

COMPANY NO. 01124733

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004



ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

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REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 October 2004.

Principal activities and state of affairs

The company is a United Kingdom incorporated holding company. Its subsidiaries provide a range of banking and other financial services, primarily in the United Kingdom, as part of the international activities of Royal Bank of Canada. The company's principal subsidiary is Royal Bank of Canada Europe Limited, an authorised bank, which is primarily engaged in corporate and investment banking. This business operates under the global brand name 'RBC Capital Markets'. The group is also engaged in the provision of private banking and asset management services. The global brand name for this business is 'RBC Investments'.

Results and dividends

The profit attributable to shareholders for the year ended 31 October 2004 was £23,851,000 (2003: £23,517,000). No dividends have been proposed or paid (2003: £ nil).

Future prospects

The group continues to source increasing volumes of business from corporate, institutional and private clients.

Directors

The following served as directors of the company during the year ended 31 October 2004:

J.W. Burbidge

C.A. McManus

The company is an indirect wholly owned subsidiary of Royal Bank of Canada and none of the directors has any disclosable interests in the company or any other group company, with the exception of the ultimate parent company. The latter is incorporated outside the UK, and thus the directors are exempt from disclosing their interests in its shares or debentures.

Charitable donations

The group made charitable donations of £25,000 (2003: £17,500) to several registered charities.

Auditors

The auditors, Deloitte & Touche LLP, have agreed to continue in office.

By order of the Board.



C.A. McManus

Director

4 July 2005

**STATEMENT OF DIRECTORS RESPONSIBILITIES
IN RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for the financial year. The directors are required to prepare the financial statements on the going concern basis unless that is not appropriate. Since the directors are satisfied that the group has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The directors consider that in preparing the financial statements the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting policies that they consider to be applicable have been followed.

The directors are responsible for ensuring that the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also responsible for the company's systems of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

We have audited the financial statements of Royal Bank of Canada Holdings (U.K.) Limited ("the company") and its subsidiaries (together "the group") for the year ended 31 October 2004, which comprise the consolidated profit and loss account, the reconciliation of movements in consolidated shareholders funds, the balance sheets, and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 October 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, England
4 July 2005

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2004**

	Note	2004 £'000	2003 £'000
Interest receivable:			
Interest receivable from debt securities		-	150
Other interest receivable and similar income		214,170	214,803
Interest payable		(192,848)	(194,382)
Net interest income	4	21,322	20,571
Fees and commissions receivable		36,499	31,219
Dealing profits	5	53,005	60,241
		89,504	91,460
Total operating income		110,826	112,031
Administrative expenses	6	(76,548)	(68,172)
Depreciation and amortisation	6	(795)	(946)
Provisions for bad and doubtful debts	11	172	(11,728)
Profit on ordinary activities before taxation		33,655	31,185
Tax on profit on ordinary activities	8	(9,804)	(7,668)
Retained profit for the financial year	25	23,851	23,517

The results for the current and prior years reflect continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents. There were no recognised gains and losses other than those included in the profit and loss account above.

**RECONCILIATION OF MOVEMENTS IN CONSOLIDATED
SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 OCTOBER 2004**

	2004 £'000	2003 £'000
Profit for the year attributable to shareholders	23,851	23,517
Opening shareholders' funds	305,392	281,875
Closing shareholders' funds at 31 October	329,243	305,392

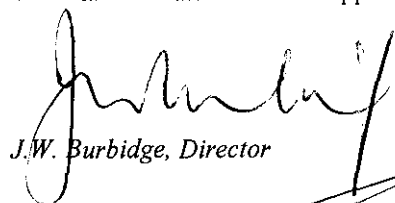
CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2004

	Note	2004 £'000	2003 £'000
ASSETS			
Cash and balances at central banks		3,561	1,557
Treasury bills and other eligible bills		158,413	337,429
Loans and advances to banks - banking		125,497	37,833
Loans and advances to banks - trading		2,429,277	2,383,136
	9	2,554,774	2,420,969
Loans and advances to customers - banking		311,193	617,027
Loans and advances to customers - trading		3,061,144	3,827,567
	10	3,372,337	4,444,594
Debt securities	12	5,099,439	4,531,606
Equity shares	13	166,638	382,720
Intangible assets	14	5,820	6,619
Other assets	16	51,020	152,557
Prepayments and accrued income		46,535	30,011
Deferred taxation	17	4,445	3,033
Settlement accounts	18	2,326,990	1,549,148
TOTAL ASSETS		13,789,972	13,860,243

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2004 (continued)

	Note	2004 £'000	2003 £'000
LIABILITIES			
Deposits by banks - banking		4,545,191	5,879,218
Deposits by banks - trading		1,647,576	920,945
	19	6,192,767	6,800,163
Customer accounts - banking		164,201	314,206
Customer accounts - trading		1,846,433	1,550,346
	20	2,010,634	1,864,552
Other liabilities	21	72,551	58,444
Settlement accounts	18	2,173,795	1,434,293
Short positions	22	2,718,060	3,100,604
Accruals and deferred income		39,507	33,114
Subordinated liabilities	23	253,415	263,681
		13,460,729	13,554,851
Called up share capital	24	214,359	214,359
Profit and loss account	25	114,884	91,033
TOTAL EQUITY SHAREHOLDERS' FUNDS		329,243	305,392
TOTAL LIABILITIES		13,789,972	13,860,243
MEMORANDUM ITEMS			
Contingent liabilities:			
Guarantees and assets pledged as collateral security	26	56,122	116,242
Commitments:			
Undrawn formal standby facilities, credit lines and other commitments to lend.	27	512,975	783,969

The financial statements were approved by the Board of Directors on 4 July 2005 and were signed on their behalf by:



J.W. Burbidge, Director


C.A. McManus, Director

**BALANCE SHEET OF ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED
AS AT 31 OCTOBER 2004**

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Investments in subsidiaries	31	353,987	353,987
CURRENT ASSETS			
Amounts owed by parent undertakings		1,045	-
Amounts owed by subsidiary undertakings		94,000	4,977
Other assets		341	577
Prepayments and accrued income		49	-
		<u>95,435</u>	<u>5,554</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to parent undertakings		-	(4,992)
Amounts owed to subsidiary undertakings		-	(3,350)
Other liabilities		(878)	-
		<u>(878)</u>	<u>(8,342)</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>94,557</u>	<u>(2,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>448,544</u>	<u>351,199</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Subordinated liabilities due to immediate parent undertaking	23	(145,580)	(150,062)
PROVISIONS FOR LIABILITIES AND CHARGES		<u>-</u>	<u>(2,670)</u>
TOTAL NET ASSETS		<u>302,964</u>	<u>198,467</u>
CAPITAL AND RESERVES			
Called up share capital	24	214,359	214,359
Profit and loss account	25	88,605	(15,892)
EQUITY SHAREHOLDERS' FUNDS		<u>302,964</u>	<u>198,467</u>

