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

PILLAR 3 DISCLOSURE

FOR THE YEAR ENDED 31 OCTOBER 2016

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1.0 Overview

1.1 Business Profile

Royal Bank of Canada Holdings (U.K.) Limited ("RBC HUK" or "the Company") is a holding company registered in England and Wales. The Company, which is a subsidiary of Royal Bank of Canada (RBC), a company registered in Canada, acts as a holding company for select activities across RBC Wealth Management and RBC Global Asset Management entities in the UK. Its subsidiaries provide a range of investment and other financial services, primarily in the United Kingdom, as part of the RBC Wealth Management International business.

RBC HUK has three main regulated entities and three inactive directly wholly-owned subsidiaries, as follows:

Royal Bank of Canada Investment Management (U.K.) Limited ("RBIM UK"), a key operating company, domiciled in the United Kingdom, incorporated on 20 April 1990. RBIM UK's business is to provide a full range of discretionary and advisory investment management services primarily to private clients, trusts, funds, companies and institutions. Under the FCA rules the company is categorized as an IFPRU 125K Limited Licence Firm (FCA FRN 146504).

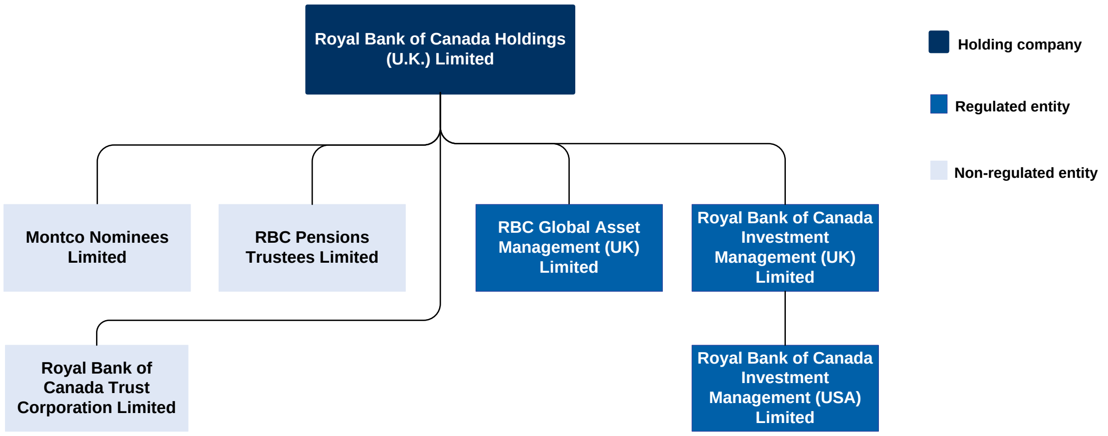
Royal Bank of Canada Investment Management (USA) Limited ("RBIM USA") is a company domiciled and incorporated in the United Kingdom on 5 March 1997 and is a wholly owned subsidiary of Royal Bank of Canada Investment Management (U.K.) Limited. It was formed to provide a full range of discretionary and advisory investment management services to US resident private clients and Trusts. Under the FCA rules the company is categorized as an IFPRU 125K Limited Licence Firm (FCA FRN 186618).

RBC Global Asset Management (UK) Limited ("GAM UK") is a company domiciled in the United Kingdom. RBC GAM UK, formerly RBC Asset Management UK Limited, was incorporated as a private company on 9 October 1998 under the name of De Facto 742 Limited. On 18 June 2013, the Company name was changed to RBC Global Asset Management (UK) Limited from RBC Asset Management UK Limited. Under the FCA rules the company is categorized as a BIPRU 50K Limited Licence Firm (FCA FRN 189154).

Royal Bank of Canada Trust Corporation Limited ("RBC Trust Co") was incorporated in England on 14 May 1965 and is also domiciled in the United Kingdom. The principal activity of RBC Trust Co is Trustee and Trust Administration services. RBC Trust Co. is a non-regulated company.

Non-regulated entities are Royal Bank of Canada Trust Corporation Limited (active), RBC Pensions Trustees Limited (dormant) and Montco Nominees Limited (dormant).

The legal structure of RBC HUK showing its wholly owned subsidiaries is represented below:



1.2 Basis and Frequency of Disclosures

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

The EU implemented the Basel III framework through the new Capital Requirements Directive and Regulation (CRD IV package). Further UK implementation is by way of the PRA's Policy Statement PS7/13, effective from 1 January 2014.

Basel III capital adequacy framework comprises three complementary pillars:

- Pillar 1 establishes rules for the calculation of minimum capital for Credit, Market, Operational Risk and Leverage (capital adequacy requirements).
- Pillar 2 is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non-Pillar 1 risks. This pillar requires the PRA to undertake a supervisory review to assess the robustness of the regulated entity's internal assessment (risk management and supervision).
- Pillar 3 complements the other pillars and affects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and companies and to make comparisons (market discipline).

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

The information disclosed are prepared in accordance with the disclosure requirements set out in Part Eight of the Capital Requirement Regulation (CRR). The disclosures may differ from similar information in the Company's financial statements for the year ended 31 October 2016, which are prepared in accordance with International Financial Reporting Standards (IFRS). Therefore, the information in these disclosures may not be directly comparable with that information.

RBC HUK updates these disclosures on an annually basis as at its financial year end of 31 October. The Company will assess the need to publish some or all disclosures more frequently in the light of the relevant market and business conditions.

1.3 Location and Verification

These disclosures have been reviewed and approved by the Compnay's Boards of Directors. These disclosures will be published on the Company's public website http://www.rbcwealthmanagement.com/gb/en/terms-and-conditions.

1.4 Risk Governance

Foundational to RBC approach to subsidiary governance is collaboration across all businesses and platforms. As a result, RBC's corporate governance is underpinned by a robust corporate governance framework ("framework"), established for the entire business.

The framework provides a structured approach for risk identification and assessment; risk monitoring and reporting; and risk control and mitigation for the varying layers of management and staff within the company. The framework's effectiveness is further enhanced by established terms of reference, which provide clear reporting lines and escalation of issues to legal entity boards and other key RBC Committees.

Approval and adoption of the framework enables the Business Head and Operating Committee to provide strategic direction, leadership and executive oversight through positive advice and counsel recommendations to the regional Wealth Management International ("WMI") businesses and legal entity Boards, subject to local regulatory and legal requirements. Aside from GAM UK, the holding and operating companies' Boards, which carry the ultimate regulatory responsibility, are represented on the Wealth Management International Operating Committee by senior executive directors.

In addition to its Board, the GAM UK business is also overseen and monitored through a platform-wide risk management framework with day-to-day risk management activities undertaken by local staff.

1.5 Regulatory Capital Management

As at 31 October 2016, the Company was adequately capitalised with a Common Equity Tier 1 ratio and Total Capital ratio of 61.1%. The total capital surplus was £39.2 million over the minimum capital requirement[1]. This is in line with the risk tolerance set by the Company's Board. The table below illustrates the distribution of the RBC HUK's risk profile.

Table 1: Distribution of Risk-weighted amount

As at 31 October 2016	**Risk-weighted Exposure**
£'000	
a. Risk-weighted exposure amounts for credit and counterparty credit	
Banking book credit risk	13,477
Counterparty credit risk	-
	13,477
b. Risk-weighted exposure amount for market risk	
Foreign exchange risk	5,548
	5,548
c. Total Credit and Market Risk (a+b)	**19,025**
d. Risk-weighted exposure amount for fixed overhead requirement	**72,259**
Total risk-weighted exposures (higher of c and d)	**72,259**

[1] CET 1 ratio and total capital surplus are calculated in accordance with the transitional provisions.

