RBC Investor Services Bank S.A.

Consolidated Annual Report

For the year ended October 31, 2017

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L-4360 Esch-sur-Alzette
R.C.S. Luxembourg: B 47.192

RBC Investor Services Bank S.A.

Consolidated Annual Report
For the year ended October 31, 2017

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RBC Investor Services Bank S.A.

Directors' report

This report should be read in conjunction with the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the related notes to the consolidated financial statements included in this annual report. The preparation of consolidated financial statements requires management to make estimates and assumptions in the application of certain accounting policies that materially affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

All references in this report to "RBC Investor Services", "RBCIS", "Group", "we", "us", "our" or similar terms mean RBC Investor Services Bank S.A. and its subsidiaries on a consolidated basis.

All references in this report to "year", or "financial year" or similar terms mean the period from November 1, 2016 to October 31, 2017.

Readers should not place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and intentions expressed in such forward-looking statements.

RBC Investor Services Bank S.A.

Overview

Business description

RBC Investor Services Bank S.A. is a bank headquartered in Luxembourg.

Operations are conducted throughout RBC Investor Services Bank S.A. and its subsidiaries and branches around the world.

RBC Investor Services offers institutional investors an integrated suite of products, including global custody, fund and pension administration, securities lending, shareholder services, analytics and other related services.

RBC Investor Services offers clients a unique value proposition – the geographic reach of a global player, together with the client service quality of a local provider. RBC Investor Services has 2,552 employees (average FTE) who provide award-winning client services. The Group operates through a global custody network that covers more than 80 markets.

RBC Investor Services is owned by Royal Bank of Canada. It is independently capitalised and is rated AA- by Standard & Poor's. RBC Investor Services is a key component of RBC's Investor & Treasury Services platform, the purpose of which is to provide a specialist custody bank offering together with integrated funding and liquidity solutions for clients.

2017 highlights

In 2017 there was a lot of political uncertainty due to elections in the United States ("US"), the Netherlands, France and Germany. There has also been a lot of tension between the US and North Korea.

Despite the political uncertainty and the Fed Funds rate increase in the US, the equity markets have shown good performance and the economy in the Eurozone improved more than forecasted by the European Central Bank. Since June 2017, the 5 year EUR inflation swap rate has gone up from 1.50 to 1.68 but still not enough for the ECB to change the monetary policy.

Assets under Custody (AUC) and transactional volumes have increased, mitigating continued pressure on pricing and increased regulatory and project expenses.

RBCIS's priorities remained focused on maintaining superior client service, increasing organic growth, and leveraging the synergies of its complementary businesses within RBC. The Bank continues to build on this solid foundation. In 2016 RBCIS launched a 3 year, multi-faceted programme in partnership with its clients, referred to as Project ACE (Advanced Client Experience). Project ACE is a client-focussed initiative spanning various aspects of service delivery and client experience.

Multi-jurisdictional clients and specialised investment funds such as Private Equity and Real Estate Assets represented a significant share of new business, underscoring the strength of RBCIS's value proposition. The Group's dedication to quality and service excellence resonated with clients again this year.

Market outlook

RBCIS expects the current market conditions to persist in 2018, especially in the Eurozone where all economic figures have been pointing to a broad based robust economic environment. Uncertainty due to the delay in forming a German government and Italian elections in the first half of 2018 have been neutralized for the time being by a general improvement of economic figures.

The market is expecting between 2 and 4 interest rate hikes in the US for 2018 and no change in official rates in the Eurozone, where we could nevertheless see a steepening of the EUR curve.

RBCIS continues to benefit from the globalisation of the asset management business and increasing outsourcing activity across both middle and back office functions. Reflecting the growing sophistication of the fund industry, the demand for value-added services, a key revenue contributor, is expected to increase. The Group is well positioned to take advantage of future fund industry growth and increasing allocations to alternative investments in key jurisdictions.

Focused goals and priorities

RBCIS is continually looking to develop better ways to meet the evolving needs of its clients and to ensure that it builds and strengthens its capabilities. The expansion of our committed lending activity is expected to support this goal.

RBCIS will continue to focus on helping our clients achieve their ambitions by building sustainable relationships and delivering exceptional experiences. The Group is focused on its long-term strategies and targets. At a high level, these goals are to maintain the Group's global reputation for high service quality and to realise the full potential of the enterprise, particularly through leveraging the RBC brand to increase organic growth through deeper client relationships.

Overview (cont'd)

To help RBCIS realise its goals, it has identified the following priorities for 2018 and beyond:

1. Lead in the key offshore markets of Luxembourg and Ireland where it competes in the offshore domicile markets as a leading provider of fund services.
2. Deliver a globally integrated client experience by implementing consistent enterprise approaches that increase quality, reduce costs and improve efficiency. The objective is to enhance our client centric service offering while improving efficiency.
3. Deliver operational excellence globally by providing best in class solutions with a continued focus on efficiency. This also includes a continuous high-level of investment in client-focussed technology solutions.

2017 Business Review

Consolidated results of operations

In 2017, market conditions resulted in a net profit after tax of EUR 71 million (2016: net profit after tax of EUR 48 million).

The Group continued to focus on attractive growth markets and broadening capabilities to serve clients. Assets under Administration ("AUA") as at October 31, 2017 were EUR 1,189 billion, an increase of 17.5% relative to 2016 primarily due to a rise in the market value of client assets.

Analysis of the consolidated income statement

Net operating revenue before impairment for the year ended October 31, 2017 was EUR 454 million compared with EUR 436 million for the year ended October 31, 2016.

The Group derives its revenue principally from two streams: core fee revenue and financial market revenue.

Core fee income

Core fee revenue is primarily generated by charging a fee based upon the market value of financial assets under custody or administration and activities related to securities lending. These fees originate in custody, fund administration, shareholder services and value-added service offerings. Total net core fee revenue, which includes commission income and commission expense for the year ended October 31, 2017 was EUR 308 million compared with EUR 304 million for the year ended October 31, 2016.

Financial income

Financial market revenue is driven by earnings on client cash balances, reinvestment of capital, and foreign exchange services. These revenues are principally transaction-driven and dependent upon the global stock markets, foreign exchange volatility and cross border client investment flows, as well as client deposit levels and the interest rate environment. Total net financial market revenue for the year ended October 31, 2017 was EUR 152 million compared with EUR 139 million for the year ended October 31, 2016.

Operating expense

Total operating expense for the year ended October 31, 2017 was EUR 368 million compared with EUR 373 million for year ended October 31, 2016.

Analysis of the consolidated balance sheet

Total assets as at October 31, 2017 were EUR 15.8 billion, a decrease of 1.15% over 2016.

Assets

Cash and loans and advances due from banks

The cash and due from banks asset categories represented 70% of total assets of the Group as at October 31, 2017. For additional information refer to Notes 13, 14 and 15.

Loans and advances to customers

Loans and advances to customers represents 6% of the Group total assets as at October 31, 2017. The lending activity is correlated to the custody business. In this respect, most of the loans consist of securities settlement advances, temporary overdrafts, or committed credit facilities highly secured by guarantees, cash or securities. For additional information, refer to Note 16.

Financial investments

Financial investments represented 20% of total assets of the Group as at October 31, 2017 and consist mainly of bonds issued or backed by governments and entities operating in the Organisation for Economic Cooperation and Development "OECD" area. EUR 378 million of these securities are given as collateral to enable the Group to operate in financial markets. For additional information, refer to Notes 17 and 38.

Goodwill and other intangible assets

Intangible assets, including goodwill, represented 1% of total assets of the Group as at October 31, 2017. For additional information, refer to Note 19.

Other assets

Other assets represent 1% of total assets of the Group as at October 31, 2017 and consist mainly of accrued income and accounts receivable.

2017 Business Review (cont'd)

Return on assets

Return on assets was 0.5% (2016: 0.3%).

Liabilities

Customer borrowings and deposits

92%, of total liabilities as at October 31, 2017 were customer borrowings and deposits. These liabilities are generally in the form of interest bearing demand deposits and interest bearing transaction account deposits. For additional information, refer to Note 22.

Due to banks

Due to credit institutions represented 5% of total liabilities as at October 31, 2017 and consisted essentially of demand, term and overnight deposits. For additional information, refer to Note 21.

Equity

Total equity

Total equity was EUR 1,200 million. For additional information see the consolidated statement of changes in equity.

Subsequent events

Significant subsequent events, if any, are disclosed in Note 35.

Risk management

The understanding, identification, mitigation and management of risk are essential elements for the successful management of RBC Investor Services. As an active participant in the financial markets, the Group is exposed to the following principal risks and uncertainties:

Credit risk — The risk of loss associated with a counterparty's inability to fulfil its payment obligations.

Market risk — The risk of loss that results from changes in interest and foreign exchange rates, equity and commodity prices and credit spreads.

Liquidity risk — The risk that an institution is unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments as they come due.

Operational risk — The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Reputation risk — The risk that an activity (i.e. process, strategy, governance) will impair the Group's image in the community or public confidence, and that this will result in the loss of business and/or legal action or additional regulatory oversight.

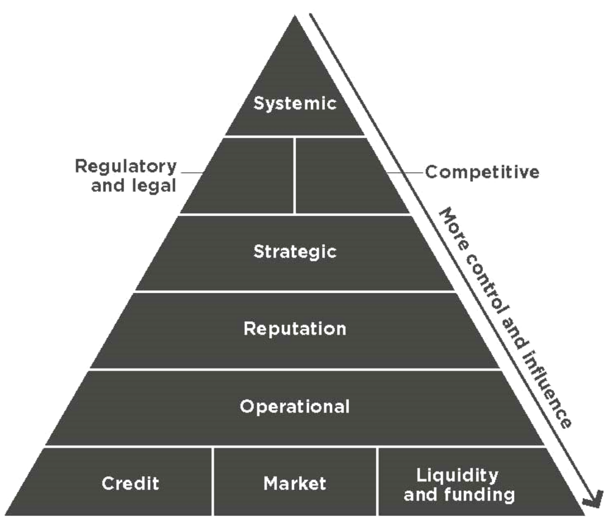
Strategic risk — The risk arising from adverse business/strategic decisions or the improper implementation of selected strategies or related plans and decisions.

Regulatory and legal risk — The risk of negative impact to business activities, earnings or capital, regulatory relationships or reputation as a result of failure to adhere to or comply with regulations, law, industry codes or rules, regulatory expectations or ethical standards.

Competitive risk — The inability to build or maintain sustainable competitive advantage in a given market or markets. Competitive risk can arise within or outside the financial sector, from traditional or non-traditional competitors, domestically or globally.

Systemic risk — The risk that the financial system as a whole may not withstand the effects of a crisis resulting from extraordinary economic, political, social or financial circumstances, and that this will result in financial, reputation or other risks for RBC Investor Services.

Further discussion of these risks and how the Group manages them is contained in Note 30.



RBC Investor Services Bank S.A.

Directors

Name	Position	Date of appointment	Date of termination of appointment
Stephen WALKER	Chairman	5 February 2013	Annual General Shareholder Meeting 2019
Sébastien DANLOY	Managing Director	18 April 2011	Annual General Shareholder Meeting 2023
Gennaro CASALE	Director	20 March 2014	Annual General Shareholder Meeting 2019
Hervé CLOQUETTE	Director	20 March 2014	Annual General Shareholder Meeting 2019
Isabelle DAVID	Director	20 March 2014	Annual General Shareholder Meeting 2019
Julian PRESBER	Director	10 September 2012	Annual General Shareholder Meeting 2018
David MORGAN	Director	30 March 2017	Annual General Shareholder Meeting 2023
Francis JACKSON	Director	7 October 2015	Annual General Shareholder Meeting 2021
Bruce MacLAREN	Director	16 October 2015	Annual General Shareholder Meeting 2021
Sergio de HORNA	Director	6 July 2016	Annual General Shareholder Meeting 2022

To the Board of Directors of
RBC Investor Services Bank S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of RBC Investor Services Bank S.A. (the "Bank") and its subsidiaries (the "Group") as at 31 October 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated balance sheet as at 31 October 2017;
- The consolidated income statement;
- The consolidated statement of other comprehensive income;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Group, in the period from 1 November 2016 to 31 October 2017, refer to the letters issued on the report on the Bank's description of its Fund Administration, Custody and Transfer Agency operations and on the suitability of the Design and Operating Effectiveness of its controls.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
IT risk: Risk of inappropriate access to information technology and systems The Group has a complex and heterogeneous IT environment and operates through several IT applications to support its business activities. The audit approach relies extensively on automated controls and therefore procedures are designed to test access and control over IT systems. Access rights are important as they ensure that changes to applications and data are appropriately authorised. Monitoring controls are implemented to mitigate the potential for fraud or error as a result of a non-authorized change to an application or underlying data. We focused on these areas because the Group's business is highly IT dependent, and thus management of logical access is critical to the operations of the Group.	We considered the IT risk linked to the logical access management as a significant IT audit matter. Inappropriate access to an application/data or infrastructure could impact an automated control and therefore compromise financial data. We tested measures and controls implemented by Management for the mitigation of this risk as relevant to financial reporting. We also considered Management's documentation and testing of the operating effectiveness of the IT General Controls within the Internal Control Framework over financial reporting and tested the operating effectiveness of those controls upon which we decided to rely on. Access rights were tested over the various aspects of technology relied upon for financial reporting. Specifically, we verified that: • New access requests for joiners were properly reviewed and authorised; • Application user access rights were removed on a timely basis when an individual left or changed role; • Access rights to applications were periodically monitored for appropriateness; and • Highly privileged access was restricted to appropriate personnel. Other areas that were independently assessed included password policies, security configurations, controls over change management to applications and databases. Additionally, we assessed that business users, developers and production support did not have access to promote changes within applications, operating systems or databases in the production environment.

Key audit matter	How our audit addressed the Key audit matter
	The combination of these tests of controls and the substantive testing performed provided us with sufficient comfort to rely on the logical access management and the continuity of IT operations for the purposes of our audit.
Revenue recognition - Fee and commission income, Net income from financial instruments at fair value through profit or loss We focus on fee and commission income and net income from financial instruments at fair value through profit or loss because they represent a significant portion of the revenues determining the Group's profitability. We have identified 2 revenue streams as having heightened risk of misstatement. They were selected for the following reasons: Fee and commission income are mainly linked to the custodian, transfer agent and fund administration services, therefore to the core business of the Group. The calculation is based on high volume of data fed within different IT systems and several pricing structures and product types, affecting significantly the revenues. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud or error.	**Audit procedures performed over fee and commission income** We performed a walkthrough of the fee and commission income process and assessed the design effectiveness of key controls. We tested the key controls implemented by the Bank in relation to the clients' on-boarding and setup, the client invoicing and the accruals booking. We agreed the business terms included in the contracts signed with the clients to the billing system for a sample of items; additionally, for the same sample size, we ensured that the quantitative data generated by the custodian and fund administration IT systems correctly fed into the billing system. We re-performed the calculation of the commission income that flows into the accounting system for a sample of items; no difference were identified for the year ended 31 October 2017. Finally, we included elements of "unpredictability" in the procedures performed in response to the risk of fraud by randomly selecting additional items and by ensuring segregation of duties, as well as the application of the "4 eyes principle", within the clients' invoices process. **Audit procedures performed over net income from financial instruments at fair value through profit or loss** We performed a walkthrough of the financial instruments process, and performed testing of the operating effectiveness of key controls in relation to the data input, the revenue recognition into the income statement as well as the monitoring of the foreign currencies' exposure. We agreed the data reported in the trade tickets, determining the base for the calculation of the income, to the data reported in the back-office IT system for a sample of items. We recalculated the net income from financial instruments at fair value through profit or loss for a sample of items.

Key audit matter	How our audit addressed the Key audit matter
Net income from financial instruments at fair value through profit or loss mainly relates to the dealing in financial instruments on own account. Market volatility requires Group's clients to reduce market risks by dealing derivative financial instruments with the Group. The high volume of deals and the traded notional affect significantly the revenues of the Group, increasing the risk that revenue may not be recognised appropriately, either as a result of fraud or error.	Finally, we included elements of "unpredictability" in the procedures performed in response to the risk of fraud by randomly selecting additional items and by ensuring segregation of duties, as well as the application of the "4 eyes principle", within the financial instruments process.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Directors' report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 29 March 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 24 January 2018

Philippe Sergiel

RBC Investor Services Bank S.A.

Consolidated income statement

EUR'000	Notes	For the year ended Oct 31, 2017	Oct 31, 2016
Interest income	3	95,620	79,073
Interest expense	3	(55,243)	(24,554)
Net interest income	**3**	**40,377**	**54,519**
Fee and commission income	4	345,499	340,498
Fee and commission expense	4	(37,813)	(36,622)
Net fee and commission income	**4**	**307,686**	**303,876**
Net income from financial instruments at fair value through profit or loss	6	111,815	84,777
Net gain on investments	7	7,105	586
Other income	8	8,056	9,284
Other expenses	8	(20,916)	(16,626)
Other net expenses	**8**	**(12,860)**	**(7,342)**
Net operating revenue before impairment charges on loans and other receivables		**454,123**	**436,416**
Net provisions allowance on loans and other receivables	9	249	331
Net operating revenue		**454,372**	**436,747**
Staff expenses	10	(210,741)	(207,174)
General and administrative expenses	11	(141,207)	(137,422)
Depreciation and amortisation of tangible and intangible assets	18,19	(15,792)	(16,010)
Impairment of tangible and intangible assets	18,19	(1)	(12,839)
Operating expenses		**(367,741)**	**(373,445)**
Profit before income tax		**86,631**	**63,302**
Income tax expense	12	(15,606)	(15,742)
Profit for the year		**71,025**	**47,560**
Attributable to owners of the parent		70,115	46,817
Attributable to non-controlling interests		910	743

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income

		For the year ended	
EUR'000	Notes	Oct 31, 2017	Oct 31, 2016
Profit for the year		**71,025**	**47,560**
Other comprehensive income			
Items that will be reclassified subsequently to income statement when specific conditions are met			
Available-for-sale investments			
Unrealised (losses)/gains on available-for-sale investments		(3,405)	16,283
Reclassification of losses on available-for-sale investments to income statement on disposal		(7,113)	(3,969)
Income taxes	12	3,264	(3,543)
Available-for-sale investments		**(7,254)**	**8,771**
Gain / Loss from hedges on net investments		**(16)**	**-**
Currency translation differences		**(5,001)**	**881**
Items that will not be reclassified subsequently to income statement			
Defined benefit pension plans			
Post retirement employee benefit plans	23	4,790	(7,193)
Income taxes related to post retirement employee benefit plans	12	(1,148)	1,741
Defined benefit pension plans		**3,642**	**(5,452)**
Other comprehensive income for the year, net of tax		**(8,629)**	**4,200**
Total comprehensive income for the year		**62,396**	**51,760**
Attributable to owners of the parent		**62,059**	**50,943**
Attributable to non-controlling interests		**337**	**817**

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

RBC Investor Services Bank S.A.

