rate risk

Interest rate risk exists in both trading and non-trading portfolios and is defined as the risk of loss resulting from changes in and/or the volatility of interest rates.

Interest rate risk in the trading book leads to changes in the fair value of trading instruments including debt securities. The Company's exposures are monitored daily and are measured against operational limits set by Group Risk Management. Sensitivity is measured as the change in portfolio value for a one basis point increase in interest rates.

Interest rate risk in the banking book (IRRBB), a type of market risk, is the risk of loss resulting from changes in interest rates and/or in the volatility of interest rates. The Company has limited tolerance for risks arising from 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 the Company's IRRBB risk, and any crystallization of it, remains negligible.

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The following tables summarise the Company's year end net positions in assets and liabilities according to how long their interest rate terms remain fixed.

As at 31 October 2023:

| | Less than 3 months | 3 to 12 months | 1 to 5 years | Greater than 5 years | Non - interest bearing | Total |
|--|--------------------|----------------|--------------|----------------------|------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and due from bank | 9,325,224 | - | - | - | 22,548 | 9,347,772 |
| Securities - trading | 164,824 | 417,431 | 1,658,240 | 1,478,537 | 1,050,442 | 4,769,474 |
| Securities - Investments, net of applicable allowance | 124,436 | - | - | - | 79,274 | 203,710 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 19,933,927 | 3,129,768 | - | - | - | 23,063,695 |
| Loans and advances | 7,744,710 | 152,750 | 5,812 | 2,402 | - | 7,905,674 |
| Derivative assets | - | - | - | - | 1,256,698 | 1,256,698 |
| Post employment benefit asset | - | - | - | - | 12,800 | 12,800 |
| Other assets | - | - | - | - | 7,453,983 | 7,453,983 |
| Deposits by banks | (6,811,297) | - | - | - | - | (6,811,297) |
| Deposits by customers | (11,289,718) | (265,796) | (1,600) | - | - | (11,557,114) |
| Obligations related to securities sold short | (336,451) | (471,457) | (1,746,415) | (1,224,181) | (8,669) | (3,787,173) |
| Obligations related to assets sold under repurchase agreements and securities loaned | (19,733,551) | (1,533,558) | - | - | - | (21,267,109) |
| Derivative liabilities | - | - | - | - | (1,148,184) | (1,148,184) |
| Other liabilities | - | - | - | - | (7,596,980) | (7,596,980) |
| Subordinated liabilities | (82,447) | - | - | - | - | (82,447) |
| Total equity | - | - | - | - | (1,763,502) | (1,763,502) |
| Net position | (960,343) | 1,429,138 | (83,963) | 256,758 | (641,590) | - |
| Cumulative interest rate sensitivity gap | (960,343) | 468,795 | 384,832 | 641,590 | - | - |

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As at 31 October 2022:

| | Less than 3 months | 3 to 12 months | 1 to 5 years | Greater than 5 years | Non - interest bearing | Total |
|--|-----------------------|-------------------|--------------|-------------------------|---------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and due from bank | 10,543,236 | - | - | - | 50,994 | 10,594,230 |
| Securities - trading | 563,346 | 214,440 | 936,971 | 1,262,133 | 952,935 | 3,929,825 |
| Securities - Investments, net of applicable allowance | 559,417 | - | - | - | 65,985 | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 20,630,049 | 2,547,364 | - | - | - | 23,177,413 |
| Loans and advances | 7,913,458 | 98,125 | 6,274 | 4,521 | - | 8,022,378 |
| Derivative assets | - | - | - | - | 1,701,873 | 1,701,873 |
| Post employment benefit asset | - | - | - | - | 18,492 | 18,492 |
| Other assets | - | - | - | - | 5,243,854 | 5,243,854 |
| Deposits by banks | (8,540,162) | - | - | - | - | (8,540,162) |
| Deposits by customers | (11,050,941) | (9,274) | - | - | - | (11,060,215) |
| Obligations related to securities sold short | (109,662) | (199,459) | (1,032,294) | (1,046,050) | (8,229) | (2,395,694) |
| Obligations related to assets sold under repurchase agreements and securities loaned | (20,532,154) | (2,102,660) | - | - | - | (22,634,814) |
| Derivative liabilities | - | - | - | - | (1,636,975) | (1,636,975) |
| Other liabilities | - | - | - | - | (5,251,277) | (5,251,277) |
| Subordinated liabilities | (86,947) | - | - | - | - | (86,947) |
| Total equity | - | - | - | - | (1,707,383) | (1,707,383) |
| Net position | (110,360) | 548,536 | (89,049) | 220,604 | (569,731) | - |
| Cumulative interest rate sensitivity gap | (110,360) | 438,176 | 349,127 | 569,731 | - | - |

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7. Market risk – Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Foreign exchange risk is managed against foreign exchange gap limits.

The carrying amount of the Company's foreign currency denominated monetary and non-monetary assets and liabilities are presented below:

| As at 31 October 2023: | Assets £'000 | Liabilities and equity £'000 |
|------------------------|-------------------|---------------------------------|
| Sterling | 16,577,445 | 16,620,436 |
| United States dollars | 31,202,283 | 31,014,792 |
| Euro | 4,283,796 | 4,457,928 |
| Canadian dollars | 1,574,604 | 1,548,759 |
| Swiss Francs | 169,882 | 168,805 |
| Other | 205,796 | 203,086 |
| | 54,013,806 | 54,013,806 |

| As at 31 October 2022: | Assets £'000 | Liabilities and equity £'000 |
|------------------------|-------------------|---------------------------------|
| Sterling | 21,480,801 | 21,511,099 |
| United States dollars | 17,988,506 | 17,951,715 |
| Euro | 7,520,447 | 7,594,943 |
| Canadian dollars | 3,607,281 | 3,575,934 |
| Swiss Francs | 2,610,379 | 2,565,423 |
| Other | 106,053 | 114,353 |
| | 53,313,467 | 53,313,467 |

8. Liquidity risk

Liquidity risk is defined as the risk that an institution is unable to generate or obtain sufficient cash or its equivalents on a cost-effective basis to meet commitments as they fall due. The Company's approach to managing liquidity is to ensure, that the Company will always have sufficient liquidity to meet its liabilities when due under normal and stressed conditions, without incurring material losses or damaging the Company's reputation.

Liquidity regulation

The Company is subject to qualitative and quantitative liquidity regulation by the PRA.

The European Commission Delegated Regulation (EU) 2015/61 applies to the Company. This includes the Liquidity Coverage Ratio (LCR) being monitored and reported against a regulatory limit at the consolidated and significant currency level. Alongside this, the PRA has published its overall approach to regulating liquidity in Policy Statements 11/15, 5/16 and 13/19 and requires the Company to submit LCR. Additional liquidity monitoring metrics are the ALMM and PRA 110.

The Company is subject to the LCR and Net Stable Funding Ratio (NSFR) reporting requirements under the PRA Policy Statement 22/21 (Implementation of Basel Standards Final rules), along with the existing ALMM, PRA 110 reporting, and semi-annual Pillar 3 disclosure.

Liquidity risk management process

The Company's Liquidity Management Framework outlines its liquidity risk appetite. The Company aims to be compliant with RBC policy requirements and European and the UK regulatory requirements and is supported by a Liquidity Risk Policy and a Liquidity Contingency Plan (LCP).

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The liquidity risk management process is governed by the Board of Directors, the UK RC, and the ALCO. The Company's liquidity position is monitored daily by senior management. The liquidity risk profile is reported monthly to the ALCO. The ALCO recommends the liquidity risk tolerance to the Board. Liquidity information is also included in the monthly management accounts, and distributed to the Board of Directors and the PRA.

For contingency purposes, the Company has set out a LCP, which is modelled on RBC's LCP and aims to achieve sufficient funding through a menu of options that may be actioned during a stressed period.

Liquidity is measured and monitored following internal and external regulatory frameworks. The Company monitors LCR, NCF (net cash flow) with intraday monitoring as necessary. NCF is an internally defined metric that estimates net liquidity gaps over short time horizons (7, 30, 60 days) for on and off-balance sheet transactions under business as usual conditions. The Company also continues to monitor the requirement under PS13/19 (PRA 110) weekly.

The Company complies with an internally defined liquidity measure (ILM) which ensures sufficient long term funding is held to fund illiquid assets. ILM is monitored monthly. The company also prepares NSFR reporting.

The table below presents the Company's discounted financial assets and liabilities classified by remaining contractual maturity as at the balance sheet date. Derivative liabilities have been classified in the 'Less than 1 month's category, where transactions can be closed out at short notice. This is consistent with the values used in the liquidity risk management of these instruments. Financial liabilities, with the exception of those that are held for trading or designated at fair value through profit and loss, are disclosed at their book value as a proxy for undiscounted cash flows.

| Liquidity table as at 31 October 2023: | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Greater than 5 years | Total |
|--|--------------------------|----------------------|-----------------------|---------------------|-----------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | | |
| Cash and due from banks | 9,325,224 | 22,548 | - | - | - | 9,347,772 |
| Securities-trading ^[1] | 72,500 | 1,089,657 | 426,556 | 1,757,378 | 1,423,383 | 4,769,474 |
| Securities- Investments, net of applicable allowance | 79,275 | - | 124,435 | - | - | 203,710 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 10,276,716 | 2,832,778 | 9,954,201 | - | - | 23,063,695 |
| Loans and advances | 542,108 | 626,181 | 2,599,891 | 3,890,497 | 246,997 | 7,905,674 |
| Derivative assets | 419,644 | - | - | 497,316 | 339,738 | 1,256,698 |
| Post employment benefit asset | - | - | - | - | 12,800 | 12,800 |
| Other assets | 7,453,983 | - | - | - | - | 7,453,983 |
| | 28,169,450 | 4,571,164 | 13,105,083 | 6,145,191 | 2,022,918 | 54,013,806 |
| Liabilities | | | | | | |
| Deposits by banks | 6,782,295 | 29,002 | - | - | - | 6,811,297 |
| Deposits by customers | 1,428,299 | 151,646 | 265,796 | 3,876,610 | 5,834,763 | 11,557,114 |
| Obligations related to securities sold short ^[1] | 59,050 | 277,617 | 500,229 | 1,756,406 | 1,193,871 | 3,787,173 |
| Obligations related to assets sold under repurchase agreements and securities loaned | 10,323,117 | 289,157 | 10,654,835 | - | - | 21,267,109 |
| Derivative liabilities | 334,287 | - | - | 480,315 | 333,582 | 1,148,184 |
| Other liabilities | 7,481,422 | 77,468 | 14,810 | 14,810 | 8,470 | 7,596,980 |
| Subordinated liabilities | - | - | - | - | 82,447 | 82,447 |
| | 26,408,470 | 824,890 | 11,435,670 | 6,128,141 | 7,453,133 | 52,250,304 |

[1] Trading securities and Obligations related to securities sold short have been classified in the table above by remaining contractual maturity but management expects them to be traded within 12 months.

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| Liquidity table as at 31 October 2022: | Less than 1 month £'000 | 1 to 3 months £'000 | 3 to 12 months £'000 | 1 to 5 years £'000 | Greater than 5 years £'000 | Total £'000 |
|--|-------------------------------|---------------------------|----------------------------|-----------------------|----------------------------------|-------------------|
| Assets | | | | | | |
| Cash and due from banks | 10,543,236 | 50,994 | - | - | - | 10,594,230 |
| Securities-trading | 87,623 | 1,347,794 | 227,220 | 1,037,828 | 1,229,360 | 3,929,825 |
| Securities- Investments, net of applicable allowance | 89,791 | 81,200 | 226,736 | 227,675 | - | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 8,322,377 | 4,380,427 | 9,822,492 | 652,117 | - | 23,177,413 |
| Loans and advances | 925,023 | 751,785 | 1,025,796 | 4,916,578 | 403,196 | 8,022,378 |
| Derivative assets | 1,263,859 | - | - | 255,044 | 182,970 | 1,701,873 |
| Post employment benefit asset | - | - | - | - | 18,492 | 18,492 |
| Other assets | 5,243,854 | - | - | - | - | 5,243,854 |
| | 26,475,763 | 6,612,200 | 11,302,244 | 7,089,242 | 1,834,018 | 53,313,467 |
| Liabilities | | | | | | |
| Deposits by banks | 8,009,497 | 46,004 | - | - | 484,661 | 8,540,162 |
| Deposits by customers | 1,367,242 | 39,097 | 357,070 | 3,738,805 | 5,558,001 | 11,060,215 |
| Obligations related to securities sold short | 44,424 | 7,724 | 199,652 | 1,131,800 | 1,012,094 | 2,395,694 |
| Obligations related to assets sold under repurchase agreements and securities loaned | 7,359,649 | 445,962 | 14,225,177 | 604,026 | - | 22,634,814 |
| Derivative liabilities | 1,169,827 | - | - | 303,112 | 164,036 | 1,636,975 |
| Other liabilities | 5,126,379 | 124,898 | - | - | - | 5,251,277 |
| Subordinated liabilities | - | - | - | 86,947 | - | 86,947 |
| | 23,077,018 | 663,685 | 14,781,899 | 5,864,690 | 7,218,792 | 51,606,084 |

9. Credit risk

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

The Company's aggregated credit risk profile across all lending and trading activities is reported to the Risk Committee (RC) on a quarterly basis.

During the current year there have been no noteworthy changes in the credit risk management procedures.

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Credit Risk maximum exposure

In the table below, the amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking into account any collateral or netting benefits obtained:

| | 2023 £'000 | 2022 £'000 |
|--|-------------------|-------------------|
| Cash and due from banks | 9,347,772 | 10,594,230 |
| Securities - trading | 4,769,474 | 3,929,825 |
| Securities - investments, net of applicable allowance | 203,710 | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 32,654,826 | 33,033,101 |
| Loans and advances | 7,905,674 | 8,022,378 |
| Derivative assets | 1,264,742 | 1,715,356 |
| Other assets | 7,453,983 | 5,243,854 |
| | 63,600,181 | 63,164,146 |
| Off Balance sheet: | | |
| Financial guarantees | 92,191 | 78,341 |
| Loan Commitments | 2,987,910 | 3,063,272 |
| | 66,680,282 | 66,305,759 |

Credit risk management in the banking book

Banking book credit risk arises from loan facilities to large corporate borrowers in the Capital Markets businesses and loans to high net worth individuals in the provision of Wealth Management services. Capital Markets loans are typically to investment-grade borrowers, and Wealth Management loans are mostly secured against collateral consisting of real estate and/or cash and securities.