2.0 Risk Governance

2.1 Accountability Structure

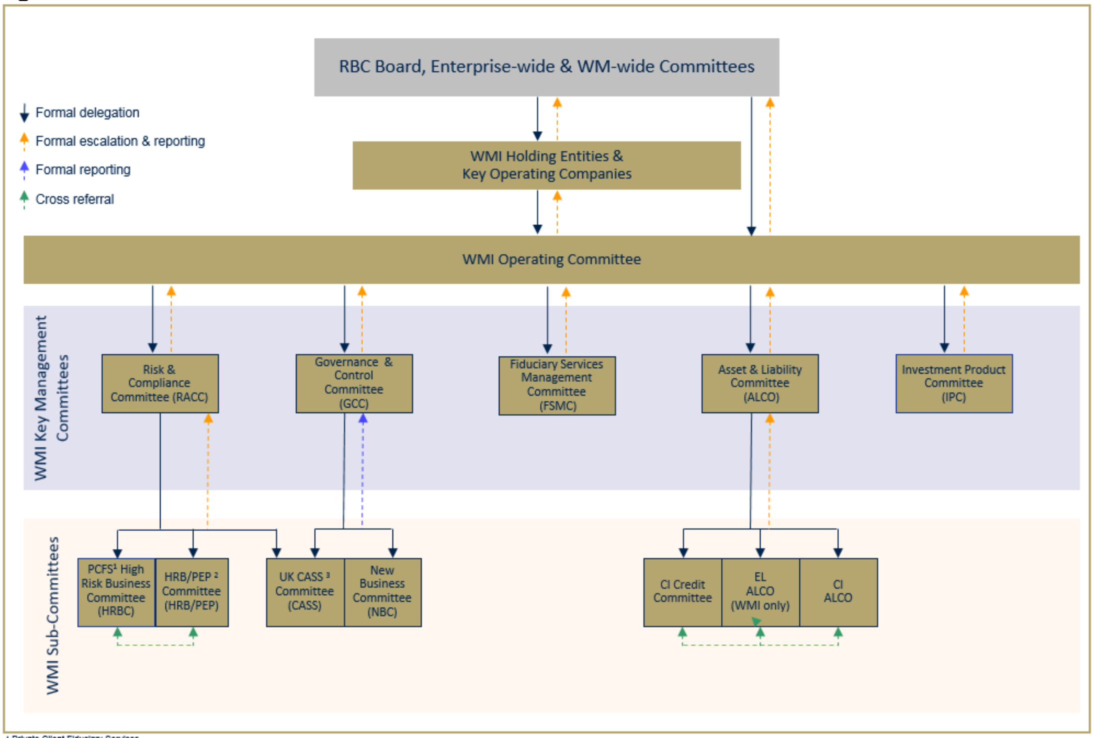
Risk management at RBC is carried out at the subsidiary level as part of a group-wide approach. Within this structure, subsidiary level Boards are responsible for managing the risk management frameworks for their business. Certain day-to-day risk management tasks are delegated to the risk teams within the business. However, each subsidiary Board is ultimately responsible for the following key activities:

- Ensuring that policies and procedures for risk management are created and maintained by the business;
- Embedding a strong risk culture in the business by setting the right tone at the top, from the Board of Directors to senior management, and across to all employees;
- Developing and maintaining the risk appetite for the business;
- Implementing an effective risk management framework to manage the risks of the business within the defined risk appetite;
- Monitoring all material risk exposures, reviewing and approving any risk exceptions and ensuring that any breaches of risk appetite are remediated and/or escalated;
- Reviewing and challenging the findings from the annual Internal Capital Adequacy Assessment Process (“ICAAP”) and approving the ICAAP report before submission to the regulator; and
- Reviewing, on an ongoing basis, emerging risks and changes in legal, regulatory, and accounting requirements and their implications for risk management within the business lines.

The entity Board reviews a quarterly risk report which provides an overview of the profile and trends for each material risk facing the wealth management subsidiaries, including an assessment of any risk concentrations within these. The risk profile of each entity is reviewed in greater detail by regional and/or platform-wide risk committees.

Figure 2 below depicts the current Wealth Management International (WMI) management committee structure (excluding GAM UK):

Figure 2: Governance Structure



¹ Private Client Fiduciary Services
² High Risk Business & Politically Exposed Persons
³ Client Assets & Client Money

The Board of GAM UK has primary responsibility for the overall governance of GAM UK and has put in place experienced and capable individuals in senior management positions who are responsible for the key business functions and who report to the Board on issues of concern and make recommendations for improvement in relation to their functions.

GAM UK is a wholly owned subsidiary of RBC HUK which itself is a wholly owned subsidiary of Royal Bank of Canada. GAM UK is one of the subsidiaries overseen by the Global Asset Management Executive Committee that provides group level oversight of asset management business and risk management activities. GAM UK is also overseen locally by a Management Committee comprised of the CEO, senior management and functional heads.

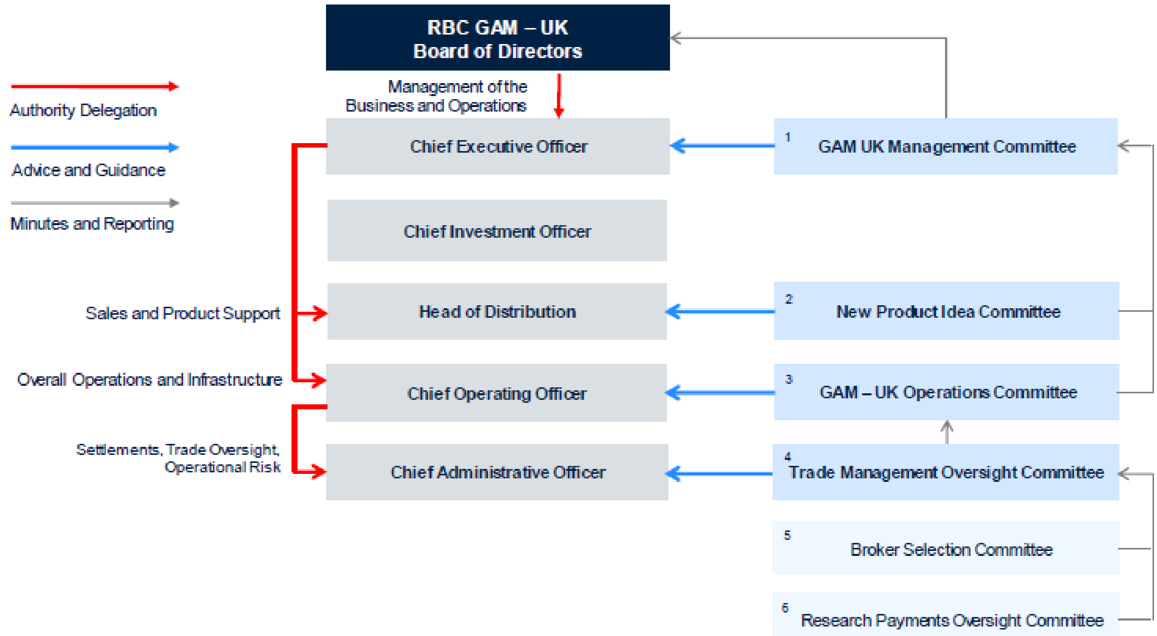
The objectives of the Management Committee are to constructively challenge, assist and advise the Chief Executive Officer of GAM UK regarding his responsibility to manage the business of GAM UK and will provide assistance and advice inter alia in relation to:

- developing and implementing business initiatives to accelerate the growth of the business and to monitor the effectiveness of such initiatives as well as resolving any issues that are holding back business development initiatives and plans;
- ensuring GAM UK successfully acquires and services institutional clients in its target markets;
- organizing and developing the support and business practices necessary to ensure that UK managed products are properly operated, supported and made available for sale in relevant markets in which RBC operates;
- ensuring assets sourced from Canadian and US clients are appropriately managed and serviced to best in class standards;
- approving any product development initiatives based on recommendations from the GAM UK New Product Initiatives Committee;
- ensuring that the financial results of GAM UK, including annual budgets and multi-year projection, are properly compiled on a timely basis and are sufficient to enable GAM UK to be properly monitored and reported; and
- ensuring that the appropriate level of Compliance, Legal and Risk resources are directed to the business so that all regulatory and legal issues relevant to GAM UK are appropriately dealt with.