Consolidated balance sheet

EUR'000	Notes	As at Oct 31, 2017	Oct 31, 2016
Assets			
Cash and balances with central banks	14	5,598,263	4,167,955
Loans and advances due from banks	15	5,366,530	4,650,581
Loans and advances to customers	16	958,318	591,017
Financial investments	17	3,172,181	5,957,708
Derivatives	26	348,699	303,673
Current tax assets		1,066	1,743
Tangible assets	18	16,589	16,032
Goodwill and other intangible assets	19	122,808	128,838
Deferred tax assets	12	541	267
Other assets	20	169,986	120,879
Total assets		**15,754,981**	**15,938,693**
Liabilities			
Due to banks	21	690,120	782,640
Customer borrowings and deposits	22	13,334,880	13,533,501
Derivatives	26	313,145	311,713
Current tax liabilities		4,446	2,777
Provisions and other obligations	23	28,604	35,586
Deferred tax liabilities	12	6,357	10,606
Other liabilities	24	177,054	123, 603
Total liabilities		**14,554,606**	**14,800,426**
Equity			
Subscribed capital	27	554,075	554,075
Share premium		27,446	27,446
Consolidated retained earnings		524,964	459,903
Other reserves		80,646	75,592
Other components of equity		4,851	12,907
Total shareholder's equity		**1,191,982**	**1,129,923**
Non-controlling interests		8,393	8,344
Total equity		**1,200,375**	**1,138,267**
Total liabilities and equity		**15,754,981**	**15,938,693**

The consolidated financial statements were approved by the Board of Directors on January 24, 2018 and signed on its behalf by:

Stephen Walker, *Chairman*

Sébastien Danloy, *Director*

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

RBC Investor Services Bank S.A.

Consolidated statement of changes in equity

For the year ended October 31, 2017

EUR'000	Core shareholder's equity					Other components of equity (4)						
	Subscribed capital	Share premium	Consolidated retained earnings (1)	Legal reserves (2)	Untaxed unavailable reserves (3)	Available-for-sale fair value reserve	Currency translation adjustment	Net investment hedge	Employee benefit plans	Total attributable to the owners of the parent	Non-controlling interest	Total equity
As at November 1, 2016	**554,075**	**27,446**	**459,903**	**22,250**	**53,342**	**13,873**	**5,366**	**(5,248)**	**(1,084)**	**1,129,923**	**8,344**	**1,138,267**
Profit after tax	-	-	70,115	-	-	-	-	-	-	70,115	910	71,025
Other comprehensive income net of tax												
Currency translation adjustment	-	-	-	-	-	-	(4,444)	-	167	(4,277)	(573)	(4,850)
Available-for-sale investments	-	-	-	-	-	(10,518)	-	-	-	(10,518)	-	(10,518)
Tax impact of available-for-sale investments	-	-	-	-	-	3,264	-	-	-	3,264	-	3,264
Post retirement employee benefit plans	-	-	-	-	-	-	-	-	4,623	4,623	-	4,623
Tax impact of post retirement employee benefit plans	-	-	-	-	-	-	-	-	(1,148)	(1,148)	-	(1,148)
Result appropriation	-	-	(5,054)	3,619	1,435	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	16	(16)	-	-	-	-
Total comprehensive income	**-**	**-**	**65,061**	**3,619**	**1,435**	**(7,254)**	**(4,428)**	**(16)**	**3,642**	**62,059**	**337**	**62,396**
Dividends	-	-	-	-	-	-	-	-	-	-	(288)	(288)
Total movements	**-**	**-**	**65,061**	**3,619**	**1,435**	**(7,254)**	**(4,428)**	**(16)**	**3,642**	**62,059**	**49**	**62,108**
As at October 31, 2017	**554,075**	**27,446**	**524,964**	**25,869**	**54,777**	**6,619**	**938**	**(5,264)**	**2,558**	**1,191,982**	**8,393**	**1,200,375**

(1) Non distributable retained earnings amounts to EUR 16,912 thousand.
(2) Legal reserve: local legislation requires at least 5% of the non-consolidated net profit to be transferred from retained earnings to a non-distributable statutory reserve until the reserve reaches 10% of share capital.
(3) To reduce the Net Wealth Tax liability in proportion to Corporate Income Tax due, the Group allocates under non-distributable reserves an amount that corresponds to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.
(4) Other components of equity are non-distributable.

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (cont'd)

For the year ended October 31, 2016

EUR'000	Core shareholder's equity					Other components of equity (4)						
	Subscribed capital	Share premium	Consolidated retained earnings (1)	Legal reserves (2)	Untaxed unavailable reserves (3)	Available-for-sale fair value reserve	Currency translation adjustment	Net investment hedge	Employee benefit plan	Total attributable to the owners of the parent	Non-controlling interest	Total equity
As at November 1, 2015	**554,075**	**27,446**	**436,160**	**19,176**	**33,342**	**5,102**	**4,559**	**(5,248)**	**4,368**	**1,078,980**	**7,807**	**1,086,787**
Profit after tax	-	-	46,817	-	-	-	-	-	-	46,817	743	47,560
Other comprehensive income net of tax												
Currency translation adjustment	-	-	-	-	-	-	807	-	(7)	800	74	874
Available-for-sale investments	-	-	-	-	-	12,314	-	-	-	12,314	-	12,314
Tax impact of available-for-sale investments	-	-	-	-	-	(3,543)	-	-	-	(3,543)	-	(3,543)
Post retirement employee benefit plans	-	-	-	-	-	-	-	-	(7,186)	(7,186)	-	(7,186)
Tax impact of post retirement employee benefit plans	-	-	-	-	-	-	-	-	1,741	1,741	-	1,741
Result appropriation	-	-	(23,074)	3,074	20,000	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**23,743**	**3,074**	**20,000**	**8,771**	**807**	**-**	**(5,452)**	**50,943**	**817**	**51,760**
Dividends	-	-	-	-	-	-	-	-	-	-	(280)	(280)
Total movements	**-**	**-**	**23,743**	**3,074**	**20,000**	**8,771**	**807**	**-**	**(5,452)**	**50,943**	**537**	**51,480**
As at October 31, 2016	**554,075**	**27,446**	**459,903**	**22,250**	**53,342**	**13,873**	**5,366**	**(5,248)**	**(1,084)**	**1,129,923**	**8,344**	**1,138,267**

(1) Non distributable retained earnings amounts to EUR 5,254 thousand.
(2) Legal reserve: local legislation requires at least 5% of the non-consolidated net profit to be transferred from retained earnings to a non-distributable statutory reserve until the reserve reaches 10% of share capital.
(3) To reduce the Net Wealth Tax liability in proportion to Corporate Income Tax due, the Group allocates under non-distributable reserves an amount that corresponds to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.
(4) Other components of equity are non-distributable.

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

RBC Investor Services Bank S.A.

Consolidated statement of cash flows

EUR'000	Note(s)	For the year ended Oct 31, 2017	Oct 31, 2016
Cash flow from operating activities			
Profit after tax		71,025	47, 560
Adjustment for			
Depreciation, amortisation and other impairment	18,19	15,793	28,849
Impairment on financial assets and provisions for credit commitments		(656)	(331)
Net loss/(income) on investments		-	3,366
Provisions and other obligations	23	17,540	15,359
Deferred tax	12	(2,425)	(2,018)
Change in loans and advances to customers		(366,566)	(116,448)
Change in loans and advances to banks		(824,327)	(106,261)
Change in available-for-sale financial assets		2,724,877	(340,790)
Change in accrued income from financial assets		8,893	(5,020)
Change in derivatives held for trading		(43,594)	25,963
Change in borrowings due to banks		(92,525)	525,597
Change in customer borrowings and deposits		(199,546)	982,285
Change in accrued expenses from financial liabilities		397	19
Change in other assets and liabilities		75,939	(5,811)
Net cash provided by operating activities		**1,384,825**	**1,052,319**
Cash flow from investing activities			
Purchase of tangible assets and intangible assets	18,19	(24,357)	(21,109)
Disposal of tangible assets and intangible assets		11,228	3,216
Sale of subsidiaries and of business units	36	921	(501,549)
Net cash used by investing activities		**(12,208)**	**(519,442)**
Cash flow from financing activities			
Dividend paid		(288)	(280)
Net cash used by financing activities		**(288)**	**(280)**
Net increase in cash and cash equivalents		1,372,329	532,597
Cash and cash equivalents at the beginning of the year		4,655,114	4,122,703
Cash flow from operating activities		1,384,825	1,052,319
Cash flow from investing activities		(12,208)	(519,442)
Cash flow from financing activities		(288)	(280)
Effect of exchange rates		(90,730)	(186)
Cash and cash equivalents at the end of the year	13	**5,936,713**	**4,655,114**
Additional information			
Tax paid		(15,634)	(34,315)
Interest received		104,531	74,065
Interest paid		(54,846)	(24,536)

The accompanying notes on pages 21 – 87 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General

RBC Investor Services Bank S.A.

RBC Investor Services Bank S.A. is a bank incorporated as a "société anonyme" and headquartered in Luxembourg.

Since 2007, the registered office of RBC Investor Services Bank S.A. is 14, Porte de France, L-4360 Esch-sur-Alzette.

RBC Investor Services Bank S.A.'s authorised and issued share capital amounts to EUR 554,075,000 divided into 22,163,000 shares, each with a nominal value of EUR 25.

Operations are conducted throughout RBC Investor Services Bank S.A. and its subsidiaries and branches around the world.

The Group is indirectly wholly owned by Royal Bank of Canada ("RBC") which is the ultimate parent company, the immediate parent company is Royal Bank Holding Inc. ("RBHI"), incorporated in Canada.

Investor & Treasury Services

The Group is part of RBC's Investor & Treasury Services™ (RBC I&TS) business segment.

RBC Investor & Treasury Services is a global brand name and is a part of Royal Bank of Canada. RBC Investor & Treasury Services is a specialist provider of custody, payments and treasury services for financial and other institutional investors worldwide. RBC Investor & Treasury Services is comprised of three businesses: Global Financial Institutions, Investor Services and Treasury Services.

As a core operating entity of RBC Investor & Treasury Services, the Group provides global custody, investment administration and treasury services.

The consolidated financial statements were approved by the Board of Directors of RBC Investor Services Bank S.A. and signed on its behalf by Stephen Walker, Chairman of the Board of Directors and by Sébastien Danloy, Chief Executive Officer and was approved by member of the Board of Directors on January 24, 2018.

2. Summary of significant accounting policies

(a) Compliance with IFRS

The consolidated Bank's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by in the European Union.

The preparation of financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable.

(b) Basis of accounting

The consolidated financial statements are stated in thousands of euros ("EUR"), which is the functional and presentation currency of the Group unless otherwise indicated.

The significant accounting policies used in the preparation of these consolidated financial statements are summarised below.

(c) Changes in accounting policies during 2017

The accounting policies adopted are consistent with those in the previous year and there were no new or revised Accounting Standards during 2017 which requires changes in the Group's accounting policies.

2. Summary of significant accounting policies (con't)

(d) Standards Issued but not yet effective

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue Contracts with Customers. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes the principles that need to be applied in the recognition of revenue and in disclosure of the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. In September 2016 the IASB amended IFRS 15, deferring the effective date by one year. Subsequent to the deferral IFRS 15 is applicable for the Group's October 31, 2019 year end. Additional clarifications were also issued in April 2016. The Group is currently assessing the impacts of IFRS 15 and anticipates that greater disclosure of client contracts will be required. The recognition of revenue is not anticipated to be materially different.

IFRS 9 Financial instruments

In July 2014 the IASB issued the complete version of the Standard replacing earlier versions and completing the IASB's project to replace IAS 39: Financial Instruments – 'Recognition and Measurement'.

IFRS 9 is effective for accounting periods beginning from January 1, 2018. The Bank has decided to early adopt the IFRS 9 standard from the beginning of the financial year, November 1, 2017. This is consistent with the decision to early adopt by the Bank's ultimate parent, The Royal Bank of Canada. The new classification, measurement and impairment requirements will be applied as an adjustment to the opening balance of retained earnings with no restatement of comparative periods.

The Bank's implementation of IFRS 9 is part of a comprehensive enterprise-wide program led by RBC Group. The initial focus of the enterprise-wide program was the design and implementation of systems, models, policies and controls to support RBC's consolidated financial statements. While significant efforts have been undertaken at the subsidiary level, work is still ongoing to refine the enterprise-wide approach for the unique portfolio and environmental attributes of each individual subsidiary of RBC, including key areas of judgment such as the determination of significant increases in credit risk and the application of forward looking macroeconomic scenarios.

Classification and measurement – IFRS 9 requires financial assets to be classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss account depending on the basis of both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For financial liabilities, IFRS 9 includes the requirements for classification and measurements previously included in IAS 39.

The Bank has assessed that the current Available for sale (AFS) portfolio would be classified and measured at fair value through other comprehensive income. The measurement classification and measurement of other financial assets is not anticipated to change. IFRS 9 requires financial liabilities to be measured at amortised cost or fair value. Financial liabilities are measured at amortised cost unless they are required to be measured at fair value though profit and loss or an entity has opted to measure a liability at fair value through profit and loss. The Bank does not anticipate changes in the current measurement of financial liabilities.

Impairment – IFRS 9 has moved to a forward-looking impairment model rather than the current "incurred loss" model. IFRS 9 introduces an expected credit loss impairment model for all financial assets not measured at FVTPL; this differs from the incurred loss model under IAS 39 and is expected to result in earlier recognition of credit losses. The model has three stages: 1) on initial recognition, a loss allowance is recognized to cover credit losses arising from defaults expected to occur over the next 12 months; (2) if credit risk increases significantly relative to initial recognition, a loss allowance equal to full lifetime expected credit losses is recognized; and (3) when a financial asset is considered credit-impaired, a loss allowance equal to lifetime expected credit losses is recognised and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Changes in the required loss allowance, including the impact of movement between 12 months and lifetime expected credit losses, will be recorded in profit or loss.

Regarding the impairment methodology and measurement of expected credit losses, the Bank intends to leverage the internal models developed by the RBC Group (ultimate parent company).

The impact of the adoption of IFRS 9 at November 1, 2017 is not expected to have a material impact on the financial statements of the Bank.

2. Summary of significant accounting policies (cont'd)

Hedging – IFRS 9 has adopted a new hedging accounting model that enables entities to better reflect risk management activities in the financial statements. At present, the Bank does not perform hedge accounting. The effect of this change will not be amended to have a material impact on the financial statements of the Bank.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting. The Group is currently assessing the impact of the Standard and anticipates that most of the current operating leases would be brought on balance sheet. IFRS 16 is applicable for the Group's October 31, 2020 year end with retrospective application. The retrospective application allows an election either to restate the comparative period or apply as an adjustment to the opening balance of retained earnings.

IAS 7 Statement of Cash Flows

In January 2016 the IASB published amendments to IAS 7 Statement of Cash Flows as part of its disclosure initiative. The amendments require additional disclosure relating to liabilities arising from financing activities. These amendments will be applicable for the Group's October 31, 2018 year end, with earlier application permitted. The Group is currently assessing the impact of the amendment and anticipates that current disclosure may be refined.

IAS 12 Income Taxes

In January 2016 the IASB published amendments to IAS 12 Income Taxes. The amendments clarify when a deferred tax asset should be recognised for deductible temporary differences related to debt instruments measured at fair value. The amendments will be applicable for the Group's October 31, 2018 year end, with earlier application permitted. The adoption of these amendments is not expected to have an impact on the consolidated financial statements of the Group.

IFRIC 22 Foreign Currency Translation and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The effect of this change is not expected to have a material impact on the financial statement.

2. Summary of significant accounting policies (cont'd)

(e) Significant accounting estimates and judgements

In preparing RBCIS's consolidated financial statements, Management is required to make estimates and judgements that affect amounts reported as well as reported disclosure. While Management believes they have considered all available information in developing these estimates, actual results could differ from such estimates.

Judgements are made principally in the following areas:

- Classification of financial instruments;
- Consolidation (control, including special purpose entities);
- Existence of a present obligation with probable outflows in the context of litigations; and
- Identification of impairment trigger.

Estimates are made principally in the following areas:

- Impairment of assets;
- Fair value of unquoted financial instruments;
- Provisions and other obligations;
- Defined benefit obligations;
- Estimate of future taxable profit for the recognition and measurement of deferred tax; and
- Useful life of tangible and intangible assets.

Note 40 (Significant judgements and accounting estimates) sets out the key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated financial statements.

(f) Consolidation

Business combination

Business combinations are accounted for in accordance with IFRS 3. Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. The excess of the consideration paid in an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill.

Business combinations of entities under common control that are out of scope of IFRS 3 are accounted for using predecessor values.

Subsidiaries

The consolidated financial statements include those of RBC Investor Services Bank S.A., its subsidiaries and branches which RBCIS controls. The notion of control here is being exposed, or having rights, to variable returns from the involvement with the investee and having the ability to affect those returns through its power over the investee.

Entities exclusively controlled are consolidated according to the full consolidation method i.e.:

- Combination of assets, liabilities, equity, income and expenses on a line by line basis;
- Elimination of inter-company transactions, including income, expenses and dividends and unrealised gains and losses on transactions;
- Elimination of carrying amounts of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary; and
- Identification of non-controlling interest in the consolidated income statement, balance sheet and consolidated statement of changes in equity.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are consolidated from the date on which effective control is transferred to RBCIS and are no longer consolidated as from the date control is lost.

Transactions with non-controlling shareholders – 'economic entity approach'

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly by RBCIS.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority shareholders are also recorded in equity. For disposals to non-controlling interests, the difference between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (cont'd)

(g) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group uses a multi-currency system where foreign currency balance sheet transactions are initially recorded in foreign currency and translated by applying an exchange rate at the transaction date. At each balance sheet date, outstanding balances are retranslated using closing rate for monetary and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost. The resulting exchange differences are recorded to the consolidated income statement for monetary items and follow the same accounting treatment as for fair value adjustments for non-monetary items. The Group's foreign branches are accounted for as integrated operations.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated into the presentation currency EUR using the closing rate at the date of the balance sheet;
- Income and expenses are translated at an average rate for the year; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of net investments in foreign operations are recorded as a cumulative translation adjustment in equity. On disposal of a foreign entity, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Disposal of an interest in a foreign operation may be done through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. In case of a partial disposal, only the proportionate share of the related accumulated exchange differences is included in the consolidated income statement.