The financial statements were approved by the Board of Directors on 4 July 2005 and were signed on their behalf by:


J.W. Burbidge, Director


C.A. McManus, Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004**

1. Basis of Presentation

- a) The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain investments. They are prepared in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of its Urgent Issues Task Force and with the Statements of Recommended Practice issued by the British Bankers Association.
- b) The consolidated financial statements have been prepared in compliance with Schedule 9 to the Companies Act 1985 ('the Act'). The balance sheet of the company has been prepared in compliance with Schedule 4 to the Act. As permitted by Section 230 of the Act, no profit and loss account is presented for the company.
- c) The company is a wholly owned subsidiary of the Royal Bank of Canada, incorporated in Canada, and is included in the consolidated financial statements of the Royal Bank of Canada, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard 1 (revised 1996).
- d) In accordance with Financial Reporting Standard 8 'Related Party Disclosures' paragraph 3(c), the company is exempt from the requirement to disclose related party transactions within the Royal Bank of Canada group of companies on the grounds that more than 90% of the voting rights are controlled within the group.

2. Principal Accounting Policies(a) Income Recognition

Interest income is recognised in the profit and loss account as it accrues other than interest of doubtful collectability, which is suspended and excluded from interest income. The closing balance on the suspense account is netted in the balance sheet against the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Fees receivable which represent a return for services provided are credited to income when the related service is performed. Fees receivable which represent a return for risk borne which are in the nature of interest are taken to the profit and loss account, through interest received, over the period of the loan or on a systematic basis over the expected life of the transaction to which they relate.

Dealing profits comprise the profits and losses arising both on the purchase and sale of trading instruments and from their revaluation to market value, together with the interest and dividend income earned from these instruments and the related funding cost.

(b) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year, or where applicable, at forward contracted rates. All exchange differences are recognised in the Profit and Loss Account.

(c) Pension Costs

The group accounts for pensions in accordance with SSAP 24 'Accounting for pension costs'. The company provides defined benefit pensions through the RBC (UK) Pension Plan, which is closed to new members. The pension cost is assessed by a qualified actuary, using the projected unit method. The regular cost of providing pensions to current employees is charged to the profit and loss account over the average expected service lives of those employees. Variations in regular pension cost are amortised over the average expected service lives of current employees on a straight line basis. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004** (continued)

2. Principal Accounting Policies (continued)

(d) Loans and Advances and Provisions for Impairment

Specific provisions are made when the company considers that the recovery of the whole or part of an advance is in serious doubt. The amount of each specific provision raised is estimated on an individual case-by-case basis in order to reduce the book value of the advance to its expected net realisable value. In arriving at the amount of each specific provision, consideration is given, among other factors, to the financial standing of the customer, the value of any security provided against the loan, and any costs associated with repayment or realisation of the security.

A general provision is established to cover any losses on loans and advances in the lending portfolio that have not been specifically identified as in serious doubt. The level of the general provision is reviewed periodically in relation to the distribution of the loan portfolio across internally calculated credit gradings that are used to measure the quality of each borrower.

Specific and general provisions are deducted from loans and advances to customers in the balance sheet. Changes to provisions made during the year and recoveries from loans previously written off are charged/credited to profits.

(e) Sale and Repurchase Transactions

Securities, which have been sold with an agreement to repurchase, continue to be shown in the Balance Sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase agreements are not recognised in the Balance Sheet and the purchase price is treated as a loan. The difference between the sale price and the repurchase price is accrued evenly over the life of the transaction and taken to the Profit and Loss Account as interest.

(f) Debt Securities and Equity Shares

Debt securities and equity shares intended for use on a continuing basis in the company's activities are classified as investment securities and are stated at cost less any provision for permanent diminution in value.

Debt securities and equity shares held for trading purposes, including short positions, are stated at their market value with changes in market value being taken to the Profit and Loss Account and included in Dealing Profits as they arise.

Interest rate swaps held as hedges against security positions are valued on an equivalent basis to the securities which they are hedging. Any profit or loss is recognised on the same basis as that arising from the related hedged positions.

(g) Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where necessary, provision for any impairment in value.

(h) Goodwill

On the acquisition of a subsidiary or business, fair values are attributed to the net assets. Where the fair value of the consideration given differs from the fair value of the net assets acquired, the difference is capitalised as goodwill and is amortised to the Profit and Loss Account over the directors' estimate of its useful life.

Goodwill in relation to the acquisition in 2002 of private banking business is being amortised to the profit and loss account on a straight line basis over its expected useful life of 15 years. All other goodwill is being amortised on the same basis over a period of 10 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004** (continued)

2. Principal Accounting Policies (continued)

(i) Derivatives

Derivative transactions include interest rate swaps, cross-currency swaps, futures, equity derivatives, options and other similar instruments and are used for both trading and non-trading purposes.

Derivatives classified as trading are held for trading, market making or portfolio management purposes. Trading activity is the buying and selling of financial instruments in order to take advantage of short-term changes in market prices or for market making purposes in order to facilitate customer requirements. Trading derivatives are carried at fair value in the balance sheet within "Other Assets" and "Other Liabilities". Gains and losses are taken directly to the profit and loss account and reported within Dealing Profits. The fair value of derivatives is measured by reference to independent liquid market prices where these are available. For those transactions where there are no independently quoted prices, fair values are determined by reference to independently sourced rates, using valuation models. Adjustments are made for illiquid positions where appropriate.

Derivatives classified as non-trading are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange rates, interest rates, and equity prices inherent in the non-trading assets, liabilities and positions. Non-trading derivatives are accounted for on an accruals basis consistent with the item being hedged, with the income and expense on these being recognised as they accrue over the life of the instrument. Where a non-trading derivative no longer represents a hedge because either the underlying asset, liability or position has been de-recognised, transferred to a trading portfolio, or the effectiveness of the hedge is undermined, it is restated to fair value and any change in value taken to the Profit & Loss Account.

(j) Tangible Fixed Assets and Depreciation

All property and equipment is stated at historical cost less depreciation. Depreciation is provided on all tangible fixed assets, calculated on the straight line method over the assets' estimated useful lives as follows: Computer Equipment three years, Fixtures and Fittings and Leasehold Improvements three to five years.

(k) Deferred Taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. These timing differences arise from the inclusion of items of income and expenditure in the company's tax computations in different periods from those in which they are included in the financial statements.