The GAM UK Management Committee is supported by New Product Idea Committee, GAM UK Operations Committee and the Trade Management Oversight Committee.

Figure 3 below depicts the current GAM UK Corporate Governance Framework:

Figure 3: GAM UK Corporate Governance Framework



2.1.1 Key Operating Entities

UK

Royal Bank of Canada Holdings (UK) Limited

Investment Management
Royal Bank of Canada Investment Management (U.K.) Limited
Royal Bank of Canada Investment Management (USA) Limited

Asset Management
RBC Global Asset Management (UK) Limited

2.1.2 Board of Directors

Under the Board Mandate (which sets out the role, duties, collective responsibilities and operation of the Board), the Directors are responsible for the overall stewardship of the Company in its capacity as the supervisory Board of the RBC HUK Group. In this capacity, the Directors are fundamentally responsible for the oversight of the RBC HUK Group's management and are required to act in the way they consider, in good faith, would be most likely to promote the success of the RBC HUK Group for the benefit of its ultimate Shareholder, RBC, as a whole, by applying skill, judgement and expertise to issues while complying with legal processes of corporate governance.

The Board of RBC HUK monitors and assesses effectiveness of controls against changing regulatory expectations. Through its governance structures and controls, the Board has a line-of-sight on key risks and operational controls across the firm through monitoring the internal and external audit issues, and capital adequacy requirements of the RBC HUK Group.

The Board of RBC HUK also provides positive advice and counsel to the Boards of the RBC HUK Group in their role on matters relating to Fiduciary, Strategic and Supervisory matters.

The Board is responsible for overseeing the strategic risk direction and risk appetite for the RBC HUK Group. This includes:

- Maintaining a direct line-of-sight over key current and emerging risks across the RBC HUK Group;
- Ensuring that an effective systems and controls framework is in place for business, risk and capital management;
- Ensuring that the financial objectives are aligned with risk appetite and objectives; and
- Monitoring and assessing the effectiveness of controls against changing regulatory expectations.

As at 31 October 2016, the Board consists of one Non-Management Director, acting as the Chair and two Executive Directors with direct line of sight for the WMI UK regional businesses. Post year-end the Chief Executive of GAM UK joined the Board of RBC HUK in place of one of the Executive WMI Directors.

<u>Recruitment Policy for Board Members</u>

Appointments to the Board of the Company follow a formal procedure. As the Company is a wholly owned subsidiary within the RBC Group and not a listed public company, proposals for appointments to the Board, following consultation with the Chair, are made to the RBC Subsidiary Governance Office, in accordance with the relevant procedures set out in the RBC Group policy pertaining to the governance of subsidiary companies (SGO Policy). As part of the selection process prior to proposals being considered by the Board, individuals are interviewed in accordance with applicable corporate governance practices. In accordance with the SGO Policy, all proposals submitted to the Board consider the collective competence of the Board to ensure that there is sufficient experience and technical expertise and a balance of executives and non-executives to ensure that the Board are, at all times, adequately staffed and compliant with applicable legal and/or regulatory requirements and will take account of the Company's diversity policy.

Proposals to the Board also reflect if the individual:

- Is competent to fill and is fit and proper to carry out that role;
- Possesses sufficient knowledge, skills and experience to perform the duties of a Director;
- Is willing and able to commit sufficient time to discharge his or her responsibilities to the Company.

Aligned with RBC's core values, including "Diversity and Inclusion", the Board recognizes the benefits of promoting diversity, both within the Company and at Board level. Diverse perspectives linked in common purpose contribute to innovation and growth for RBC. The relevant background and professional experience of the Directors of the Board are provided in **Appendix 1**.

2.1.3 Wealth Management International Operating Committee (WMIOC)

WMIOC is a top level management committee in the Wealth Management International WMI region established to enable the Head of WMI to achieve effective oversight and management of business strategies, performance, and risk as well as the determination of new business and local human resourcing, compliance and risk policies across WMI via the Key Operating Entities (excluding GAM UK) and establish a robust and effective corporate governance framework for WMI by the provision of positive advice and counsel. Any escalation will go to Wealth Management Operating Committee (WMOC).

SCOPE

WMIOC is a key management forum to enable the effective oversight and management of business strategies, performance, and risk as well as the determination of new business across WMI via the legal entities listed in section 2.1.1.

WMIOC will:

- Develop and implement strategy across WMI to be consistent with the overarching strategy of RBC and RBC Wealth Management and in conjunction with the respective Key Operating Entities (excluding GAM UK);
- Facilitate cross-business and cross functional discussion and consultation at Senior Management level relative to the business conducted by WMI;
- Allow members of WMIOC to inform each other of key decisions and material developments in their businesses or functional groups;
- Provide positive advice & counsel and recommendations to Key Operating Entities (excluding GAM UK) within WMI, as appropriate;
- Provide positive advice & counsel and recommendations to the key sub-Committees;
- Assist the appointed individual with Executive oversight of WMI (" Head of WMI") to discharge his personal management responsibilities;
- Assist the Head of WMI to decide whether to progress matters to a formal decision at respective Key Operating Entity Boards; and
- Assist the Head of WMI to decide whether to progress matters to a formal recommendation at RBC Group level, where applicable.

AUTHORITY

WMIOC is a committee established under the specific authority of RBC Holdings (Channel Islands) Limited, RBC HUK and the Key Operating Entity Boards (together the "**Delegating Boards**") with delegated authority to make collective recommendations in relation to strategy for the operations conducted by the Key Operating Entities (excluding GAM UK). The Committee will also consider positive advice and counsel from the WMOC and other RBC committees.

RESPONSIBILITIES

The Committee's responsibility is to develop, recommend and implement the strategic direction of the WMI operations and to measure performance against these objectives.

Specific responsibilities will include:

Strategy
- Vision
- Operating Model Principles
- Business strategies
- New business/initiatives
- Resource allocation
- Portfolio recommendations – acquisitions, investments, divestments and partnerships
- Five-year business plan
- Risk profile/appetite

Performance
- Financial performance and goals
- Risk and control environment
- Leadership, talent management and career management – Succession Planning

Governance
- Setting governance principles, framework and culture

Transformation
- Progress on milestones and targets
- Cost and revenue transformations
- Cross enterprise issue resolution

New Business
- Review and recommend all new product service proposals for onward risk rating by the local New Business Committee (NBC);
- For High Residual Risk rated NBC Solutions that have also receive positive Advice and Counsel from WMI Risk and Compliance Committee (WMI RACC) either provide positive Advice and Counsel or Decline the Solution as appropriate;
- On provision of positive Advice and Counsel for High Risk Solutions, escalate to WMOC and PRC for Advice and Counsel, and
- Provide formal response of recommendations to the NBC.

The Committee shall consider the following matters:
- Receive updates from RBC Group and WM Operating Committee;
- Develop and recommend the annual Strategic Plan to Key Operating Entity boards;
- Review financial results;
- Provide positive Advice and Counsel regarding the WMI Risk Appetite;
- Ensure alignment of WMI strategy with other areas of RBC and WM;
- Discuss overall business planning, review and discuss progress of strategic direction and initiatives of WMI;
- Review and consider key performance measures and targets relative to the WMI operations;
- Consider and agree key projects across businesses and functions;
- Consider and adopt decisions made by Central Functional Teams;
- Review and recommend, or approve as appropriate, local policies to be implemented including but not limited to those related to Corporate Social Responsibility, employee social related activities and cost efficiency initiatives;
- Receive and consider updates on Operations and Technology matters;
- Receive and consider updates on key Audit and Regulatory matters;
- Receive and consider updates on key Risk and Compliance issues;
- Propose matters for consideration/approval by the Key Operating Entity Boards or WMOC as appropriate; and
- Consider significant or exceptional ad hoc items from senior management as appropriate.