The banking book credit risk profile is managed through monthly reviews of the UK Lending Risk Management Committee (UKLRMC). The Company's banking book credit risk profile is reported to the RC on a quarterly basis.

The monitoring of credit risk at the Company 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 covenant are added to a watch list which is monitored by the UKLRMC and senior management.

The Company's risk appetite is managed and controlled through exposure limits across single names, country, industry sector and ratings set out in the Risk Appetite Framework (RAF) and Credit Risk Limit Policy (CRLP). Loan transactions are signed off by the Regulatory Reporting team for compliance with regulatory large exposure limits. Credit risk is mitigated through guarantees, collateral and/or credit default insurance (credit default swaps) where considered appropriate and commercially feasible. Furthermore, certain lending facilities are risk sub-participated to the London Branch of the Royal Bank of Canada.

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As at 31 October 2023, based on drawn amounts, the Capital Markets loan portfolio and the Wealth Management loan portfolio accounted for 88% and 12% of the total banking book loan portfolio respectively (2022: 85% and 15%). The credit quality of the on-balance sheet loans and advances portfolio that were neither past due nor individually impaired can be assessed by reference to the internal ratings adopted by the Company:

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------|------------------|------------------|
| Investment Grade | 2,979,530 | 2,363,846 |
| Non Investment Grade | 4,637,660 | 5,275,314 |
| | 7,617,190 | 7,639,160 |
| Less: allowance for credit losses | (8,359) | (4,097) |
| | 7,608,831 | 7,635,063 |

Investment Grade are loans with a Standard & Poor equivalent rating of BBB- inclusive and above and Non-Investment Grade are loans with a Standard & Poor equivalent rating of BB+ inclusive and below.

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------|------------------|------------------|
| Real estate and related | 5,049,952 | 5,385,105 |
| Financial services | 1,003,639 | 549,534 |
| Corporates | 655,569 | 611,320 |
| Wealth management | 908,030 | 1,093,201 |
| | 7,617,190 | 7,639,160 |
| Less: allowance for credit losses | (8,359) | (4,097) |
| | 7,608,831 | 7,635,063 |

Credit risk management in the trading book

Counterparty credit risk arises from exposure to the following:

- Securities finance, as part of Capital Markets fixed income repo and discretionary lending activities;
- Issuer risk, predominantly arising from Capital Markets and supporting businesses through the trading of debt and equity instruments; and
- Derivatives, primarily through Capital Markets OTC equity derivatives and inter-group interest rate and foreign exchange derivatives.

Each counterparty 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 counterparty credit exposure. The limits defined as part of this framework are directly related to the Company's RAF, approved by the Board annually. All operational limit excesses are reported to the UK Counterparty Credit Risk Management Committee. Monthly exposure data is also reviewed by the UK Counterparty Credit Risk Management Committee.

The Company's CRLP is the primary constraint of the Company's trading credit exposure. The limits defined as part of this policy are directly related to the Company's RAF and approved annually by the Board of Directors.

Securities finance

The Company's counterparty credit risk profile is largely made up of equity securities finance / stock lending and fixed income repurchase transactions (repos). Counterparty credit risk is managed through increasing over-collateralisation

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margins on riskier counterparties with margins being actively managed and exchanged daily.

The fair values of these collateral securities are indicated in the table below and 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.

The table below displays the carrying value of assets purchased under reverse repurchase agreements and securities borrowed and obligations related to assets sold under repurchase agreements and securities loaned:

| As at 31 October 2023: | Gross Collateral Fair Value £'000 | Gross Carrying Value £'000 | Gross Collateral % | Net Collateral Fair Value £'000 | Net Carrying Value £'000 | Net Collateral % |
|------------------------|---|-------------------------------------|--------------------------|---|-----------------------------------|------------------------|
| Reverse repos (assets) | 34,111,775 | 32,654,826 | 104.5% | 24,519,908 | 23,063,695 | 106.3% |
| Repos (liabilities) | 31,493,313 | 30,858,240 | 102.1% | 21,901,446 | 21,267,109 | 103.0% |
| As at 31 October 2022: | Gross Collateral Fair Value £'000 | Gross Carrying Value £'000 | Gross Collateral % | Net Collateral Fair Value £'000 | Net Carrying Value £'000 | Net Collateral % |
| Reverse repos (assets) | 34,762,249 | 33,033,101 | 105.2% | 24,900,751 | 23,177,413 | 107.4% |
| Repos (liabilities) | 32,935,185 | 32,490,502 | 101.4% | 23,073,687 | 22,634,814 | 101.9% |

In the ordinary course of business, the Company pledges assets and enters into collateral agreements with terms and conditions that are usual and customary to its regular lending, borrowing and trading activities recorded on the Company's balance sheet. The following are examples of the Company's general terms and conditions on pledged assets and collateral:

- The risks and rewards of the pledged assets reside with the pledger;
- The pledged asset is returned to the pledger when the necessary conditions have been satisfied;
- The right of the pledgee to sell or re-pledge the asset is dependent on the specific agreement under which the collateral is pledged; and
- If there is no default, the pledgee must return a comparable asset to the pledger upon satisfaction of the obligation.

Collateral is an important mitigant of credit risk. The Company holds collateral mainly in the form of debt securities and equities and has the ability to use credit default swaps in order to enhance credit protection.

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 and will be largely based on liquidity and price volatility of the underlying security.

As at 31 October 2023, the Company had pledged out £51.6 billion (2022: £58.3 billion) of the collateral it had received against on and off-balance sheet securities financing transactions.

Credit risk on other loans in the trading book, initial margin on exchange traded futures/options and cash balances such as nostros are monitored by reference to the external rating of the counterparty.

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Issuer risk

The table below presents an analysis of debt securities included within trading and investment portfolios by rating agency designation as at 31 October 2023, and 31 October 2022 based on Standard & Poor's ratings or their equivalent:

| | 2023 | 2022 |
|----------------|------------------|------------------|
| | £'000 | £'000 |
| AAA to AA- | 2,027,931 | 1,995,263 |
| A+ to A- | 627,427 | 625,622 |
| BBB+ to BBB- | 1,099,231 | 836,244 |
| BB+ to BB- | 69,273 | 64,235 |
| B+ to B- | 6,250 | 5,123 |
| CCC+ and below | - | - |
| Not Rated | 13,355 | 9,819 |
| | 3,843,467 | 3,536,306 |

Derivatives

The majority of derivative transactions are subject to margining under a Credit Support Annex. For further analysis refer to Note 34 Derivative financial instruments.

10. Regulatory Capital

The Company is regulated by the Prudential Regulatory Authority and by the Financial Conduct Authority. It is the Company's capital management policy to ensure that it remains adequately capitalised in accordance with its risk appetite. The Company is committed to maintaining sufficient capital to underpin all risks as defined and measured by internal and external regulatory capital requirements.

The table below details the capital resources as at 31 October 2023.

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Common Equity Tier 1 Capital | 1,438,559 | 1,377,467 |
| Tier 1 Capital | 1,738,253 | 1,677,161 |
| Tier 2 Capital | 82,447 | 86,949 |
| Total Own Funds | 1,820,700 | 1,764,110 |

The Company publishes its Pillar 3 disclosure on a semi-annual basis, which contains detailed qualitative and quantitative information on its regulatory capital management.

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11. Classification of financial instruments

The tables below show the carrying amount of the Company's financial instruments classified in the categories as per the requirements of IFRS 9.

| Assets as at 31 October 2023: | Fair Value through P&L classified | Fair value through OCI | Financial instruments valued at amortised cost | Non financial assets | Total carrying amount |
|--|---|---|--|------------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and due from banks | - | - | 9,347,772 | - | 9,347,772 |
| Securities - trading | 4,769,474 | - | - | - | 4,769,474 |
| Securities - Investments, net of applicable allowance | - | 203,710 | - | - | 203,710 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 23,063,695 | - | - | - | 23,063,695 |
| Loans and advances | 296,843 | - | 7,608,831 | - | 7,905,674 |
| Derivative assets | 1,256,698 | - | - | - | 1,256,698 |
| Post employment benefit asset | - | - | - | 12,800 | 12,800 |
| Other assets | - | - | 7,430,249 | 23,734 | 7,453,983 |
| Total | 29,386,710 | 203,710 | 24,386,852 | 36,534 | 54,013,806 |
| Liabilities as at 31 October 2023: | Fair Value through P&L classified | Fair Value through P&L designated | Financial instruments valued at amortised cost | Non Financial Liabilities | Total carrying amount |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Deposits by banks | - | - | 6,811,297 | - | 6,811,297 |
| Deposits by customers | - | - | 11,557,114 | - | 11,557,114 |
| Obligations related to securities sold short | 3,787,173 | - | - | - | 3,787,173 |
| Obligations related to assets sold under repurchase agreements and securities loaned | - | 21,267,109 | - | - | 21,267,109 |
| Derivative liabilities | 1,148,184 | - | - | - | 1,148,184 |
| Other liabilities | - | - | 7,585,333 | 11,647 | 7,596,980 |
| Subordinated liabilities | - | - | 82,447 | - | 82,447 |
| Total | 4,935,357 | 21,267,109 | 26,036,191 | 11,647 | 52,250,304 |

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| Assets as at 31 October 2022: | Fair Value through P&L classified | Fair value through OCI | Financial instruments valued at amortised cost | Non financial assets | Total carrying amount |
|--|--|-----------------------------------|---|---------------------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash and due from banks | - | - | 10,594,230 | - | 10,594,230 |
| Securities - trading | 3,929,825 | - | - | - | 3,929,825 |
| Securities - Investments, net of applicable allowance | - | 625,402 | - | - | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 23,177,413 | - | - | - | 23,177,413 |
| Loans and advances | 387,315 | - | 7,635,063 | - | 8,022,378 |
| Derivative assets | 1,701,873 | - | - | - | 1,701,873 |
| Post employment benefit asset | - | - | - | 18,492 | 18,492 |
| Other assets | - | - | 5,210,139 | 33,715 | 5,243,854 |
| Total | 29,196,426 | 625,402 | 23,439,432 | 52,207 | 53,313,467 |

Liabilities as at 31 October 2022:

| | Fair Value through P&L classified | Fair Value through P&L designated | Financial instruments valued at amortised cost | Non Financial Liabilities | Total carrying amount |
|--|--|--|---|--------------------------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Deposits by banks | - | - | 8,540,162 | - | 8,540,162 |
| Deposits by customers | - | - | 11,060,215 | - | 11,060,215 |
| Obligations related to securities sold short | 2,395,694 | - | - | - | 2,395,694 |
| Obligations related to assets sold under repurchase agreements and securities loaned | - | 22,634,814 | - | - | 22,634,814 |
| Derivative liabilities | 1,636,975 | - | - | - | 1,636,975 |
| Other liabilities | - | - | 5,238,172 | 13,105 | 5,251,277 |
| Subordinated liabilities | - | - | 86,947 | - | 86,947 |
| Total | 4,032,669 | 22,634,814 | 24,925,496 | 13,105 | 51,606,084 |

12. Fair Value

Fair value hierarchy

A hierarchy of valuation techniques are presented based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for asset or liability that are not based on observable market data (unobservable inputs).

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Financial assets and liabilities as at 31 October 2023:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|-------------------|------------------|-------------------|
| Financial assets measured at fair value | | | | |
| Securities - trading | 707,101 | 4,062,373 | - | 4,769,474 |
| Securities - investments, net of applicable allowance | - | 124,436 | 79,274 | 203,710 |
| Assets purchased under reverse repurchase agreements and securities borrowed | - | 23,063,695 | - | 23,063,695 |
| Loans and advances | - | 296,843 | - | 296,843 |
| Derivative assets | - | 1,256,698 | - | 1,256,698 |
| | 707,101 | 28,804,045 | 79,274 | 29,590,420 |

Financial liabilities measured at fair value

| | | | | |
|--|------------------|-------------------|----------|-------------------|
| Obligations related to securities sold short | 2,452,965 | 1,334,208 | - | 3,787,173 |
| Obligations related to assets sold under repurchase agreements and securities loaned | - | 21,267,109 | - | 21,267,109 |
| Derivative liabilities | - | 1,148,184 | - | 1,148,184 |
| | 2,452,965 | 23,749,501 | - | 26,202,466 |

Financial assets and liabilities as at 31 October 2022:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|-------------------|------------------|-------------------|
| Financial assets measured at fair value | | | | |
| Securities - trading | 610,389 | 3,319,436 | - | 3,929,825 |
| Securities - investments, net of applicable allowance | - | 559,417 | 65,985 | 625,402 |
| Assets purchased under reverse repurchase agreements and securities borrowed | - | 23,177,413 | - | 23,177,413 |
| Loans and advances | - | 387,315 | - | 387,315 |
| Derivative assets | - | 1,701,873 | - | 1,701,873 |
| | 610,389 | 29,145,454 | 65,985 | 29,821,828 |

Financial liabilities measured at fair value

| | | | | |
|--|------------------|-------------------|----------|-------------------|
| Obligations related to securities sold short | 1,139,770 | 1,255,924 | - | 2,395,694 |
| Obligations related to assets sold under repurchase agreements and securities loaned | - | 22,634,814 | - | 22,634,814 |
| Derivative liabilities | - | 1,636,975 | - | 1,636,975 |
| | 1,139,770 | 25,527,713 | - | 26,667,483 |

The following describes how fair values are determined, what inputs are used and where they are classified in the fair value hierarchy table above, for the significant assets and liabilities that are measured at fair value on a recurring basis:

Government bonds

The fair values of government bonds or guaranteed debt securities in active markets, which are included in Securities – trading, are determined by reference to recent transaction prices, broker quotes, or third-party vendor prices and are classified as Level 1 in the fair value hierarchy. The fair values of securities that are not traded in active markets are based on either security prices, or valuation techniques using implied yields and risk spreads derived from prices of actively traded and similar government securities. Securities with observable prices or rate inputs as compared to transaction prices, dealer quotes or vendor prices are classified as Level 2 in the hierarchy. Securities where inputs are unobservable are classified as Level 3 in the hierarchy.