(h) Revenue Recognition

Interest income and expense

Interest income and expenses are recognised in the consolidated income statement on an accrual basis using the effective interest rate method based on the purchase price including transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Accrued interest is reported in the same line as the related financial asset or liability in the consolidated balance sheet.

Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for measuring the recoverable amount.

Negative interest on customer deposits and deposits placed is presented as part of interest income and expense respectively, and disclosed separately. Refer to Note 3.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for ordinary equity securities. Dividends are recorded in a specific consolidated income statement caption.

2. Summary of significant accounting policies (cont'd)

Fee and commission income and expense

Commissions and fees arising from the Group's activities are recognised as services are rendered and accrued accordingly on a time appropriate basis. These commissions and fees consist mainly of custody fees, fund administration fees, shareholder services fees and securities lending fees.

Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, if the instrument is not measured at fair value through profit or loss.

Where there is a reasonable expectation that a loan will be originated, commitment and other fees received are deferred and recognised as interest income over the expected term using the effective interest method. Otherwise such fees are recorded as "other liabilities" and amortised to "Fee and commission income" over the commitment period.

Fees that are earned on the execution of a significant transaction are recognised as revenue when the act has been completed.

Transaction costs

Directly attributable transaction costs on financial assets and liabilities not at fair value through profit or loss, are part of the initial measurement cost. For interest bearing instruments they will be part of the effective interest rate.

Other directly attributable transaction costs on non-financial assets and liabilities are treated according to applicable IFRS standards and generally form part of the investments' initial cost.

(i) Offsetting financial instruments in the consolidated income statement

The following items are netted in the face of the consolidated income statement:

Net gains/(losses) on trading

Net gains/ (losses) on trading comprise gains and losses relating to trading assets and liabilities (including derivatives), and include all realised and unrealised fair value changes.

Interest on trading assets and liabilities (including derivatives) is reported as interest income or expense.

Net foreign exchange gains/(losses)

Net foreign exchange gains/(losses) consist primarily of income earned on foreign exchange activity and revaluation of assets and liabilities.

Net gain/(loss) on investments

This includes gains and losses on disposal of financial assets.

(j) Financial assets and liabilities

Recognition of financial instruments

All "regular way" sales and purchases of financial instruments other than trading are recognised and derecognised on settlement date. Trading financial instruments are recognised and derecognised on trade date. Changes in fair value between trade date and settlement date are reflected in the consolidated income statement for securities classified or designated as at fair value through profit or loss. Changes in fair value of available-for-sale assets ("AFS") are recorded in Other Comprehensive Income, except for changes in foreign exchange rates on debt instruments, which are recognised in the consolidated Income Statement.

Realised gains and losses

For financial instruments that are not carried at fair value through the profit or loss, the realised gain or loss on disposal is the difference between received proceeds and the cost or amortised cost of the investment.

For financial instruments classified as available-for-sale assets, the cumulative gains and losses recognised in Other Comprehensive Income are recycled to the consolidated income statement on derecognition.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as an asset or a liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2. Summary of significant accounting policies (cont'd)

Securities purchased under reverse repurchase agreements ("reverse repos")

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Loans and advances due from banks", or "Loans and advances to customers".

In the event that securities received in reverse repo transactions are sold to third parties, the gain or loss is entered under "Net income from financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements.

The market value of the securities purchased against the loan value is monitored and additional collateral is obtained when appropriate. The Group has the right to liquidate the collateral held in the event of counterparty default. The securities received under reverse repo agreements are not recognised on the balance sheet unless the risk and rewards of ownership are obtained.

Securities sold under repurchase agreements ("repos")

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is entered under "Due to banks", or "Customer borrowings and deposits", as appropriate.

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements.

Securities lending

Substantially all of the Group's securities lending transactions are based on an agency relationship whereby the Group acts as an agent for the owner of a security who agrees to lend the security to a borrower for a fee, under the terms of a pre-arranged contract.

Principal transactions are securities transactions whereby the Group lends securities to or borrows securities from a third party. In return, the Group receives or provides cash or non-cash collateral. The Group earns a fee for structuring the transactions.

Non-cash collateral received in securities lending transactions is not recognised on the balance sheet. Cash collateral, if any, provided is recognised on the balance sheet as "Loans and advances due from banks" and is reported as collateral given in Note 15.

The fair value of the securities posted as collateral is monitored against the fair value of the securities on loan under all securities lending arrangements and additional collateral is obtained when appropriate to protect against credit exposure (Note 30). In the event of counterparty default, the Group has the right to liquidate the collateral held on its own behalf or on behalf of the owner of the loaned security.

Financial assets and financial liabilities measurement bases

Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount (fees, premiums or discounts), minus any reduction for impairment.

Fair value

All financial instruments are initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received.

Subsequent to initial recognition, fair valuation of financial instruments measured at fair value is performed in accordance with RBCIS valuation methodologies which are described in Note 28.

Non-derivative financial assets and financial liabilities classification and measurement

Note 28 sets out the fair value of each class of financial asset or liability. A description of the basis of measurement for each designation is set out hereafter for each asset or liability class.

Loans and advances due from banks and customers

Loans and advances not classified as trading, measured at fair value through profit or loss, or available-for-sale are classified as loans and advances and carried at amortised cost.

2. Summary of significant accounting policies (cont'd)

Fair value through profit or loss

Assets and liabilities held for trading

Trading assets and liabilities are those acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio which is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the consolidated balance sheet with transaction costs taken directly to the income statement. All changes in fair value are recognised as part of "net income from financial instruments at fair value through profit or loss" in the consolidated income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

Assets and liabilities designated at fair value through profit or loss

Financial assets and liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; and
- certain investments, managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis, are designated at fair value through profit or loss.

The classification at fair value through profit or loss is made on initial recognition provided it fulfils the stated conditions. No reclassification is possible subsequent to their initial recognition.

During 2017 and 2016, RBCIS did not have any items designated at fair value through profit or loss.

Financial investments

Financial investments only include available-for-sale assets.

Available-for-sale assets

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the consolidated income statement. Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired and the balance in other comprehensive income is recycled to the consolidated income statement.

Financial investments : reclassification of prior presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. In financial investments, EUR 510,000 was classified from government issued or backed bonds, to Bank at October 31, 2016. This reclassification had no effect on the reported results of the Bank.

Financial liabilities

Financial liabilities are non-derivative liabilities that are not designated as at fair value through profit or loss or as trading liabilities.

Financial liabilities are initially measured at fair value net of transaction costs and subsequently carried at amortised cost.

Derivatives classification and measurement

The Group's derivatives activity only includes foreign exchange contracts. All derivatives are initially recognised at fair value and are subsequently measured at fair value.

Derivatives are reported as an asset when fair value is positive and as a liability when fair value is negative.

Derivatives are considered to be:

Trading derivatives

Derivatives that are not used for hedging are considered to be trading derivatives. Changes in the fair value of a trading derivative are recognised immediately in the consolidated income statement.

2. Summary of significant accounting policies (cont'd)

Impairment on non-derivative financial assets - Credit losses

Allowances for impairment are recorded in the following manner:

An allowance for impairment losses is recorded when there is objective evidence that a financial asset or group of financial assets is impaired.

At each reporting date, and more frequently when conditions warrant, management evaluate the Group's AFS securities and other receivables to determine whether there is any objective evidence of impairment. Such evidence includes: for debt instruments, when an adverse effect on future cash flows from the asset can be reliably measured; for equity securities, when there is a significant or prolonged decline in the fair value of the investment below its cost.

Impairment represents the difference between the asset's carrying amount and its recoverable amount and is recognised in the consolidated income statement. For on-balance sheet items, impairment reduces the assets carrying value.

Reversal of impairment is only allowed for monetary financial assets and is analysed on a case-by-case basis. Impairment losses are reported in the consolidated income statement under "Net gain on investments" for available-for-sale securities and under "Reversal of impairment/(impairment) on loans and other receivables" for loans and other receivables.

Recoverable amount

For a monetary asset carried at amortised cost, the recoverable amount is defined as being the present value of expected future cash flows discounted at the financial instrument's original effective interest rate or current interest rate for a variable interest-rate instrument.

For a monetary asset measured at fair value, the recoverable amount of an instrument is the present value of expected future cash flows discounted at the current market rate of interest for a similar asset.

For an unquoted equity carried at cost because its fair value cannot be reliably measured, the recoverable amount is the present value of estimated future cash flows discounted at a current market rate of return.

For a quoted security carried at fair value, the recoverable amount is the quoted price.

Expected future cash flows include amounts recoverable from guarantees and collateral.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented on the consolidated balance sheet, when and only when, an entity:

- currently has an enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the consolidated balance sheet, unless actual net settlement takes place.

(k) Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recognised in the consolidated income statement principally on a straight-line basis over the estimated useful lives of assets which are:

- Buildings 20-50 years
- IT equipment 3-10 years
- Fixtures and fittings 3-10 years
- Leasehold improvements over the shorter of the lease term and their useful life, up to a maximum of 10 years.

Land is not depreciated.

When parts of tangible assets have different useful lives, they are accounted for as separate items (major components).

The cost of replacing part of tangible assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognised in the consolidated income statement as incurred.

Gains and losses on disposals are recognised in the income statement as other income or expense.

2. Summary of significant accounting policies (cont'd)

(l) Goodwill and other intangible assets

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill is calculated based on the excess/deficit of the cost the acquisition over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the time the acquisition was made.

Goodwill is tested annually for impairment and is measured at cost less accumulated impairment losses.

Where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognised immediately in the consolidated income statement.

Other intangible assets

Other intangible assets mainly consist of internally generated and acquired software, and from long-term client contracts acquired as part of a business acquisition.

Expenditures on internally developed software are recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. Projects fulfilling this requirement are qualified strategic projects and eligible for capitalisation.

The capitalised costs of internally developed software, that are part of strategic projects, include all internal and external costs directly attributable to developing the software.

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged through the consolidated income statement on a straight-line basis over the estimated useful life. The estimated useful life for capitalised development costs and other intangibles varies from 2 to 10 years.

Subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates; otherwise it is expensed.

(m) Impairment of non-financial assets

The carrying amounts of non-financial assets, including intangible assets, other than deferred tax assets, are reviewed at least annually to determine whether there is any indication of impairment. Where any such indication exists, a recoverable amount is estimated as the higher of the asset's fair value less costs to sell and its value in use.

Impairment testing is performed at least annually for intangible assets not yet in use and for intangible assets with an indefinite useful life.

For all assets other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment of goodwill

The carrying amount of goodwill is tested for impairment annually or more often when there are indications of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. The lowest level of CGU is considered to be the consolidated Bank itself ("the Group"), one of the primary operating units of RBCIS.

Goodwill is tested for impairment as part of the impairment testing of the CGU to which it relates. When the carrying value of the CGU's net assets, including attributable goodwill, exceeds its recoverable value, goodwill is written-down for impairment. Impairment is charged to the consolidated income statement in the period in which impairment is identified. It is prohibited to reverse impairment losses for goodwill.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows expected to be derived from an asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. Summary of significant accounting policies (cont'd)

Fair value is the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(n) Leases

Operating leases

The Group mainly enters into operating leases for the rental of IT equipment and buildings. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is expensed in the period termination takes place.

(o) Income tax

Income tax recognised in the consolidated income statement includes the current and deferred portions of the tax expense. Income taxes related to items recognised directly in equity are not included in the consolidated income statement.

Current income tax is determined to be the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted as at the balance sheet date. It includes any adjustments to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except for earnings related to foreign operations where repatriation of such amounts is not contemplated in the foreseeable future. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Changes in deferred tax assets or liabilities related to a change in tax rates are recognised in the period the tax rate change is substantively enacted.

(p) Employee benefits

The Group offers a number of defined benefit and defined contribution plans for pensions and other benefits to employees.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as services are rendered, The Group's pension obligation is limited to payments to a pension fund or to an insurance policy on behalf of the employee.

Defined benefit plans

Defined benefit plans are those under which the Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior years.

Qualified external actuaries carry out valuation of the obligation using the projected unit credit method.

The net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value deducting the fair value of any plan asserts and adjusting for any effect of limiting a net defined benefit asset to the asset ceiling. The discount rate is based on the yield at the reporting date of high quality corporate bonds with maturity dates approximating the terms of the obligations.

2. Summary of significant accounting policies (cont'd)

The amounts to be recognised in the Income statement, being current service cost, past service cost and gain or loss on settlement, and net interest; and

- The remeasurements of the net defined liability or asset to be recognised in other comprehensive income, being actuarial gains and losses, return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling, excluding amounts included in net interest.

Other long-term employee benefits

The Group offers a number of other long-term employee benefits. The plans are unfunded.

The net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Such benefits are discounted to determine their present value. The discount rate is based on the yield at the reporting date of credit-rated bonds with maturity dates approximating the terms of the Group's obligations. Any actuarial gains or losses are recognised in the consolidated income statement in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(q) Share-based compensation

The Group also offers share-based compensation plans to certain key employees and to non-employee directors on a cash-settled basis.

For cash-settled awards, the accrued obligations are adjusted to their fair value at the balance sheet date. Changes in obligations are recorded as "staff expenses" in the consolidated income statement with a corresponding increase in "Other liabilities".

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Financial guarantees

A financial guarantee contract is defined as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Where a contract meets the definition above, it is recognised initially on consolidated balance sheet at fair value and subsequently, measured at the higher of:

- the amount initially recognised less cumulative amortisation of this amount, and
- the amount determined the best reliable estimate of the obligation when the there is a probable outflow of resources which will normally equal the amount of potential loss (discounted if the effect is material).

The maximum credit exposure is represented by the maximum amount to be paid if the guarantee is called at the reporting date.

(t) Dividends on ordinary shares

Dividends for the year that are declared after the balance sheet date but before issuing consolidated financial statements are disclosed in the subsequent events note.

2. Summary of significant accounting policies (cont'd)

(u) Assets held on behalf of clients

Non-cash client assets, liabilities, and related income and expenses arising thereon are excluded from these consolidated financial statements.

(v) Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents include notes and coins on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, including loans and advances due from banks, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. Interest income and expense

EUR'000	For the year ended Oct 31, 2017	Oct 31, 2016
Interest income		
a) Interest income on financial assets and financial liabilities not at fair value through profit or loss		
Cash and balances with central banks	-	26
Loans and advances due from banks	35,227	36,389
Loans and advances to customers	14,496	9,522
Financial investments	11,334	11,170
Negative interest on customer deposits	34,563	21,966
Total interest income	**95,620**	**79,073**
Interest expense		
Interest expense on financial liabilities and financial assets not at fair value through profit or loss		
Due to banks	(1,486)	(1,000)
Customer borrowings and deposits	(24,347)	(5,858)
Negative interest on deposits placed	(29,410)	(17,696)
Total interest expense	(55,243)	(24,554)
Net interest income	40,377	54,519

4. Fee and commission income and expense

EUR'000	For the year ended Oct 31, 2017			Oct 31, 2016		
A. Custody, transfer agent and administration services	Income	Expense	Net	Income	Expense	Net
Custody	111,198	(25,896)	85,302	121,545	(24,749)	96,796
Fund administration	64,768	(4,331)	60,437	65,958	(4,672)	61,286
Transfer agent	93,050	(1,306)	91,744	92,954	(1,424)	91,530
Trustee & Compliance	18,436	-	18,436	15,651	-	15,651
Transfer agent, custody and administration services	20,518	-	20,518	13,313	-	13,313
Derivative processing and settlement fees	8,800	-	8,800	7,418	-	7,418
Subtotal	316,770	(31,533)	285,237	316,839	(30,845)	285,994
B. Other commissions						
Securities lending	5,310	(46)	5,264	4,861	(118)	4,743
Other (1)	23,419	(6,234)	17,185	18,798	(5,659)	13,139
Subtotal	28,729	(6,280)	22,449	23,659	(5,777)	17,882
Total	345,499	(37,813)	307,686	340,498	(36,622)	303,876

(1) Other commission income and expenses largely comprise fees from tax reclaims, intragroup recharges (refer to Note 32), loan facility fees as well as payment agent and correspondent banking fees.

5. Dividend income

The Group received no dividend income in either 2017 or 2016.

6. Net income from financial instruments at fair value through profit or loss

		For the year ended
EUR'000	Oct 31, 2017	Oct 31, 2016
Net gains on foreign exchange	111,815	84,777
Total	111,815	84,777

Net income from financial instruments at fair value through profit or loss includes:

- Changes in fair value of derivatives,
- Foreign exchange revaluation of assets and liabilities,

7. Net gain on investments

		For the year ended
EUR'000	Oct 31, 2017	Oct 31, 2016
Gains on financial assets available-for-sale (1)	8,730	3,971
Losses on financial assets available-for-sale (1)	(1,625)	(3)
Loss on sale of subsidiary (2)	-	(3,382)
Total net gain on investments	7,105	586

(1) In 2017 there is an increase of sales resulting in a rise of realised gains and losses.
(2) See note 36 for further details.

8. Other net expense

		For the year ended
EUR'000	Oct 31, 2017	Oct 31, 2016
Errors and omissions	2,290	958
Re-invoicing of costs (1)	4,491	1,863
Business taxes	36	29
Gains on tangible assets	-	21
Other income (2)	1,239	6,413
Other income	8,056	9,284
Errors and omissions	(4,635)	(5,214)
Re-invoicing of costs (1)	(10,011)	(5,902)
Business taxes	(237)	(463)
Non-creditable withholding tax	(1,560)	-
Losses on tangible assets	-	(5)
Other operating expenses (3)	(4,473)	(5,042)
Other expenses	(20,916)	(16,626)
Other net expense	(12,860)	(7,342)

(1) In 2016 and 2017 consists mainly of re-invoicing of IT and staff costs.
(2) In 2017 mainly consists of government subsidies and other operational incomes.
In 2016 mainly consisted of cash recovery from a previously written-off equity investment.
(3) In 2016 and 2017 consists mainly of transfer of project costs from other RBC entities.

9. Net provisions allowance on loans and other receivables

a. Specific impairment

EUR'000					For the year ended Oct 31, 2017
Specific impairment	Allowances	Write backs	Losses	Recoveries	Total
Loans and advances to customers	-	12	-	-	12
Other receivables	(3,077)	3,314	-	-	237
Total	(3,077)	3,326	-	-	249

EUR'000					For the year ended Oct 31, 2016
Specific impairment	Allowances	Write backs	Losses	Recoveries	Total
Loans and advances to customers	(32)	26	-	-	(6)
Other receivables	(4,192)	4,529	-	-	337
Total	(4,224)	4,555	-	-	331

b. Collective impairment

There were no collective impairments on loans and other receivables for the years ended October 31, 2017 and 2016.