ESCALATION

The Head of WMI will report and escalate key recommendations and issues to the Delegating Boards, as appropriate, on a quarterly basis. The Head of WMI will also escalate any significant matters to the Wealth Management OC, as appropriate.

2.1.4 Fiduciary Services Management Committee (FSMC)

FSMC is a sub-committee which provides strategic oversight and direction to the fiduciary businesses, to ensure all activities align to WMI strategy. The committee acts as the point of escalation for key audit, regulatory and risk matters via the provision of positive advice and counsel to the WMI OC, to the various subsidiary management and operating committees established under the WMI Fiduciary Services Governance framework and to the key operating entities.

2.1.5 WMI RACC

WMI RACC is established to provide effective oversight and review of risk and compliance matters for the WMI businesses within the Key Operating Entities (excluding GAM UK).

The WMI RACC is responsible for ensuring business, and operational strategies are consistent with risk appetite, and that appropriate actions are taken in cases where risk profile exceeds risk appetite. The Committee will be responsible for ensuring that the necessary enterprise risk framework is in place. The enterprise risk framework should include policies, monitoring, reporting and a control infrastructure that is commensurate with the nature and materiality of the risks the businesses are exposed to and aligns to RBC's Enterprise Risk Management Framework.

The Committee's primary responsibility is to provide effective understanding and oversight of risk for WMI including but not limited to:

- Development and embedding of risk frameworks and policies for all material risks;
- Monitoring and reporting risk profile and ensuring effective management of key risks;
- Review regulatory compliance matters, including conflicts of interest, complaints and Client Assets and Client Money (CASS) related matters;
- Provide advice and counsel to the WMI businesses regarding referrals from the High-Risk Business, Client and PEP committee and the BI Fiduciary Higher Risk Business Committee, and any other reputational risks as necessary;
- Provide advice and counsel, in respect of clients classified as H2 or H3;
- Provide advice and counsel, in respect of PEPs; and
- Provide advice and counsel, in respect of High-Risk third party introducers.

2.1.6 WMI Asset and Liability Committee (ALCO)

ALCO is responsible for oversight and monitoring of all matters relating to the financial resources of WMI including the management of balance sheet, capital position, funding and liquidity, and structural banking book interest rate risk. Specifically, ALCO's responsibilities in relation to these matters include:

- Approval of limits, controls and policies;
- Review of the current and projected positions relative to agreed limits and any regulatory constraints;
- Oversight of the preparation and production of the annual Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment documents for RBC HUK; and
- Ensuring business and operational strategies are consistent with appetite, in the context of balance sheet and funding.

ALCO is comprised of senior management from the Business, Risk, Finance, and Corporate Treasury functions.

2.1.7 WMI Investment Product Committee (WMIIPC)

WMIIPC is responsible for the development and execution of investment strategies for the WMI platform and the ongoing oversight of investment performance.

Specific responsibilities include active management of the:

- Product offerings, Investments white list
- Fund Manager selection
- DIM models

2.1.8 WMI High Risk Business (HRB) and Politically Exposed Persons (PEP) Committee

Reviews and approves all proposals to take on Politically Exposed and High Risk Clients and business, ensuring compliance with local legal and regulatory requirements. Significant risk proposals are escalated to the WMI RACC; which in turn reports to the WMIOC. Committee makes general recommendations concerning financial crime risk management best practices in WMI.

2.1.9 WMI Governance and Control Committee (GCC)

GCC is a key management forum to assist in the effective implementation, oversight and review of RBC WMI strategy. This Committee is chaired by the WMI COO with representation from key business and functional groups within WMI.

This forum is responsible for local operational management, compliance and regulatory activities, employee engagement and morale and all other local activities.

They are also responsible for key Operations and Technology and functional matters within, including review and recommendation of projects and ongoing oversight related to implementation and execution.

2.1.10 WMI NBC

This forum is responsible for the review, evaluation and risk-assessment of solutions, services and products. The forum provides the Board with a robust review and recommendation process that fully consider all associated risks, while striving to facilitate business opportunities; and determining whether WMI has the required infrastructure to support any new or significantly different solutions.

Information on frequency of committee meetings is included in **Appendix 2**.

2.2 Risk Management and Control Framework

Risk management at RBC is carried out at the subsidiary level as part of a group-wide approach. Within this structure, subsidiary level Boards are responsible for managing the risk management frameworks for their business. Certain day-to-day risk management tasks are delegated to the risk teams within the business. However, each subsidiary Board is ultimately responsible for the following key activities:

- Ensuring that policies and procedures for risk management are created and maintained by the business;
- Embedding a strong risk culture in the business by setting the right tone at the top, from the Board of Directors to senior management, and across to all employees;
- Developing and maintaining the risk appetite for the business;
- Implementing an effective risk management framework to manage the risks of the business within the defined risk appetite;
- Monitoring all material risk exposures, reviewing and approving any risk exceptions and ensuring that any breaches of risk appetite are remediated and/or escalated;

- Reviewing and challenging the findings from the annual ICAAP and approving the ICAAP report before submission to the regulator; and
- Reviewing, on an ongoing basis, emerging risks and changes in legal, regulatory, and accounting requirements and their implications for risk management within the business lines.

Entity Boards review a Quarterly Risk report which provides an overview of the profile and trends for each material risk facing the wealth management subsidiaries including an assessment of any risk concentrations within these. The risk profile of each entity is reviewed in greater detail by regional and/or platform-wide risk committees.

2.2.1 Aligning Risk Management with Capital Management

The subsidiary-level Boards manage risk with the aim of maximising the overall value of the company for clients, shareholders and employees. RBC defines risk as the potential for loss or an undesirable outcome with respect to volatility of actual earnings in relation to expected earnings, capital adequacy or liquidity. This definition includes risks with a direct and immediate impact such as loss of key clients, as well as risks that have an indirect or longer term impact such as a failure to comply with regulatory requirements.

The material entities for the purpose of this report, GAM UK and RBIM UK provide asset and wealth management services to clients principally located in Canada, Europe and the USA. The primary risks relevant for these entities are Operational risk (including Regulatory Compliance risk), Credit risk, Market risk, Business risk, Group risk, and Liquidity risk. The profile and capital requirement consideration for each of these risks is described under the relevant headings below.

Based on the risk profile, the Board decides on the appropriate risk management tools for each category of risk. Robust risk management policies, internal controls, and effective monitoring and reporting procedures are in place to mitigate the primary risks. The table below shows the primary risk categories, and how these are managed and capitalised:

Table 4: RBC HUK Capitalisation of Risk

Risk Category	Risk Managed Through	Risk Capitalised Through
Operational risk	WMI Operational Risk Framework GAM UK Risk & Control Framework	Internal Capital Framework
Credit risk	WM Finance debtor and cash management procedures Financial arrangements within client agreements	Regulatory and Internal Capital Frameworks
Market risk	RBC Group Risk Management Framework	Regulatory and Internal Capital Frameworks
Business risk	Entity level Boards	ICAAP – Wind down analysis
Group risk	RBC Group Risk Management Framework	ICAAP – Wind down analysis
Liquidity risk	Entity level Liquidity Management Policies	ICAAP – Wind down analysis
Other risks[1]	Various policy documents, including RBC Code of Conduct, RBC Taxation risk policy, etc.	Not capitalised

[1] Other risks include Legal, Reputation, Regulatory Compliance, and Tax risk.