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Corporate bonds

The fair values of corporate bonds, which are included in Securities – trading, and Obligations related to securities sold short in the fair value hierarchy table, are determined using either recently executed transaction prices, broker quotes, pricing services, or in certain instances discounted cash flow method using rate inputs such as benchmark yields (Canadian Dealer Offered Rate, Risk Free Rates and other similar reference rates) and risk spreads of comparable securities. Securities with observable prices or rate inputs are classified as Level 2 in the hierarchy. Securities where inputs are unobservable are classified as Level 3 in the hierarchy.

Asset-backed securities and Mortgage-backed securities

Asset-backed securities (ABS) and Mortgage-backed securities (MBS) are included in Securities – trading, and Obligations related to securities sold short in the fair value hierarchy table. Inputs for valuation of ABS and MBS are, when available, traded prices, dealer or lead manager quotes, broker quotes and vendor prices of the identical securities. When prices of the identical securities are not readily available, the Company use industry standard models with inputs such as discount margins, yields, default, prepayment and loss severity rates that are implied from transaction prices, dealer quotes or vendor prices of comparable instruments. Where security prices and inputs are observable, ABS and MBS are classified as Level 2 in the hierarchy. Otherwise, they are classified as Level 3 in the hierarchy.

Equities

Equities consist of listed and unlisted common shares, private equities, mutual funds and hedge funds with certain redemption restrictions and are included in equities and obligations for securities sold short. The fair values of common shares are based on quoted prices in active markets, where available, and are classified as Level 1 in the hierarchy. Where quoted prices in active markets are not readily available, fair value is determined based on quoted market prices for similar securities or through valuation techniques, such as multiples of earnings and the discounted cash flow method with forecasted cash flows and discount rate as inputs. Private equities are classified as Level 3 in the hierarchy as their inputs are not observable.

Derivatives

The fair values of exchange-traded derivatives, such as interest rate and equity options and futures, are based on quoted market prices and are classified as Level 1 in the fair value hierarchy. OTC derivatives primarily consist of interest rate and cross currency swaps, interest rate options, foreign exchange forward contracts and options, and commodity options and swaps. The exchange-traded or OTC interest rate, foreign exchange and equity derivatives are included in Interest rate contracts, Foreign exchange contracts and Other contracts, respectively, in the fair value hierarchy table. The fair values of OTC derivatives are determined using valuation models when quoted market prices or third-party consensus pricing information are not available. The valuation models, such as discounted cash flow method or Black-Scholes option model, incorporate observable or unobservable inputs for interest and foreign exchange rates, equity and commodity prices (including indices), credit spreads, corresponding market volatility levels, and other market-based pricing factors. As previously discussed, other adjustments to fair value include bid-offer, CVA, FVA, OIS, parameter and model uncertainties, and unrealised gain or loss at inception of a transaction. A derivative instrument is classified as Level 2 in the hierarchy if observable market inputs are available or the unobservable inputs are not significant to the fair value. Otherwise, it is classified as Level 3 in the hierarchy.

Securities borrowed or purchased under resale agreements and securities loaned or sold under repurchase agreements

In the fair value hierarchy table, these instruments are included in Assets purchased under reverse repurchase agreements and securities borrowed, and Obligations related to assets sold under repurchase agreements and securities loaned. Fair value for these contracts is calculated using valuation techniques such as discounted cash flow method using interest rate curves as inputs. They are classified as Level 2 instruments in the hierarchy as the inputs are observable.

Transfers between fair value hierarchy levels for instruments carried at fair value on a recurring basis

Transfers between Level 1 and Level 2, and transfers in and out of Level 3 are assumed to occur at the end of the year. For an asset or a liability that transfers into Level 3 during the year, the entire change in fair value for the year is excluded from the above reconciliation, whereas for transfers out of Level 3 during the year, the entire change in fair value for the period is included in the below reconciliations.

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Transfers between Level 1 and Level 2 are dependent on whether fair value is obtained on the basis of quoted market prices in active markets (Level 1) as opposed to fair value estimated using observable inputs in a discounted cash flow model (Level 2). There were no significant transfers between Level 1 and Level 2 during the year (2022: No significant transfers).

As at 31 October 2023, Level 3 financial instruments held by the Company were comprised of unlisted private equities. These assets are independently valued based on accounting policy stated in Note 3.

Reconciliation of Level 3 items from 1 November 2022 to 31 October 2023:

| | As at November 1 2022 | Other Comprehensive Income | As at 31 October 2023 |
|------------------------|--------------------------|-------------------------------|-----------------------|
| | £'000 | £'000 | £'000 |
| Securities- Investment | 65,985 | 13,289 | 79,274 |

Reconciliation of Level 3 items from 1 November 2021 to 31 October 2022 :

| | As at November 1 2021 | Other Comprehensive Income | As at 31 October 2022 |
|------------------------|--------------------------|-------------------------------|-----------------------|
| | £'000 | £'000 | £'000 |
| Securities- Investment | 63,562 | 2,423 | 65,985 |

Sensitivity of Level 3 measurements

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of the fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgement. Due to the unobservable nature of the prices or rates, there may be uncertainty about valuation of these Level 3 financial instruments.

The following table summarises the impact to fair values of Level 3 financial instruments using reasonably possible alternative assumptions. This sensitivity disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of Level 3 financial instruments.

| | Favourable Changes | Unfavourable Changes |
|-----------------------|-----------------------|-------------------------|
| | £'000 | £'000 |
| As at 31 October 2023 | | |
| Securities - FVOCI | 7,927 | (7,927) |
| As at 31 October 2022 | | |
| Securities - FVOCI | 6,599 | (6,599) |

The following is a summary of material unobservable inputs of Level 3 instruments and the Company's approach to developing reasonable possible alternative assumptions used to determine sensitivity:

The fair value of equities are obtained by reference to a hierarchy of valuation techniques, including company analysis, peer multiple valuations, broker bids and independently verified third party transactions, this produces a range of alternate valuations which are considered in the valuation of the position. Where a range of alternate valuations is available the difference from the booked value to the value of the closest alternate valuation technique is used to calculate the range of reasonable alternate values.

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Quantitative information about fair value measurements using significant unobservable inputs for Level 3 financial instruments

The following table presents fair values of the Company's significant Level 3 financial instruments, valuation techniques used to determine their fair values, ranges and weighted averages of unobservable inputs.

As at 31 October 2023

| Products | Reporting line in the fair value hierarchy table | Fair value | | Valuation techniques | Significant unobservable inputs | Range of input values | | |
|----------|--|----------------|---------------------|----------------------|---------------------------------|-----------------------|------|--|
| | | Assets (£'000) | Liabilities (£'000) | | | Low | High | Weighted average / Inputs distribution |
| | | | | | P/E multiple | 9.15 | 9.15 | 9.15 |
| Equities | Securities-Investments | 79,274 | - | Price multiples | Liquidity discount | 20% | 20% | 20% |
| | | | | | EBITDA multiple | 7.39 | 7.39 | 7.39 |

As at 31 October 2022

| Products | Reporting line in the fair value hierarchy table | Fair value | | Valuation techniques | Significant unobservable inputs | Range of input values | | |
|----------|--|----------------|---------------------|----------------------|---------------------------------|-----------------------|-------|--|
| | | Assets (£'000) | Liabilities (£'000) | | | Low | High | Weighted average / Inputs distribution |
| | | | | | P/E multiple | 13.51 | 13.51 | 13.51 |
| Equities | Securities-Investments | 65,985 | - | Price multiples | Liquidity discount | 20% | 20% | 20% |
| | | | | | EBITDA multiple | 9.84 | 9.84 | 9.84 |

Sensitivity to P/E multiples and liquidity discounts

Private equity valuation inputs include Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortisation (EV/EBITDA) multiples, Price / Earnings (P/E) multiples and Enterprise Value / Revenue (EV/Rev) multiples. These are used to calculate either enterprise value or share value of a company based on a multiple of earnings or revenue estimates. Higher multiples equate to higher fair values for all multiple types, and vice versa. A liquidity discount may be applied when few or no transactions exist to support the valuations.

Fair value of financial instruments that are carried at amortised cost

The following fair value hierarchy table presents fair values of financial assets and liabilities that are carried at amortised cost, and therefore excludes financial instruments that are measured and disclosed at fair value on a recurring basis.

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Fair value of financial instruments that are carried at amortised costs at 31 October 2023

| | Fair value approximates carrying value £'000 | Fair value may not approximate carrying value £'000 | Total Fair value £'000 |
|--------------------------|---|--|---------------------------|
| Loans and advances | 1,122,923 | 6,515,155 | 7,638,078 |
| Other assets | 7,430,249 | - | 7,430,249 |
| Deposits by banks | 6,724,493 | 86,691 | 6,811,184 |
| Deposits by customers | 1,815,917 | 9,739,831 | 11,555,748 |
| Other liabilities | 7,585,333 | - | 7,585,333 |
| Subordinated liabilities | - | 81,292 | 81,292 |

Fair value of financial instruments that are carried at amortised costs at 31 October 2022

| | Fair value approximates carrying value £'000 | Fair value may not approximate carrying value £'000 | Total Fair value £'000 |
|--------------------------|---|--|---------------------------|
| Loans and advances | 1,278,194 | 6,208,021 | 7,486,215 |
| Other assets | 5,210,139 | - | 5,210,139 |
| Deposits by banks | 7,897,562 | 642,169 | 8,539,731 |
| Deposits by customers | 1,396,605 | 9,658,971 | 11,055,576 |
| Other liabilities | 5,238,172 | - | 5,238,172 |
| Subordinated liabilities | - | 84,585 | 84,585 |

Fair values of financial assets and liabilities carried at amortised cost and disclosed in the table above are determined using the following valuation techniques and inputs, and are Level 2 in both the current and prior year.

Loans and advances to customers

Loans and advances to customer include Corporate Banking and Wealth Management client loans. Where market prices are available, loans are valued based on market prices. Otherwise, fair value is determined by the discounted cash flow method using the following inputs: market interest rates and market based spreads of assets with similar credit ratings and terms to maturity, expected default frequency implied from credit default swap prices, if available, and relevant pricing information such as contractual rate, origination and maturity dates, redemption price, coupon payment frequency and date convention.

Deposits

Deposits are comprised of demand, notice, and short-term deposits. The carrying values of short-term term deposits and demand and notice deposits generally approximate their fair values.

Other assets and Other liabilities

Other assets and Other liabilities include receivables and payables relating to the Company's trading activities. Fair values of these receivables and payables generally approximate their fair values.

Subordinated debentures

Fair values of Subordinated liabilities are based on recent transaction prices for those marketable instruments with similar credit and term features.

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13. Offsetting financial assets and financial liabilities

Offsetting within the Balance Sheet may be achieved where financial assets and liabilities are subject to master netting arrangements that provide the currently enforceable right of offset and where there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. For derivative contracts and repurchase and reverse repurchase arrangements, this is generally achieved when there is a market mechanism for settlement (e.g., central counterparty exchange or clearing house) which provides daily net settlement of cash flows arising from these contracts. Margin receivables and margin payables are generally offset as they settle simultaneously through a market settlement mechanism.

Amounts that do not qualify for offsetting include master netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such master netting arrangements include the ISDA Master Agreement or certain derivative exchange or clearing counterparty agreements for derivative contracts, global master repurchase agreements and global master securities lending agreements for repurchase, reverse repurchase and other similar secured lending and borrowing arrangements.

The amount of financial collateral received or pledged subject to master netting arrangements or similar agreements but do not qualify for offsetting refers to the collateral received or pledged to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or the occurrence of other predetermined events. Certain amounts of collateral are restricted from being sold or re-pledged unless there is an event of default or the occurrence of other predetermined events.

The tables below provide the amount of financial instruments that have been offset on the Balance Sheet and the amounts that do not qualify for offsetting but are subject to enforceable master netting arrangements or similar agreements. The amounts presented are not intended to represent our actual exposure to credit risk.

The amounts presented in the table below are not intended to represent the Company's actual exposure to credit risk. Please refer to Note 9 for more information on Credit exposure and Credit risk mitigation.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements
As at 31 October 2023

| | Amounts subject to offsetting and enforceable netting arrangements | | | | | | Total amount recognised on the balance sheet £'000 |
|--|---|---|--|---|--|---------------------|---|
| | Gross amount of financial assets before balance sheet offsetting £'000 | Amounts of financial liabilities offset on the balance sheet £'000 | Net amount of financial assets presented on the balance sheet £'000 | Impact of master netting agreement £'000 | Financial collateral received £'000 | Net amount £'000 | |
| Assets purchased under reverse repurchase agreements and securities borrowed | 32,654,826 | 9,591,131 | 23,063,695 | 5 | 23,060,840 | 2,850 | 23,063,695 |
| Derivative assets | 1,264,742 | 8,044 | 1,256,698 | 852,212 | 404,486 | - | 1,256,698 |
| Total | 33,919,568 | 9,599,175 | 24,320,393 | 852,217 | 23,465,326 | 2,850 | 24,320,393 |

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As at 31 October 2022

| | Amounts subject to offsetting and enforceable netting arrangements | | | | | | Total amount recognised on the balance sheet |
|--|--|--|---|--|-------------------------------------|------------------|--|
| | Gross amount of financial assets before balance sheet offsetting £'000 | Amounts of financial liabilities offset on the balance sheet £'000 | Net amount of financial assets presented on the balance sheet £'000 | Impact of master netting agreement £'000 | Financial collateral received £'000 | Net amount £'000 | |
| Assets purchased under reverse repurchase agreements and securities borrowed | 33,033,101 | 9,855,688 | 23,177,413 | 3,870 | 23,100,118 | 73,425 | 23,177,413 |
| Derivative assets | 1,715,356 | 13,483 | 1,701,873 | 1,474,219 | 100,121 | 127,533 | 1,701,873 |
| Total | 34,748,457 | 9,869,171 | 24,879,286 | 1,478,089 | 23,200,239 | 200,958 | 24,879,286 |