10. Staff expenses

EUR'000	For the year ended Oct 31, 2017	Oct 31, 2016
Wages and salaries	161,204	161,730
Social security and insurance costs	25,830	25,984
Pension costs – defined benefit plans	3,351	3,455
Pension costs – defined contribution plans	5,812	5,483
Long term employee benefits	5,614	4,359
Severance costs	4,842	2,112
Other expenses (1)	4,088	4,051
Total	210,741	207,174

(1) Other staff expenses include temporary staff and other staff related expenses.

10. Staff expenses (cont'd)

Breakdown by country

Average full time employees for the year ended Oct 31, 2017

	Senior executives	Employees	Total
Belgium	1	32	33
France	1	169	170
Hong Kong	2	52	54
Ireland	1	106	107
Italy	1	88	89
Luxembourg	14	1,158	1,172
Malaysia	6	860	866
Singapore	-	21	21
Switzerland	1	36	37
United States	-	3	3
Total	**27**	**2,525**	**2,552**

Average full time employees for the year ended Oct 31, 2016

	Senior executives	Employees	Total
Belgium	1	35	36
France	1	169	170
Hong Kong	1	60	61
Ireland	1	104	105
Italy	1	87	88
Luxembourg	15	1,170	1,185
Malaysia	3	801	804
Singapore	1	20	21
Switzerland	1	34	35
United States	1	3	4
Total	**26**	**2,483**	**2,509**

11. General and administrative expenses

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
Technology and system costs	46,920	45,799
Professional fees	43,326	36,299
Properties and office equipment rental expense	13,966	17,407
Market data costs	10,291	9,288
Software costs and research	5,063	6,041
Occupancy	3,888	5,147
Business travel	3,185	3,059
Repair and maintenance expense	3,153	3,727
Business taxes, including VAT	2,249	1,219
Marketing, advertising and public relations	1,112	1,276
Insurance (except related to pension plans)	258	112
Other general and administrative expenses	7,796	8,048
Total	141,207	137,422

Analysis of fees charged by Independent Auditors (excluding VAT)

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
Audit fees	1,159	1,491
Other assurance services	790	790
Total	1,949	2,281

12. Income taxes

Income tax expense

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
Current income tax	(17,645)	(17,878)
Adjustments to prior years	(386)	118
Total current income tax	(18,031)	(17,760)
Current year deferred tax	1,909	2,013
Adjustments to prior years	516	5
Total deferred tax	2,425	2,018
Total	(15,606)	(15,742)

12. Income taxes (cont'd)

Reconciliation of Group tax rate

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
Profit before income tax	86,631	63,302
Group tax rate (1)	19.848%	20.431%
Income tax expense at applicable statutory tax rate	17,195	12,933
(Decrease)/Increase in income tax expense resulting from:		
Tax effect of non deductible expenses	803	4,279
Tax effect of non-taxable income	(276)	(199)
Tax effect of impairment on branches	(752)	-
Movement in unrecognised deferred tax assets	77	492
Adjustments in respect of prior periods	(130)	(123)
Others	(1,311)	(1,640)
Income tax expense	15,606	15,742
Effective tax rate	18.01%	24.87%

(1) The Group tax rate represents the weighted average of result before income tax by jurisdiction multiplied by the applicable statutory tax rate.

There were no temporary differences associated with the Group's investment in its branches and subsidiaries.

Deferred tax

a. Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Deferred tax liabilities	(6,357)	(10,606)
Deferred tax assets	541	267
Net deferred income tax liabilities	(5,816)	(10,339)

Deferred tax balances are presented in the consolidated balance sheet after offsetting assets and liabilities balances where RBCIS has the legal right to offset and intends to settle on a net basis.

Management's forecasts support the assumption that the results of future operations will generate sufficient taxable income to utilise the deferred tax asset.

12. Income taxes (cont'd)

b. Movements

EUR'000	For the year ended Oct 31, 2017	Oct 31, 2016
Opening balance	(10,339)	(10 395)
Movements during the year:		
Items recognised in the consolidated income statement	2,425	2,018
Items recognised in consolidated OCI	2,116	(1,802)
of which relate to changes in tax rates	*81*	*(132)*
of which relate to movements for the year	*2,035*	*(1,670)*
Exchange differences	(18)	-
Other movements	-	(160)
Closing balance	(5,816)	(10,339)
Deferred income tax derived from assets		
Securities	(2,705)	(5,968)
Tangible and intangible assets	(4,642)	(6,465)
Subtotal	(7,347)	(12,433)
Deferred income tax derived from liabilities		
Provisions	661	351
Pensions	786	1,700
Other non allocated and non applicable liabilities	84	43
Subtotal	1,531	2,094
Total	(5,816)	(10,339)

c. Deductible temporary differences and unused tax losses available for which no deferred tax asset is recognised

Analysis by remaining maturity

EUR'000	Oct 31, 2017	Oct 31, 2016
Within 5 years	843	547
Unlimited maturity	1,652	1,505
Deductible temporary differences	**2,495**	**2,052**
Within 5 years	-	2,321
Unlimited maturity	17,402	15,391
Tax losses available for carry forward	**17,402**	**17,712**
Total	19,897	19,764

Tax losses

Unused tax losses for which no deferred tax asset is recognised relate to Belgium branch of RBC Investor Services Bank S.A., and to subsidiaries RBC Investor Services France S.A. and RBC Investor Services Bank France S.A..

Deductible temporary differences

Deductible temporary differences relate to RBC Investor Services Bank France S.A. and RBC Investor Services France S.A..

13. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days to maturity from the date of acquisition excluding accrued interest.

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Cash and balances with central banks	5,599,580	4,168,281
Loans and advances due from banks	337,133	486,833
Total	5,936,713	4,655,114

Of which restricted cash

EUR'000	Oct 31, 2017	Oct 31, 2016
Mandatory reserves (1)	154,524	129,048

(1) Mandatory reserves: minimum reserve deposit banks must have with central banks.

14. Cash and balances with central banks

EUR'000	Oct 31, 2017	Oct 31, 2016
Balances with central banks other than mandatory reserve deposits	5,443,739	4,038,907
Mandatory reserve deposits	154,524	129,048
Total	5,598,263	4,167,955
of which included in cash and cash equivalents (excl. accrued interest)	*5,599,580*	*4,168,281*

15. Loans and advances due from banks

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Nostro accounts	279,257	247, 981
Cash collateral (1)	324,486	335,830
Loans and other advances	4,762,787	4,066,770
Total	5,366,530	4,650,581
of which included in cash and cash equivalents (excl. accrued interest and cash collateral)	*337,133*	*486,833*

(1) As of October 31, 2017 and 2016 collateral was provided for derivatives transactions.

16. Loans and advances to customers

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Cash collateral – derivative transactions	17,880	3,723
Loans and other advances	940,438	587,294
Impaired loans and other advances	-	12
Less:		
Specific impairment	-	(12)
Total	958,318	591,017

The majority of the loans and advances to customers is represented by short-term advances to clients in the form of overdraft facilities and loans granted to clients pursuant to committed credit facilities.

17. Financial investments

In 2017 and 2016, financial investments consist solely of financial assets available-for-sale.

a. Analysis by counterpart

EUR'000	Oct 31, 2017	Oct 31, 2016
Government issued or backed bonds	1,306,307	3,093,723
Supranationals	-	295,943
Banks	1,865,874	2,568,042
Total	3,172,181	5,957,708

b. Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Bonds issued or backed by public bodies	1,306,307	3,389,666
Other bonds and fixed income instruments	1,865,874	2,568,042
Total	3,172,181	5,957,708

Financial investments mainly include bonds issued by European entities and European governments.

Reclassification from "Government issued or backed bonds" to "Banks" (EUR 520,816 thousands) have been performed between 2016 and 2017. Figures of 2016 have been restated.

Certain assets have been provided as collateral for central banks and clearing houses. Please see Note 38 for guarantees, commitments and other off-balance sheet arrangements.

No items were impaired this year nor last year.

No bonds were lent during 2017 and 2016.

18. Tangible assets

						For the year ended
EUR'000			Oct 31, 2017			Oct 31, 2016
	Land and buildings	Office furniture and other equipment	Total	Land and buildings	Office furniture and other equipment	Total
Opening cost	**18,084**	**12,467**	**30,551**	**23,877**	**15,694**	**39,571**
Additions	922	5,527	6,449	5,396	3,268	8,664
Disposals	-	-	-	-	(184)	(184)
Write-off	-	(438)	(438)	(2,284)	(4,586)	(6,870)
Sale of subsidiary (1)	-	-	-	(9,449)	(1,710)	(11,159)
Transfers	(1,733)	1,733	-	28	(33)	(5)
Translation adjustments	(419)	(222)	(641)	81	18	99
Others (2)	(3,309)	(962)	(4,271)	435	-	435
Closing cost	**13,545**	**18,105**	**31,650**	**18,084**	**12,467**	**30,551**
Opening accumulated depreciation and impairment	**(6,908)**	**(7,611)**	**(14,519)**	**(9,447)**	**(12,009)**	**(21,456)**
Depreciation charge	(1,736)	(1,347)	(3,083)	(2,221)	(1,429)	(3,650)
Impairment charge	-	(1)	(1)	-	(1)	(1)
Disposals	-	-	-	-	166	166
Write-off	-	438	438	2,284	4,586	6,870
Sale of subsidiary (1)	-	-	-	2,611	1,071	3,682
Transfers	1,127	(1,127)	-	(28)	33	5
Translation adjustments	91	158	249	(107)	(28)	(135)
Others (2)	1,470	385	1,855	-	-	-
Closing accumulated depreciation and impairment	**(5,956)**	**(9,105)**	**(15,061)**	**(6,908)**	**(7,611)**	**(14,519)**
Net book value	**7,589**	**9,000**	**16,589**	**11,176**	**4,856**	**16,032**

(1) Please refer to Note 36 for details
(2) Others includes the impact of the new lease agreement in Luxembourg (ARO, leasehold improvement and office furnitures)

There were no assets held under finance leases for the years ended 2017 and 2016.

19. Goodwill and other intangible assets

For the year ended

EUR'000	Oct 31, 2017 Goodwill	Internally developed software	Acquired software	Other intangible assets (2)	Total	Oct 31, 2016 Goodwill	Internally developed software	Acquired software	Other intangible assets(2)	Total
Opening cost	**85,492**	**79,277**	**15,461**	**56,813**	**237,043**	**101,539**	**75,821**	**15,851**	**56,815**	**250,026**
Additions	-	15,879	2,029	-	17,908	-	11,879	566	-	12,445
Disposals	-	(10,302)	(926)	-	(11,228)	-	(3,182)	-	-	(3,182)
Write-off	-	(274)	(211)	-	(485)	(16,047)	(187)	(523)	(2)	(16,759)
Sale of subsidiary (1)	-	-	-	-	-	-	(4,728)	(428)	-	(5,156)
Transfers	-	-	-	-	-	-	-	5	-	5
Translation adjustments	-	-	(8)	-	(8)	-	2	-	-	2
Other	-	-	(1)	-	(1)	-	(328)	(10)	-	(338)
Closing cost	**85,492**	**84,580**	**16,344**	**56,813**	**243,229**	**85,492**	**79,277**	**15,461**	**56,813**	**237,043**
Opening accumulated amortisation and impairment	**(1,314)**	**(58,743)**	**(12,262)**	**(35,886)**	**(108,205)**	**(4,524)**	**(57,384)**	**(11,223)**	**(30,047)**	**(103,178)**
Amortisation charge	-	(5,231)	(1,637)	(5,841)	(12,709)	-	(4,671)	(1,849)	(5,840)	(12,360)
Impairment charge	-	-	-	-	-	(12,838)	-	-	-	(12,838)
Write-off	-	274	211	-	485	16,047	187	523	2	16,759
Sale of subsidiary (1)	-	-	-	-	-	-	3,127	293	-	3,420
Transfers	-	-	-	-	-	-	-	(5)	-	(5)
Translation adjustments	-	-	8	-	8	1	(2)	(1)	(1)	(3)
Closing accumulated amortisation and impairment	**(1,314)**	**(63,700)**	**(13,680)**	**(41,727)**	**(120,421)**	**(1,314)**	**(58,743)**	**(12,262)**	**(35,886)**	**(108,205)**
Net book value	**84,178**	**20,880**	**2,664**	**15,086**	**122,808**	**84,178**	**20,534**	**3,199**	**20,927**	**128,838**

(1) Please refer to Note 36 for details.
(2) Other intangible assets consist largely of customer relationships.

The Group's portion of contractual commitments as at October 31, 2017 for external vendors to make these intangible assets ready for use is Nil thousand (2016: EUR 137 thousand).

19. Goodwill and other intangible assets (cont'd)

Goodwill impairment testing

Impairment tests carried out for goodwill as at July 31, 2017 were based on the value in use of the CGU identified in accordance with Note 2(m), the consolidated Bank, which represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount for the CGU to which goodwill has been allocated was equal to its value in use at each testing date in 2017 and 2016. The value in use was determined by calculating the discounted cash flow projections for the CGU.

The cash flow projections for the CGU were based on forecasted cash flows for 2017 quarter 4 and on strategic plan 2018 to 2022. The free cash flows were discounted at a rate which reflects the average cost of capital for the CGU and which incorporates the risk carried by the operating assets, along with other economic variables such as a risk free rate and a tax rate. The long-term growth rate used to extrapolate the cash flows to perpetuity reflects the market assessment of growth and inflation for the countries where the CGU operates.

For reasonability purposes, the discount rates determined internally were compared with external capital rates which better reflect current market and economic conditions. As a result of this comparison, it was concluded that internally determined cost of capital rates were in line with external rates.

Cash-generating unit	Goodwill at Oct 31 2017 EUR'000	Discount rate (%)	Growth rate beyond initial cash flow projections (%)	Goodwill at Oct 31, 2016 EUR'000	Discount rate (%)	Growth rate beyond initial cash flow projections (%)
Consolidated Bank	84,178	9.0	3	84,178	9.0	3

Based on the considerations above and after comparing the recoverable amount with the carrying amount of the CGU, no impairment of goodwill was identified during 2017 and 2016.

These key inputs and assumptions used to determine the recoverable amount of each CGU using value in use were tested for sensitivity by applying a reasonably possible change to those assumptions. In addition, to ensure reasonability of the discount rates used internally they were compared with external capital rates which better reflect current market and economic conditions. As a result of their comparison, it was concluded that internally determined cost of capital rates were in line with external rates. As at July 31, 2017, no change in an individual key input or assumption as described, would result in a CGU's carrying value exceeding its recoverable amount.

20. Other assets

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Accrued income (1)	51,942	46,880
Deferred expenses	11,550	9,135
Business taxes	386	946
Accounts receivable (2)	55,532	42,301
Other assets (3)	50,576	21,617
Total	169,986	120,879

(1) Accrued income consists of invoices to be issued for services rendered to related (see Note 32) and third parties.
(2) Accounts receivable include invoices for services rendered to related (see Note 32) and third parties.
(3) Other assets largely consist of short-term transitory accounts.

21. Due to banks

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Demand deposits	407,207	764,284
Term & Overnight deposits	279,780	4,706
Other borrowings	3,133	13,650
Total	690,120	782,640

22. Customer borrowings and deposits

Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Demand deposits	13,233,857	13,439,311
Deposits redeemable at notice	41	51
Cash collateral	25,203	19,552
Other borrowings	75,779	74,587
Total	13,334,880	13,533,501

23. Provisions and other obligations

a. Analysis by nature

EUR'000	Oct 31, 2017	Oct 31, 2016
Litigation and potential claims (1)	745	528
Defined benefit pension plans	6,862	11,296
Other long term employee benefits (2)	12,614	11,267
Severance provisions	2,592	1,875
Other provisions (3)	5,791	10,620
Total	28,604	35,586

(1) Litigation: the Group had no significant litigation outstanding for the years ended Oct 31, 2017 and Oct 31, 2016.

(2) Other long term employee benefits largely comprises of provisions for various share based benefit plans offered to employees. See note 25 for further details.

(3) Other provisions comprise provisions related to other staff provisions, asset retirement obligations and operational errors.

23. Provisions and other obligations (cont'd)

b. Analysis of movements

						For the year ended Oct 31, 2017
EUR'000	Litigation claims	Defined benefit pension plans	Other employee benefits (1)	Severance provisions	Other provisions	Total
Opening balance	528	11,296	11,267	1,875	10,620	35,586
Additional provisions - P&L	35	3,351	5,774	5,199	5,994	20,353
Additional provisions - OCI	-	(4,658)	-	-	-	(4,658)
Unused amounts reversed	(261)	-	(160)	(357)	(2,036)	(2,814)
Utilised during the year	(198)	(3,021)	(6,369)	(3,685)	(6,068)	(19,341)
Transfers	639	-	2,223	(445)	(46)	2,371
Exchange difference	2	(106)	(121)	5	(33)	(253)
Other movements (2)	-	-	-	-	(2,640)	(2,640)
Closing balance	745	6,862	12,614	2,592	5,791	28,604

(1) The other employee benefits transfer relates to employee share based compensation plans transferred from short-term compensation accruals. Please refer to Note 25.

(2) Other movements mainly comprise the increase of the provision for assets retirement obligations for EUR 2,640 thousand.

						For the year ended Oct 31, 2016
EUR'000	Litigation claims	Defined benefit pension plans	Other employee benefits (1)	Severance provisions	Other provisions	Total
Opening balance	979	4,203	10,360	3,695	8,218	27,455
Additional provisions - P&L	367	3,455	5,184	3,090	6,181	18,277
Additional provisions - OCI	-	7,193	-	-	-	7,193
Unused amounts reversed	(131)	-	(825)	(978)	(985)	(2,919)
Utilised during the year	(644)	(3,556)	(5,309)	(3,774)	(3,120)	(16,403)
Sale of subsidiary (2)	(211)	-	(650)	-	-	(861)
Transfers	168	2	2,472	(168)	-	2,474
Exchange difference	-	(1)	18	10	(111)	(84)
Other movements (3)	-	-	17	-	437	454
Closing balance	528	11,296	11,267	1,875	10,620	35,586

(1) The other employee benefits transfer relates to employee share based compensation plans transferred from short-term compensation accruals. Please refer to Note 25.

(2) Please refer to Note 36 for details.

(3) Other movements mainly comprise the increase of the provision for asset retirement obligations for EUR 437 thousand.

c. Pension plans

The Group operates funded defined benefit pension plan for qualifying employees. The defined benefit plan is administered by a separate pension fund that is legally separated from the Group.

Plan characteristics

The Group sponsors a number of defined benefit programs, which provide pension benefits to eligible employees.

The defined benefit pension plans provide benefits based on years of service, contributions and average earnings at retirement. All of the plans are located in Europe. The Group measures benefit obligations and pension assets as at October 31 each year. All plans are valued using the projected unit-credit method. The Group funds the registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations.