The amounts provided are calculated at the rates expected to apply when they crystallize based on current tax rates and law. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they are recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

3. Segmental Analysis by Class of Business

	2004 £'000	2003 £'000
Net interest income:		
RBC Capital Markets	18,561	17,852
RBC Investments	2,761	2,719
	<u>21,322</u>	<u>20,571</u>
Non-interest income:		
RBC Capital Markets	80,880	86,254
RBC Investments	8,624	5,206
	<u>89,504</u>	<u>91,460</u>
Profit/(loss) on ordinary activities before taxation:		
RBC Capital Markets	33,852	32,038
RBC Investments	(197)	(853)
	<u>33,655</u>	<u>31,185</u>
Total assets:		
RBC Capital Markets	13,568,903	13,568,999
RBC Investments	221,069	291,244
	<u>13,789,972</u>	<u>13,860,243</u>
Net assets:		
RBC Capital Markets	316,807	290,893
RBC Investments	12,436	14,499
	<u>329,243</u>	<u>305,392</u>

In all material respects, the group operates in only one geographical segment, that being the United Kingdom.

4. Net Interest Income

Net interest income includes the following amounts:

	2004 £'000	2003 £'000
Interest receivable from other group companies	2,862	2,469
Interest payable to other group companies	121,451	114,594
Interest payable on subordinated liabilities	3,075	3,153
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

5. Dealing Profits

	2004 £'000	2003 £'000
Fixed Income and Money Markets	39,794	44,213
Equity	13,211	16,028
	<u>53,005</u>	<u>60,241</u>

6. Administrative Expenses

	2004 £'000	2003 £'000
Staff costs:		
Wages and salaries	38,459	39,074
Social security costs	4,214	4,448
Pension costs (note 7)	2,331	1,980
	<u>45,004</u>	<u>45,502</u>
Other administrative expenses	31,544	22,670
	<u>76,548</u>	<u>68,172</u>

Profit on ordinary activities before tax is stated after charging the following items:

	2004 £'000	2003 £'000
Amortisation of goodwill (note 14)	795	941
Depreciation of tangible fixed assets (note 15)	-	5
	<u>795</u>	<u>946</u>
Auditors' remuneration:		
- Current year audit fee	231	196
- Adjustment in respect of prior years	(46)	-
	<u>185</u>	<u>196</u>
- Total charge	185	196
(including £16,200 which relates to the company (2003: £16,200))		
- Non-audit fees for reporting under regulatory requirements	20	20
- Other non-audit fees	5	46
Group recharge in respect of rental of premises	1,657	1,481
	<u>1,682</u>	<u>1,723</u>

The average number of employees during the year was 268 (2003: 260).

The Directors of the company are employed and remunerated by the company's ultimate parent company. Included within administrative expenses above is an amount of £698,156 (2003: £590,353) that has been charged to the group in respect of the services of the directors by the ultimate parent company. The charge in respect of the highest paid director was £533,452 (2003: £527,848).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

7. Pension Costs

Royal Bank of Canada group of companies, of which the group is a member, operates the RBC (UK) Pension Plan ('the Principal Scheme') for employees of all group companies in the United Kingdom. The Principal Scheme is a funded defined benefit scheme with the assets held in separate trustee administered funds. During 2001 the Principal Scheme was closed to new members, and the group commenced operating a defined contribution scheme.

Contributions were made to the Principal Scheme at the rate of 18.4% of pensionable salaries throughout the year to 31 October 2004 (2003: 17.6% of pensionable salaries).

The most recent formal actuarial valuation of the Principal Scheme was conducted as at 1 April 2003. The valuation was performed by a qualified independent actuary using the projected unit method. The assumptions most material to the results of the valuation were as follows:

Discount Rate	5.5%
Rate of increase in salaries	4.0%
Inflation Rate	2.5%.

At the valuation date the market value of the scheme's assets was £67,062,000, representing 57% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Since the valuation date world stock market indices have increased, resulting in an improvement in the funding of the scheme. Additionally, lump-sum contributions to the scheme of £20 million have been made by the ultimate parent company, Royal Bank of Canada, subsequent to the completion of the actuarial valuation.

The pension cost to the group for the year ended 31 October 2004 was £1,816,000 (2003: £1,566,000) in respect of the principal scheme. The pension cost in respect of the defined contribution scheme was £515,000 (2003: £414,000).

The group accounts for pensions in accordance with Statement of Standard Accounting Practice 24, 'Accounting for pension costs'. In November 2000 Financial Reporting Standard 17, 'Retirement benefits' was issued for which transitional disclosures are required to be made prior to its full implementation in 2005. These disclosures are set out below and are based on the most recent actuarial valuation and updated to 31 October 2004 by a qualified actuary. The amounts disclosed represent the share of the assets and liabilities of the Principal Scheme that relate to employees of the company and exclude assets and liabilities of the scheme that relate to employees of other group companies that participate in the scheme. For closed schemes, where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement when using the projected unit method to value the liabilities of the scheme.

The financial assumptions used to calculate scheme liabilities for the Principal Scheme under FRS 17 were:

	2004 %	2003 %	2002 %
Rate of increase in salaries	4.00	4.00	4.75
Rate of increase in pensions in payment	2.75	2.50	2.25
Discount rate	5.50	5.50	5.50
Inflation assumption	2.75	2.50	2.25

The assumptions used for long-term rates of return on the principal classes of assets were:

	2004 %	2003 %	2002 %
Equities	7.80	7.90	8.00
Bonds	4.80	4.80	4.60
Other	5.60	-	8.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

7. Pension Costs (continued)

The group's share of the assets and liabilities of the Principal Scheme were:

	2004 £'000	2003 £'000	2002 £'000
Equities	16,626	14,340	10,270
Bonds	5,623	5,352	4,465
Other assets	5,456	-	1,286
Total market value of assets	27,705	19,692	16,021
Present value of scheme liabilities	(35,238)	(31,928)	(27,667)
Deficit in the scheme	(7,533)	(12,236)	(11,646)
Related deferred tax asset	2,260	3,671	3,494
Net pension liability	(5,273)	(8,565)	(8,152)

The following amounts would have been recognised in the performance statements under FRS 17:

	2004 £'000	2003 £'000
<u>Profit and loss account</u>		
Expected return on pension scheme assets	1,430	1,135
Interest on pension scheme liabilities	(1,845)	(1,603)
Net return debited to other finance income	(415)	(468)
Current service cost	(1,719)	(1,580)
Net pension cost for defined benefit scheme	(2,134)	(2,048)
Defined contribution scheme	(394)	(355)
Total pension costs	(2,528)	(2,403)
<u>Statement of total recognised gains and losses (STRGL)</u>		
Actual return less expected return on pension scheme assets	5,450	1,251
Experience gains/(losses) arising on the scheme liabilities	1,284	(1,293)
Change in assumptions underlying the present value of the scheme liabilities	(1,245)	1
Total gain/(loss) recognised in the STRGL	5,489	(41)

History of experience gains and losses:

	2004 £ 000	2003 £ 000	2002 £ 000
Difference between expected and actual return on assets:			
- Amount	5,450	1,251	(3,591)
- Percentage of scheme assets	20%	6%	(22)%
Experience gains/(losses) on plan liabilities:			
- Amount	1,284	(1,293)	649
- Percentage of present value of scheme liabilities	4%	4%	2%
Total gain/(loss) recognised in the STRGL:			
- Amount	5,489	(41)	(4,835)
- Percentage of present value of scheme liabilities	16%	0%	(17)%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

7. Pension Costs (continued)

If the above pension liability had been recognised in the group's financial statements the net assets and profit and loss reserve would have been as follows:

	2004 £'000	2003 £'000
Net assets excluding pension liability	329,243	305,392
Pension liability	(5,273)	(8,565)
Net assets including pension liability	323,970	296,827
Profit and loss reserve excluding pension liability	114,884	91,033
Pension liability	(5,273)	(8,565)
Profit and loss reserve including pension liability	109,611	82,468

8. Tax on Profit on Ordinary Activities

	2004 £'000	2003 £'000
UK corporation tax at 30%	11,216	10,489
Adjustment in respect of prior year	-	(1,518)
Relief for overseas taxation	(4,200)	(1,433)
	7,016	7,538
Overseas taxation	4,200	468
Total current tax	11,216	8,006
Deferred tax (origination and reversal of timing differences)	(1,412)	(338)
	9,804	7,668

Tax reconciliation:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	33,655	31,185
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30%	10,096	9,356
Effects of:		
Expenses not deductible for tax purposes	185	505
Overseas taxation	(471)	(667)
Adjustment in respect of prior year	-	(1,518)
Other items	(6)	(8)
Tax on profit on ordinary activities	9,804	7,668

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

9. Loans and Advances to Banks

	2004 £'000	2003 £'000
Repayable		
- on demand	1,800,569	1,800,629
- within three months	723,147	585,861
- between three months and one year	6,922	-
- between one and five years	24,136	34,479
	<u>2,554,774</u>	<u>2,420,969</u>

Included in the above is £3,227,000 (2003: £19,645,000) due to other group companies.

10. Loans and Advances to Customers

	2004 £'000	2003 £'000
Repayable		
- on demand or at short notice	2,677,418	3,185,474
- within three months	393,064	679,321
- between three months and one year	19,749	66,832
- between one and five years	161,789	398,545
- after five years	129,510	157,409
Less: Provisions for bad and doubtful debts	<u>(9,193)</u>	<u>(42,987)</u>
	<u>3,372,337</u>	<u>4,444,594</u>

Included in the above is £242,879,000 (2003: £81,787,000) due to other group companies.

The group has the following concentrations of loans and advances to customers.

	2004 £'000	2003 £'000
Real estate & construction	113,937	218,270
Personal loans	59,628	68,413
Transportation	51,652	84,369
Energy & chemicals	27,645	47,511
Food & beverages	21,980	23,814
Consumer products	11,353	21,201
Financial services	9,884	42,833
Manufacturing	6,679	47,055
Mining & metals	5,415	33,573
Telecommunications, IT & media	-	19,644
Other sectors	3,020	10,344
Total banking business	<u>311,193</u>	<u>617,027</u>
Total trading business	<u>3,061,144</u>	<u>3,827,567</u>
	<u>3,372,337</u>	<u>4,444,594</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

11. Provisions for Bad and Doubtful Debts
(a) Movements on provisions for bad and doubtful debts

	Specific £'000	General £'000	Total £'000
Provisions at 31 October 2003	39,994	2,993	42,987
Foreign exchange movement	(856)	(16)	(872)
Amounts written off	(32,750)	-	(32,750)
Credit to profit and loss account for the year	(172)	-	(172)
Balance at 31 October 2004	<u>6,216</u>	<u>2,977</u>	<u>9,193</u>

(b) Non-performing loans

	2004 £'000	2003 £'000
Loans on which interest has been suspended	6,304	48,247
Specific provisions	(6,216)	(39,994)
Total non-performing loans (net of specific provisions)	<u>88</u>	<u>8,253</u>

12. Debt Securities

	Book and market value 2004 £'000	Book and market value 2003 £'000
Other debt securities:		
Government securities	952,865	1,380,947
Other public bodies	198,615	172,976
Bank and building society certificates of deposit	450,005	355,000
Other issuers	3,497,954	2,622,683
	<u>5,099,439</u>	<u>4,531,606</u>
Analysed by maturity:		
Due within one year	930,351	947,887
Due after one year	4,169,088	3,583,719
	<u>5,099,439</u>	<u>4,531,606</u>
Amounts above include:		
Subordinated securities	64,755	65,614
Securities issued by ultimate parent undertaking	5,614	1,952
Provided as security in respect of sale and repurchase agreements and other similar agreements	<u>3,958,548</u>	<u>4,281,174</u>

All securities are listed on a recognised stock exchange. The cost of securities held for trading purposes was £5,064,590,000 (2003: £4,435,771,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)
13. Equity Shares

	Book and market value 2004 £'000	Book and market value 2003 £'000
Other securities – listed	166,638	382,720

The movement on equity shares held as investment securities was as follows:

	Cost £'000	Provisions £'000	Book value £'000
At 31 October 2003	361	(361)	-
Foreign exchange movements	(27)	27	-
At 31 October 2004	334	(334)	-

14. Intangible Fixed Assets

	Cost £'000	Amortisation £'000	Net book value £'000
<u>Goodwill</u>			
At 31 October 2003	9,689	(3,070)	6,619
Reduction in cost	(4)	-	(4)
Charge for the year	-	(795)	(795)
At 31 October 2004	9,685	(3,865)	5,820

The reduction in the cost of goodwill capitalized during the year arises from revision of the contingent consideration payable in respect of prior year acquisitions.