2.2.2 Three Lines of Defence Model

The Company has implemented control frameworks built on the principles of the three Lines of Defence model:

- The first Line of Defence is provided by the direct business and embedded support functions such as the Client relationship managers. The primary responsibility of the first Line of Defence is risk identification, assessment, mitigation, control and reporting in accordance with established RBC risk policies. They are accountable for aligning business and operational strategies with corporate risk culture and risk appetite.

- The second Line of Defence comprises the areas to which the Board has delegated the day-to-day oversight functions, in particular the CEOs. The Second Line of Defence is accountable for establishing the company level risk management frameworks, and provide risk guidance, provide oversight for the effectiveness of First Line risk management practices; and monitoring and independently reporting on the level of risk against the established appetite.

- The third Line of Defence is provided through internal audit services. The Third Line provides independent objective assurance on the effectiveness of risk management policies, processes and practices in all areas of the company. Further assurance is provided by the firm's external auditor.

2.2.3 Risk Appetite

Risk Appetite is defined as the amount and type of risk that the Company is willing to accept in the pursuit of its business objectives.

The overall objective of the Company's Risk Appetite Framework is to protect the Company from unacceptable levels of risk while supporting and enabling the firm's overall business strategy and goals. The Framework provides details on the Company's risk appetite principles, constraints and metrics and is approved annually by the Boards.

2.2.4 Risk Policy Management

The Company has implemented RBC policies and processes in the context of the Company's Risk Policy Management Requirements to support the assessment and management of risks. The Company regularly reviews policies and controls to ensure continued effectiveness and alignment with relevant laws and regulations. To ensure it is operating with integrity, the Company adheres to a number of other principles, codes and policies including the RBC Code of Conduct, which governs the behaviour of its employees and informs how the Company conducts its business operations.
Where necessary, the Company adapts the RBC Enterprise wide policies to ensure compliance with local legal and regulatory requirements and expectations. The European CRO has the responsibility of ensuring these policies are consistent with:

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

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

- Level 1 policy documents include overarching frameworks and policies that outline the Company's regulatory requirements and risk governance. These are approved by WMI RACC or ALCO, both Board Committees.
- Level 2 policy documents include risk-specific frameworks and policies that lay the foundations for how each risk (and any sub-risk) is managed. These are approved by Management Committees.
- Level 3 policy documents include those that are put in place to support Level 2 policy documents. These are approved by either Management Committees or Heads of Risk.

Capital adequacy and capital ratios measures are monitored daily against internal thresholds by the Regulatory Reporting team in the Finance department. Any breaches are escalated immediately. ALCO also receives monthly reports detailing current capital adequacy position, while the Board and WMI RACC are updated on a quarterly basis.

Analysis, monitoring and reporting of risk profiles and performance against risk appetite limits and tolerances are conducted by the relevant risk functions. Results are reported to the ERC at least quarterly, with management committees updated on a more regular basis.

Stress testing and reverse stress testing are conducted on at least an annual basis. The analysis is undertaken more frequently if deemed necessary as a result of changing business strategy, results or market conditions.

2.2.5 Capital Planning

RBC HUK and its subsidiaries undertake an annual ICAAP to ensure that the business strategy and planning translate into adequate capital levels over internal and external capital minima, and identify period where capital buffer becomes tight so that corrective action can be undertaken in advance. This also includes reviewing the capital levels against risk appetite to ensure that the business strategy and planned capital levels remain in line with the risk appetite.

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

The base case capital plan also forms the basis for stress testing analysis. Stressing the capital plans, through use of a range of severe but plausible down-turn scenarios, enables RBC HUK to test the strength of its capital base and also to consider mitigating actions in advance in order to maintain overall financial adequacy in periods of stress.

The capital plan is updated on a periodic basis to reflect actual operating results, updated Profit and Loss forecasts and any changes in business strategies. Additionally, the Finance function evaluates the capital impact of new (large) transactions and products and advises senior management accordingly.

The ICAAP is an annual process managed by the Regulatory Reporting, Europe function reporting into the Chief Finance Officer, Europe.

The Board of RBC HUK delegated the responsibility for developing and overseeing all aspects of the ICAAP and subsidiary ICAAPs, including accurate documentation of key findings from the risk and capital requirements assessment, to individual Board and Steering Committees for each subsidiary. The Committee for each subsidiary consists of senior management from Group Risk Management, Finance, and Operational Risk functions, as well as business representatives.

The groundwork, workshop analysis, and drafting of the ICAAP report for the subsidiaries of RBC HUK (GAM UK and RBIM UK) was performed by the ICAAP Working Group for each subsidiary which reported in to the respective ICAAP Steering Committee. The Board provides final review and approval of the ICAAP report.

As at 31 October 2016, RBC HUK has sufficient capital resources to meet both its Pillar 1 and Pillar 2 capital requirements.

3.0 Own Funds

3.1 Overview of Own Funds

As at 31 October 2016, the Company had total own funds of £45.2 million, which comprises of solely Common Equity Tier 1 Capital. A full reconciliation of own funds items to unaudited consolidated financial statements are shown in the table below.

Table 5: Full reconciliation of own funds items to unaudited consolidated financial statements

Per Consolidated Statement of Changes In Equity £'000		**31 October**
Common shares		18,316
Capital reserves		
Capital reserves		22,293
Retained earnings		
Opening	*(9,750)*	
Net profit	*14,531*	
Retained earnings at 31 October		4,781
Total equity		**45,390**
Deductions of CET1 Capital		
Other intangible assets	*(296)*	
Deferred tax liabilities associated to other intangible assets	*59*	
Total CET1 deductions		(237)
Total Fully Loaded Tier 1 Capital		**45,153**
Additional Tier 1 Capital		-
Tier 2 Capital		-
Fully Loaded Own Funds		**45,153**

Table 6: Transitional own funds disclosure

Common Equity Tier 1 capital: instruments and reserves	31 October 2016 £'000	Prescribed residual amount	Final CRD IV
Capital instruments and the related share premium accounts	**18,316**	**-**	**18,316**
of which: Common shares	18,316	-	18,316
Retained earnings	4,781	-	4,781
Accumulated other comprehensive income (and any other reserves)	22,293	-	22,293
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**45,390**	**-**	**45,390**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Goodwill and Other intangible assets (net of related tax liability)	(237)	-	(237)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(237)**	**-**	**(237)**
Common Equity Tier 1 (CET1) capital	**45,153**	**-**	**45,153**
Additional Tier 1 (AT1) capital	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	**45,153**	**-**	**45,153**
Tier 2 (T2) capital	-	-	-
Total capital (TC = T1 + T2)	**45,153**	**-**	**45,153**
Total risk-weighted exposures	**73,929**		
Capital ratios and buffers			
Common Equity Tier 1 ratio	61.1%		
Tier 1 ratio	61.1%		
Total capital ratio	61.1%		
Institution specific buffer requirement	-		
of which: capital conservation buffer requirement	-		
of which: countercyclical buffer requirement	-		
of which: systemic risk buffer requirement	-		
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-		
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	53.1%		
Amounts below the thresholds for deduction (before risk-weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		
Deferred tax assets arising from temporary difference	-		
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		
Cap on inclusion of credit risk adjustments in T2 under standardised approach	-		
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-		
Capital instruments subject to phase-out arrangements (applicable between 1 Jan 2014 and 1 Jan 2022)			
- Current cap on CET1 instruments subject to phase-out arrangements	-		
- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
- Current cap on AT1 instruments subject to phase-out arrangements	-		
- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
- Current cap on T2 instruments subject to phase-out arrangements	-		
- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

Table 7: Capital instruments main features table

Capital instruments' main features template	**Common shares**
Issuer	Royal Bank of Canada
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A
Governing law(s) of the instrument	English
Regulatory treatment	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 as published in Regulation (EU) No 575/2013 Article 28
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	GBP 18.3m
Nominal amount of instrument	GBP 18.3m
Issue price	100 per cent
Redemption price	100 per cent of Nominal amount
Accounting classification	Equity
Original date of issuance	Wednesday, September 11, 1996
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates, and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Non cumulative or cumulative	Non cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	No
If write-down, write-down trigger (s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A
N/A' inserted if the question is not applicable	

4.0 Capital Requirements

Capital adequacy and capital ratios measured are monitored monthly against internal thresholds by the Finance department. Any breaches would be escalated immediately. In addition ALCO receives quarterly reports detailing capital requirements, while the Board are also updated on a quarterly basis.