Financial Liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 October 2023

| | Amounts subject to offsetting and enforceable netting arrangements | | | | | | Total amount recognised on the balance sheet |
|--|---|---|--|--|------------------------------------|------------------|--|
| | Gross amount of financial liabilities before balance sheet offsetting £'000 | Amounts of financial assets offset on the balance sheet £'000 | Net amount of financial liabilities presented on the balance sheet £'000 | Impact of master netting agreement £'000 | Financial collateral pledged £'000 | Net amount £'000 | |
| Obligations related to assets sold under repurchase agreements and securities loaned | 30,858,240 | 9,591,131 | 21,267,109 | 5 | 21,150,618 | 116,486 | 21,267,109 |
| Derivative liabilities | 1,156,228 | 8,044 | 1,148,184 | 852,212 | 643 | 295,329 | 1,148,184 |
| Total | 32,014,468 | 9,599,175 | 22,415,293 | 852,217 | 21,151,261 | 411,815 | 22,415,293 |

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As at 31 October 2022

Amounts subject to offsetting and enforceable netting arrangements

Amount subject to master
netting arrangement or
similar agreements but do
not qualify on offsetting on
the balance sheet

| | Gross amount of financial liabilities before balance sheet offsetting £'000 | Amounts of financial assets offset on the balance sheet £'000 | Net amount of financial liabilities presented on the balance sheet £'000 | Impact of master netting agreement £'000 | Financial collateral pledged £'000 | Net amount £'000 | Total amount recognized on the balance sheet £'000 |
|---|---|--|--|--|---|---------------------|--|
| Obligations related to assets sold under repurchase agreements and securities loaned | 32,490,502 | 9,855,688 | 22,634,814 | 3,870 | 22,621,526 | 9,418 | 22,634,814 |
| Derivative liabilities | 1,650,458 | 13,483 | 1,636,975 | 1,474,219 | 76,868 | 85,888 | 1,636,975 |
| Total | 34,140,960 | 9,869,171 | 24,271,789 | 1,478,089 | 22,698,394 | 95,306 | 24,271,789 |

14. Net interest income

Interest income includes:

| | 2023 £'000 | 2022 £'000 |
|--|------------------|----------------|
| Cash and due from banks | 411,510 | 64,187 |
| Loans and advances | 453,397 | 248,830 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 1,406,256 | 397,418 |
| Securities - trading | 163,419 | 70,603 |
| Securities - investments | 3,774 | 1,468 |
| Total interest income | 2,438,356 | 782,506 |

Including interest income received from related parties

| | 2023 £'000 | 2022 £'000 |
|------------------------------------|----------------|---------------|
| -RBC London Branch | 289,381 | 5,507 |
| -RBC Capital Markets LLC | 8,152 | 1,608 |
| -RBC Capital Markets (Europe) GmbH | 2,120 | 517 |
| -RBC Holdings UK | 1,517 | 22 |
| -RBC Dominion Securities Inc | 461 | 621 |
| -RBC Ontario Branch | 288 | 263 |
| -RBC (Channel Islands) Ltd | 224 | 256 |
| -RBC Investor Services Bank SA | - | 865 |
| -Other related parties | 88 | 64 |
| | 302,231 | 9,723 |

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Interest expense includes:

| | 2023 £'000 | 2022 £'000 |
|--|------------------|----------------|
| Cash and due from banks | - | 11,021 |
| Deposits | 931,748 | 269,588 |
| Obligations related to securities sold short | 122,765 | 53,643 |
| Obligations related to assets sold under repurchase agreements and securities loaned | 1,327,702 | 353,451 |
| Securities - trading | 7,755 | 409 |
| Total interest expenses | 2,389,970 | 688,112 |

Including interest expense paid to related parties

| | | |
|---|------------------|----------------|
| -RBC London Branch | 530,974 | 65,342 |
| -RBC Dominion Securities Inc | 483,077 | 173,403 |
| -RBC (Barbados) Funding Ltd | 472,785 | 125,582 |
| -RBC Holdings (Lux) Sarl. Barbados Branch | 94,136 | 65,830 |
| -RBC Ontario Branch | 10,903 | 8,063 |
| -RBC WM Holdings Jersey | 10,059 | 1,327 |
| -RBC Investor Services Trust UK | 7,847 | 2,186 |
| -RBC Holdings UK | 7,374 | 1,509 |
| -RBC Bluebay UK | 4,713 | 609 |
| -RBC (Channel Islands) Ltd | 4,252 | 10,679 |
| -RBC Brewin UK | 3,431 | - |
| -RBC Fin Corp (Caribbean) | 3,389 | 766 |
| -RBC Capital Markets (Europe) GmbH | 2,448 | 8 |
| -RBC Sydney Branch | 1,237 | - |
| -RBC Holdings (Channel Islands) Ltd | 870 | - |
| -RBC Investor Services Bank SA | 26 | 2,351 |
| -Other related parties | 2,664 | 780 |
| | 1,640,185 | 458,435 |

Interest income includes £864,906,904 (2022: £313,017,441) of interest recognised on financial assets measured at amortised cost and interest expense includes £931,748,000 (2022: £280,609,000) of interest recognised on financial liabilities measured at amortised cost.

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15. Net fee and commission income

| Fee and commission income | 2023 | 2022 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Brokerage & commissions | 92,627 | 81,441 |
| Financial advisory fees | 116,549 | 139,565 |
| Underwriting, lending and credit facility fees | 63,263 | 53,798 |
| Other | 3,002 | 4,011 |
| Total fee and commission income | 275,441 | 278,815 |
| Including fee and commission income received from related parties | | |
| -RBC London Branch | 40,541 | 21,926 |
| -RBC Capital Markets LLC | 29,907 | 24,983 |
| -RBC Capital Markets (Europe) GmbH | 10,950 | 10,762 |
| -RBC Dominion Securities Inc | 10,734 | 9,431 |
| -RBC Ontario Branch | 4,895 | 5,020 |
| -RBC New York Branch | 3,657 | 3,857 |
| -RBC Sydney Branch | 878 | 1,010 |
| -RBC Bahamas Branch | 748 | 1,211 |
| -RBC WM Holdings Jersey | - | 7,875 |
| -Other Related Parties | 383 | 1,182 |
| | 102,693 | 87,257 |

| Fee and commission expense | 2023 | 2022 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Funding facility fees | 16,042 | 12,713 |
| Brokerage & commissions | 72,471 | 67,111 |
| Total fee and commission expense | 88,513 | 79,824 |

| | | |
|--|---------------|---------------|
| Including fee and commission expense payable to related parties | | |
| -RBC Capital Markets (Europe) GmbH | 48,702 | 32,436 |
| -RBC (Barbados) Funding Ltd | 16,043 | 13,274 |
| -RBC Ontario Branch | 9,270 | 9,383 |
| -RBC Dominion Securities Inc | 2,942 | 5,396 |
| -RBC Capital Markets LLC | 2,798 | 7,285 |
| -RBC London Branch | 2,682 | 4,071 |
| -RBC Sydney Branch | 1,940 | 3,015 |
| -RBC New York Branch | 11 | 474 |
| -Other Related Parties | 798 | 538 |
| | 85,186 | 75,872 |

16. Net trading income

| | 2023 | 2022 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Total trading income | 263,103 | 172,722 |
| Including related party trading income | | |
| -RBC London Branch | 93,156 | 106,676 |
| -RBC Ontario Branch | (6,347) | 16,209 |
| -Other related parties | (2,852) | 3,043 |
| | 83,957 | 125,928 |

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17. Human resources

| | 2023 £'000 | 2022 £'000 |
|------------------------------------|----------------|----------------|
| Salaries and other staff expenses | 157,036 | 148,899 |
| Social security costs | 21,851 | 22,564 |
| Defined benefit pension costs | (907) | (501) |
| Defined contribution pension costs | 4,991 | 4,542 |
| Total human resources | 182,971 | 175,504 |

Directors' emoluments of the Company excluding pension contributions for the year are £2,101,828 (2022: £1,998,113).

No Directors are members or deferred members of the defined benefit pension scheme following closure of the scheme to new contributions (2022: no Directors). The Company made no contributions (2022: £nil) to defined contribution pension schemes in respect of any Director (2022: no Directors).

The emoluments of the highest paid Director, excluding pension contributions, were £1,443,865 (2022: £1,379,009). The accrued pension benefits and accrued lump sum for the highest paid director were £nil (2022: £nil).

All Directors are employed by other group companies and the associated costs are reported within related party charges and recoveries.

Disclosed Directors' emoluments represent those relating to their services as directors for the Company based on an estimated time allocation basis.

The monthly average number of employees during the year was 643 (2022: 609).

Share Based Deferred bonus plan

The Company also has a deferred bonus plan for certain employees within the capital markets businesses. Under this plan, a percentage of each employee's annual incentive bonus is deferred and changes according to the market value of Royal Bank of Canada's common shares and accumulates dividend equivalents at the same rate as dividends on Royal Bank of Canada's common shares. The employee will receive the deferred bonus amounts within 90 days of the three following year end dates. The value of the deferred bonus paid will be equivalent to the original deferred bonus adjusted for dividends and changes in the market value of Royal Bank of Canada's common shares at the time the bonus is paid. The Company's liabilities for the awards granted under the plan are measured at fair value, determined based on the quoted market price of Royal Bank of Canada's common shares.

The liability on this plan as at 31 October 2023 was £49.3 million (2022: £66 million) and the total number of share-based awards outstanding at year end was 776,242 (2022: 839,693). The total compensation expense for the current and deferred bonus plans for the year ended 31 October 2023 was £63 million (2022: £68 million) which is included in Human resources in the Statement of Income. The number of shares granted during the year was 258,256 (2022: 302,098) with a weighted average share price of C\$136.15 (2022: C\$144.84).

18. Related party charges & recoveries

| | 2023 £'000 | 2022 £'000 |
|---|----------------|----------------|
| Related party charges & recoveries | | |
| -RBC Ontario Branch | 124,260 | 119,161 |
| -RBC London Branch | 10,365 | 5,951 |
| -Other | (5,314) | (3,901) |
| | 129,311 | 121,211 |

RBC EUROPE LIMITED
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19. Other operating expenses

| | 2023 | 2022 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Auditors' remuneration | | |
| - Audit fees | 645 | 599 |
| - Non-audit assurance related services | 261 | 252 |
| Bank levy | 1,684 | 3,079 |
| Premises and equipment | 33,590 | 33,712 |
| Professional services | 7,399 | 9,821 |
| Trade execution costs and other | 41,339 | 36,140 |
| | 84,918 | 83,603 |

During 2023, the Company incurred a total audit fee of £645,460 payable to the Company's auditors for the audit of the Company's annual financial statements (2022: £599,132), and audit related assurance service fees of £261,076 (2022: £251,908).

20. Pension

The Company is a participating employer in the RBC (UK) Pension Plan ('the Plan'), a defined benefit pension scheme for which the Principal Employer is the Royal Bank of Canada. The pension scheme is administered by separate trustees that are legally segregated from the Company and is in compliance with the Pensions Act 2004. The pension arrangements including investment, plan benefits and funding decisions are governed by the Trustees. Significant plan changes require the approval of the Board of Directors. The Plan provides pension benefits based on years of service and average earnings over last three years at leaving. The Plan has been closed to new members since 2001 and closed to future accrual from 2015. New employees are generally eligible to join the defined contribution pension plan.

The allocation, and reallocation, of the Plan's assets, liabilities, costs and cash flows to the Company is based on the results of a valuation of the Plan, and the identification of each Plan member's current, or last 'employer' at the point the Plan was closed in 2015.

For the year ended 31 October 2023, total contributions to the Plan were £nil (2022: £nil). For 2024, total contributions to the Plan are expected to remain at the same level.

By its design, the Plan exposes the Company to various risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of Plan members and future inflation levels impacting future pension increases. By closing membership in the defined benefit pension scheme and migrating to defined contribution plans, the volatility associated with the aforementioned risks have been ringfenced.

The funded status at the end of the year, and the related amounts recognised on the Balance Sheet, are as follows:

| Amounts recognised in the Balance Sheet | 2023 | 2022 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Fair value of plan assets | 88,400 | 103,063 |
| Present value of wholly or partly funded obligations | (75,600) | (84,571) |
| Net asset | 12,800 | 18,492 |

RBC EUROPE LIMITED
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The components of remeasurements recognised in Income Statement and Statement of Comprehensive Income are as follows:

| Amounts recognised in the Income Statement | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Interest income on plan assets | 4,964 | 3,265 |
| Interest expense | (4,057) | (2,764) |
| Total pension income recognised | 907 | 501 |

| Amounts recognised in the Income Statement | 2023 £'000 | 2022 £'000 |
|---|----------------|----------------|
| Remeasurements | | |
| Actuarial (losses)/gains from demographic assumptions | - | (33) |
| Actuarial gains/(losses) from financial assumptions | 11,386 | 61,773 |
| Actuarial (losses)/gains from experience adjustments | (2,858) | 988 |
| Return on plan assets greater than interest income | (15,127) | (71,102) |
| Total remeasurements included in OCI | (6,599) | (8,374) |

| Change in benefit obligation | 2023 £'000 | 2022 £'000 |
|---|-----------------|-----------------|
| Benefit obligation at beginning of year | (84,571) | (147,536) |
| Interest expense | (4,057) | (2,764) |
| Actuarial (losses)/gains from demographic assumptions | - | (33) |
| Actuarial (losses)/gains from experience adjustments | (2,858) | 988 |
| Actuarial gains/(losses) from financial assumptions | 11,386 | 61,774 |
| Benefit paid from plan/company | 4,500 | 3,000 |
| Benefit obligation at end of year | (75,600) | (84,571) |

| Change in plan assets | 2023 £'000 | 2022 £'000 |
|--|---------------|----------------|
| Fair value of plan assets at beginning of year | 103,063 | 173,900 |
| Interest income | 4,964 | 3,265 |
| Return on plan assets greater than interest income | (15,127) | (71,102) |
| Benefits paid | (4,500) | (3,000) |
| Fair value of plan assets at end of year | 88,400 | 103,063 |

Investment policy and strategies

The Plan's investment strategy is to hold a diversified mix of investments by asset class and geographic location, in order to reduce investment-specific risk to the funded status while seeking to achieve the expected returns required to meet pension obligations. Investment of the Plan assets is conducted with careful consideration of the pension obligation's exposure to interest rates and inflation which are key risk factors impacting the obligation. The asset mix policy is therefore consistent with an asset/liability framework. Factors taken into consideration in developing the asset mix include but are not limited to the following:

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including expectations for normal retirements, terminations, and deaths;
- the financial position of the pension plan;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- expected asset returns, including asset and liability volatility and correlations.