15. Tangible Fixed Assets

	Cost £'000	Depreciation £'000	Net book value £'000
Computer equipment:			
At 31 October 2003 and 2004	5,410	(5,410)	-

16. Other assets

	2004 £'000	2003 £'000
Derivatives at fair value	2,818	1,171
Other	48,202	151,386
	51,020	152,557

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)
17. Deferred Tax

	2004 £'000	2003 £'000
Opening balance	3,033	2,695
Credited to profit and loss account	1,412	338
Deferred tax asset at 31 October	<u>4,445</u>	<u>3,033</u>
Amounts provided:		
Excess of depreciation over capital allowances	598	731
General provisions	1,183	900
Other timing differences	2,664	1,402
	<u>4,445</u>	<u>3,033</u>

18. Settlement accounts

Settlement accounts represent amounts payable in respect of transactions not due until a future settlement date, which arise because of the requirement to report investments on a contract date basis.

19. Deposits by Banks

	2004 £'000	2003 £'000
Repayable		
- on demand	2,264,936	3,009,363
- within three months	3,706,563	3,664,270
- between three months and one year	179,268	84,530
- between one and five years	42,000	42,000
	<u>6,192,767</u>	<u>6,800,163</u>

Included in the above is £4,962,354,000 (2003: £6,015,144,000) due to other group companies.

20. Customer Accounts

	2004 £'000	2003 £'000
Repayable		
- on demand	1,123,078	1,234,283
- within three months	636,897	519,568
- between three months and one year	162,472	9,482
- between one and five years	88,187	101,219
	<u>2,010,634</u>	<u>1,864,552</u>

Included in the above is £193,431,000 (2003: £19,753,000) due to other group companies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

21. Other Liabilities

	2004 £'000	2003 £'000
Current taxation	1,271	1,089
Derivatives at fair value	36,375	20,945
Agency funds	15,521	16,322
Other	19,385	20,088
	<u>72,552</u>	<u>58,444</u>

22. Short positions

		Held for trading purposes
	2004 £'000	2003 £'000
Debt Securities		
- Governments securities	1,136,003	1,424,124
- Other public sector securities	15,302	65,222
- Other debt securities	1,215,968	827,873
Equity Shares	350,787	783,385
	<u>2,718,060</u>	<u>3,100,604</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

23. Subordinated Liabilities

	2004 £'000	2003 £'000
Issued by the company:		
£16.1m repayable 2006-2015	16,100	16,100
£2.2m repayable 2007-2016	2,200	2,200
£7.65m repayable 2006	7,650	7,650
£31.2m repayable 2009	31,234	31,234
£8m repayable 2010	8,000	8,000
£17m repayable 2011	17,000	17,000
£13m repayable 2011	13,000	13,000
US\$92.5m repayable 2011	50,396	54,878
	145,580	150,062
Issued by Royal Bank of Canada Europe Limited:		
US\$60m floating rate repayable 2042	32,693	35,363
£37m floating rate repayable 2045	37,000	37,000
US\$70m floating rate repayable 2047	38,142	41,256
	253,415	263,681

All loans are unsecured and subordinated in right of payment to ordinary creditors, including, in the case of loan capital issued by Royal Bank of Canada Europe Limited, its depositors. All loan capital issued by the company is non-interest bearing. Loan capital issued by Royal Bank of Canada Europe Limited bears interest rates based on a margin above LIBOR. The £37m floating rate loan repayable 2045 may be repaid in whole or in part prior to maturity, at the option of the company. The US\$60m floating rate loan repayable 2042 and the US\$70m floating rate loan repayable 2047 provide the option for repayment in five equal annual instalments, the first instalment commencing six years after which notice of repayment has been given. All such repayments are subject to prior approval from the UK Financial Services Authority.

24. Share Capital

	2004 £'000	2003 £'000
<u>Authorised:</u>		
230,000,000 Ordinary shares of £1 each	230,000	230,000
<u>Allotted:</u>		
214,358,436 Ordinary shares of £1 each, fully paid	214,359	214,359

25. Reserves

	Profit and loss account Group £'000	Profit and loss account Company £'000
At 31 October 2003	91,033	(15,892)
Profit for the year	23,851	104,497
At 31 October 2004	114,884	88,605

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

26. Contingent Liabilities

(a) Guarantees and assets pledged as collateral security by the group comprise:

	Contract amount 2004 £'000	Credit equivalent amount 2004 £'000	Risk- weighted amount 2004 £'000	Contract amount 2003 £'000	Credit equivalent amount 2003 £'000	Risk- weighted amount 2003 £'000
Guarantees and irrevocable letters of credit	56,122	53,032	50,932	116,242	114,570	56,024

(b) Legal Proceedings

In April 2004 a member of the group was named as a defendant in a civil legal action in the United States following the collapse of Enron. The claim has been made against a large number of defendants and it is the intention of the group to vigorously defend it. Given the significant uncertainties surrounding the timing and outcome of this litigation, the substantial time before the case is likely to be resolved, and the multiple defendants in it, the directors are unable at this stage to predict with certainty the eventual loss, if any, in this matter and no provision for loss has been recorded in the consolidated financial statements.

27. Commitments

	Contract amount 2004 £'000	Credit equivalent amount 2004 £'000	Risk- weighted amount 2004 £'000	Contract amount 2003 £'000	Credit equivalent amount 2003 £'000	Risk- weighted amount 2003 £'000
Formal standby facilities, credit lines and other commitments to lend:						
- less than one year	10,000	-	-	54,704	-	-
- one year and over	502,975	251,488	236,782	729,265	364,633	309,770
	512,975	251,488	236,782	783,969	364,633	309,770

There were no capital expenditure commitments outstanding as at 31 October 2004 (2003: £ nil).

28. Assets and Liabilities Denominated in Sterling and Foreign Currencies

<u>Group</u>	2004 £'000	2003 £'000
Denominated in sterling	5,777,080	5,504,366
Denominated in currencies other than sterling	8,012,892	8,355,877
Total assets	13,789,972	13,860,243
Denominated in sterling	6,154,565	5,678,693
Denominated in currencies other than sterling	7,635,407	8,181,550
Total liabilities	13,789,972	13,860,243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments

The company's subsidiary, Royal Bank of Canada Europe Limited ('RBCEL'), acts as a London based entity for corporate and investment banking business undertaken in Europe by Royal Bank of Canada. The global brand name for this business is RBC Capital Markets. The group is also engaged in the provision of private banking services to individuals. The global brand name for this business is RBC Investments. All financial transactions entered into by the group are classified as either "trading" or "non-trading". In accordance with the accounting policies set out in note 2, trading activities are accounted for on a mark-to-market basis, whilst non-trading activities are accounted for on an accruals basis. The group's trading activities, which are all conducted by RBCEL, principally comprise:

- the underwriting of primary bond issues;
- trading of bonds in the secondary market;
- trading of debt securities under repurchase agreements;
- equity sales to institutional customers; and
- proprietary equity arbitrage trading.