23. Provisions and other obligations (cont'd)

The Group also operates a number of defined contribution plan for qualifying employees.

For 2017, total company contributions to our pension plan (defined benefit and defined contribution plans) were EUR 3,017 thousand and EUR 5,811 thousand (2016 – EUR 3,067 thousand and EUR 5,483 thousand), respectively. For 2018, total contributions to our defined benefit and defined contribution pension plans are expected to be similar to 2017 amounts.

Risks

The defined benefit plan expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk as described below:

Investment risk: the present value of the benefit obligation is determined by reference to market yields at the end of the year on high quality corporate bonds with maturity consistent with the estimated term of the post-retirement obligation. If the return on plan assets is below this rate, it will create a plan deficit.

Interest rate risk: a decrease in the bond interest rate will increase the plan liability.

Longevity risk: the present value of the benefit obligation takes into consideration the best estimate of expected mortality of plan members both during and after employment. An increase in life expectancy will increase the plans liability.

Inflation and salary risk: the present value of the benefit obligation takes into account estimated future inflation and salary increases that would affect the benefits payable. Increases in inflation or salaries greater than assumed will increase the plans liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Oct 31, 2017	Oct 31, 2016
	Defined benefit pension plans	Defined benefit pension plans
A: Range of assumptions to determine post retirement defined benefit obligation		
Discount rate	0.70% - 2.00%	0.20% - 1.40%
Compensation increase rate	1.50% - 4.25%	1.50% - 4.25%
Average longevity at 65 for a member currently at 65 (years)		
- Males	20.6	20.8
- Females	24.3	24.5
Average longevity at 65 for a member currently at 45 (years)		
- Males	20.7	21.2
- Females	24.7	25.0

23. Provisions and other obligations (cont'd)

The amount included in the balance sheet arising from the Group's obligation in respect of the defined benefit obligation for pension and other post retirement plan are as follows:

EUR'000	Oct 31, 2017 Defined benefit pension plans	Oct 31, 2016 Defined benefit pension plans
B. Amounts recognised in the balance sheet		
Plans that are wholly unfunded and plans that are wholly and partially funded		
Present value of funded obligation	54,264	55,606
Fair value of plan assets	(48,357)	(45,300)
Deficit for funded plans	5,907	10,306
Present value for unfunded obligations	955	990
Net liability	6,862	11,296

Movements in the present value of the defined benefit obligation for pension and other post retirement plan is as follows:

	For the year ended	
EUR'000	Oct 31, 2017 Defined benefit pension plans	Oct 31, 2016 Defined benefit pension plans
C. Change in present value of benefit obligation		
Beginning of the year	56,596	49,696
Current service cost	3,202	3,070
Past service cost	-	250
Interest cost	577	1,017
Plan participants' contributions	302	305
Remeasurements		
Actuarial loss arising from changes in demographic assumptions	-	121
Actuarial loss/(gain) arising from changes in financial assumptions	(3,957)	6,513
Actuarial (gain) arising from experience adjustments	1,053	(115)
Benefits paid	(1,479)	(854)
Gain and losses arising from settlements of plan assets	-	(2,899)
Exchange differences on non EUR plans	(535)	35
Other	(540)	(543)
Benefit obligations at end of year	55,219	56,596

23. Provisions and other obligations (cont'd)

Movements in the fair value of plan assets are as follows:

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
	Defined benefit pension plans	Defined benefit pension plans
D. Change in fair value of plan assets		
Beginning of the year	45,300	45,493
Interest income	447	899
Return on plan assets	1,754	(674)
Employer contributions	3,017	3,067
Member contributions	302	305
Settlement payments from plan assets	-	(2,416)
Benefits paid	(1,479)	(854)
Exchange differences on non EUR plans	(425)	28
Other	(558)	(548)
Fair value of plan assets at end of year	48,358	45,300

Amounts recognised in other comprehensive income in respect of the defined benefit obligation for pension plans are as follows:

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
	Defined benefit pension plans	Defined benefit pension plans
E. Components of pension and other post retirement cost		
Service cost:		
- Current service cost	3,202	3,070
- Past service cost	-	250
Interest cost	130	118
Administrative cost	19	17
Components of defined benefit costs recognised in the income statement	3,351	3,455
Re-measurement of the net defined benefit liability:		
- Return on plan assets	(1,754)	674
- Actuarial loss arising from changes in demographic assumptions	-	121
- Actuarial loss/(gain) arising from changes in financial assumptions	(3,957)	6,513
- Actuarial (gain) arising from experience adjustments	1,053	(115)
Components of defined benefit costs recognised in Other comprehensive income	(4,658)	7,193
Total	(1,307)	10,648

The service cost and interest cost for the year are included in staff expense in the income statement.

23. Provisions and other obligations (cont'd)

Defined benefit pension plan assets

The fair value of the plan assets at the end of the reporting period for each category, are as follows.

F. Fair value of plan assets	Oct 31, 2017 EUR'000	Oct 31, 2017 %	Oct 31, 2017 Quoted in active market %	Oct 31, 2016 EUR'000	Oct 31, 2016 %	Oct 31, 2016 Quoted in active market %
Cash and cash equivalents	2,132	4.4%	0.0%	1,866	4.1%	0.0%
Equity investment funds						
- Europe	10,872	22.5%	100.0%	9,404	20.8%	100.0%
- Other	4,558	9.4%	100.0%	4,125	9.1%	100.0%
Total equity investment funds	15,430	31.9%		13,529	29.9%	
Debt investment funds						
- Government bonds	17,672	36.5%	100.0%	20,291	44.8%	100.0%
- Mixed corporate and government bonds	9,578	19.8%	100.0%	5,571	12.3%	100.0%
Total debt investment funds	27,250	56.4%		25,862	57.1%	
Alternative investment funds and other	3,545	7.3%	0.0%	4,043	8.9%	0.0%
Total	48,357	100.0%		45,300	100.0%	

Maturity profile

The following table presents the maturity profile of our defined benefit pension plan obligation.

EUR'000	Oct 31, 2017	Oct 31, 2016
G. Maturity profile		
Number of plan participants	795	817
Actual benefit payments during current year	1,479	854
Benefits expected to be paid current year +1	2,000	3,574
Benefits expected to be paid current year +2	1,590	1,484
Benefits expected to be paid current year +3	2,307	1,465
Benefits expected to be paid current year +4	2,157	2,126
Benefits expected to be paid current year +5	2,353	2,379
Benefits expected to be paid current year +6 to +10	18,140	15,910
Duration in years	11.7	12.4

23. Provisions and other obligations (cont'd)

Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations and expense for post retirement defined plans. The following table presents the sensitivity analysis of key assumptions.

EUR'000	Oct 31, 2017 Defined benefit pension plans	Oct 31, 2016 Defined benefit pension plans
H. Sensitivity analysis		
Change in obligation		
Discount rate		
Impact of 0.5% increase in discount rate	(2,901)	(3,378)
Impact of 0.5% decrease in discount rate	3,208	3,317
Rate of increase in future compensation		
Impact of 0.5% increase in rate of increase in future compensation	4,086	4,520
Impact of 0.5% decrease in rate of increase in future compensation	(3,173)	(3,536)
Mortality rate		
Impact of 1 year increase of longevity	218	236

The 2017 and 2016 sensitivity information above is based on full actuarial valuations carried out by plan actuaries using the same data used to calculate the main results but with the relevant different assumptions.

For funded plans, 58% of the underlying assets are predominantly invested in bonds via bond investment funds. The assets are therefore matched to the liabilities to some extent but there is a mismatching risk due to exposure to other asset categories as well as differences in the duration of the assets relative to the benchmark used to measure the liabilities.

24. Other liabilities

EUR'000	Oct 31, 2017	Oct 31, 2016
Accrued costs (1)	23,016	28,484
Deferred income	1,722	1,799
Business taxes (2)	2,127	1,238
Accounts payable (3)	13,787	6,676
Salaries and social charges payable	32,400	29,373
Other liabilities (4)	104,002	56,033
Total	177,054	123,603

(1) Accrued costs consist of invoices to be received for services rendered from related (refer to Note 32) and third parties.
(2) Business taxes consist of withholding and sales tax.
(3) Accounts payable consist mainly of invoices to be paid for services rendered at year end from related (refer to Note 32) and third parties.
(4) Other liabilities consist mainly of short-term transitory accounts.

25. Share based compensation

The Group offers share based compensation to certain employees.

Employee savings and share ownership plans

The RBC International Savings Program is an employee reward program that allows eligible participants an opportunity to build their savings through a deferral of a portion of their annual cash bonus and in return receive a matching company contribution (up to specified limits). In 2017, the Group contributed EUR 2,341 thousands (2016: EUR 2,129 thousands), under the terms of these plans.

Deferred share plans

The Group offers performance deferred share award plans to certain employees, all of which vest at the end of three years. Awards under the plans are deferred in the form of deferred share units. A portion of the award under some plans can be increased or decreased up to 25%, depending on the total shareholder return of RBC compared to a defined peer group of global financial institutions. The value of the award paid will be equivalent to the original award, adjusted for dividends and changes in the market value of RBC's common shares at the time the award vests.

The Group offers a deferred share unit plan to executives and to certain key employees. Under these plans, the eligible person may receive all or a percentage of their annual variable short-term incentive bonus in the form of deferred share units. The cash value of the deferred share units is equivalent to the market value of RBC common shares when conversion takes place.

The Group's liabilities for the awards granted under the deferred share and other plans are measured at fair value, determined based on the quoted market price of our common shares. The following tables present RBCIS obligations under the deferred share and other plans, and the related compensation expenses (recoveries) recognised for the year.

Obligations under deferred share plans

	Oct 31, 2017			Oct 31, 2016		
	Units granted during the year		Units outstanding at the end of the year	Units granted during the year		Units outstanding at the end of the year
	Number granted (thousands)	Weighted average fair value EUR	Carrying amount EUR'000	Number granted (thousands)	Weighted average fair value EUR	Carrying amount EUR'000
Deferred share unit plans	24	63.34	3,712	21	48.96	3,248
Performance deferred share award plans	9	62.72	1,598	12	49.17	1,759
Total	33	63.17	5,310	33	49.04	5,007

Compensation expenses recognised under deferred share plans

	For the year ended	
EUR'000	Oct 31, 2017	Oct 31, 2016
Deferred share unit plan	2,335	1,567
Performance deferred share award plans	726	938
Total	3,061	2,505

26. Derivatives

The principal derivatives used by the Group are exchange rate contracts; particular attention is paid to the liquidity of the markets and products in which the Group trades to ensure that there are no undue concentrations of activity and risk.

Exchange rate related contracts include over-the-counter forward foreign exchange contracts and currency swaps. A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies; the exchange of principal can be notional or actual.

a. Analysis by nature

EUR'000	Oct 31, 2017		Oct 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	348,699	313,145	303,673	311,713
Total	348,699	313,145	303,673	311,713

b. Detail of derivatives held for trading

The amount shown as foreign exchange derivatives represents the fair value of derivatives transactions entered with Group's clients where the position is closed with a third counterparty.

EUR'000	Oct 31, 2017				Oct 31, 2016			
	Notional amount				Notional amount			
	To receive	To deliver	Assets	Liabilities	To receive	To deliver	Assets	Liabilities
Foreign exchange derivatives	67,672,993	67,632,025	348,699	313,145	58,018,962	58,025,187	303,673	311,713

The term to maturity of the Group's derivatives is within one year.

27. Subscribed capital

By class of shares

EUR	Oct 31, 2017	Oct 31, 2016
Number of shares authorised	22,163,000	22,163,000
Number of shares issued and fully paid	22,163,000	22,163,000
Value per share	25	25
Outstanding as of beginning and end of the year	22,163,000	22,163,000

28. Fair value

Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation

Where applicable, fair value is determined by using common valuation techniques based on market observable inputs. Valuation techniques include net present value techniques for fixed term maturity items. For short-term financial assets and liabilities, or those where interest rates are reset daily, carrying value will always approximate to fair value.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500);

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial investments – bonds

Quoted market prices are used for financial investments bonds instruments and are based on current bid prices. Where markets are active the securities are classified as level 1. Where the markets are inactive the securities are classified as level 2.

Financial investments – level 3 securities

Fair value is based on expected recoverable amount on a prudent basis.

Derivative assets and liabilities

For derivatives assets and liabilities, fair value is determined by valuation techniques based on market observable yield curves.

Loans and advances and customer borrowings

Fair value is calculated using discounting cash flows where materially different from carrying value.

Credit valuation adjustment (CVA)

Valuation adjustments are recorded for the credit risk of bank's derivative portfolios in order to arrive at their fair values. CVA takes into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amounts of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate is generally implied from the market prices for credit protection and credit ratings of the counterparty. Correlation is the statistical measure of how credit and market factors may move in relation to one another, if any. Correlation is estimated using historical data and market data where available.

28. Fair value (cont'd)

a. Breakdown of fair value of financial instruments

The following table compares the carrying amount of financial instruments recognised at amortised cost to their estimated fair values.

EUR'000								Oct 31, 2017
					Fair value measurements using			
	Carrying amount	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total fair value	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and balances with central banks	5,598,263	5,598,263	-	5,598,263	-	-	-	-
Loans and advances due from banks	5,366,530	4,666,238	700,292	5,366,530	-	700,292	-	700,292
Loans and advances to customers	958,318	618,572	339,746	958,318	-	339,746	-	339,746
Other financial assets	169,986	169,986	-	169,986	-		-	-
Total	12,093,097	11,053,059	1,040,038	12,093,097	-	1,040,038	-	1,040,038
Financial liabilities								
Due to banks	690,120	690,120	-	690,120	-	-	-	-
Customer borrowings and deposits	13,334,880	13,334,880	-	13,334,880	-	-	-	-
Other financial liabilities	177,054	177,054	-	177,054	-	-	-	-
Total	14,202,054	14,202,054	-	14,202,054	-	-	-	-

EUR'000								Oct 31, 2016
					Fair value measurements using			
	Carrying amount	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total fair value	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and balances with central banks	4,167,955	4,167,955	-	4,167,955	-	-	-	-
Loans and advances due from banks	4,650,581	4,444,913	205,668	4,650,581	-	205,668	-	205,668
Loans and advances to customers	591,017	393,670	197,347	591,017	-	197,347	-	197,347
Other financial assets	120,879	120,879	-	120,879	-	-	-	-
Total	9,530,432	9,127,417	403,015	9,530,432	-	403,015	-	403,015
Financial liabilities								
Due to banks	782,640	782,640	-	782,640	-	-	-	-
Customer borrowings and deposits	13,533,501	13,533,501	-	13,533,501	-	-	-	-
Other financial liabilities	123,603	123,603	-	123,603	-	-	-	-
Total	14,439,744	14,439,744	-	14,439,744	-	-	-	-

28. Fair value (cont'd)

b. Analysis of fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

EUR'000				Oct 31, 2017				Oct 31, 2016
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial investments	-	3,172,181	-	3,172,181	371,469	5,586,239	-	5,957,708
Derivatives	-	348,699	-	348,699	-	303,673	-	303,673
Total financial assets	-	3,520,880	-	3,520,880	371,469	5,889,912	-	6,261,381
Financial liabilities								
Foreign exchange contracts	-	313,145	-	313,145	-	311,713	-	311,713
Total financial liabilities	-	313,145	-	313,145	-	311,713	-	311,713

c. Transfer between level 1 and level 2 fair value hierarchy

No transfers between fair value hierarchy levels were made during 2016 to 2017.

d. Reconciliation of level 3 financial instruments

No reconciliation were made during 2016 to 2017 as the Bank has no level 3 financial instruments.

29. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The following table presents the effects of offsetting and potential offsetting of financial assets and liabilities. For assets purchased under reverse repurchase agreements and securities borrowed, the Group holds highly rated securities as collateral. These securities can be offset in case of default of the borrower, but are not recognised on the balance sheet. For certain derivative counterparties Master Netting Agreements are in place that allow for netting in case of default. In addition, for certain counterparties, collateral is given or received. This collateral can be netted against derivative transactions in case of default.

EUR'000								Oct 31, 2017
	Amounts subject to enforceable netting arrangements							
				Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)				
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of financial assets before balance sheet offsetting	Amount of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Impact of master netting agreement	Financial collaterals received (2)	Net amount	Amounts not subject to enforceable netting agreements	Total amount recognised on the balance sheet
Derivative assets	327,904	16,562	311,342	122,121	3,574	185,647	37,357	348,699
Other financial assets	-	-	-	-		-	15,265,278	15,265,278
Total	327,904	16,562	311,342	122,121	3,574	185,647	15,302,635	15,613,977

EUR'000								Oct 31, 2017
	Amounts subject to enforceable netting arrangements							
				Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)				
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of financial liabilities before balance sheet offsetting	Amount of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Impact of master netting agreement	Financial collaterals pledged (3)	Net amount	Amounts not subject to enforceable netting agreements	Total amount recognised on the balance sheet
Derivative liabilities	314,057	16,562	297,495	122,121	50,579	124,795	15,650	313,145
Other financial liabilities	-	-	-	-	-	-	14,202,054	14,202,054
Total	314,057	16,562	297,495	122,121	50,579	124,795	14,217,704	14,515,199

(1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure.
(2) Includes cash collateral of EUR 3,574 thousand.
(3) Includes cash collateral of EUR 50,579 thousand.

29. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (cont'd)

EUR'000								Oct 31, 2016
	Amounts subject to enforceable netting arrangements							
				Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)				
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of financial assets before balance sheet offsetting	Amount of financial liabilities offset on the balance sheet	Net amount of financial assets presented on the balance sheet	Impact of master netting agreement	Financial collaterals received (2)	Net amount	Amounts not subject to enforceable netting agreements	Total amount recognised on the balance sheet
Derivative assets	291,436	22,047	269,389	135,531	14,206	119,652	34,284	303,673
Other financial assets	-	-	-	-		-	15,488,140	15,488,140
Total	291,436	22,047	269,389	135,531	14,206	119,652	15,522,424	15,791,813

EUR'000								Oct 31, 2016
	Amounts subject to enforceable netting arrangements							
				Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)				
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of financial liabilities before balance sheet offsetting	Amount of financial assets offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Impact of master netting agreement	Financial collaterals pledged (3)	Net amount	Amounts not subject to enforceable netting agreements	Total amount recognised on the balance sheet
Derivative liabilities	303,699	22,047	281,652	135,531	56,462	89,659	30,061	311,713
Other financial liabilities	-	-	-	-	-	-	14,439,744	14,439,744
Total	303,699	22,047	281,652	135,531	56,462	89,659	14,469,805	14,751,457

(1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure.
(2) Includes cash collateral of EUR 8,133 thousand and non-cash collateral of EUR 6,073 thousand.
(3) Includes cash collateral of EUR 56,462 thousand.