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To implement the asset mix policy, the Trustee of the Plan has appointed a Fiduciary Manager. The Fiduciary Manager may, subject to written guidelines, invest in a range of investments including equity securities, debt securities, alternative investments and derivative instruments. Holdings in each asset class cannot exceed a defined percentage of the market value of the Plan assets. The Fiduciary Manager may use derivative instruments as either a synthetic investment to more efficiently replicate the performance of an underlying security, or as a hedge against financial risks associated with the underlying portfolio.

The Plan assets are primarily comprised of debt securities with a smaller proportion also held in equity securities. Equity securities generally have unadjusted quoted market prices in an active market (Level 1) and the debt securities generally have quoted market prices for similar assets in an active market (Level 2). Pooled investment vehicles, through which the Plan accesses equity markets, would often be categorized as Level 2. Alternative investments and other includes cash, and secure income investments including in infrastructure, real estate leases and renewable energy. In the case of secure income investments, no quoted market prices are usually available (Level 2 or Level 3). These fund assets are either valued by an independent valuer or priced using observable market inputs.

| | 2023 £'000 | 2022 £'000 |
|--------------------------|---------------|----------------|
| Cash and cash equivalent | 10,342 | 14,429 |
| Equities | 8,044 | 8,451 |
| Debt securities | 41,902 | 51,119 |
| Real estate | 6,542 | 6,596 |
| Other | 21,570 | 22,468 |
| Total | 88,400 | 103,063 |

The following table presents the maturity profile of the pension obligation.

| Maturity profile | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| As at 31 October 2023 | | |
| Benefits expected to be paid 2024 | 4,900 | 3,600 |
| Benefits expected to be paid 2025 | 5,000 | 3,700 |
| Benefits expected to be paid 2026 | 5,200 | 3,900 |
| Benefits expected to be paid 2027 | 5,400 | 4,100 |
| Benefits expected to be paid 2028 | 5,500 | 4,300 |
| Benefits expected to be paid 2029-2033 | 30,100 | 24,400 |
| Weighted average duration of defined benefit obligation | 14 years | 16 years |

Significant assumptions

Methodologies to determine significant assumptions used in calculating the defined benefit pension and other post-employment benefit expense are as follows:

| <i>Weighted-average assumptions used to determine plan assets and benefit obligation</i> | 2023 | 2022 |
|--|----------------------------|----------------------------|
| Discount rate | 5.90% | 4.90% |
| Rate of salary increase | N/A | N/A |
| Rate of price inflation | 3.50% | 3.40% |
| Rate of pension increases | 3.25% | 3.15% |
| Pension increases for deferred benefits | 3.00% | 2.90% |
| Plan participation census date | 1-Apr-21 | 1-Apr-21 |
| Post-retirement mortality table | 96% S3PMA_L 92% S3PFA_L | 96% S3PMA_L 92% S3PFA_L |

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| <i>Weighted-average assumptions used to determine defined benefit cost</i> | 2023 | 2022 |
|--|--------------------|-------------|
| Discount rate | 4.90% | 4.90% |
| Rate of salary increase | N/A | N/A |
| Rate of price inflation | 3.40% | 3.40% |
| Rate of pension increases | 3.15% | 3.15% |
| Pension increases for deferred benefits | 2.90% | 2.90% |
| Plan participation census date | 1-Apr-21 | 1-Apr-21 |
| Post-retirement mortality table | 96% S3PMA_L | 96% S3PMA_L |
| | 92% S3PFA_L | 92% S3PFA_L |

S2PMA_L and S2PFA_L refer to two of the graduated base tables of mortality rates derived from Self Administrated Pension Schemes (SAPS) data that relates to years 2004-11 (the S2 tables), split by male and female pensioners (excluding dependants), and by amounts.

Discount rate

All future expected benefit payments at each measurement date are discounted at spot rates from a AAAs corporate bond yield curve. Spot rates beyond 30 years are set to equal the 30-year spot rate. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This valuation methodology does not rely on assumptions regarding re-investment returns.

Assumptions adopted can have a significant effect on the obligations for defined benefit pension and other post-employment benefit plans. The increase/ (decrease) in obligation in the following table has been determined assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

The following table presents the sensitivity analysis of key assumptions:

| | (Decrease) / Increase in obligation 2023 £'000 | (Decrease) / Increase in obligation 2022 £'000 |
|---|---|---|
| <u>Discount rate</u> | | |
| Impact of 50bps increase in discount rate | (5,200) | (6,500) |
| Impact of 50bps decrease in discount rate | 6,100 | 6,900 |
| <u>Inflation</u> | | |
| Impact of 50bps increase in inflation | 3,000 | 4,400 |
| Impact of 50bps decrease in inflation | (2,900) | (4,000) |
| <u>Rate of salary increase</u> | | |
| Impact of 50bps increase in rate of salary increase | N/A | N/A |
| Impact of 50bps decrease in rate of salary increase | N/A | N/A |
| <u>Mortality rate</u> | | |
| Impact of an increase in life expectancy by one additional year | 2,000 | 2,400 |

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21. Income tax

| | 2023 | 2022 |
|--|----------------|--------------|
| | £'000 | £'000 |
| <u>Current tax:</u> | | |
| UK corporation tax at 22.52% (2022: 19%) | 9,739 | 7,754 |
| Adjustments in respect of prior periods | 2,578 | (2,583) |
| Overseas taxation | (31) | 285 |
| Adjustments for prior years overseas taxation | 1 | 4 |
| | 12,287 | 5,460 |
| <u>Deferred tax:</u> | | |
| Origination and reversal of temporary differences | 3,863 | 745 |
| Effects of changes in tax rates | 296 | 1,809 |
| Adjustments in respect of prior periods | (5,453) | 775 |
| | (1,294) | 3,329 |
| Tax charge for the year | 10,993 | 8,789 |
| Taxes in Comprehensive income and changes in equity | | |
| Deferred tax on net unrealised gains on FVOCI debt securities | 97 | (311) |
| Deferred tax on net unrealised gains on FVOCI equities | 7,922 | (1,714) |
| Deferred tax on changes in valuation of post employment benefit assets | (1,237) | (2,194) |
| Total tax charge | 17,775 | 4,570 |

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

| Reconciliation to statutory tax rate | 2023 | 2022 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Profit before tax on continuing operations | 96,856 | 89,667 |
| Tax at the UK corporation tax rate of 22.52% (2022: 19%) | 21,237 | 17,037 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,185 | 835 |
| Income exempt from taxation | (2,771) | (6,994) |
| Deductible financing costs | (6,784) | (3,353) |
| Corporation tax surcharge on banking profits | 735 | 975 |
| Overseas taxation | (31) | 284 |
| Effect of changes in tax rate | 296 | 1,809 |
| Adjustments in respect of prior periods | (2,874) | (1,804) |
| Income tax | 10,993 | 8,789 |

The corporation tax surcharge of 8% came into effect from 1 January 2016 and applies to UK banking entities profits exceeding £25 million. Effective from 1 April 2023 the surcharge is reduced to 3% and applies to UK banking entities profits exceeding £100 million. The surcharge affects both current and deferred tax balances, with deferred tax balances predominately recognised at a rate of 26.4% (2022: 19.6%) to reflect the expected impact of the surcharge on future reversals of temporary differences.

RBC EUROPE LIMITED
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22. Cash and due from banks

| | 2023 £'000 | 2022 £'000 |
|---|------------------|-------------------|
| Due from central banks | 9,288,977 | 10,542,044 |
| Due from other banks and financial institutions | 58,795 | 52,186 |
| | 9,347,772 | 10,594,230 |

Included within Cash and due from banks are £22.5 million of mandatory cash ratio deposits placed at Bank of England (2022: £51.0 million) which are not available for use in the Company's day-to-day operations.

23. Loans and advances due from related parties (incl. reverse repurchase agreements and securities borrowed)

| | 2023 £'000 | 2022 £'000 |
|--|-----------------------|-----------------------|
| Loans and advances | 7,905,674 | 8,022,378 |
| Assets purchased under reverse repurchase agreements and securities borrowed | 23,063,695 | 23,177,413 |
| | 30,969,369 | 31,199,791 |
| Including amounts due from related parties | 2023 £'000 | 2022 £'000 |
| -RBC London Branch | 5,233,715 | 2,137,212 |
| -RBC Capital Markets LLC | 145,363 | 149,778 |
| -RBC Capital Markets (Europe) GmbH | 20,548 | 10,863 |
| -RBC (Channel Islands) Ltd | 4,243 | 2 |
| -RBC Dominion Securities Inc. | 548 | 35,188 |
| -Other related parties | 91 | 103 |
| | 5,404,508 | 2,333,146 |

24. Allowance for credit losses

Key inputs and assumptions

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions and the allowance is not sensitive to any one single factor alone. The key drivers of changes in expected credit losses include the following:

- Changes in the credit quality of the borrower or instrument, primarily reflected in changes in internal risk ratings;
- Changes in forward-looking macroeconomic conditions, specifically the macroeconomic variables to which the models are calibrated, which are those most closely correlated with credit losses in the relevant portfolio;
- Changes in scenario design and the weights assigned to each scenario; and
- Transfers between stages, which can be triggered by changes to any of the above inputs.

To reflect relevant risk factors not captured in our modelled results, we applied expert credit judgment in determining the measurement of our weighted allowance for credit losses.

The measurement of expected credit losses, including scenario design and weightings, determining significant increases in credit risks since origination and application of expert credit judgment, is overseen by a senior management committee that includes representation from Finance, Group Risk Management and Economics.

Internal risk ratings

Internal risk ratings are assigned according to the risk management framework outlined under the heading "Wholesale credit risk" below. Changes in internal risk ratings are primarily reflected in the probability of default (PD) parameters, which are estimated based on the Company's historical loss experience at the relevant risk segment or risk rating level, adjusted for forward-looking information.

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Wholesale credit risks

The wholesale credit risk rating system is designed to measure the credit risk inherent in the Company's wholesale credit activities.

Each obligor is assigned a borrower risk rating (BRR), reflecting an assessment of the credit quality of the obligor. Each BRR has a PD calibrated against it. The BRR differentiates the riskiness of obligors and represents the Company's evaluation of the obligor's ability and willingness to meet its contractual obligations on time over a three year time horizon. The assignment of BRRs is based on the evaluation of the obligor's business risk and financial risk through fundamental credit analysis, as well as data-driven modelling. The determination of the PD associated with each BRR relies primarily on internal default history since 2006. PD estimates are designed to be a long-run average of the Company's experience across the economic cycle in accordance with regulatory guidelines.

The Company's rating system is designed to stratify obligors into 22 grades. The following table aligns the relative rankings of the Company's 22-grade internal risk ratings with the external ratings used by S&P and Moody's.

Internal ratings map

| Ratings | PD Bands | | BRR | S&P | Moody's | Description |
|---------|---------------------|-------------------|-----|------|---------|----------------------|
| | Business and Bank | Sovereign | | | | |
| 1 | 0.0000% - 0.0500% | 0.0000% - 0.0150% | 1+ | AAA | Aaa | Investment Grade |
| 2 | 0.0000% - 0.0500% | 0.0151% - 0.0250% | 1H | AA+ | Aa1 | |
| 3 | 0.0000% - 0.0500% | 0.0251% - 0.0350% | 1M | AA | Aa2 | |
| 4 | 0.0000% - 0.0500% | 0.0351% - 0.0450% | 1L | AA- | Aa3 | |
| 5 | 0.0000% - 0.0550% | 0.0451% - 0.0550% | 2+H | A+ | A1 | |
| 6 | 0.0551% - 0.0650% | | 2+M | A | A2 | |
| 7 | 0.0651% - 0.0750% | | 2+L | A- | A3 | |
| 8 | 0.0751% - 0.0850% | | 2H | BBB+ | Baa1 | |
| 9 | 0.0851% - 0.1030% | | 2M | BBB | Baa2 | |
| 10 | 0.1031% - 0.1775% | | 2L | BBB- | Baa3 | |
| 11 | 0.1776% - 0.3470% | | 2-H | BB+ | Ba1 | Non-investment Grade |
| 12 | 0.3471% - 0.6460% | | 2-M | BB | Ba2 | |
| 13 | 0.6461% - 1.0620% | | 2-L | BB- | Ba3 | |
| 14 | 1.0621% - 1.5520% | | 3+H | B+ | B1 | |
| 15 | 1.5521% - 2.2165% | | 3+M | B | B2 | |
| 16 | 2.2166% - 4.5070% | | 3+L | B- | B3 | |
| 17 | 4.5071% - 7.1660% | | 3H | CCC+ | Caa1 | |
| 18 | 7.1661% - 13.1760% | | 3M | CCC | Caa2 | |
| 19 | 13.1761% - 24.9670% | | 3L | CCC- | Caa3 | |
| 20 | 24.9671% - 99.9990% | | 4 | CC | Ca | |
| 21 | 100% | | 5 | D | C | Impaired |
| 22 | 100% | | 6 | D | C | |

Scenario design and weightings

The Company's estimation of allowance for credit losses in Stage 1 and Stage 2 considers five distinct future macroeconomic scenarios. Scenarios are designed to capture a wide range of possible outcomes and are weighted according to our expectation of the relative likelihood of the range of outcomes that each scenario represents at the reporting date. The Company weights each scenario to take into account historical frequency, current trends, and forward-looking conditions which will change over time. Scenario weightings take into consideration the extent to which the base case scenario includes both favorable and unfavorable economic expectations, and upside and downside risks to the base case scenario materializing in the future. The base case scenario is based on forecasts of the expected rate, value or yield for each of the macroeconomic variables identified. The upside and downside scenarios are set by adjusting our base projections to construct reasonably possible scenarios and weightings that are more optimistic and pessimistic, respectively, than the base case. Two additional downside scenarios capture the non-linear nature of potential credit losses across our portfolios.

The impact of each of our five scenarios varies across the Company's portfolios given the portfolios have different sensitivities to movements in each macroeconomic variable. The Company's scenario weights are unchanged relative to

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October 31, 2022 to reflect continued uncertainty and downside risks that may drive recession outcomes that are more severe than contemplated in our base scenario.