The non-trading activities of the group comprise:

- lending to corporates and individuals;
- deposit taking;
- issuance of guarantees and letters of credit;
- treasury asset and liability management; and
- investment management services.

Risk management of trading activities

The extent to which RBCEL will enter into transactions in financial instruments is subject to a comprehensive set of limits for dealings with individual customers and counterparties and for taking proprietary trading positions. The implementation and monitoring of these limits is conducted by an independent middle office function. Additionally, RBCEL is subject to value-at-risk (VaR) limits that are set by Royal Bank of Canada which apply to total group trading positions on a global basis.

The risks RBCEL enters into during the course of its trading activities can be broadly classified into the following categories:

- the credit risk that a counterparty defaults on its obligations;
- the interest rate risk arising from the company's exposure to changes in interest rates; and
- the market risk that the value of financial instruments fluctuates due to movements in market rates and prices.

RBCEL does not engage in foreign exchange trading and does not take proprietary foreign exchange positions with the exception of de-minimus positions to facilitate other trading activity.

Derivatives

The use of derivatives in the course of non-trading activities is limited to hedging activities which mitigate the risk of loss. The table below sets out the types of non-trading activity undertaken where derivatives are used to manage risk.

<u>Activity</u>	<u>Risk</u>	<u>Type of hedge</u>
Fixed rate lending.	Reduced earnings due to an increase in interest rates.	Pay fixed interest rate swaps
Fixed rate deposit taking.	Reduced earnings due to a reduction in interest rates.	Receive fixed interest rate swaps
Corporate lending.	Reduced earnings due to default by borrower.	Purchase credit protection using credit default swaps.
Borrowing in foreign currencies.	Sensitivity to weakening of sterling against borrowing currency.	Forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

Derivatives (continued)

The trading activities of RBCEL involve trading in a wide range of derivative instruments. These instruments are used primarily to mitigate risks from on-balance sheet positions in the trading book, but also in certain circumstances to create risk positions. Further details of derivatives used for trading activities are contained in section (d) of this note.

a) Interest rate risk

The following tables summarise the group's year end net positions in financial instruments according to how long their interest rate terms remain fixed, analysed between the trading and non-trading instruments. The tables are based on the contractual re-pricing terms of the instruments, and do not reflect the potential impact of early repayment or withdrawal. All derivative instruments held by the group whose effect is to alter the interest bases of assets and liabilities are reflected in the tables within off balance sheet items.

Interest rate re-pricing of trading instruments as at 31 October 2004:

	Less than 3 months £'000	3 to 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Greater than 5 years £'000	Non- interest bearing £'000	Total £'000
Treasury bills	113,534	44,879	-	-	-	-	158,413
Loans and advances to banks	2,422,355	6,922	-	-	-	-	2,429,277
Loans and advances to customers	3,061,144	-	-	-	-	-	3,061,144
Debt securities	1,455,620	251,075	273,525	1,507,871	1,611,348	-	5,099,439
Equity shares	-	-	-	-	-	166,638	166,638
Prepayments and accruals	-	-	-	-	-	41,054	41,054
Other assets	-	-	-	-	-	46,818	46,818
Settlement accounts (net)	-	-	-	-	-	153,195	153,195
Deposits by banks	(1,647,576)	-	-	-	-	-	(1,647,576)
Customer accounts	(1,604,237)	(128,998)	(25,011)	(88,187)	-	-	(1,846,433)
Other liabilities	-	-	-	-	-	(31,126)	(31,126)
Short positions	(141,508)	(33,556)	(37,830)	(1,015,444)	(1,138,935)	(350,787)	(2,718,060)
Accruals and deferred income	-	-	-	-	-	(29,865)	(29,865)
Net funding from non-trading activities	(4,736,947)	(135,970)	-	-	-	(10,001)	(4,882,918)
Net on balance sheet items	(1,077,615)	4,352	210,684	404,240	472,413	(14,074)	-
Off balance sheet items	1,037,930	15,674	(207,187)	(412,932)	(433,485)	-	-
Net Position	(39,685)	20,026	3,497	(8,692)	38,928	(14,074)	-
Cumulative interest rate sensitivity gap	(39,685)	(19,659)	(16,162)	(24,854)	14,074	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)
29. Financial Instruments (continued)

a) Interest rate risk (continued)

Interest rate re-pricing of trading instruments as at 31 October 2003:

	Less than 3 months £'000	3 to 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Greater than 5 years £'000	Non- interest bearing £'000	Total £'000
Treasury bills	-	337,429	-	-	-	-	337,429
Loans and advances to banks	2,383,136	-	-	-	-	-	2,383,136
Loans and advances to customers	3,827,567	-	-	-	-	-	3,827,567
Debt securities	1,216,033	325,932	238,829	1,335,846	1,414,966	-	4,531,606
Equity shares	-	-	-	-	-	382,720	382,720
Prepayments and accruals	-	-	-	-	-	22,408	22,408
Other assets	-	-	-	-	-	146,441	146,441
Settlement accounts (net)	-	-	-	-	-	114,855	114,855
Deposits by banks	(920,945)	-	-	-	-	-	(920,945)
Customer accounts	(1,449,127)	-	-	(101,219)	-	-	(1,550,346)
Other liabilities	-	-	-	-	-	(43,328)	(43,328)
Short positions	(92,547)	(38,781)	(21,046)	(1,132,736)	(1,032,109)	(783,385)	(3,100,604)
Accruals and deferred income	-	-	-	-	-	(24,708)	(24,708)
Net funding from non-trading activities	(5,947,840)	(152,709)	-	-	-	(5,682)	(6,106,231)
Net on balance sheet items	(983,723)	471,871	217,783	101,891	382,857	(190,679)	-
Off balance sheet items	1,168,774	(180,430)	(209,353)	(593,771)	(185,220)	-	-
Net Position	185,051	291,441	8,430	(491,880)	197,637	(190,679)	-
Cumulative interest rate sensitivity gap	185,051	476,492	484,922	(6,958)	190,679	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

a) Interest rate risk (continued)

Interest rate re-pricing of non-trading instruments as at 31 October 2004:

	Less than 3 months £'000	3 to 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Greater than 5 years £'000	Non- interest bearing £'000	Total £'000
Cash and balances at central banks	-	-	-	-	-	3,561	3,561
Loans and advances to banks	101,361	5,400	5,559	13,177	-	-	125,497
Loans and advances to customers	185,145	61,531	22,872	2,244	42,286	(2,885)	311,193
Prepayments and accruals	-	-	-	-	-	5,481	5,481
Other assets	-	-	-	-	-	14,467	14,467
Net funding of trading activities	4,736,947	135,970	-	-	-	10,001	4,882,918
Deposits by banks	(4,323,470)	(122,026)	(57,242)	(42,000)	-	(453)	(4,545,191)
Customer accounts	(153,511)	(4,767)	(3,696)	-	-	(2,227)	(164,201)
Other liabilities	-	-	-	-	-	(41,425)	(41,425)
Accruals and deferred income	-	-	-	-	-	(9,642)	(9,642)
Subordinated liabilities	(75,142)	-	(32,693)	-	-	(145,580)	(253,415)
Shareholders' funds	-	-	-	-	-	(329,243)	(329,243)
Net on balance sheet items	471,330	76,108	(65,200)	(26,579)	42,286	(497,945)	-
Off balance sheet items	24,510	(5,400)	(5,559)	(13,551)	-	-	-
Net Position	495,840	70,708	(70,759)	(40,130)	42,286	(497,945)	-
Cumulative interest rate sensitivity gap	495,840	566,548	495,789	455,659	497,945	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

a) Interest rate risk (continued)

Interest rate re-pricing of non-trading instruments as at 31 October 2003:

	Less than 3 months £'000	3 to 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Greater than 5 years £'000	Non- interest bearing £'000	Total £'000
Cash and balances at central banks	-	-	-	-	-	1,557	1,557
Loans and advances to banks	195	5,097	5,246	24,136	-	3,159	37,833
Loans and advances to customers	547,566	37,807	16,491	5,067	5,000	5,096	617,027
Prepayments and accruals	-	-	-	-	-	7,603	7,603
Other assets	-	-	-	-	-	15,768	15,768
Net funding of trading activities	5,947,840	152,709	-	-	-	5,682	6,106,231
Deposits by banks	(5,753,119)	(47,805)	(36,294)	(42,000)	-	-	(5,879,218)
Customer accounts	(302,187)	(5,018)	(4,464)	-	-	(2,537)	(314,206)
Other liabilities	-	-	-	-	-	(15,116)	(15,116)
Accruals and deferred income	-	-	-	-	-	(8,406)	(8,406)
Subordinated liabilities	(78,256)	-	(35,363)	-	-	(150,062)	(263,681)
Shareholders' funds	-	-	-	-	-	(305,392)	(305,392)
Net on balance sheet items	362,039	142,790	(54,384)	(12,797)	5,000	(442,648)	-
Off balance sheet items	44,479	(5,097)	(5,246)	(29,136)	(5,000)	-	-
Net Position	406,518	137,693	(59,630)	(41,933)	-	(442,648)	-
Cumulative interest rate sensitivity gap	406,518	544,218	484,581	442,648	442,648	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

b) Currency risk

The group does not have any structural currency exposures. All currency exposures that arise from non-trading activities are transferred to trading book.

The net amounts of monetary assets and liabilities held in the trading book, after taking account of currency swaps, forwards and other currency derivative contracts, denominated in currencies other than Sterling were as follows:

	Net asset	Net liability	Net asset	Net liability
	2004	2004	2003	2003
	£'000	£'000	£'000	£'000
US Dollars	4,815	-	-	195
Canadian Dollars	167	-	-	389
Euros	-	618	-	192
Australian Dollars	-	137	-	33
Swedish Kroners	-	2,495	-	-
Swiss Francs	-	983	4	-
Other currencies	-	13	22	42
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

c) Fair values

The table below sets out the aggregate fair values of all trading book assets and liabilities, except for short-term debtors and creditors. All such items are carried in the balance sheet at fair value.

	Assets 2004 £'000	Liabilities 2004 £'000	Assets 2003 £'000	Liabilities 2003 £'000
Loans and advances to banks	2,429,277	-	2,383,136	-
Loans and advances to customers	3,061,144	-	3,827,567	-
Debt securities	5,099,439	2,367,273	4,531,606	2,317,219
Equity securities	166,638	350,787	382,720	783,385
Deposits from banks	-	1,647,576	-	920,945
Customer accounts	-	1,846,433	-	1,550,346
Fair value of derivatives	2,818	36,375	1,171	20,945

The table below sets out a comparison of aggregate fair values and book values of the group's non-trading assets and liabilities where a liquid and active market exists, and for all non-trading derivative instruments.

As at 31 October 2004

	Book value		Fair value	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate derivatives	-	-	-	-
Foreign exchange derivatives	-	878	-	887

As at 31 October 2003

	Book value		Fair value	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate derivatives	-	48	391	-
Foreign exchange derivatives	373	-	127	-

The valuation techniques used to measure fair values are:

All debt securities, and equity securities held for trading purposes, are valued by reference to quoted market prices. Equity securities held for non-trading purposes represent an investment in a limited liability partnership and are fair valued by reference to the most recent statement of partners' capital and other relevant information provided by the partnership.

The fair value of derivatives is measured by reference to independent liquid market prices where these are available. For those transactions where there are no independently quoted prices, fair values are determined by reference to independently sourced rates, using valuation models.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)
29. Financial Instruments (continued)d) Derivatives

Trading derivatives - The table below summarises the notional principal amount and the end of period fair value for each type of trading derivative.

	2004			2003		
	Notional principal amount £'000	Year-end positive fair value £'000	Year-end negative fair value £'000	Notional principal amount £'000	Year-end positive fair value £'000	Year-end negative fair value £'000
OTC derivatives						
Interest rate contracts:						
- Interest rate swaps	1,638,947	3,930	22,000	1,421,313	3,171	23,665
- Forward rate agreements	-	-	-	822,326	155	155
	<u>1,638,947</u>	<u>3,930</u>	<u>22,000</u>	<u>2,243,639</u>	<u>3,326</u>	<u>23,820</u>
Foreign exchange contracts						
- Forward foreign exchange	649,594	707	16,385	630,102	1,003	9,141
- Cross currency swaps	83,976	8,479	-	97,672	9,633	34
	<u>733,570</u>	<u>9,186</u>	<u>16,385</u>	<u>727,774</u>	<u>10,636</u>	<u>9,175</u>
Credit derivatives						
- Total return swaps	16,077	-	3	17,681	-	233
- Credit default swaps	866,897	4,226	11,362	908,686	20,583	5,710
	<u>882,974</u>	<u>4,226</u>	<u>11,365</u>	<u>926,367</u>	<u>20,583</u>	<u>5,943</u>
Equity contracts						
- Equity swaps	283,737	13,901	15,050	227,977	5,224	20,629
- Equity options	-	-	-	2,287	24	-
	<u>283,737</u>	<u>13,901</u>	<u>15,050</u>	<u>230,264</u>	<u>5,248</u>	<u>20,629</u>
Total fair value of OTC derivatives before netting		31,243	64,800		39,793	59,567
Effect of netting		(28,425)	(28,425)		(38,622)	(38,622)
Total net fair value		<u>2,818</u>	<u>36,375</u>		<u>1,171</u>	<u>20,945</u>

In addition to the above amounts, the group has entered into exchange traded futures and options contracts with aggregate notional principal amounts as follows:

	2004 £'000	2003 £'000
Interest rate futures	313,953	1,047,307
Interest rate options	217,954	-
Equity index futures	82,370	819,413
	<u>614,277</u>	<u>1,866,720</u>

These contracts involve lower credit risk than over-the-counter contracts because they are subject to margining requirements whereby gains and losses are settled through an exchange on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)

d) Derivatives (continued)

Non-trading derivatives - The table below summarises the notional principal amount, the end of period book value and the end of period fair value for non-trading OTC derivatives.