30. Risk management

a. Credit risk

Credit risk is defined as the risk of loss due to the inability or unwillingness of a counterparty to fulfil its payment obligations. Credit risk may be the result of operational, financial or investment activities.

The Group manages and controls concentrations of credit risk whenever they are identified, in particular to individual counterparts, counterparty groups, sectors and countries. The Group sets limits at the following levels: counterparty and single name, geographic (country and region), and product and portfolio, where deemed necessary.

i. Organisation

The Board of Directors and senior management risk committees work together to ensure a Credit Risk Framework and supporting policies, processes and procedures exist to manage credit risk and approve related credit risk limits. Reports are distributed to the Board of Directors and senior management to keep them informed of the Group's Risk Profile, including trending information and significant credit risk issues and shifts in exposures to ensure appropriate actions can be taken where necessary.

Enterprise-wide credit risk policies set out the minimum requirements for the management of credit risk in a variety of borrower, transactional and portfolio management contexts. Limits are used to ensure the Group's portfolio is well diversified, reduce concentration risk and remain within the Group's Risk Appetite. Limits are reviewed on a regular basis taking into account the business, economic, financial and regulatory environments.

ii. RBCIS Group's exposure

The core portion of the Group's total credit risk exposure is driven by the reinvestment of its custody clients' excess cash balances through interbank money market deposits and portfolio investments in fixed income securities as well as unsecured deposits with RBC entities.

Another source of credit risk on the consolidated balance sheet, although minor compared to the size of the Group's exposures mentioned above, arises from temporary overdrafts and committed credit facilities granted to its institutional custody clients as well as cash balances with cash correspondent banks.

The Group is exposed to credit counterparty risk linked to over-the-counter foreign exchange derivatives it contracts with its custody clients and covers with market professionals.

iii. Counterparty Credit Risk

Counterparty Credit risk is the risk that unexpected losses may arise as a result of the Bank's borrowers or market counterparties failing to meet their obligations to pay.

Counterparty credit risk is the risk that counterparty will default before settlement in a particular transaction. The risk include an organisation in ability to pay out on a credit transaction including loan advances and foreign exchange contract.

30. Risk management (cont'd)

Analysis of the maximum exposure to credit risk

The following tables provide the maximum credit risk at the end of the year without taking into account additional credit enhancement such as master netting agreements and pledges on assets.

Maximum credit exposure covers counterparty risk in the consolidated balance sheet and the off balance sheet.

EUR'000		Oct 31, 2017		Oct 31, 2016
	Maximum credit exposure	Collateral received	Maximum credit exposure	Collateral received
Loans and advances and cash balances	11,923,111	6,189	9,409,553	109,638
Debt instruments	3,172,181	-	5,957,708	-
Derivatives (1)	348,699	3,574	303,673	14,206
Other assets	55,532	-	42,301	-
Off balance sheet exposure (2)	993,485	-	909,829	-
Total	16,493,008	9,763	16,623,064	123,844

(1) Derivatives are entered into with clients and positions are closed with third parties. The net position (derivative assets and liabilities) in 2017 was EUR'000 35,554 net asset (2016: EUR'000 8,040 net asset).
(2) Loan commitments and guarantees given to banks and customers. See Note 38.

Exposure by counterparty type

		Oct 31, 2017		Oct 31, 2016
Category of counterparty type	In EUR'000	In %	In EUR'000	In %
Financial Institutions	7,616,088	46.18	7,758,700	46.67
Governments and Supranationals	7,003,276	42.46	7,700,947	46.33
Investment Funds	1,873,644	11.36	1,163,417	7.00
Total	16,493,008	100.00	16,623,064	100.00

Exposure by geographical region

		Oct 31, 2017		Oct 31, 2016
Geography	In EUR'000	In %	In EUR'000	In %
European Union	10,537,372	63.89	11,453,053	68.90
Asia	135,328	0.82	464,514	2.79
North America	3,434,085	20.82	65,438	0.39
Rest of Europe	1,983,404	12.03	1,239,098	7.45
Central and Latin America	7,718	0.05	2,756,850	16.59
Others	395,101	2.40	644,111	3.88
Total	16,493,008	100.00	16,623,064	100.00

30. Risk management (cont'd)

Collateral management

The Group policies foresee granting confirmed credit facilities only to custody clients and only on a secured basis (i.e. with a pledge on existing and future assets). In addition, reverse repos as well as some money market placements and derivative transactions are also performed on a collateralised basis.

The collateral received represents cash or the fair value of debt and equity instruments held against counterparty exposures. Debt collateral received are highly rated corporate and government bonds.

Credit quality of financial assets neither past due nor impaired nor defaulted

The Group leverages the RBC rating models to rate counterparties and assign risk parameters (Probability of Default ("PD"), Loss Given Default ("LGD") etc).

EUR'000					Oct 31, 2017
	AAA to AA-	A+ to BBB-	Non investment grade	Not rated	Total
Debt instruments	2,321,046	851,135	-	-	3,172,181
Loans and advances and cash balances	8,543,320	2,954,115	257,359	151,913	11,906,707
Derivatives	43,195	292,522	12,417	565	348,699
Other assets	-	-	-	26,115	26,115
Off balance sheet exposure	54	784,481	189,151	19,799	993,485
Total	10,907,615	4,882,253	458,927	198,392	16,447,187

EUR'000					Oct 31, 2016
	AAA to AA-	A+ to BBB-	Non investment grade	Not rated	Total
Debt instruments	4,599,686	1,358,022	-	-	5,957,708
Loans and advances and cash balances	4,645,083	4,316,039	389,020	52,042	9,402,184
Derivatives	34,176	252,499	16,837	161	303,673
Other assets	-	-	-	19,019	19,019
Off balance sheet exposure	-	334,432	557,042	18,355	909,829
Total	9,278,945	6,260,992	962,899	89,577	16,592,413

In 2017 and 2016 the Group did not have any loans with renegotiated terms that would otherwise be considered past due or impaired.

Past-due and impaired financial assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract.

30. Risk management (cont'd)

The following table summarises the carrying value of the Group's financial assets that are considered past due or impaired. The table also provides an aging analysis of past-due but not impaired assets and collateral received on both past due and impaired loans.

EUR'000					Oct 31, 2017
	Past-due but not impaired financial assets			Gross carrying amount of specifically impaired financial assets	Collateral received on both past-due and impaired loans
	<90 days	>90 days <180 days	>180 days		
Loans and advances	16,389	15	-	-	-
Other assets	25,608	3,081	728	2,122	-
Total	41,997	3,096	728	2,122	-

EUR'000					Oct 31, 2016
	Past-due but not impaired financial assets			Gross carrying amount of specifically impaired financial assets	Collateral received on both past-due and impaired loans
	<90 days	>90 days <180 days	>180 days		
Loans and advances	7,357	12	-	12	-
Other assets	22,519	604	140	2,867	-
Total	29,876	616	140	2,879	-

Collateral and other credit enhancements obtained by taking possession of collateral held

There were no collateral, or other credit enhancements, obtained by taking possession of collateral held due to a default in 2017 and 2016.

Collateral received

There was no collateral received which could be sold or repledged in 2017 and 2016.

b. Market risk

Market risk is the risk of any impact on the Group's financial position due to adverse market movement caused by market variables such as equity prices, interest rates, foreign exchange rate, credit spread and credit ratings.

The components of market risk include:

- Interest rate risk arising from the changes in interest rates;
- Liquidity risk is the risk that the Group may be unable to generate or obtain sufficient cash liquidity or its equivalent in a timely and cost-effective manner to meet its commitments as they fall due;
- Credit Spread risk arising from the changes in credit spread;
- Foreign exchange rate risk arising from the change in currency rates; and
- Equity risk arising from the movements in individual equity prices or movements in the level of stock market indices.

30. Risk management (cont'd)

The Group has no material exposure to market risk arising from trading activities, as trading activities are not part of its strategy or risk appetite.

Very limited overnight foreign exchange positions are authorised to allow for residual small client trades to be aggregated intraday and placed through professional market counterparties. This dealing activity is monitored by an independent Market Risk Management function.

i. Market risk measures – Non trading banking activities

Through its non-trading activities, such as deposit taking and reinvestment of its funds, the Group has exposure to market risks, including interest rate risk and credit spread risk. The Group's global structure and activities also give rise to structural foreign exchange risk.

ii. Interest rate risk in the Banking Book ("IRRBB")

Interest Rate Risk of the Banking Book ("IRRBB") refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value (EVE).

Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). Excessive IRRBB can pose a significant threat to a bank's current capital base and/or future earnings if not managed appropriately.

The IRRBB policy defines the management standards and approved limits within which risks to net interest income over a 12-month horizon, and the economic value of equity, are to be contained.

RBCIS Structural Interest Rate Risk Policy defines the following Interest Rate Risk objectives:

- To preserve RBCIS Bank 'safety and soundness by limiting the vulnerability of EVE and NII to adverse interest rate movements. Since some degree of IRR is inherent to the banking business, total elimination of either NII risk or value risk is not practical.
- To protect RBCIS Bank's ability to pursue its core business strategies by addressing creditor concerns and regulatory requirements. This objective implies a requirement to manage IRR in a prudent and professional manner.
- To immunize and manage IRR in a cost-effective manner within the constraints of the first two objectives.
- To favour the management of Value Risk over NII Risk, subject to the constraints of the risk limits specified in this policy and the first two objectives. EVE Risk management is favoured because it is a more comprehensive, longer-term economic measure of interest rate risk, while NII Risk is an accounting-income based measure and provides no insight into IRR inherent in a balance sheet beyond a certain measurement horizon.
- To operate within the risk limits allocated to RBCIS Bank and specified in this policy in order to manage the day to day operations, taking into account the constraints of its processes and risk measurement capabilities, while adhering to other applicable frameworks, policies, and standing orders which cover, on a standalone basis, specific risk aspects of RBCIS Bank's balance sheet.

RBCIS Bank follows the regulatory requirements as set out by the BCBS principles and the European Banking Authority (EBA)/GL/2015/08 guidelines on the management of interest rate risk arising from non-trading activities.

RBCIS Bank's philosophy is to manage the IRR of the non-trading balance sheet while taking into consideration all components of IRR. RBCIS Bank may implement risk management strategies for managing the structural balance sheet risk positions. Such risk positions, if taken, will be taken within limits allocated.

RBCIS Bank ALCO will monitor and direct risk positioning within delegated authorities given to the Treasurer of RBCIS Bank. Interest rate risk reports are reviewed regularly by RBCIS Bank ALCO, ExCo, risk management and the Board of Directors.

30. Risk management (cont'd)

Risk measurements performed by RBCIS Bank Corporate Treasury are including:

Activity/Process	Service Level
Monthly Reporting	• Value Risk and NII Risk exposures under an instantaneous up or down 100 basis point rate change as outlined in the EBA guideline (IRRBB 2); • The change in economic value that results from calculating the outcome of the standard shock, as referred to in Article 98(5) of Directive 2013/36/EU and in the EBA guideline (IRRBB 5). • Measurement of the IRR sensitivity under different stress test scenarios for potential changes in the level and shape of the interest rate yield curve as outlined in the EBA guideline (IRRBB 3).
Quarterly Reporting	• Contribution to the update of the quantitative and qualitative sections of the IRRBB template as part of the supervisory STE.
Semi Annual Reporting	• Contribution to the update of the quantitative and qualitative sections of the IRRBB CSSF regulatory reporting.
Annual Reporting	• Annual supervisory stress-test exercise on IRRBB launched by the ECB and subsequent quality assurance process as an input to the SREP. • Annual ICAAP review with the inclusion of a 3 year projection of the Pillar II capital charge on IRRBB and a description of the tools used to perform the iteration. • Other annual supervisory requirements including qualitative/quantitative assessments in the context of the SREP.

The Interest Rate Risk Limits are recommended annually by the RBCIS Bank ALCO and Exco for approval by RBCIS Bank's Board of Directors.

The Value and NII Risk exposure will be managed such that an instantaneous up or down 100 basis point rate change will not cause a loss of Value or NII greater than approved limits.

Moreover the maximum loss under a supervisory standard shock of 200 basis point on the Economic Value of Equity (EVE) can only account for up to at 15% of RBCIS Bank's Solo own funds.

Internal stress testing including hypothetical, historical and single risk factors scenarios are produced monthly as part of the IRRBB report and the maximum loss can only account for up to 15% of RBCIS Bank's Solo own funds.

The following table provides the potential before-tax impact of an instantaneous up or down 100 basis point rate on net interest income and Economic Value of Equity and a supervisory standard shock of 200 basis point rate on the Economic Value of Equity of the Group's ALM portfolio.

EUR		Oct 31, 2017		Oct 31, 2016
	up 100 bps	down 100 bps	up 100 bps	down 100 bps
Economic value of equity risk	2	(4,7)	(43)	11
Net interest income risk	20,6	(4,7)	9	(5)

EUR		Oct 31, 2017		Oct 31, 2016
	up 100 bps	down 100 bps	up 100 bps	down 100 bps
Value Risk RBCIS Bank Solo	(6,6)	1	(114)	1
Value Risk as % of Available Capital	4%	0%	66%	0%

30. Risk management (cont'd)

The following table provides a breakdown of financial assets and financial liabilities by the earlier of their remaining maturity or their rate reset date. The table does not incorporate Management's expectation of future events where expected repricing or maturity dates differ significantly from the contractual dates.

EUR'000							Oct 31, 2017
Financial assets	Immediately interest rate sensitive	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	After more than 5 years	Non rate sensitive	Total
Cash and balances with central banks	5,599,580	-	-	-	-	(1,317)	5,598,263
Loans and advances due from banks	664,797	3,987,161	600,180	100,000	112	14,280	5,366,530
Loans and advances to customers	635,333	101,203	129,375	70,579	-	21,828	958,318
Financial investments	-	2,339,601	134,881	688,259	-	9,440	3,172,181
Derivatives	348,699	-	-	-	-	-	348,699
Other assets	-	-	-	-	-	169,986	169,986
Total financial assets	7,248,409	6,427,965	864,436	858,838	112	214,217	15,613,977
Liabilities							
Due to banks	687,191	-	-	-	-	2,929	690,120
Customer borrowings and deposits	13,302,663	-	-	-	-	32,217	13,334,880
Derivatives	313,145	-	-	-	-	-	313,145
Other liabilities	-	-	-	-	-	177,054	177,054
Total financial liabilities	14,302,999	-	-	-	-	212,200	14,515,199

Net position

	Immediately interest rate sensitive	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	After more than 5 years
On balance sheet sensitivity gap	(7,054,590)	6,427,965	864,436	858,838	112

30. Risk management (cont'd)

EUR'000							Oct 31, 2016
Financial assets	Immediately interest rate sensitive	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	After more than 5 years	Non rate sensitive	Total
Cash and balances with central banks	4,168,281	-	-	-	-	(326)	4,167,955
Loans and advances due from banks	676,196	3,756,158	7,029	200,000	112	11,086	4,650,581
Loans and advances to customers	248,576	299,428	3,645	-	-	39,368	591,017
Financial investments	-	3,696,140	451,920	1,733,820	57,672	18,156	5,957,708
Derivatives	303,673	-	-	-	-	-	303,673
Other assets	-	-	-	-	-	120,879	120,879
Total financial assets	5,396,726	7,751,726	462,594	1,933,820	57,784	189,163	15,791,813
Liabilities							
Due to banks	769,084	-	-	-	-	13,556	782,640
Customer borrowings and deposits	13,513,437	-	-	-	-	20,064	13,533,501
Derivatives	311,713	-	-	-	-	-	311,713
Other liabilities	-	-	-	-	-	123,603	123,603
Total financial liabilities	14,594,234	-	-	-	-	157,223	14,751,457

Net position

	Immediately interest rate sensitive	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	After more than 5 years
On balance sheet sensitivity gap	(9,197,508)	7,751,726	462,594	1,933,820	57,784

Assets under administration are not included in this Note.

EUR'000 7,675 relating to cash and balances with central banks has been reclassified from within 3 months to immediately interest rate sensitive.

iii. Non-trading Foreign exchange rate risk

Foreign exchange rate risk is the potential adverse impact on earnings and economic value due to changes in foreign currency rates. The Group's revenue, expenses and income denominated in currencies other than EURO are subject to fluctuations as a result of changes in the value of the average EURO relative to the average value of those currencies. The Group's net exposure to foreign exchange risk is not material as it is the bank's policy not to maintain material open currency positions.

30. Risk management (cont'd)

c. Liquidity risk

Liquidity risk is the risk that the Group may be unable to generate or obtain sufficient liquidity or its equivalent in a timely and cost-effective manner to meet its commitments as they fall due.

The Group's consolidated balance sheet structure has inherently low liquidity risk; the principal source of funding, demand deposits, is matched against short-term investments and available liquidity buffers. The Group monitors the composition of its deposit base with respect to liquidity risk.

The Bank has in place a robust liquidity risk management framework enabling to maintain a solid Liquidity Risk Profile and complies with regulatory limits alongside internal limits and control framework. The Bank holds substantial high quality securities that are prudently valued and maintains sufficient levels of funding, with all illiquid assets funded for greater than 1yr. Funding derives primarily from stable sources in a sector that has significant barriers to facilitate withdrawals of deposits in the short term. Moreover the Bank has not received any central Bank support (either directly or indirectly) and is not reliant on incremental group liquidity in the event of a liquidity crisis.

The liquidity risk management of RBCIS Bank is adequate. The development of relevant indicators, such as liquidity position, the survival period, daily LCR and NSFR prediction under stress test are monitored consistently by the Bank. The amount and composition of liquidity buffers at 31 October 2017 are adequate and enable the Bank to be able to continue to meet its payment obligations both under normal and stress conditions on a present and prospective basis. RBCIS Bank complies structurally with internal and external requirements, including standards for maintaining healthy balance sheet.

RBC IS Bank Corporate Treasury team has ultimate responsibility to produce an ILAAP on an annual basis to summarize the key liquidity risks it faces. The results of this exercise are used to inform Senior Management and the independent non-executives of the risks being run in RBC IS Bank and the material controls that are in place to manage them. RBC IS Bank's risk appetite is informed by the ILAAP.

RBCIS Bank Corporate Treasury runs stress tests on a daily basis. European regulation requires liquidity stress testing to consider at least 3 scenarios consisting of a market shock, an idiosyncratic shock and then a combined shock scenario. For the purposes of the Daily Liquidity Stress Test, three stress scenarios covering these requirements are used to highlight potential areas of weakness within the liquidity profile of the entity, RBC (Parent) Specific, Country/Region Eurozone Crisis and a combined RBC Specific/ Country/Region Eurozone Crisis. RBCIS Bank stress tests includes an analysis of cash-flow, the evolution of the liquidity position, the predictability of the LCR and Net Stable Funding Ratio (NSFR), as well as considering balance sheet, and solvency assumptions across all future time buckets.