Analysis, monitoring and reporting of risk profiles and performance against risk appetite limits and tolerances are conducted by the relevant risk functions.

As at 31 October 2016, the Company's minimum capital requirements are illustrated below, expressed in terms of risk-weighted exposure, as calculated by the approaches adopted by the Company to calculate the minimum capital resources requirements.

Table 8: Risk exposure amount by risk type and calculation approach adopted

As at 31 October 2016	Risk-weighted Exposure	CET1 Capital requirement @ 4.5%	Tier 1 Capital Requirement @ 6%	Total Capital requirement @8%
£'000				
a. Risk-weighted exposure amounts for credit and counterparty credit				
Calculated under the Standardised Approach				
Institutions	5,747	259	345	460
Corporates	7,484	337	449	599
	13,231	***595***	***794***	***1,058***
b. Risk-weighted exposure amount for market risk				
Calculated under the Standardised Approach				
Foreign exchange risk	5,537	249	332	443
	5,537	**249**	**332**	**443**
c. Total Credit Risk and Market Risk (a+b)	**18,768**	**845**	**1,126**	**1,501**
d. Risk-weighted exposure amount for fixed overhead requirements				
Calculated as per Article 97 of the CRR	**73,929**	3,327	4,436	**5,914**
Pillar 1 Capital Requirement (higher of c and d)	**73,929**	**3,327**	**4,436**	**5,914**
Surplus CET1 Capital Surplus over the minimum requirement		**41,826**		
Surplus Tier1 Capital over the minimum requirement			**40,717**	
Surplus Total Capital over the minimum requirement				**39,239**

Calculation methods for the capital requirements above are listed in Appendix 3.

5.0 Credit Risk

5.1 Definition of Credit Risk

Credit risk is the potential that counterparty will fail to meet its obligations in accordance with agreed terms, thus giving rise to a risk of loss of earnings or capital.

The Credit risk capital requirement included in this report is based on the summation of the Credit risk capital required for the two material subsidiaries of RBC HUK, i.e. GAM UK and RBIM UK.

5.2 Governance and Framework

GAM UK and RBIM UK have no appetite to pursue Credit risk as a way of earning additional shareholder returns. As an Investment Firm the group is not exposed to Banking Book Credit Risk and Trading Credit Risk.

Policies and procedures exist to monitor and manage Credit and Counterparty risk exposures which arise out of day-to-day business activities.

5.3 Credit Risk Profile

Cash at bank and fee receivables are the two sources of credit risk for the material subsidiaries of the RBC HUK Group. Client agreements determine if the fees are charged in advance or in arrears.

Management fees are typically charged and collected on a quarterly basis although this may differ for some clients. Fees and other balances due from clients are reviewed by the Wealth Management Finance team on a regular basis; there is low credit risk associated with the fee accruals and historically there have been no cases of bad debts in relation to fees.

Cash at bank is held in the name of RBC Holdings (U.K.) Ltd., RBC GAM (UK) Ltd. and RBIM (UK) Ltd. at the RBC bank subsidiaries in the UK and Channel Islands. With both banks, the agreements dictate that cash is payable on demand. Bank reconciliation procedures are in place as well as authorisation and approval controls over transfer of funds.

RBC HUK's credit risk is derived from its investment activities. The table below indicates the risk-weighted exposure amounts of credit and counterparty credit risk from this activity.

Table 9: Risk exposure amounts by banking and trading activities

As at 31 October 2016			
£'000	**Banking**	**Trading**	**Total**
Risk-weighted exposure amounts for credit and counterparty credit			
Calculated under the Standardised Approach			
Institutions	5,747	-	5,747
Corporates	7,484	-	7,484
Total	**13,231**	**-**	**13,231**

5.4 Credit Risk Adjustments

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

The two regulated subsidiaries of the RBC HUK Group do not have a loan book and not licensed to offer credit solutions. Therefore Credit Risk Adjustments is not applicable for the RBC HUK Group.

5.5 Counterparty Credit Risk

Trading book counterparty risk generally arises from exposure to the following:

- Securities Finance Transactions (SFT), as part of Capital Market’s fixed income, repo and equity finance businesses.
- Issuer risk, predominantly arising from the Capital Markets and Investor & Treasury Services businesses through the trading of debt and equity instruments.
- Derivatives, primarily through Capital Market’s Exchange Traded Derivatives (ETD), Over-The-Counter (OTC) derivatives, and inter-group derivative transactions.

The RBC HUK Group does not enter into any transactions above, nor does the company enter into speculative financial instruments.

5.6 Wrong-Way Risk Exposures

General wrong-way risk exists when there is a positive correlation between the probability of default of counterparties to general market risk factors.

For securities financing transactions, specific wrong-way risk counterparty exposure is incurred when the Company enters into a security financing transaction with counterparty where the underlying collateral held by the Company includes securities issued by the counterparty or any affiliate of that counterparty.

For derivative transactions, specific wrong-way risk exists when the exposure to a particular counterparty is positively and highly correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty.

The RBC HUK Group does not have any Wrong-Way Risk Exposures.

5.7 Use of External Credit Assessment Institutions

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

- Standard & Poor’s, and
- Moody’s.

As at 31 October 2016, the gross exposure amount subject to the use of the ECAIs was about £37 million, which accounts for 86% of the total gross exposure at year end.

6.0 Market Risk

6.1 Definition of Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates and foreign exchange rates.

The Market risk exposure of RBC HUK is limited to the exposure of the two material subsidiaries as the RBC HUK Group does not undertake any activities of its own. Both subsidiaries are exposed to a limited level of Market risk arising from their balance sheet cash and client fee receivables denominated in foreign currencies. GAM UK and RBIM UK do not undertake any proprietary trading and therefore have no trading exposure on their books.

RBC HUK Group does not have any trading book activities, and does not have any exposure to interest rate risk for Pillar 1 capital purposes.

6.2 Governance and Framework

The two material entities of RBC HUK do not pursue Market risk as a way of earning additional shareholder returns. GAM UK and RBIM UK are not authorised to deal on their own accounts and do not otherwise seek to benefit from short-term market movements.

The Wealth Management Finance team monitors the exposure arising through client fee receivables denominated in foreign currencies. The Finance team reports to the subsidiary Boards on business performance against the Boards' market risk appetite.

The residual risk after taking into account the netting effect between the various currencies is minimal and does not require the use of hedging.

6.3 Risk Profile

As at 31 October 2016, the Company's capital requirement in relation to the market risk is £0.4 million.

Table 10: Market risk by risk type

As at 31 October 2016	**Risk-weighted Exposure**	**Capital Requirement**
£'000		
Interest rate risk	-	-
Equity risk	-	-
Large exposure excess	-	-
Foreign-exchange risk*	5,536,875	442,950
Commodities risk	-	-
	5,536,875	442,950

* The majority of the exposure relate to GAM exposure to Canadian Dollar.

7.0 Liquidity Risk

7.1 Definitions of Liquidity Risk

Liquidity risk is the risk that although solvent, 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.

RBIM UK and GAM UK do not trade on their own account or accept customer deposits. In the ordinary course of operations, both subsidiaries generate cash for their own account and hold this money with other RBC Group companies. In order to help mitigate Credit risk associated with these funds, each entity uses these funds to purchase UK Government issued sterling denominated securities for their own account. Therefore, the subsidiaries and, by default RBC HUK, have limited exposure to liquidity risk.