	Notional principal amount £'000	Year-end positive book value £'000	Year-end negative book value £'000	Year-end positive fair value £'000	Year-end negative fair value £'000
As at 31 October 2004					
Interest rate swaps	374	-	-	-	-
Forward foreign exchange	50,396	-	878	-	887
	<u>50,770</u>	<u>-</u>	<u>878</u>	<u>-</u>	<u>887</u>
As at 31 October 2003	£'000	£'000	£'000	£'000	£'000
Interest rate swaps	10,000	-	48	391	-
Forward foreign exchange	54,511	373	-	127	-
	<u>64,511</u>	<u>373</u>	<u>48</u>	<u>518</u>	<u>-</u>

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

	Less than one year £'000	One to five years £'000	Greater than five years £'000	Total £'000
As at 31 October 2004				
Interest rate contracts	793,789	439,384	406,148	1,639,321
Foreign exchange contracts	736,653	16,778	30,535	783,966
Credit derivatives	68,392	751,833	62,749	882,974
Equity contracts	283,737	-	-	283,737
Total	<u>1,882,571</u>	<u>1,207,995</u>	<u>499,432</u>	<u>3,589,998</u>
As at 31 October 2003	£'000	£'000	£'000	£'000
Interest rate contracts	1,651,505	363,572	238,562	2,253,639
Foreign exchange contracts	684,613	64,241	33,431	782,285
Credit derivatives	130,622	790,994	4,751	926,367
Equity contracts	230,264	-	-	230,264
Total	<u>2,697,004</u>	<u>1,218,807</u>	<u>276,744</u>	<u>4,192,555</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)
29. Financial Instruments (continued)d) Derivatives (continued)

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

	Less than one year £'000	One to five years £'000	Greater than five years £'000	Total £'000
As at 31 October 2004				
Interest rate contracts	415	781	2,734	3,930
Foreign exchange contracts	767	3,669	4,750	9,186
Credit derivatives	62	3,866	298	4,226
Equity contracts	13,901	-	-	13,901
	<u>15,145</u>	<u>8,316</u>	<u>7,782</u>	<u>31,243</u>
Effect of netting	<u>(14,732)</u>	<u>(8,074)</u>	<u>(5,619)</u>	<u>(28,425)</u>
Total	<u>413</u>	<u>242</u>	<u>2,163</u>	<u>2,818</u>
As at 31 October 2003	£'000	£'000	£'000	£'000
Interest rate contracts	440	1,125	2,152	3,717
Foreign exchange contracts	1,130	4,314	5,319	10,763
Credit derivatives	78	20,505	-	20,583
Equity contracts	5,248	-	-	5,248
	<u>6,896</u>	<u>25,944</u>	<u>7,471</u>	<u>40,311</u>
Effect of netting	<u>(6,600)</u>	<u>(24,942)</u>	<u>(7,471)</u>	<u>(39,013)</u>
Total	<u>296</u>	<u>1,002</u>	<u>-</u>	<u>1,298</u>

All counterparties to OTC derivative contracts are financial institutions incorporated in OECD countries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

29. Financial Instruments (continued)
e) Gains and losses on hedges

The table below summarises the movement on unrecognised and deferred gains and losses on hedges during the year.

	Gains		Losses		Total net gains/ (losses)	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
Opening unrecognised gains/(losses) on hedges	566	4,976	-	(4,424)	566	552
(Gains)/losses arising in previous years that were recognised in the current year	(566)	(4,976)	-	4,424	(566)	(552)
Brought forward gains/(losses) not recognised in current year	-	-	-	-	-	-
Unrecognised gains/(losses) arising in the current year	-	566	9	-	(9)	566
Unrecognised gains/(losses) on hedges at 31 October	-	566	9	-	(9)	566
Of which:						
Gains/(losses) expected to be recognised within one year	-	218	9	-	(9)	218
Opening deferred gains/(losses) on hedges	-	-	(373)	(326)	(373)	(326)
(Gains)/losses arising in previous years that were recognised in the current year	-	-	373	326	373	326
Gains/(losses) arising in the current year	-	-	-	(373)	-	(373)
Deferred gains/(losses) on hedges at 31 October	-	-	-	(373)	-	(373)
Of which:						
Gains/(losses) expected to be recognised within one year	-	-	-	(373)	-	(373)

30. Funds under Management

	2004 £'000	2003 £'000
Discretionary and advisory funds under management	1,297,793	1,288,570

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004 (continued)

31. Investment in subsidiaries

Cost and net book value:	£'000
At 31 October 2003 and 2004	<u>353,987</u>

Details of the company's subsidiaries are as follows:-

<u>Company</u>	<u>Business</u>
Royal Bank of Canada Europe Limited	Banking
Royal Bank of Canada Investment Management (U.K.) Limited	Investment management
Royal Bank of Canada Investment Management (USA) Limited *	Investment management
RBC Asset Management UK Limited	Investment management
Orion Leasing Holdings Limited	Leasing
Orion Finance Limited *	Leasing
Royal Bank of Canada Trust Corporation Limited	Trustee
RBC Pension Trustees Limited	Trustee
Montco Nominees Limited	Nominee
Roycan Nominees Limited	Nominee

* Indirectly held.

All subsidiaries are 100% owned, incorporated in Great Britain and registered in England and Wales.

32. Parent Companies

The company's ultimate parent company and controlling party is Royal Bank of Canada, a company incorporated in Canada, which is also the parent undertaking of the largest group which includes the company and for which group accounts are prepared. Royal Bank of Canada Holdings (U.K.) Limited is the parent of the smallest such group. Copies of the group financial statements of Royal Bank of Canada are available at 71 Queen Victoria Street, London EC4V 4DE.