RBCIS's stress methodology also calculates the impact of an intraday liquidity stress focused on the three first days of the stressed period. The net liquidity buffer available same day is calculated. All assets encumbered against this risk are excluded from the calculation, reflecting the continuing need to use these to mitigate the Intraday risk. This stress test allows RBCIS to conclude whether the liquidity buffer is of sufficient volume to combat an intraday stress.

The Liquidity Risk Fund Transfer Pricing Policy evaluates the Bank's balance sheet for the terms and rates at which RBCIS Bank's excess funds can be placed with other RBC entities after taking into consideration the liquidity value of its deposits and the liquidity requirements of its assets; and the value of, and compensation for, any excess liquidity that remains after accounting for these placements.

RBCIS Bank maintains a well-developed and robust set of protocols related to liquidity contingency planning. The Liquidity Contingency Plan describes the action plan for maintaining RBCIS Bank ability to fulfil commitments under stress conditions. The plan is developed by assessing the impact of a stress event on RBCIS Bank's liquidity profile, and identifying recovery actions that could be undertaken to restore liquidity levels to be within the stated Risk Appetite.

The plan includes a menu of liquidity options and an approach for assessing, monitoring and reporting crises stages, including explicit escalation procedures and authorities. The Liquidity Contingency Plan can be activated in conjunction with the initiation of the Recovery Plan or to respond to sudden and material changes in liquidity conditions.

30. Risk management (cont'd)

As to the annual funding plan, RBCIS Bank has performed a back testing of the 2017 plan, i.e the projection build last year compared to that actuals as at end October 2017 supplemented by a 3 year projection of the Balance Sheet extended with a projection of LCR and NSFR under a normal business conditions and under the worst ILAAP stress test to evidence that RBCIS Bank continues to maintain appropriate liquidity resources.

The funding plan is primarily driven by the prospective three years strategic plan prepared by RBCIS Bank's CFO office approved by the Board of Directors.

RBCIS Bank Corporate Treasury, Group Risk Management (GRM), and Treasury and Market Services (TMS), perform ongoing monitoring of market developments, looking for early warning signals and risk indicators to assess the potential for a change in liquidity conditions and, when in a crisis situation, to determine if a change in crisis stage is warranted. The status of the selected indicators as well as utilization of risk limits are monitored along with expected trends on an on-going basis and tracked in a Liquidity Scorecard which is reviewed quarterly by ALCO and LCT to support the decision for activating the liquidity crisis plans or moving from one crisis stage to another.

The ALCO oversees liquidity risk management, monitoring liquidity against approved limits. ALCO reviews the Liquidity Limits Document, , the Liquidity Risk Policy, the Liquidity Risk Management Framework, the Pledging Policy and the Liquidity Contingency Plan and provides recommendations for approval to the Board of Directors. RBC IS Bank Corporate Treasury delegates responsibility for the maintenance of the Liquid Asset Buffer to RBC IS Bank TMS in line with directions and constraint outlined in the Investment Policy owned by RBC IS Bank Corporate Treasury. Liquidity measures are reviewed by ALCO, ExCO and by the Board of Directors.

A suite of internal and regulatory reports are produced by RBCIS Corporate Treasury to inform both internal and external stakeholders of changes in the liquidity risk profile of the Bank.

Liquidity Risk limits including internal and regulatory metrics are set for RBC IS Bank and its affiliates including RBC IS Bank France S.A., RBC IS Bank Zurich Branch and RBC IS Bank Hong-Kong. RBC IS Bank and its affiliates will comply with any applicable limits or other requirements as defined in the Enterprise frameworks, policies and regulatory requirements.

The limits are consistent with the liquidity indicators and early warning indicators set out in the Liquidity Contingency Plan and are aligned with the regulatory recommendations. Liquidity limits are primarily set as Board limits and are the expression of the Risk Appetite.

The Group applies a minimum LCR and NSFR requirements of 100% to be consistent with the Enterprise-wide liquidity framework and OSFI's requirement. The Group manages the LCR and NSFR based on the following limit structure:

Level	Limit	Exceptional approval authority
Board Limit	105%	Board, exceptions below 105% down to 100%
Operational Limit	107%	RBC IS Bank CRO and CFO, exceptions below 107% down to 105%
Desk Limit	110%	RBC IS Bank Corporate Treasurer, exceptions below 110% down to 107%

30. Risk management (cont'd)

The following table analyses the Group's non-derivative financial assets and liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial assets and financial liabilities

EUR'000						Oct 31, 2017
	Breakdown of contractual cash flows					
Non derivative financial assets	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Cash and balances with central banks	5,598,228	-	-	-	-	5,598,228
Loans and advances due from banks	665,355	4,002,928	600,021	99,970	112	5,368,386
Loans and advances to customers	403,737	380,087	89,979	85,293	-	959,096
Financial investments	-	449,757	1,057,365	1,653,088	-	3,160,210
Other financial assets	27,632	136,870	1,531	3,825	128	169,986
Total non derivative financial assets	6,694,952	4,969,642	1,748,896	1,842,176	240	15,255,906
Non derivative financial liabilities						
Due to banks	407,636	282,496	-	-	-	690,132
Customer borrowings and deposits	13,323,900	10,980	-	-	-	13,334,880
Other financial liabilities	85,260	88,916	1,529	1,108	241	177,054
Total non derivative financial liabilities	13,816,796	382,392	1,529	1,108	241	14,202,066

Net position

EUR'000					Oct 31, 2017
	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years
Net liquidity gap	(7,121,844)	(4,587,250)	1,747,367	1,841,068	(1)

Derivatives

EUR'000						Oct 31, 2017
Derivatives settled on a gross basis	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Outflow	-	63,730,054	3,901,971	-	-	67,632,025
Inflow	-	63,762,892	3,910,100	-	-	67,672,992

30. Risk management (cont'd)

Breakdown contractual amounts for other off balance sheet items

EUR'000						Oct 31, 2017
Regular way trades	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Outflow	2,078,636	-	-	-	-	2,078,636
Inflow	2,484,770	-	-	-	-	2,484,770
Loan commitments						
Outflow	2,259,988	-	-	-	-	2,259,988
Guarantees						
Outflow	17,417	-	-	-	-	17,417

Non-derivative financial assets and financial liabilities

EUR'000						Oct 31, 2016
	Breakdown of contractual cash flows					
Non derivative financial assets	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Cash and balances with central banks	4,160,245	7,675	-	-	-	4,167,920
Loans and advances due from banks	676,164	3,770,690	5,556	199,949	112	4,652,471
Loans and advances to customers	318,714	200,219	72,174	300	-	591,407
Financial investments	-	318,519	1,112,525	4,376,512	127,375	5,934,931
Other financial assets	14,075	100,234	2,586	3,833	151	120,879
Total non derivative financial assets	5,169,198	4,397,337	1,192,841	4,580,594	127,638	15,467,608
Non derivative financial liabilities						
Due to banks	763,337	19,302	-	-	-	782,639
Customer borrowings and deposits	13,531,376	2,124	-	-	-	13,533,500
Other financial liabilities	15,639	102,234	4,337	1,142	251	123,603
Total non derivative financial liabilities	14,310,352	123,660	4,337	1,142	251	14,439,742

Net position

EUR'000					Oct 31, 2016
	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years
Net liquidity gap	(9,141,154)	4,273,677	1,188,504	4,579,452	127,387

30. Risk management (cont'd)

Derivatives

EUR'000						Oct 31, 2016
Derivatives settled on a gross basis	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Outflow	-	56,858,174	1,167,013	-	-	58,025,187
Inflow	-	56,848,887	1,170,075	-	-	58,018,962

Breakdown contractual amounts for other off balance sheet items

EUR'000						Oct 31, 2016
Regular way trades	At sight and on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Total
Outflow	1,837,869	-	-	-	-	1,837,869
Inflow	1,832,470	-	-	-	-	1,832,470
Loan commitments						
Outflow	1,825,847	-	-	-	-	1,825,847
Guarantees						
Outflow	18,576	-	-	-	-	18,576

The balances in the above tables will not agree directly with those in the consolidated balance sheet as the tables incorporate, on an undiscounted basis, all cash flows relating to the principal and future coupon payments.

d. Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes both strategic risk and reputational risk. The Group manages operational risk in an efficient and effective manner by ensuring effective infrastructure, existence of controls, systems and qualified individuals are in place throughout the organisation and supported by an approved operational risk management framework. The operational risk management framework encompasses a common risk language with enterprise-wide programs and methodologies for the identification, measurement, control and management of operational risks. The framework is supported by strong governance processes; a code of ethics; risk based internal auditing; and corporate and business compliance activities.

i. Identification, Assessment and Monitoring

Operational risk is managed through various mechanisms. The Group has in place a formal process to proactively identify, assess and monitor operational risks. In addition, other assessment programs are conducted in parallel. Ongoing risk reviews of operations, including projects, new products and new clients are also conducted to manage risks.

Operational risks are managed and mitigated, but cannot be totally eliminated as operational risk failures can and do occur. Loss event data is collected leading to a better understanding of the root causes of operational failures and improved risk mitigation strategies.

To ensure controls are in place and operating effectively, internal audits are conducted on a regular basis. Any issues raised are rated, with the key items addressed and resolved as a priority. Results of internal audits including the monitoring of action plan completion are reported to the audit committee on a regular basis. Further, the Group appoints an external auditor to report on key internal controls covering the Group's core business – custody, shareholder services and fund administration - in compliance with the industry standards ISAE3402 and SSAE16.

30. Risk management (cont'd)

Business units also have measurements in place to monitor the delivery of key services to clients. Most of the measurements are connected to operational performance. Any negative trends are addressed and reported for follow up.

ii. Organisation

The Group manages operational risk by having the appropriate infrastructure, systems of controls, systems and people in place throughout the organisation that follows the three lines of defence approach.

- Business is the first line of defence. Business owns its operational risk and is accountable to manage it day to day through systems, processes and controls, escalate issues to management and risk governance functions. Operational Control (previously Business ORM) teams are now an integral part of the first line of defence and are in charge of executing the Enterprise ORM programs in order to determine and report an independent point of view of the operational risk profile and escalate issues as required, challenge the business on their understanding of their risks and the status and adequacy of their controls.

- The second line of defence is composed of an Enterprise ORM function and other control functions (Market Risk, Credit Risk, Finance, Compliance, Law Group etc) that provide an oversight on the effective execution of the internal control framework. Specifically, the EORM Advisory & Oversight team performs oversight on and challenges the execution of risk programs by the first line of defence and reviews the management of risk against the approved risk appetite of the business and entities. Compliance function is in addition part of the second line and is ensuring that the Group meets all obligations resulting out from existing laws and regulations e.g. Anti-Money Laundering ("AML"), Know Your Customer ("KYC"), Protection of investors, etc.

- The third line of defence is the internal audit team that is independent of the business. The Internal Audit Services is headed by the RBC Chief Internal Auditor, who reports functionally to the Audit Committee through its Chair, and has direct access to the Audit Committee. The Chief Internal Auditor also reports administratively to the President and Chief Executive Officer of RBC.

The scope of the internal audits extends to all activities and functions of the Group and its subsidiaries and branches. A risk-based approach aligned to RBC's Risk Pyramid is used to determine minimum audit coverage, timing and resources. Internal and external developments and emerging risks, as well as regulator and management requests also impact the audit coverage. Depending on the assessed risk level, the audit cycle for the various units is determined with opportunity to accelerate the cycle when required by regulators.

iii. Reporting

Regular reporting provides senior management, the Board of Directors and its delegated committees with an overview of the Group's operational risk profile. This is obtained from risk identification and monitoring of various activities and from reporting of any significant operational events and losses.

30. Risk management (cont'd)

e. Capital Adequacy

i. Capital management

In 2017, the Group continued to maintain its strong capital position and high ratio. This ensures that at any time, considering potential downturn of the activity due to unexpected external or internal events, the Group will be able to maintain business continuity, pursue its business objectives and ensure capital adequacy with regard to the minimum regulatory requirements. This policy is an assurance to provide continuous returns for shareholders and benefits for other stakeholders. Capital adequacy and regulatory capital are monitored on a monthly basis by the Group's management Committee. The regulatory reporting (COREP) is sent to the respective regulators quarterly.

ii. Regulatory capital

Basel III Accords set the standards and provided necessary guidelines for European and national regulators to define the legislation and regulations for banking supervision and minimum regulatory capital requirements. The three-pillar based Accord renders mandatory for all banks to define, approve and implement their own approaches to measure capital requirements for credit, market and operational risk exposures under the Pillar I. Also, it induces banks to implement risk management best practices and to define complementary measures through economic capital calculation for risks not covered under the Pillar I of the accord.

As a significant bank in Luxembourg, RBC Investor Services Bank Consolidated and all its affiliated entities is subject to the direct supervision of the European Central Bank, operated by a Joint Supervisory Team composed of members from the ECB and from its consolidating regulator ("CSSF") and the application of the provisions of CRD IV package - Capital Regulatory Directives 2013/36/EU and circular 575/2013 (Capital Regulatory Requirements).

The Group has complied with all the capital requirements imposed by regulators during all periods presented.

The Group will continue to improve risk management practices and capital calculation on an on-going basis by applying new regulation or guidelines as published by regulators or supranational institutions. In 2016, the Group has continued to reinforce its risk framework by applying new rules for stress testing, ICAAP, Large Exposure and remuneration. This improvement has been conducted in the respect of the new regulatory requirement CRD II and guidelines from the EBA (European Banking Authority previously C-EBS).

The risk management initiatives and practices are supported by the RBC I&TS Operating Committee and the Management Committee of the Group.

As of September 2016 RBCIS replaced the Advanced Internal Rating Based approach (AIRB) by the Standardised approach for credit risk under Pillar I. This replacement was authorised by the ECB Joint Supervisory Team as of July 1, 2016 and has been applied prospectively.

Risk Reporting Unit has the responsibility to apply appropriate techniques of calculation and to monitor any changes of the regulation. This team is constantly improving the data quality and fine-tuning the calculation process.

This team applies the following approaches to produce the COREP reporting for the jurisdictions of RBC I&TS where a reporting is expected:

- Standardised approach for credit risk;
- Standardised measurement approach for market risk; and
- Standardised approach for operational risk.

Under the CRD IV framework, the CSSF requires each bank or banking group to: (a) hold the minimum level of regulatory capital of EUR 8,700,000, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 8%, with in addition to it, a countercyclical buffer of 1.250%. Also, the CSSF, in its "Règlement 14-01" dated February 2014 has requested the banks under its supervision to maintain an additional buffer ("Capital Conservation Buffer") of 2.5%.

30. Risk management (cont'd)

In addition, RBC I&TS adopts a stricter internal Tier 1 capital ratio to a level of 14.5%. RBC IS regulatory capital is only composed of Tier 1 high quality capital. Therefore, in 2017, the regulatory capital was composed of share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is deducted from the Tier 1 capital.

The Group's regulatory capital is determined in accordance with regulations issued by regulatory authority.

Solvency ratio under Basel III requirements

EUR'000	Oct 31, 2017	Oct 31, 2016
Tier 1 Capital	1,123,639	1,077,576
Total Deduction Tier 1	(122,808)	(128,838)
Net Tier 1 Capital	1,000,831	948,738
Eligible own funds	1,000,831	948,738
Capital requirements:		
Credit risk and counterparty risk	284,547	232,220
Operational risk	59,796	60,982
Market risk:		
Interest rate risk	8,676	3,881
Foreign exchange risk	3,856	1,619
Total capital requirements	356,875	298,702
$\dfrac{\textbf{Eligible own funds}}{\textbf{Capital requirements} \times 12.5}$	**22.44%**	**25.41%**

Portfolio exposures by Risk Weights under Standard Approach

October 31, 2017 Portfolios	Total Exposure after CRM (1) (amount in EUR'000)	Weighted Avg. RW (2) (%)
Banking Institutions	8,344,291	20.78
Central Government, supranational and multilateral development Banks	6,988,757	0.02
Covered Bond	90,000	10.00
Corporate	3,131,803	100.61
Other	228,055	70.33
Total	18,782,906	20.81

October 31, 2016 Portfolios	Total Exposure after CRM (1) (amount in EUR'000)	Weighted Avg. RW (2) (%)
Banking Institutions	7,485,087	22.20
Central Government, supranational and multilateral development Banks	7,675,591	0.01
Covered Bond	125,000	10.00
Corporate	2,452,338	100.11
Other	161,908	70.19
Total	17,899,924	17.37

(1) Credit Risk Mitigation ("CRM")
(2) Risk Weight ("RW")

Large exposure exemption towards RBC

As of June 25, 2012, the Group received the agreement by the Commission de Surveillance du Secteur Financier (CSSF) of the large exposure exemption towards Royal Bank of Canada and towards other subsidiaries of Royal Bank of Canada.

31. Leasing

RBC Investor Services as lessor

The Group is not active in leasing as a lessor.

RBC Investor Services as lessee

Operating Leases

Future net minimum lease payments under non cancellable operating leases, essentially for buildings and computer equipment, are as follows:

EUR'000	Oct 31, 2017	Oct 31, 2016
Not later than 1 year	14,639	19,099
Later than 1 year and not later than 5 years	43,546	41,711
Later than 5 years	58,797	8,627
Total	116,982	69,437

Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date:

EUR'000	Oct 31, 2017	Oct 31, 2016
Amount of future minimum sublease payments expected to be received under non-cancellable subleases	-	(13)
Total	-	(13)

Lease payments recognised in the consolidated income statement during the year:

		For the year ended
EUR'000	Oct 31, 2017	Oct 31, 2016
Minimum lease payments (1)	17,501	19,858
Sublease payment	(10)	(647)
Total	17,491	19,211

(1) Relates to rental properties, office equipment and information technology lease costs

There were no contingent rents recognised in the consolidated income statement during 2017 and 2016.

The Group has not contracted any finance leases during 2017 and 2016.

32. Related party disclosures

IAS 24 'Related Party Disclosures' requires disclosure about transactions and outstanding balance with the Bank's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel.