Forward looking macroeconomic variables

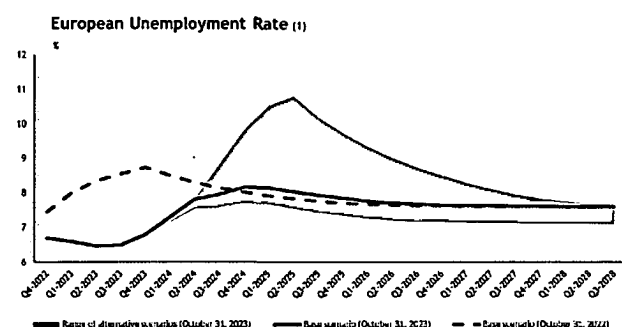
The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Company's allowance for credit loss calculation includes a projection of all relevant macroeconomic variables used in the Company's models for a five year horizon, reverting to long-run averages generally within the 2 to 5 year period. These include one or more of the variables described below, which differ by portfolio and region.

The Company's base scenario reflects an expectation that Euro area and U.K. economic growth has stalled as higher interest rates continue to slow growth. Labour markets remain strong, but the unemployment rate has begun to rise in the U.K. and is expected to begin to move higher in the Euro Area alongside slow GDP growth. Inflation has begun to slow and is expected to remain on a gradual downward trajectory as economic growth softens. We do not expect additional interest rate from either the BOE or the ECB.

Downside scenarios, including two additional and more severe downside scenarios designed for the energy and real estate sectors, reflect the possibility of a more severe macroeconomic shock beginning in calendar Q1 2024 relative our base case. Conditions are expected to deteriorate from calendar Q4 2023 levels for up to 18 months, followed by a recovery for the remainder of the period. These scenarios assume monetary policy responses that return the economy to a long-run, sustainable growth rate within the forecast period. The possibility of a stronger recession and a more prolonged recovery as compared to our base scenario, including further monetary policy responses to elevated inflation rates which may increase credit risk, is reflected in our general downside scenario. The upside scenario reflects slightly stronger economic growth than the base scenario, without prompting a further offsetting monetary policy response as compared to our base scenario, followed by a return to a long-run sustainable growth rate within the forecast period.

The primary variables driving credit losses include, but are not limited to, European and U.K. unemployment rates, European housing price index, European and U.K. commercial real estate price indices, European and U.K. 10Y Government Bond Yield, European 10Y BBB corporate bond credit spread, and European Gross Domestic Product (GDP), however, the specific variables differ by sector. Depending on their usage in the models, macroeconomic variables are projected at a region level. The following provides additional detail about our forecasts for key macroeconomic variables used in the models to estimate ACL on performing loans, commitments and acceptances.

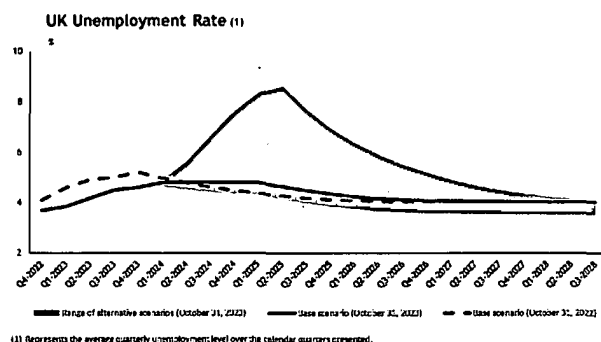
European Unemployment – In the Company's base forecast, calendar Q4 2023 European unemployment rate is expected to rise to 6.8%, peaking by Q4 2024 at 8.2% and reverting to the long run equilibrium towards the latter end of the forecast horizon.



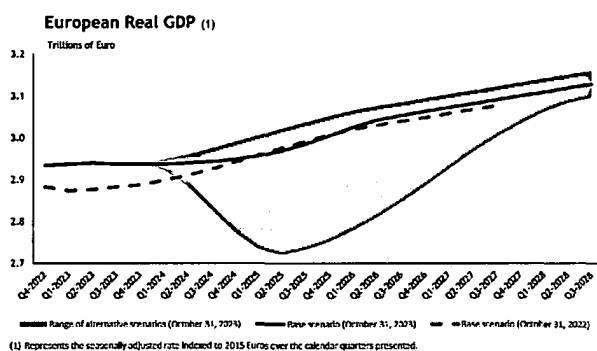
(1) Represents the average quarterly unemployment level over the calendar quarters presented.

U.K. Unemployment – In the Company's base forecast, calendar Q4 2023 U.K. unemployment rate is expected to rise to 4.6%, peaking by Q1 2024 at 4.8% and reverting to the long run equilibrium towards the latter end of the forecast horizon.

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European (GDP)– In the Company’s base forecast, we expect European GDP to remain flat in the first half of calendar 2024 followed by continuous growth. European GDP in calendar Q4 2024 is expected to be 0.4% above Q4 2023 levels.



Increases in the following macroeconomic variables will generally correlate with higher expected credit losses: European and U.K. unemployment rates, European and U.K. 10Y Government Bond Yield, and European 10Y BBB corporate bond credit spread.

Increases in the following macroeconomic variables will generally correlate with lower expected credit losses: European housing price index, European and U.K. commercial real estate price indices, and European GDP.

Transfers between Stage 1 and Stage 2 are based on the assessment of significant increases in credit risk relative to initial recognition, as described in Note 3. The impact of moving from 12 months expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses.

The following table shows reconciliations from the opening to the closing balances of the allowance for credit losses.

| | Balance as at 1 November 2022 | Provision for credit losses | Net write-offs | Exchange rate and other | Balance as at 31 October 2023 |
|--|--|--------------------------------|-------------------|-------------------------------|--|
| £'000 | | | | | |
| Securities - debt investments | 9 | (8) | - | - | 1 |
| Loans and advances to customers | 4,097 | 4,415 | - | (153) | 8,359 |
| Other assets | 58 | (48) | - | (1) | 9 |
| Loan commitments and financial guarantees issued | 171 | 2 | - | 1 | 174 |
| Total allowance for credit losses | 4,335 | 4,361 | - | (153) | 8,543 |

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| £'000 | Balance as at 1 November 2021 | Provision for credit losses | Net write-offs | Exchange rate and other | Balance as at 31 October 2022 |
|--|--|--------------------------------|-------------------|-------------------------------|--|
| Securities - debt investments | 7 | 2 | - | - | 9 |
| Loans and advances to customers | 8,150 | (3,981) | - | (72) | 4,097 |
| Other assets | 59 | (6) | - | 5 | 58 |
| Loan commitments and financial guarantees issued | 62 | 107 | - | 2 | 171 |
| Total allowance for credit losses | 8,278 | (3,878) | - | (65) | 4,335 |

The following tables reconcile the opening and closing allowance for each major product of loans and commitments as determined by our modelled, scenario-weighted allowance and the application of expert credit judgment as applicable. Reconciling items include the following:

- Model changes, which generally comprise the impact of significant changes to the quantitative models used to estimate expected credit losses and any staging impacts that may arise.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements of the allowance.
- Originations, which reflect the allowance related to assets newly recognised during the year, including those assets that were derecognised following a modification of terms.
- Maturities, which reflect the allowance related to assets derecognised during the year without a credit loss being incurred, including those assets that were derecognised following a modification of terms.
- Changes in risk, parameters and exposures, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time in Stage 1 and Stage 2.

Allowance for credit losses

| £'000 | Performing | | Impaired | Total |
|-----------------------------------|--------------|------------|----------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Balance at 1 November 2022 | 3,410 | 686 | 1 | 4,097 |
| Provision for credit losses | | | | - |
| Transfers in / (out) to Stage 1 | 47 | (47) | - | - |
| Transfers in / (out) to Stage 2 | (8) | 8 | - | - |
| Transfers in / (out) to Stage 3 | - | - | - | - |
| Purchases and originations | 2,901 | 28 | - | 2,929 |
| Derecognitions and maturities | (1,947) | (773) | - | (2,720) |
| Remeasurements | 188 | 552 | 3,466 | 4,206 |
| Write-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| Exchange rate and other | (165) | 12 | - | (153) |
| Balance at 31 October 2023 | 4,426 | 466 | - | 3,467 |
| | | | | 8,359 |

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| £'000 | Performing | | Impaired | Total |
|-----------------------------------|-------------------|----------------|-----------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Balance at 1 November 2021 | 3,959 | 1,520 | 2,671 | 8,150 |
| Provision for credit losses | | | | - |
| Transfers in / (out) to Stage 1 | 628 | (628) | - | - |
| Transfers in / (out) to Stage 2 | (244) | 244 | - | - |
| Transfers in / (out) to Stage 3 | - | - | - | - |
| Purchases and originations | 2,576 | 135 | - | 2,711 |
| Derecognitions and maturities | (2,354) | (773) | (2,656) | (5,783) |
| Remeasurements | (1,092) | 184 | - | (908) |
| Write-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| Exchange rate and other | (63) | 4 | (14) | (73) |
| Balance at 31 October 2022 | 3,410 | 686 | - | 4,097 |

The following table further explains changes in the gross carrying amount of Loans and advances measured at amortised cost subject to impairment requirements of IFRS 9.

| £'000 | Performing | | Impaired | Total |
|---|-------------------|----------------|-----------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Gross carrying amount as at 1 November 2022 | 7,623,302 | 15,858 | - | 7,639,160 |
| <i>Transfers</i> | | | | |
| Transfers in / (out) to Stage 1 | - | - | - | - |
| Transfers in / (out) to Stage 2 | - | - | - | - |
| Transfers in / (out) to Stage 3 | (41,650) | (2,570) | 44,220 | - |
| New financial assets originated or purchased | 2,973,613 | 768 | - | 2,974,381 |
| Financial assets derecognised during the period other than write-offs | (3,018,239) | (12,263) | - | (3,030,502) |
| Write-offs | - | - | - | - |
| Exchange rate and other | 34,100 | 9 | 42 | 34,151 |
| Balance at 31 October 2023 | 7,571,126 | 1,802 | 44,262 | 7,617,190 |

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| £'000 | Performing | | Impaired | Total |
|---|-------------------|----------------|-----------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Gross carrying amount as at 1 November 2021 | 6,320,002 | 28,989 | 14,669 | 6,363,660 |
| <i>Transfers</i> | | | | |
| Transfers in / (out) to Stage 1 | 21,695 | (21,695) | - | - |
| Transfers in / (out) to Stage 2 | (13,114) | 13,114 | - | - |
| Transfers in / (out) to Stage 3 | - | - | - | - |
| New financial assets originated or purchased | 3,422,463 | 2,621 | - | 3,425,084 |
| Financial assets derecognised during the period other than write-offs | (2,252,175) | (7,275) | (14,592) | (2,274,042) |
| Write-offs | - | - | - | - |
| Exchange rate and other | 124,431 | 104 | (77) | 124,458 |
| Balance at 31 October 2022 | 7,623,302 | 15,858 | - | 7,639,160 |

The table below provides further analysis on credit quality of Loans and advances, Loan commitments and Financial guarantees issued, subject to IFRS 9 impairment requirements. Risk ratings are based on internal ratings used in the measurement of expected credit losses as at the reporting date, as outlined in the internal ratings maps for Wholesale and Retail facilities above.

| | | | | |
|--|-------------------|----------------|-----------------|------------------|
| As at 31 October 2023 | Performing | | Impaired | Total |
| £'000 | Stage 1 | Stage 2 | Stage 3 | |
| Loans and advances to customers | | | | |
| Investment grade | 2,979,530 | - | - | 2,979,530 |
| Non-investment grade | 4,591,595 | 1,802 | 44,263 | 4,637,660 |
| Total | 7,571,125 | 1,802 | 44,263 | 7,617,190 |

| | | | | |
|---|------------------|----------|----------|------------------|
| Loan commitments and financial guarantees issued | | | | |
| Investment grade | 2,340,159 | - | - | 2,340,159 |
| Non-investment grade | 647,751 | - | - | 647,751 |
| Total | 2,987,910 | - | - | 2,987,910 |

| | | | | |
|--|-------------------|----------------|-----------------|------------------|
| As at 31 October 2022 | Performing | | Impaired | Total |
| £'000 | Stage 1 | Stage 2 | Stage 3 | |
| Loans and advances to customers | | | | |
| Investment grade | 2,363,846 | - | - | 2,363,846 |
| Non-investment grade | 5,259,457 | 15,857 | - | 5,275,314 |
| Total | 7,623,303 | 15,857 | - | 7,639,160 |

| | | | | |
|---|------------------|----------|----------|------------------|
| Loan commitments and financial guarantees issued | | | | |
| Investment grade | 2,057,782 | - | - | 2,057,782 |
| Non-investment grade | 1,005,490 | - | - | 1,005,490 |
| Total | 3,063,272 | - | - | 3,063,272 |

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25. Securities

| | 2023 £'000 | 2022 £'000 |
|--|-----------------------|-----------------------|
| Trading securities - Debt: | | |
| Government securities and other public bodies | 1,438,899 | 789,960 |
| Bank and building society certificates and other securities | 762,476 | 956,792 |
| Other issues | 1,517,657 | 1,230,138 |
| | 3,719,032 | 2,976,890 |
| Trading securities - Equity: | | |
| Equity shares | 1,050,442 | 952,935 |
| Total | 4,769,474 | 3,929,825 |
| Amounts above include: | | |
| Subordinated securities | 100,217 | 78,730 |
| Provided as security in respect of sale and repurchase agreements and other similar agreements | 1,558,796 | 699,589 |
| | 2023 £'000 | 2022 £'000 |
| Investments - Debt securities measured at FVOCI | | |
| Government securities and other public bodies | 124,435 | 542,077 |
| Bank and building society certificates and other securities | - | 17,340 |
| | 124,435 | 559,417 |
| Investments - Equity securities measured at FVOCI | | |
| Equity shares | 79,275 | 65,985 |
| Total | 203,710 | 625,402 |

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26. Other assets

| | | 2023 | 2022 |
|---|-------|------------------|------------------|
| | Notes | £'000 | £'000 |
| Settlement accounts | 26(a) | 6,161,296 | 3,783,715 |
| Prepayments, accrued income and other | | 1,292,687 | 1,460,139 |
| | | 7,453,983 | 5,243,854 |
| Including amounts due from related parties | | | |
| | | 2023 | 2022 |
| | | £'000 | £'000 |
| -RBC London Branch | | 204,497 | 19,866 |
| -RBC Dominion Securities Inc | | 202,075 | 358,673 |
| -RBC Capital Markets (Europe) GmbH | | 7,108 | 20,239 |
| -RBC Capital Markets LLC | | 2,996 | 9,287 |
| -RBC Ontario Branch | | (10,448) | 513 |
| -Other related parties | | 6,709 | 8,955 |
| | | 412,937 | 417,533 |

(a) Settlement accounts

Settlement accounts represent amounts payable and receivable in respect of transactions not due until a future settlement date, which arise because of the policy to report investments on a trade date basis. All transactions are accounted for on a trade date basis.