Presently, RBIM UK is a loss-making entity, and the strategy of the Board and senior management is to consolidate its core business operations in order to reach a profitable position by 2017. The Finance team monitors the cash flow of the entity and will notify the Board of a need for a capital injection. Over the last five years, RBIM UK has received capital injections with a total value of £28 million. Capital is held as cash at bank and Treasury bills to ensure that the business meets its liquidity requirements.

GAM UK is a profitable business which receives revenues on a regular basis and, therefore, has no liquidity concerns at present.

The RBC HUK Group is well-capitalized on a stand-alone basis and has substantial cash at bank balance on its balance sheet owing to the share capital arrangements agreed at the time of the creation of the RBC HUK Group in 2012.

7.2 Governance and Framework

The Boards of GAM UK and RBIM UK determine the liquidity risk appetite for the business and the type of assets that can be held by the business. Each entity Board also reviews liquidity ratios on a regular basis to ensure that the entity's Liquidity risk is managed within the defined appetite.

In line with a prudent approach to risk mitigation, the Board's liquidity risk appetite only allows liquid balances to be held as cash at bank and UK government Treasury Bills.

The Board has implemented the Liquidity Management Policy which includes the following controls:

- Liquidity calculations are updated on a monthly basis by the Regulatory Reporting Manager and reviewed by the UK Finance Manager, Wealth Management;
- Liquidity ratios are calculated on a regular basis and provided to the Board of Directors on a quarterly basis; and
- If the internal limit of 20% in relation to the cash-to-capital ratio is breached, the corresponding subsidiary level Board is notified immediately for action and for onward escalation to the RBC HUK Board.

7.3 Risk Profile

Based on the liquidity risk exposure of the RBC HUK Group, the Board does not deem it necessary to hold capital to manage this risk. However, this ICAAP considered Liquidity risk as part of the wind-down analysis undertaken to determine the Pillar 2 capital requirement for the ICAAP.

8.0 Operational Risk

8.1 Definitions Operational Risk

Operational risk is the potential loss resulting from inadequate or failed processes or systems, human factors or external events. The operational risk capital requirement included in this ICAAP report is based on the summation of the Operational risk capital required for the two material subsidiaries of the RBC HUK Group, i.e. GAM UK and RBIM UK. There are no group level activities that give rise to any additional operational risk.

In line with other investment and asset management businesses, both GAM UK and RBIM UK are exposed to a range of Operational risks. The materialisation of these risks can lead to a direct financial loss (e.g., through damage to physical equipment) or give rise to a financial liability to compensate a client (e.g., for a dealing error). A material or repeated failure of controls can lead to regulatory investigations and fines which carry a significant cost and an adverse reputational impact for RBC.

Major operational risks that can give rise to loss events have been identified as:

- Investment suitability failure (regulatory compliance risk);
- Market abuse breach (regulatory compliance risk);
- Failure of AML controls (regulatory compliance risk);
- Dealing error;
- Fraud risk;
- Outsourcing risk;
- Fund mandate breach;
- Cybercrime (e.g., data security breach);
- Loss of key employees;
- Key system or IT failure;
- Breach of CASS rules; and
- Business Continuity Plan failure.

8.2 Governance and Framework

Operational risk is managed within the entity level risk framework governing the business and risk management activities of GAM UK and RBIM UK. The Risk and Control Assessment process drives the setting of the risk appetite for each sub-category of Operational risk. The risk appetite is measured through a range of metrics designed to monitor the performance of the business against the defined risk appetite. Monitoring and oversight against the appetite is the responsibility of entity level Boards.

Within the entity level risk framework, a wide set of controls are operated by the first and second lines of defence. Internal Audit provides assurance over the effectiveness of the controls. Significant control failures and Operational risk losses are reported to senior management, and all material events and losses are reported to the entity level Board.

8.3 Risk Profile

On an ongoing basis, the Board of each subsidiary analyses the performance of the business against the risk appetite of the entity in relation to the key Operational risks listed above. Management recognises the need for reporting entity-specific risk metrics in order to provide the entity Board with specific and action-oriented information about their business. Therefore, entity level risk appetite metrics have been constructed with input from individuals in the business and Operational Risk teams.

In addition to the risk metrics, the subsidiary level Boards have implemented a controls framework which is embedded in the day-to-day management and business activities of each entity. The controls framework is derived from the key Operational risks of the business and includes both detective and preventative controls that are operated by the first line of defence, whilst controls oversight and monitoring is performed by the second line of defence, and independent assurance provided by Internal Audit.

Pillar 2 capital assessment requires an estimation of the Operational risk capital requirement. This ICAAP report has used a scenario-based approach for estimating the Operational risk capital requirement for RBC HUK.

9.0 Remuneration

Remuneration disclosures are made in line with the Company's application of the requirements of Article 450 of the CRR.

9.1 Constitution and Activities of the EHRC

RBC HUK has a Human Resources Committee (UKHRC) which is responsible for the application of the compensation principles, practices and processes within all of RBC's operations on the UK mainland, except BlueBay Asset Management Ltd. The UKHRC ensures that our compensation policies support the business objectives determined by the Board of Directors and/or senior management and take into appropriate account sound risk management practices, including long-term and short-term risk. Within the authority delegated by the Board, the UKHRC is responsible for approving compensation policy and in doing so takes into account the pay and benefits across our Company. This includes the terms of bonus plans, other incentive plans and the individual compensation packages of Executive Directors and Senior Managers.

Members (fiscal year end)	Meeting Attendance (4 meetings in total)
▪ Nicola Mumford (Chair)	4 meetings
▪ Dr John Roberts (Resigned March 16, 2017)	3 meetings
▪ Janice Fukakusa (Resigned December 15, 2016)	4 meetings
▪ Jim Pettigrew	4 meetings
▪ Zabeen Hirji (Resigned March 16, 2016)	1 meeting

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

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

External Consultants

The UKHRC received independent advice on executive compensation issues from Willis Towers Watson in September 2016. The Company had no ties to members of the UKHRC or management that could jeopardize its independence.

Role of the Relevant Stakeholders

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

9.2 Criteria for the Identification of Code Staff

RBIM UK applied the following criteria to identify Code Staff:

Employees captured by qualitative criteria include:

- Board of Directors
- Senior management including individuals registered with the UK regulators as holding a significant influence function (a SIF)
- Senior control function management and heads of human resources, information technology, legal and tax those who have authority either individually or as members of a Committee to approve or veto new products or decisions that result in market or credit risk exposures that exceed specified thresholds (the lower of €5m and 0.5% of the Company's Common Equity Tier One Capital)

Employees captured by quantitative criteria

- Employees awarded total compensation of €500,000 or more in the preceding financial year
- Employees within the 0.3% of the number of staff who have been awarded the highest total compensation in the preceding year
- Employees awarded compensation in the preceding financial year which was equal to or greater than the lowest total compensation awarded to those meeting specified qualitative criteria.
- In accordance with Remuneration Part of the PRA Rulebook (UK remuneration rules), employees identified under the quantitative criteria are then assessed to determine if the professional activities of the employee or category of employees give them the ability to make decisions that could have a material impact on the risk profile of the firm. All the regulatory reporting and approval requirements on the outcomes of this assessment were completed in respect of 2016 in accordance with the UK remuneration rules

RBC GAM applied the following criteria to identify Code Staff:

- Employees registered with the UK Regulators as holding a significant influence function (a SIF)
- Senior managers
- Material risk takers

9.3 Design and Structure of Compensation for Code Staff

The Company's approach to remuneration is based on five guiding principles:

1. Compensation aligns with shareholder interests
2. Compensation aligns with sound risk management principles
3. Compensation rewards performance
4. Compensation enables the Company to attract, engage and retain talent
5. Compensation rewards behaviours that are consistent with our values

All the Company's compensation policies and plans align with these principles and are approved by the UKHRC.