Related parties include the parent bank, Royal Bank of Canada (RBC), associated companies, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors of RBC (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

a. Related party transactions

EUR'000	Oct 31, 2017	Oct 31,2016
	Related parties (1)	Related parties (1)
Balance sheet		
Loans and receivables	5,053,599	4,387,249
Derivatives (assets)	72,176	68,355
Other assets	6,774	5,649
Borrowings and deposits	547,623	399,804
Derivatives (liabilities)	233,746	149,781
Other liabilities	9,434	12,038
Income statement		
Interest income	34,217	36,795
Interest expense	(3,288)	(1,748)
Fee and commission income	20,613	17,789
Fee and commission expense	(3,796)	(3,558)
Net gain on investments	69	-
Net income from financial instruments at fair value through profit or loss	(80,570)	(31,529)
Other income and expense	(9,479)	(6,713)
General and administrative expenses	(7,957)	(7,147)
Off balance-sheet		
Derivatives/Spot transactions to receive (2)	32,170,202	25,092,979
Derivatives/Spot transactions to deliver (2)	32,371,976	25,193,331
Derivatives/Spot transactions to receive highest month-end notional during year (2)	33,616,327	26,318,356
Derivatives/Spot transactions to deliver highest month-end notional during year (2)	33,697,741	26,271,062
Loans to be delivered	400,000	-
Collateral received	6,189	7,961
Custody assets entrusted to	21,107,504	18,369,473
Custody assets entrusted from	5,870,521	5,347,417

Related parties include parties having the ability to control, jointly control or significantly influence the Group.

There were no transactions with the immediate shareholder of the Group, Royal Bank Holding Inc.

(1) This represents transactions with related parties in the RBC Group, other than the immediate shareholder.

(2) The Group entered into foreign exchange derivatives and spot foreign exchange contracts with RBC London Branch to facilitate client transactions. The disclosure of notional amounts as of the end of the year and the highest month-end notional amount during the year is considered the most meaningful information to represent transactions during the year.

All transactions with related parties have been dealt on an arms' length basis.

Transactions linked to post-employment defined benefit plans were entirely carried out with counterparties outside the Group.

32. Related party disclosures (cont'd)

b. Key management compensation

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling our activities, directly or indirectly. They include the senior members of RBC called the Group Executive. The Group Executive is comprised of the President and Chief Executive Officer and those individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resources Officer, Group Chief Risk Officer, and, Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations, and Personal & Commercial Banking. The Group Executive is ultimately responsible for all material decisions of RBC. The Group Executive is also responsible for establishing the overall strategic direction of the RBC group and, in that regard, sets global parameters for the RBC group within which the board of directors and management of each subsidiary in the RBC group exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of RBC do not plan, direct, or control the activities of RBC; they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

The following tables present the compensation paid, shareholdings and options held by key management personnel and Directors.

	For the year ended	
EUR million	Oct 31, 2017	Oct 31, 2016
Salaries and other short-term employee benefits (1)	22	18
Post-employment benefits (2)	1	1
Share based payments	25	28
Total	**48**	**47**

(1) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of deferred share units. Directors receive retainers but do not receive salaries and other short-term employee benefits.
(2) Directors do not receive post-employment benefits.

	Oct 31, 2017		Oct 31, 2016	
	Nr. of units held	Value EUR million	Nr. of units held	Value EUR million
Stock options (1)	2,174,841	40	2,110,038	29
Other non-option stock base awards (1)	1,371,104	92	1,703,221	97
RBC common and preferred shares	632,631	43	789,295	45
Total	4,178,576	175	4,602,554	171

(1) Directors do not receive stock options or any other non-option stock based awards.

32. Related party disclosures (cont'd)

Transactions, arrangements and agreements involving key management personnel, Directors and their close family members.

In the normal course of business, RBC provides certain banking services to key management personnel, Directors, and their close family members. These transactions were made on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing and did not involve more than the normal risk of repayment or present other unfavourable features.

As at October 31, 2017, total loans to key management personnel, Directors and their close family members are EUR 7 million (October 31, 2016 – EUR 7 million). RBC has no allowance or provision for credit losses relating to these loans as at and for the year ended October 31, 2017.

33. List of subsidiaries

Fully consolidated subsidiaries

Name	Country of incorporation	Percentage of capital held
RBC Investor Services Belgium S.A.	Belgium	100.00
RBC Investor Services Bank France S.A.	France	100.00
RBC Investor Services France S.A.	France	100.00
RBC Investor Services Holding (Hong Kong) Limited	Hong Kong	80.00
RBC Corporate Services Hong Kong Limited	Hong Kong	80.00
RBC Investor Services Trust Hong Kong Limited	Hong Kong	80.00
RBC Investor Services Ireland Limited	Ireland	100.00
RBC Investor Services (Malaysia) Sdn Bhd	Malaysia	100.00
RBC Investor Services Trust Singapore Limited	Singapore	100.00
RBC Investor Services UK LLP	United Kingdom	66.67

In June 2017, RBC Investor Services Cayman Limited have been liquidated.

Associated companies accounted for by the equity method

RBC Investor Services Group has no companies accounted for by the equity method.

34. Recovery and settlement of on-balance sheet assets and liabilities

The table below presents an analysis of assets and liabilities recorded on the consolidated balance sheet by amounts to be recovered or settled within one year and after one year, as at the balance sheet date, based on contractual maturities and certain other assumptions outlined in the footnotes below. The Group manages the liquidity risk of various products based on historical behavioural patterns that are often not aligned with contractual maturities. Amounts to be recovered or settled within one year, as presented below, may not be reflective of management's long-term view of the liquidity profile of certain balance sheet categories.

EUR'000			Oct 31, 2017			Oct 31, 2016
	Within one year	After one year	Total	Within one year	After one year	Total
Assets						
Cash and balances with central banks (1)	5,598,263	-	5,598,263	4,167,955	-	4,167,955
Loans and advances due from banks	5,266,418	100,112	5,366,530	4,450,469	200,112	4,650,581
Loans and advances to customers	873,025	85,293	958,318	590,717	300	591,017
Financial investments	1,503,009	1,669,172	3,172,181	1,405,787	4,551,921	5,957,708
Derivatives (2)	348,699	-	348,699	303,673	-	303,673
Current tax assets	1,066	-	1,066	1,743	-	1,743
Tangible assets	-	16,589	16,589	-	16,032	16,032
Goodwill and other intangible assets	-	122,808	122,808	-	128,838	128,838
Deferred tax assets	261	280	541	117	150	267
Other assets	166,033	3,953	169,986	116,895	3,984	120,879
Total assets	**13,756,774**	**1,998,207**	**15,754,981**	**11,037,356**	**4,901,337**	**15,938,693**
Liabilities						
Due to banks	690,120	-	690,120	782,640	-	782,640
Customer borrowings and deposits (3)	13,334,880	-	13,334,880	13,533,501	-	13,533,501
Derivatives (2)	313,145	-	313,145	311,713	-	311,713
Current tax liabilities	4,446	-	4,446	2,777	-	2,777
Provisions and other obligations	10,380	18,224	28,604	10,168	25,418	35,586
Deferred tax liabilities	1,812	4,545	6,357	485	10,121	10,606
Other liabilities	175,705	1,349	177,054	122,210	1,393	123,603
Total liabilities	**14,530,488**	**24,118**	**14,554,606**	**14,763,494**	**36,932**	**14,800,426**

(1) Cash and balances with central banks are assumed to be recovered within one year.
(2) Derivatives not designated in hedging relationships are presented as within one year as this best represents in most instances the short-term nature of the trading activities.
(3) Demand deposits and term deposits are presented as within one year due to their being repayable on demand or at short notice on a contractual basis.

35. Subsequent events

There have been no material events after the reporting period that would require disclosure or adjustment to the Oct 31, 2017 consolidated financial statements. RBC Investor Services Bank S.A. Brussels Branch ceased trading activities on 31 October 2017. A notification of deregistration has been sent to CSSF/ECB and subsequently to National Bank of Belgium (NBB). Once deregistration is confirmed a formal liquidation and final distribution of the Company on assets and liabilities to its parent will commence.

36. Disposal of companies and businesses

a. RBC Investor Services Cayman Limited

In September 2017, RBC Investor Services Cayman Limited was dissolved. The entity had no remaining assets and liabilities at the date of dissolution.

b. RBC Investor Services Espana SAU

RBC Investor & Treasury Services announced in March 2016 the sale of its operations in Spain and regulatory approval was received on October 13, 2016 and the sale completed on October 21, 2016.

In 2016, the sale resulted in a loss of EUR 15,281 thousand which was recognised in the income statement in the lines "net gain on investments" (EUR 3,382 thousand loss), Impairment of tangible and intangible assets" (EUR 12,838 thousand impairment) and "Income tax expense" (EUR 939 thousand credit).

37. Exchange rates

		Oct 31, 2017		Oct 31, 2016	
Currencies		Spot rates	Average rates	Spot rates	Average rates
Australian dollar	AUD	1.5221765	1.4632531	1.4409692	1.4902148
Canadian dollar	CAD	1.5013081	1.4588110	1.4684659	1.4650741
Swiss franc	CHF	1.1625500	1.1004292	1.0840500	1.0918167
Danish krone	DKK	7.4407039	7.4379847	7.4397743	7.4486453
Pound sterling	GBP	0.8784395	0.8706230	0.8996876	0.8009053
Hong Kong dollar	HKD	9.0894744	8.6883176	8.4854663	8.5848427
Japanese yen	JPY	132.1629645	125.2276473	115.1472960	121.8821503
Malaysian ringgit	MYR	4.9313380	4.8463475	4.5910080	4.5447560
Norwegian krone	NOK	9.5383272	9.2452453	9.0482803	9.3105840
Swedish krone	SEK	9.7483440	9.6116058	9.8857152	9.3928874
Singapore dollar	SGD	1.5877114	1.5491466	1.5258125	1.5237123
US dollar	USD	1.1652000	1.1158083	1.0943500	1.1061792

The above spot rates have been applied in the translation of monetary items at the end of each reporting period. In addition, the above spot and average rates have been applied in the translation of foreign entities into the reporting currency.

38. Guarantees, commitments and other off-balance sheet arrangements

Regular way trades

EUR'000	Oct 31, 2017	Oct 31, 2016
Loans to be delivered and purchases of assets	2,484,770	1,832,470
Borrowings to be received and sales of assets	2,078,636	1,832,305

Guarantees

EUR'000	Oct 31, 2017	Oct 31, 2016
Guarantees given to banks	17,219	18,330
Guarantees given to customers	199	246

Collaterals

EUR'000	Oct 31, 2017	Oct 31, 2016
Financial instruments given as collateral (1)	378,406	583,151
Financial instruments received as collateral (2)	50,166	139,912

(1) Financial assets pledged as collateral are provided to clearing houses.
(2) The amounts received represent collateral received to secure securities lending transactions and credit facilities.

Loan commitments

EUR'000	Oct 31, 2017	Oct 31, 2016
Unused lines granted to customers (1)	976,068	891,253

(1) Committed credit facility

Other commitments

EUR'000	Oct 31, 2017	Oct 31, 2016
Banking activity - Commitments given	7,956	63,149

In 2017 and 2016, the amounts above represent commitments given in the context of fiduciary activity.

Assets under administration (AUA)

EUR'000	Oct 31, 2017	Oct 31, 2016
Assets under administration (rounded)	1,189,003,000	1,012,386,000

39. Profit and loss items by country

			Oct 31, 2017
	Net operating revenue (1)	Profit before income tax (1)	Income tax
Members of the European Union			
Luxembourg	295,406	51,081	(7,156)
Ireland	63,175	42,312	(5,062)
Italy	23,182	280	(268)
France	23,233	(1,549)	-
UK	125	(164)	44
Belgium	9,262	3,949	(1,753)
Rest of Europe			
Switzerland	11,418	3,086	(182)
Asia			
Hong Kong	16,773	6,244	(893)
Singapore	4,622	1,306	(251)
Malaysia	36,880	4,490	(13)
Americas			
United States of America	1,803	85	(72)
Total	**485,879**	**111,120**	**(15,606)**

(1) Before intragroup eliminations.

40. Significant judgements and accounting estimates

In preparing the Group's financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported results. The following is a summary of the key estimates and assumptions:

a. Going concern

The Bank's Board of Directors has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b. Allowances for impairment

Allowances for impairment represent management's estimate of the losses incurred in the loan portfolios as at the balance sheet date.

Management is required to exercise judgment in making assumptions and estimations when calculating loan impairment allowances on individually assessed loans and advances. The Group's accounting policy for impairment of non-derivative assets is described in Note 2(j).

There were no collective impairment losses for 2017 and 2016.

c. Goodwill

Management must determine annually whether the carrying value of goodwill is impaired. The Group's accounting policy for goodwill is set out in Note 2 (l) and 2 (m).

When calculating recoverable amount, judgement is required as this calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the unit.

The review of goodwill impairment represents management's best estimate of the following;

- Future cash flows of the cash-generating units ("CGU"s) are sensitive to the cash flows for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Expected cash flows generally represent management's view of future performance.

- Discount rate used to discount the future expected cash flows is based on the cost of capital assigned to an individual CGU, and can have significant effect on their valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model which incorporates inputs reflecting a number of financial and economic conditions, including a risk-free interest rate and a premium for the inherent risk of the business being evaluated.

These variables are subject to fluctuations in external market rates and economic conditions beyond management's control and therefore require the exercise of significant management judgement and are consequently subject to uncertainty.

Management reviewed the current and expected performance of the CGU and determined there was no indication of potential impairment of the remaining goodwill following the sale of Spain (refer to Note 36) allocated to the CGU for 2017 and 2016.

d. Intangible assets

Intangible assets are assessed for impairment annually. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, as described in Note 2 (m) Impairment of non-financial assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The value in use calculation represents management's best estimate of the following;

- Determination of useful life and residual value;
- Future cash flows including assumptions regarding growth rates, sales and expenses; and
- Discount rate and terminal growth rate.

40. Significant judgements and accounting estimates (cont'd)

e. Fair value of financial instruments

The fair value of unquoted financial instruments and disclosure category can differ depending on the valuation technique and or assumption chosen by management.

Fair values using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flow and discount rates. In determining those assumptions Group looks primarily to external readily observable market inputs factors such as interest rate yield curves, currency rates and price and rate volatilities as applicable.

As at October 31, 2017, financial assets and financial liabilities for which valuation techniques or models are used and whose inputs are observable (level 2) amounted to EUR 348,699 thousand for financial assets and EUR 313,145 thousand for financial liabilities.

Further information on the fair value of financial instruments, including principal assumptions, is disclosed in Note 28.

a. Deferred taxation

The determination of deferred tax assets or liabilities requires significant management judgment as the recognition is dependant on projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realised or the liability settled. Any changes in projections will result in changes in recognised deferred tax assets or liabilities.

b. Provisions

Management are required to estimate the results of ongoing legal proceedings and other provisions. The forward looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. The Group record the provisions on the basis of all available information at the end of the reporting period and make adjustments on a monthly basis to reflect current expectations. Should actual results differ from our expectations, the Group may incur expenses in excess of the provisions recognised.

c. Defined benefit obligations

The funding valuation for the defined benefit plan consisted of two valuations:

a. Going concern valuation, (i) which compares assets to liabilities assuming plan continues indefinitely; and (ii) where the actuary is primarily responsible for setting assumptions, with input from the Group.

b. Solvency/wind up, (i) which compares assets to liabilities on a plan termination basis; (ii) where certain benefits may be excluded from the solvency valuation (e.g. indexation); (iii) key assumptions are based on current government bond rates and annuity purchase rates; and (iv) determines minimum employer funding requirements.

Key assumptions include.

- Present value of defined benefit obligations assumptions, including nominal discount rate, rate of inflation over the period of projected cash flows and member longevity. The key assumptions being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry, fixed interest investments are set to market yields at valuation date and the inflation assumption reflects long-term expectations of retail price inflation.

Further information on employee benefits, including the sensitivity of principal assumptions, is disclosed in Note 23.

41. Other notes

Deposit Guarantee Fund

Directive 2014/49/EU of the European Parliament and of the Council of April 16, 2014 has established the rules governing Deposit Guarantee Schemes (DGSs) to eliminate differences between Member States thereby strengthening the stability of the banking system and the protection of depositors.

The Directive encompasses the harmonisation of the funding mechanisms of DGSs, the introduction of risk based contributions and the harmonisation of the scope of products and depositors covered. The Directive has set the harmonised coverage level at €100,000 per eligible depositor with a higher protection permitted for temporary high balances. Eligible depositors exclude, amongst others, deposits placed by other credit institutions, financial institutions, investment firms, insurance and reinsurance undertakings, collective investment undertakings, pension and retirement funds and deposits by public authorities. The repayment period, in case of failure, is also reduced to a harmonised level of seven days. The Directive requires an amount equivalent to 0.8% of covered deposits to be paid into the DGS over a period of years, with this level being reached by 2018. Other requirements will also transition in over a period of time.

Within Luxembourg the AGDL ("Association pour la Garantie des Dépôts Luxembourg") ceased to exist and was replaced by the Luxembourg DGS. The Bill transposing the Directive into Luxembourg Law was approved on December 17, 2015. The Law envisages annual contributions to reach the target level of 0.8% of covered deposits by 2018 with an additional 0.8% buffer to be contributed within 8 years. The Luxembourg DGS covers clients of RBCIS Bank Luxembourg including European branches. DGSs will also be separately funded in France to cover eligible clients' deposits of those RBCIS subsidiaries.

RBC Investor Services is a member of the Luxembourg DGS. At present the vast majority of the Group's clients are non-eligible depositors.

Resolution Fund

Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 established a framework for the recovery and resolution of credit institutions and investment firms ("BRRD"). The BRRD provides comprehensive measures that would enable national authorities to intervene in a troubled institution at a sufficient early stage, thereby preserving financial stability. The Directive requires that each participating Member State establish a national resolution authority, overseen by the Single Resolution Board.

The BRRD requires that a Resolution Plan be prepared for all institutions in scope that defines the preferred resolution strategy for each institution. The Resolution Plan will be drawn up by the Single Resolution Board and National Resolution Authorities, for Luxembourg this is the Commission de Surveillance du Secteur Financier ("CSSF"), based on analysis of data provided by credit institutions within participating Member States, and will be subject to an annual update. The National Resolution Authority will remain largely independently responsible for the smaller and less significant credit institutions. For those under the supervision of the Single Supervisory Board, as is the case for RBC Investor Services, the Single Resolution Board will be responsible for the resolution plans. Resolution tools that will be available to the resolution authorities include bail-in of shareholders and creditors, sale of business, bridge institution and asset separation.

The financing of such resolutions would be borne by the banking sector, through Resolution Funds. These will be funded by annual contributions by credit institutions to reach the target of 1% of covered deposits by 2024. The contributions will be based on the relative proportion of total liabilities, less own funds, covered deposits, deductions & derivative adjustments, adjusted for relative risk factors. The 2016 contribution was based at a national level and from 2017 onwards the contributions will be based at the participating Member State level.

The Bill transposing the Directive into Luxembourg Law, was approved on December 17, 2015.

RBC Investor & Treasury Services

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