27. Deposits due to related parties (incl. repurchase agreements and securities loaned)

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | £'000 | £'000 |
| Deposits by banks | 6,811,297 | 8,540,162 |
| Deposits by customers | 11,557,114 | 11,060,215 |
| Obligations related to assets sold under repurchase agreements and securities loaned | 21,267,109 | 22,634,814 |
| | 39,635,520 | 42,235,191 |
| Including amounts due to related parties | | |
| | 2023 | 2022 |
| | £'000 | £'000 |
| RBC London Branch | 10,880,787 | 9,158,468 |
| RBC Dominion Securities Inc | 8,418,535 | 12,457,407 |
| RBC (Barbados) Funding Ltd | 8,409,597 | 8,434,049 |
| Other related parties | 2,100,953 | 1,149,420 |
| RBC Holdings (Lux) Sarl. | 1,185,176 | 1,145,553 |
| RBC (Channel Islands) Ltd | 290,716 | 777,305 |
| RBC Investor Services Bank SA | - | 30,000 |
| | 31,285,764 | 33,152,202 |

RBC EUROPE LIMITED
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28. Obligations related to securities sold short

| | 2023 | 2022 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Debt securities | | |
| -Government and other public sector securities | 2,681,708 | 1,171,668 |
| -Other debt securities | 1,096,795 | 1,215,797 |
| Equity Shares | 8,670 | 8,229 |
| | 3,787,173 | 2,395,694 |

29. Other liabilities

| | | 2023 | 2022 |
|------------------------------|--------|------------------|------------------|
| | Note | £'000 | £'000 |
| Settlement accounts | 26(a) | 7,047,047 | 4,645,804 |
| Accruals and deferred income | | 223,776 | 208,962 |
| Deferred tax | 29 (a) | 8,468 | 2,980 |
| Provision | 24 | 174 | 171 |
| Other | | 317,515 | 393,360 |
| | | 7,596,980 | 5,251,277 |

| | 2023 | 2022 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Including amounts due to related parties | | |
| -RBC Capital Markets LLC | 338,450 | 525,871 |
| -RBC Dominion Securities Inc | 297,618 | 508,317 |
| -RBC London Branch | 249,041 | 150,487 |
| -RBC Ontario Branch | 91,182 | 121,261 |
| -RBC (Barbados) Funding Ltd | 34,172 | 43,626 |
| -RBC Capital Markets (Europe) GmbH | 31,355 | 43,549 |
| -Other related parties | 9,589 | 15,767 |
| | 1,051,407 | 1,408,878 |

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(a) Deferred tax

| | As at 1 November 2022 | Change through Profit or Loss | Change through OCI | As at 31 October 2023 |
|--|-----------------------------|--|--------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net deferred tax asset/(liability) | | | | |
| Excess of depreciation over capital allowances | 294 | 49 | - | 343 |
| Deferred compensation | 12,847 | 2,258 | - | 15,105 |
| FVOCI securities | (12,642) | - | (8,019) | (20,661) |
| Pension | (3,626) | (991) | 1,237 | (3,380) |
| Allowance for credit losses | 147 | (22) | - | 125 |
| | (2,980) | 1,294 | (6,782) | (8,468) |

| | As at 1 November 2021 | Change through Profit or Loss | Change through OCI | As at 31 October 2022 |
|--|-----------------------------|--|-----------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net deferred tax asset/(liability) | | | | |
| Excess of depreciation over capital allowances | 400 | (106) | - | 294 |
| Deferred compensation | 16,313 | (3,466) | - | 12,847 |
| FVOCI securities | (14,667) | - | 2,025 | (12,642) |
| Pension | (6,091) | 271 | 2,194 | (3,626) |
| Allowance for credit losses | 175 | (28) | - | 147 |
| | (3,870) | (3,329) | 4,219 | (2,980) |

As at 31 October 2023, the Company has £nil (2022: £0.5 million) of tax losses available for offset against future profits of the Royal Bank of Canada Investment Management (UK) Limited business. Deferred tax was not recognised in relation to these losses.

In the Finance Act in 2021 there was an increase to the main rate of corporation tax to 25% effective from 1 April 2023. In the Finance Act in 2022 there was a decrease to the banking surcharge to 3% effective from 1 April 2023. Deferred tax is determined using tax rates and laws that have been substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax is recognised in the Statement of Profit and Loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in the Statement of Changes in Equity.

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30. Subordinated liabilities

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| US\$100 million Eurobond repayable May 2031 (SOFR + 171 bps) | 82,447 | 86,947 |
| | 82,447 | 86,947 |

Including amounts due to related parties

| | | |
|----------------------------|--------|--------|
| RBC (Barbados) Funding Ltd | 82,447 | 86,947 |
|----------------------------|--------|--------|

31. Equity

Common shares

| | 2023 £'000 | 2022 £'000 |
|---|----------------|----------------|
| <u>Allotted</u> | | |
| 24,776,290 (2022: 24,776,290) Ordinary shares of £1 each, 84p called and paid | 20,812 | 20,812 |
| 477,184,294 (2022: 477,184,294) Ordinary shares of £1 each, fully paid | 477,184 | 477,184 |
| Total Authorised | 497,996 | 497,996 |

Other Equity

| | 2023 £'000 | 2022 £'000 |
|---|----------------|----------------|
| US\$400 million Subordinated Perpetual Contingent Conversion Additional Tier 1 Capital Securities (2020: US\$400 million) | 299,694 | 299,694 |
| | 299,694 | 299,694 |

32. Contingent liabilities

(a) Guarantees

The Company utilises guarantees and other off-balance sheet credit instruments to meet the financing needs of its clients.

The table below summarises the maximum exposure to credit losses related to the guarantees and other commitments provided to third parties. The maximum exposure to credit risk relating to a guarantee is the maximum risk of loss if there was a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions, insurance policies or from collateral held or pledged.

| | 2023 £'000 | 2022 £'000 |
|--------------------------|---------------|---------------|
| - One to three months | 17,179 | 19,737 |
| - Three to twelve months | 71,797 | 58,113 |
| - One to five years | 3,215 | 491 |
| Total | 92,191 | 78,341 |

Included above is a guarantee issued to a related party, RBC Verwaltungsgesellschaft AG for £1.4 million (2022: £1.4 million).

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(b) **Legal proceedings**

The Company may be party to legal proceedings and regulatory matters and enquiries in a number of jurisdictions (including the UK) arising out of its normal business operations. The recognition of provisions is determined in accordance with the accounting policies set out in Note 3. While the outcome of legal proceedings and regulatory matters is inherently uncertain, the Company believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 October 2023. The nature of legal proceedings or regulatory enquiries may be such that a number of issues have to be resolved to conclude the facts from which the amount of any loss or an appropriate range of loss can be reliably estimated. In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible to estimate the amount of any loss. The Company may be unable to predict the outcome of such proceedings or investigations based on the information available, particularly where the factual record is being developed or contested. Any provisions recognized does not constitute an admission of wrongdoing or legal liability.

The following is a description of significant legal/ regulatory proceedings:

In November 2018, the UK Competition and Markets Authority (CMA) started an investigation of the Company relating to alleged anti-competitive arrangements in the financial services sector between 2009 and 2013 involving UK government bonds and related derivatives. In May 2023, the CMA issued a statement of objections to the Company and certain other financial institutions. The Company is contesting the CMA's case. The outcome and resulting financial impact of this matter is unknown and not reliably estimable, but may be material to the Company.

In June 2023, the Company, among other financial institutions, was named as a defendant in a putative class action filed in the U.S. by plaintiffs alleging anti-competitive conduct in the U.K. government bonds market. In September 2023, the defendants filed a motion to dismiss the complaint.

33. **Commitments**

Formal standby facilities, credit lines and other commitments to lend

| | 2023 £'000 | 2022 £'000 |
|---------------------------|------------------|------------------|
| - Less than one year | 514,641 | 388,454 |
| - One to five years | 2,214,215 | 2,567,463 |
| - Greater than five years | 259,054 | 107,355 |
| | 2,987,910 | 3,063,272 |

34. **Derivative financial instruments**

Derivative instruments are categorised as either financial or non-financial derivatives. Financial derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, credit risk, and equity or equity index. Non-financial derivatives are contracts whose value is derived from a precious metal, commodity instrument or index. Notional amount of derivatives represents the contract amount used as a reference point to calculate payments. Notional amounts are generally not exchanged by counterparties, and do not reflect the exposure at default.

Financial derivatives

Forwards and futures

Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardised contracts with respect to amounts and settlement dates, and are traded on regulated futures exchanges. Examples of forwards and futures are described below:

Interest rate forwards (forward rate agreements) and futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Foreign exchange forwards and futures are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date.

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Equity forwards and futures are contractual obligations to buy or sell at a fixed value (the contracted price) of an equity index, a basket of stocks or a single stock at a predetermined future date.

Swaps

Swaps are OTC contracts in which two counterparties exchange a series of cash flows based on agreed upon rates to a notional amount. The various swap agreements that the Company enters into are as follows:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and principal amounts in two different currencies.

Equity swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of an equity index, a basket of stocks or a single stock.

Commodity swaps are contracts whereby a floating (or market or spot) price based on an underlying commodity is traded for a fixed price over a specified period.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The various option agreements that the Company enters into include interest rate options, foreign currency options, equity options and index options.

Credit derivatives

Credit derivatives are OTC contracts that transfer credit risk related to an underlying financial instrument (reference asset) from one counterparty to another. Examples of credit derivatives include credit default swaps, credit default baskets and total return swaps.

Credit default swaps provide protection against the decline in value of the referenced asset as a result of specified credit events such as default or bankruptcy. It is similar in structure to an option whereby the purchaser pays a premium to the seller of the credit default swap in return for payment contingent on a credit event affecting the referenced asset.

Credit default baskets are similar to credit default swaps except that the underlying referenced financial instrument is a group of assets instead of a single asset.

Total return swaps are contracts where one counterparty agrees to pay or receive from the other cash flows based on changes in the value of the referenced asset.

Non-financial derivatives

The Company also transacts in non-financial derivative products including precious metal and commodity derivative contracts in both the OTC and exchange markets.

Derivatives issued for trading purposes

Most of the Company's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to clients to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenue based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives issued for other-than-trading purposes

The Company also uses derivatives for purposes other than trading, primarily for hedging, in conjunction with the management of interest rate, credit, equity and foreign exchange risk related to funding, lending, investment activities and asset/liability management.

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Interest rate swaps are used to manage the Company's exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities, including funding and investment activities. Interest rate options are used to hedge redeemable deposits and other options embedded in consumer products. The Company manages its exposure to foreign currency risk with cross currency swaps and foreign exchange forward contracts. The Company predominantly uses credit derivatives to manage credit exposures. The Company mitigates industry sector concentrations and single-name exposures related to its credit portfolio by purchasing credit derivatives to transfer credit risk to third parties.

Certain derivatives and cash instruments are specifically designated and qualify for hedge accounting. The Company applies hedge accounting to minimise volatility in earnings and capital caused by changes in interest rates or foreign exchange rates. Interest rate and currency fluctuations will either cause assets and liabilities to appreciate or depreciate in market value or cause variability in forecasted cash flows. When a hedging relationship is effective, gains, losses, revenue and expenses of the hedging instrument will offset the gains, losses, revenue and expenses of the hedged item. The Company assesses and measures the effectiveness of a hedging relationship based on the change in the fair value or cash flows of the derivative hedging instrument relative to the change in the fair value or cash flows of the hedged item attributable to the hedged risk. When cash instruments are designated as hedges of foreign exchange risks, only changes in their value due to foreign exchange risk are included in the assessment and measurement of hedge effectiveness.

From time to time, the Company also enters into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement. In such circumstances, changes in fair value are reflected in Net trading income.

The following table presents the fair values of the derivative and non-derivative instruments categorised by their hedging relationships, as well as derivatives that are not designated in hedging relationships. The Company has hedged certain investment security portfolio with interest rate swaps to reduce profit and loss volatility.

As at 31 October 2023:

| | Designated as hedging instruments in hedging relationships: Fair value hedge | Not designated in a hedging relationship |
|------------------------|--|--|
| | £'000 | £'000 |
| <u>Liabilities</u> | | |
| Derivative instruments | - | (1,148,184) |

Details of derivatives designated in a hedging relationship:

Outstanding receive fixed pay floating

| Maturity band | Average interest rate | Notional principal value £'000 | Fair value £'000 |
|----------------------|-----------------------|-----------------------------------|---------------------|
| Less than 1 year | 0.00% | - | - |
| Greater than 5 years | 0.00% | - | - |
| | | - | - |

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As at 31 October 2022:

| | Designated as hedging instruments in hedging relationships: Fair value hedge | Not designated in a hedging relationship |
|------------------------|--|--|
| | £'000 | £'000 |
| Liabilities | | |
| Derivative instruments | 3,899 | (1,640,874) |

Details of derivatives designated in a hedging relationship:

PY outstanding receive fixed pay floating

| | Average interest rate | Notional principal value | Fair value |
|-----------------------|-----------------------|--------------------------|------------|
| | | £'000 | £'000 |
| Maturity band | | | |
| Less than 1 year | 0.21% | 28,691 | 3,899 |
| Between 1 and 5 years | 0.00% | - | - |
| | | 28,691 | 3,899 |

Results of hedge activities recorded in net income.