Elements of Compensation

a. Fixed Remuneration
All Code Staff receive fixed remuneration that reflects their market value, responsibility and contribution to the Company.

b. Variable Remuneration
All Code Staff are eligible to participate in discretionary performance-based incentive schemes.

Performance-based annual discretionary incentives may be awarded based on the performance of the Company, the business, and the individual as detailed below. Annual incentives for Code Staff are subject to review by the Chief Risk Officer Europe to ensure they adequately reflect risk and performance, and are subject to review by the UKHRC.

RBIM UK has obtained the necessary approvals to operate a maximum level of the ratio between the fixed and variable components of remuneration that does not exceed 200% of the fixed component of the total remuneration for each individual as required under Article 91(1)(g) of CRD IV. RBC GAM is not covered by this CRD IV requirement.

All compensation plans contain minimum deferral requirements for Code Staff in line with the UK remuneration rules, with deferred compensation vesting over 3 years, as well as compensation risk and performance adjustment processes, compliant with the relevant proportionality status (Level 2 or 3) contained within the UK remuneration rules. For Code Staff in RBIM UK, at least 50% of deferred variable compensation is delivered in equity-linked awards vesting after three years and which are subject to retention periods of 6 months post vesting.

9.4 The Link between Pay and Performance for Code Staff

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

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

- Adherence to our Code of Conduct. All employees are expected to adhere to our Code of Conduct, and failure to adhere through unethical or non-compliant behaviours results in disciplinary or corrective action, which may include immediate or eventual dismissal. All employees receive Code of Conduct training and testing on joining RBC and annually thereafter
- Compliance with a full range of risk management policies specific to individual job requirements as outlined in employee Performance Management Documents
- Assessment of key behaviours, which are part of the RBC Global Performance Management Process, and typically include the obligation to:
  - Abide by the letter and spirit of rules and procedures established by regulators
  - Follow all relevant internal policies and procedures including, but not limited to, trading and position limits and standing orders
  - At all times, act in the best interest on RBC and its clients
  - Escalate, on a timely basis, any areas of material concern related to any of the above
  - Lead by example so that direct reports adopt similar high standards
- Reports from control functions, including those from Internal Audit, Compliance (regulatory gaps, trade beyond excess limits), and Group Risk Management regarding operational, market and credit risks, among others
- Assessment of accountabilities and detailed action plans to implement and monitor changes required to close the gaps identified during risk management or internal audit reviews

Employees who are not meeting the above mentioned non-financial performance standards for their role are subject to our corrective action process, which can include either a significant reduction in bonus amounts or dismissal.

Furthermore, for Code Staff in RBIM UK, prior to vesting, deferred compensation is subject to review under the firm's risk and performance adjustment process whereby actual risk and performance outcomes are reviewed and if materially different from assessment made when deferred compensation was granted, or if misconduct has occurred, then deferred compensation may be reduced or forfeited in full.

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9.5 Disclosures on Remuneration

During year ended 31st October 2016, remuneration for staff whose professional activities have a material impact on the risk profile of the business was as follows:

Table 11: Aggregate remuneration expenditure for Code Staff

	Royal Bank of Canada Holdings (UK) Ltd
	GBPmm
Aggregate remuneration expenditure (Material Risk Takers)	3.8

Includes fixed and variable remuneration awarded in respect of performance year 2016 (including deferred components)

Table 12: Analysis of remuneration between fixed and variable amounts

	Material Risk Takers		
GBPmm	**Senior Management**	**Other**	**Total**
Number of Code Staff	7	5	**12**
Total Fixed Remuneration	1.5	0.6	**2.1**
Total Variable Remuneration	1.2	0.5	**1.7**

10.0 Appendices

10.1 Appendix 1: Board Membership

Executive Directors

Director	Role	Biography
Stephen Krag (Residency: UK)	Chief Financial Officer, Europe	Joined RBC Capital Markets in April 2011 from Daiwa Capital Markets Europe where he was Chief Financial Officer. Prior to this, Stephen was Chief Operating Officer for HBOS Treasury Services and held a number of senior finance positions within capital markets, equities and global financial market businesses for NatWest Securities. Graduated from Cambridge University and is a qualified Chartered Accountant.
Mark Clatworthy (Residency: UK)	Chief Operating Officer – WMI	Mark is the Chief Operating Officer for RBC Wealth Management, International and is based in London. He graduated with Honours in Applied Biology and began his career in the pharmacology sector with Rhone Poulenc. He moved into Information Technology in 1986 with British Telecom as a junior IT programmer. Mark joined RBC in 1987 as an IT programmer and has held several roles including IT & Operations Senior Manager, Vice President Operations (Treasury) and in 1998 Managing Director, (Operations for Europe and Asia, Global Markets. In 2001 Mark was appointed Managing Director, Global Capital Markets Operations then in 2009 he transferred to Wealth Management as the COO for the International Wealth Management division.

Stuart Rutledge (Residency: Jersey, Channel Islands) - Resigned on 2 May 2017	Chief Executive Officer – WMI	Stuart is CEO of RBC's international wealth management business, which provides wealth management solutions to high net worth and select corporate and institutional clients. He is responsible for RBC Wealth Management's offices in the British Isles (London, Jersey and Guernsey), Asia (Hong Kong and Singapore) as well as teams of international solution specialists operating across North America. Stuart is based in Jersey and is a member of the Operating Committee of RBC Wealth Management. Stuart joined RBC in 1999 and has held a number of senior roles during his time with the organization. Prior to assuming his current role in October 2012, he was Head of RBC Wealth Management's Global Wealth Services group, with responsibility for developing and delivering best practice investment, credit and wealth solutions to clients. Stuart was also responsible for developing and executing RBC Wealth Management's strategy, as well as global brand and marketing initiatives. Stuart served as Chief Financial Officer of RBC Wealth Management from 2007 to 2010. Stuart is an active member of the RBC leadership team as a member of RBC's Diversity Leadership Council and the RBC European Executive Committee, and Chairperson of several of RBC's key international operating subsidiaries. Stuart holds a Bachelor of Engineering from Canada's McMaster University and a Masters in Business Administration from Wilfred Laurier University, where he is a member of the Lazaridas School of Business and Economics Dean's Advisory Council.
Clive Brown (Residency: UK) - Appointed on 2 May 2017	Chief Executive Officer – GAM UK	Clive is CEO of GAM UK and has over 30 years' experience in the financial services industry, including 21 years at JP Morgan Asset Management, where he held a number of senior roles, most recently as Global Chief Operating Officer and Chairman of Asia, based in Hong Kong, and prior to that as CEO of JP Morgan Asset Management International. He started his career in 1982 at Price Waterhouse where he qualified as a chartered accountant.

Number of Directorships as at 31 October 2016

Executive (3)	22

10.2 Appendix 2: Governance Committees

Committee	Frequency
Wealth Management International Operating Committee	Monthly
Fiduciary Services Management Committee	Monthly
Wealth Management International Risk and Compliance Committee	Quarterly
Wealth Management International Asset and Liability Committee	Quarterly
Wealth Management International Investment Product Committee	Monthly
High Risk Business and Politically Exposed Persons Committee	Fortnightly
Governance and Control Committees	Monthly
New Business Committees	Monthly
Global Asset Management Executive Committee	6-8 times a year

10.3 Appendix 3: Regulatory Capital Calculation Methods

The table below lists the relevant approaches elected to calculate the capital requirements for each applicable risk:

Risk Type	Approach or Treatment
Foreign Exchange Position Risk	Net open position risk by currency is calculated in accordance with the provisions set out in Part Three, Title 4, Chapter 4 of the CRR.
Credit Risk Capital Component	The Company has adopted the standardised approach to credit risk in accordance with Part Three, Title 2, Chapter 2 of the CRR.
Fixed Overhead Requirement	The Company applies Article 97 of the CRR to deterimine the capaital requirement based on its fixed overhead.