For the year ended 31 October 2023:

| | Net gain / (losses) included in Trading Income | Net gain / (losses) included in OCI |
|--|--|-------------------------------------|
| | £'000 | £'000 |
| Fair value hedges | | |
| Gain on hedging instruments | (2,070) | - |
| Losses on hedged items attributable to the hedged risk | 2,205 | (482) |
| Ineffective portion | 135 | (482) |

For the year ended 31 October 2022:

| | Net gain / (losses) included in Trading Income | Net gain / (losses) included in OCI |
|--|--|-------------------------------------|
| | £'000 | £'000 |
| Fair value hedges | | |
| Losses on hedging instruments | 10,092 | - |
| Losses on hedged items attributable to the hedged risk | (10,093) | (562) |
| Ineffective portion | (1) | (562) |

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

(a) Derivatives held for trading

The table below summarises the notional amount and the end of year fair value for each type of trading derivative.

| As at 31 October 2023: | Notional amount | Year-end positive fair value | Year-end negative fair value |
|----------------------------------|-----------------|------------------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Interest rate contracts: | | | |
| - Interest rate swaps | 24,177,779 | 272,209 | 267,535 |
| - Cross currency swaps | 4,083,507 | 143,213 | 193,304 |
| | 28,261,286 | 415,422 | 460,839 |
| Foreign exchange contracts | 26,232,853 | 180,834 | 34,892 |
| Credit derivative contracts | 2,037,717 | 15,430 | 18,124 |
| Commodity contracts | 13,052,973 | 637,679 | 632,246 |
| Equity contracts | 1,024,206 | 15,377 | 10,127 |
| Total derivatives before netting | 70,609,035 | 1,264,742 | 1,156,228 |
| Effect of netting | | (8,044) | (8,044) |
| Total net fair value | | 1,256,698 | 1,148,184 |

| As at 31 October 2022: | Notional amount | Year-end positive fair value | Year-end negative fair value |
|----------------------------------|-----------------|------------------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Interest rate contracts: | | | |
| - Interest rate swaps | 29,890,686 | 316,805 | 366,560 |
| - Cross currency swaps | 7,202,670 | 262,003 | 313,083 |
| | 37,093,356 | 578,808 | 679,643 |
| Foreign exchange contracts | 35,211,825 | 387,937 | 258,295 |
| Credit derivative contracts | 721,363 | 2,789 | 2,136 |
| Commodity contracts | 19,166,700 | 745,815 | 694,928 |
| Equity contracts | 920,576 | 7 | 15,456 |
| Total derivatives before netting | 93,113,820 | 1,715,356 | 1,650,458 |
| Effect of netting | | (13,483) | (13,483) |
| Total net fair value | | 1,701,873 | 1,636,975 |

(b) Derivative held for trading with related parties

The Company has following derivative financial instruments with related parties prior to netting.

| Related party derivative assets | 2023 | 2022 |
|--------------------------------------|---------|---------|
| | £'000 | £'000 |
| RBC London Branch | 606,358 | 764,303 |
| Other related parties | 42,314 | 113,059 |
| Total | 648,672 | 877,362 |
| Related party derivative liabilities | 2023 | 2022 |
| | £'000 | £'000 |
| RBC London Branch | 420,758 | 573,193 |
| Other related parties | 89,672 | 22,121 |
| | 510,430 | 595,314 |

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

(c) Maturity analysis of derivatives

The table below summarises the contractual maturity of the notional amount of both trading and non-trading OTC derivatives.

| As at 31 October 2023: | Less than one year | One to five years | Greater than five years | Total |
|------------------------------|--------------------|-------------------|-------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 21,435,113 | 5,240,824 | 1,585,349 | 28,261,286 |
| Foreign exchange contracts | 26,232,819 | 34 | - | 26,232,853 |
| Credit derivatives contracts | 26,124 | 517,927 | 1,493,666 | 2,037,717 |
| Commodity contracts | 3,865,708 | 2,820,202 | 6,367,063 | 13,052,973 |
| Equity contracts | 1,024,206 | - | - | 1,024,206 |
| Total | 52,583,970 | 8,578,987 | 9,446,078 | 70,609,035 |

| As at 31 October 2022: | Less than one year | One to five years | Greater than five years | Total |
|------------------------------|--------------------|-------------------|-------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 28,140,501 | 7,248,528 | 1,704,327 | 37,093,356 |
| Foreign exchange contracts | 33,389,525 | 1,822,300.00 | - | 35,211,825 |
| Credit derivatives contracts | - | 525,571 | 195,792 | 721,363 |
| Commodity contracts | 4,037,753 | 11,977,823 | 3,151,124 | 19,166,700 |
| Equity contracts | 920,576 | - | - | 920,576 |
| Total | 66,488,355 | 21,574,222 | 5,051,243 | 93,113,820 |

The table below summarises the maturity of both trading and non-trading OTC derivatives with positive fair value.

| As at 31 October 2023: | Less than one year | One to five years | Greater than five years | Total |
|----------------------------|--------------------|-------------------|-------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 94,139 | 191,330 | 129,953 | 415,422 |
| Foreign exchange contracts | 180,834 | - | - | 180,834 |
| Credit derivatives | 101 | 9,740 | 5,589 | 15,430 |
| Commodity contracts | 129,193 | 304,290 | 204,196 | 637,679 |
| Equity contracts | 15,377 | - | - | 15,377 |
| | 419,644 | 505,360 | 339,738 | 1,264,742 |
| Effect of netting | | | | (8,044) |
| Total | | | | 1,256,698 |

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

| As at 31 October 2022: | Less than one year | One to five years | Greater than five years | Total |
|----------------------------|--------------------|-------------------|-------------------------|-----------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 196,066 | 233,725 | 149,017 | 578,808 |
| Foreign exchange contracts | 387,937 | - | - | 387,937 |
| Credit derivatives | - | 1,632 | 1,157 | 2,789 |
| Commodity contracts | 679,849 | 33,170 | 32,796 | 745,815 |
| Equity contracts | 7 | - | - | 7 |
| | 1,263,859 | 268,527 | 182,970 | 1,715,356 |
| Effect of netting | | | | (13,483) |
| Total | | | | 1,701,873 |

The table below summarises the maturity of both trading and non-trading OTC derivatives with a negative fair value.

| As at 31 October 2023: | Less than one year | One to five years | Greater than five years | Total |
|----------------------------|--------------------|-------------------|-------------------------|-----------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 158,430 | 172,909 | 129,500 | 460,839 |
| Foreign exchange contracts | 34,892 | - | - | 34,892 |
| Credit derivatives | 67 | 11,335 | 6,722 | 18,124 |
| Commodity contracts | 130,771 | 304,115 | 197,360 | 632,246 |
| Equity contracts | 10,127 | - | - | 10,127 |
| Reserves | - | - | - | - |
| | 334,287 | 488,359 | 333,582 | 1,156,228 |
| Effect of netting | | | | (8,044) |
| Total | | | | 1,148,184 |

| As at 31 October 2022: | Less than one year | One to five years | Greater than five years | Total |
|----------------------------|--------------------|-------------------|-------------------------|-----------|
| | £'000 | £'000 | £'000 | £'000 |
| Interest rate contracts | 266,312 | 272,910 | 140,421 | 679,643 |
| Foreign exchange contracts | 249,559 | 8,736 | - | 258,295 |
| Credit derivatives | - | 2,081 | 55 | 2,136 |
| Commodity contracts | 638,500 | 32,868 | 23,560 | 694,928 |
| Equity contracts | 15,456 | - | - | 15,456 |
| Reserves | - | - | - | - |
| | 1,169,827 | 316,595 | 164,036 | 1,650,458 |
| Effect of netting | | | | (13,483) |
| Total | | | | 1,636,975 |

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

35. Parent company

RBC Europe Limited's ultimate parent Company and controlling party is Royal Bank of Canada, incorporated in Canada, which is also the parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared. The parent Company's registered and domiciled address is Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada. Copies of the group financial statements of Royal Bank of Canada are available at https://www.rbc.com/investor-relations/_assets-custom/pdf/ar_2023_e.pdf.

36. Related parties

Related party balances have been disclosed in individual notes where applicable. Key management personnel compensation is included within Note 17.

37. Financial instruments referencing benchmark interest rates subject to reform

The following tables show the Bank's significant exposures to financial instruments referencing benchmark interest rates subject to the Reform that have yet to transition to ABRs. These include financial instruments currently referencing synthetic GBP LIBOR, USD LIBOR maturing after June 30, 2023 and CDOR maturing after June 28, 2024. In the normal course of business, derivative notional amounts may fluctuate with minimal impact to our IBOR conversion plans.

As at 31 October 2023

| | Non-Derivative Financial Assets (1) | Non-Derivative Financial Liabilities (2) | Derivative Notional (3) |
|----------|--|---|----------------------------|
| | £'000 | £'000 | £'000 |
| CDOR (3) | 1,850 | - | - |
| Total | 1,850 | - | - |

As at 31 October 2022

| | Non-Derivative Financial Assets (1) | Non-Derivative Financial Liabilities (2) | Derivative Notional (3) |
|----------|--|---|----------------------------|
| | £'000 | £'000 | £'000 |
| CDOR (3) | 1,828 | 5,710,755 | - |
| Total | 1,828 | 5,710,755 | - |

(1) Non-derivative assets represent the drawn outstanding balance of Loans and Customers' liability under acceptances and the fair value of Securities.

(2) Non-derivative liabilities represent Subordinated debentures, Deposits and Acceptances.

(3) Includes our exposure to financial instruments referencing interest rates substantially similar to CDOR.

RBC EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

The following table presents the undrawn balances of loan commitments referencing benchmark interest rates subject to the Reform.

| | 2023 | 2022 |
|--|-------|-------|
| | £'000 | £'000 |
| Authorised and committed undrawn commitments | | |
| CDOR (1), (2) | - | - |
| Total | - | - |

(1) Includes our exposure to financial instruments referencing interest rates substantially similar to CDOR.

(2) Undrawn commitments exclude amounts related to drawn outstanding balances, which in certain cases may exclude extension options.

As part of the interest rate benchmark reform, the publication of all remaining USD LIBOR settings ceased on June 30, 2023 and consistent with our transition plan, our exposure to non-derivative financial assets, non-derivative financial liabilities, derivative notional and undrawn balances of loan commitments referencing USD LIBOR interest rates is no longer material to our financial statements (October 31, 2022 - £0.1 billion, £8.7 billion and £0.5 billion, respectively). We continue to manage significant exposures to benchmarks that have no announced plans for cessation or further reform, including the EURO Interbank Offered Rate (EURIBOR) and Australian Bank Bill Swap Rate (BBSW), which are excluded from the tables above.

RBC EUROPE LIMITED

COUNTRY BY COUNTRY REPORTING

The Company is required to comply with the provisions of Statutory Instrument 2013 No. 3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013. These regulations have been transposed into U.K. law to impose certain reporting obligations on institutions within the U.K. within the scope of the E.U. Capital Requirements Directive (CRD).

The Company's country-by-country disclosures have been prepared on the basis of the geographical location of the business unit booking the transaction. Income and expenses between business units in the same jurisdiction have been eliminated; transactions between business units in different geographical locations have not been eliminated. Dividend payments and other remittances of profits between business units are excluded.

With effect from 1st January 2021, the Company is no longer operating its European Branches, and the Branches are unlicensed. All activities carried out by the Company's European Branches transferred to RBC Capital Markets (Europe) GmbH ('RBC EG') effective 1st January 2021.

The table below illustrates the Company's operating income, profit, tax paid and the average number of employees by country:

As at 31 October 2023:

| Country | Description of activity | Total operating income/(losses) | Profit/(loss) before tax | Tax paid/(received) | Number of Employees |
|----------------|-------------------------|---------------------------------|--------------------------|---------------------|---------------------|
| | | £'000 | £'000 | £'000 | Average FTE |
| United Kingdom | Financial services | 498,417 | 96,856 | 3,829 | 643 |
| | | 498,417 | 96,856 | 3,829 | 643 |

As at 31 October 2022:

| Country | Description of activity | Total operating income/(losses) | Profit/(loss) before tax | Tax paid/(received) | Number of Employees |
|----------------|-------------------------|---------------------------------|--------------------------|---------------------|---------------------|
| | | £'000 | £'000 | £'000 | Average FTE |
| United Kingdom | Financial services | 466,107 | 89,667 | 25,864 | 609 |
| Germany | Financial services | - | - | (92) | - |
| Switzerland | Representative offices | - | - | (4) | - |
| | | 466,107 | 89,667 | 25,768 | 609 |

RBC EUROPE LIMITED

INDEPENDENT AUDITORS REPORT TO THE DIRECTORS OF RBC EUROPE LIMITED

Report on the audit of the country-by-country information

Opinion

In our opinion, RBC Europe Limited's country-by-country information for the year ended 31 October 2023 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 October 2023 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the Country-by-Country Report which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing and challenging key assumptions used by directors in their determination of going concern of the Company;
- Assessing the liquidity and capital forecasts prepared by management. This included reviewing the results of stress testing performed by management of both liquidity and regulatory capital, including considering the severity of the stress scenarios that were used;
- Corroborated legal and regulatory correspondence with audit procedures performed to ensure there are no compliance issues noted which may impact the going concern of the Company;
- Critically evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

RBC EUROPE LIMITED

INDEPENDENT AUDITORS REPORT TO THE DIRECTORS OF RBC EUROPE LIMITED

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls) and determined that the principal risks were related to the mis-marking of financial instruments, unauthorised trading activity, posting inappropriate journal entries and management bias in accounting estimates, including the valuation of the expected credit loss provision on loans and advances to customers. Audit procedures performed included:

- Enquiries of management, internal audit and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing key correspondence with regulatory authorities (such as the PRA and the FCA), and meeting annually with the regulators;
- Testing and evaluating management's entity level controls including board oversight and underlying committee meeting minutes review, fraud identification, assessing matters reported on the Company's whistleblowing helpline and testing a sample of management's investigations into matters raised, including the results of management's investigation of such matters;
- Testing design and operating effectiveness of controls over journal entries including system controls over journal creation and approval and Information Technology General Controls testing for the general ledger system.
- Testing key controls over areas susceptible to management bias including valuation controls and those surrounding impairment of loans and advances;
- Testing of controls including cash reconciliations, trade confirmations, cancel and amends, those over collateral breaks and intersystem reconciliations, model reviews, price validation, independent price verification and approval of valuation adjustments;
- Identifying and testing journal entries that we assessed as having a higher risk of being fraudulent;

RBC EUROPE LIMITED

INDEPENDENT AUDITORS REPORT TO THE DIRECTORS OF RBC EUROPE LIMITED

- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the valuation of defined pensions assets and obligations, fair value of financial instruments and expected credit loss on loans to customers;
- Challenging assumptions and judgements in relation to contingent liabilities for legal proceedings, including making direct enquiries with external counsel; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.


There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Lawrence Wilkinson.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 December 2023