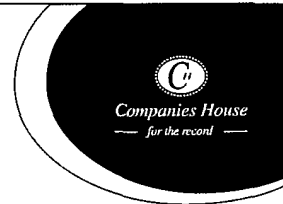


OS AA01

Statement of details of parent law and other information for an overseas company



NM

What this form is for  
You may use this form to accompany your accounts disclosed under parent law.

What this form is NOT for  
You cannot use this form as an alteration of manner with accounting require

THURSDAY



\*A9L3A1YJ\*

A11

31/12/2020

#246

COMPANIES HOUSE

**Part 1 Corporate company name**

Corporate name of overseas company ①

RBC INVESTOR SERVICES TRUST

If the company has already been registered in the UK, please enter the establishment number below.

UK establishment number ②

B R 0 0 8 4 9 1

→ Filling in this form  
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by \*

① This is the name of the company in its home state.

② This should only be completed if the company has already been registered in the UK.

**Part 2 Statement of details of parent law and other information for an overseas company**

**A1**

**Legislation**

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ③

BANK ACT (CANADA)

③ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

**A2**

**Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

No. Go to Section A3.

Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.

④ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ④

INTERNATIONAL ACCOUNTING STANDARDS BOARD

**A3**

**Accounts**

Accounts


Have the accounts been audited? Please tick the appropriate box.

No. Go to Section A5.

Yes. Go to Section A4.

# OS AA01

## Statement of details of parent law and other information for an overseas company

<b>A4 Audited accounts</b>		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature'. <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	<b>1</b> Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body <b>1</b>	AUDITING AND ASSURANCE STANDARDS BOARD OF THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS	
<b>A5 Unaudited accounts</b>		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes.	
<b>Part 3 Signature</b>		
	I am signing this form on behalf of the overseas company.	
Signature	<small>Signature</small> <b>X</b>  Daniela Moretti, <b>X</b> Assistant Corporate Secretary	
	This form may be signed by: Director, Secretary, Permanent representative.	

# OS AA01

Statement of details of parent law and other information for an overseas company

## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Angelo Nasso

Company name Royal Bank of Canada

Address 200 Bay Street

Royal Bank Plaza, South Tower, 12th Floor

Post town Toronto

County/Region Ontario

Postcode M 5 J 2 J 5

Country Canada

DX

Telephone 416-974-1440

## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and, if appropriate, the registered number, match the information held on the public Register.
- You have completed all sections of the form, if appropriate.
- You have signed the form.

## Important information

Please note that all this information will appear on the public record.

## Where to send

You may return this form to any Companies House address:

**England and Wales:**  
The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

**Scotland:**  
The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

**Northern Ireland:**  
The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.

## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

**RBC Investor Services Trust**

# **RBC Investor Services Trust**

## **Financial Statements**

**For the year ended October 31, 2019**

**RBC Investor Services Trust**

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## *Independent auditor's report*

To the Shareholder of RBC Investor Services Trust

---

### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RBC Investor Services Trust (the Trust) as at October 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### **What we have audited**

The Trust's financial statements comprise:

- the balance sheet as at October 31, 2019;
  - the income statement and statement of comprehensive income for the year then ended;
  - the statement of changes in shareholder's equity for the year then ended;
  - the cash flow statement for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- 

### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### **Independence**

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

---

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Trust'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 management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

---

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 or business activities within the Trust to express an opinion on the 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
December 17, 2019

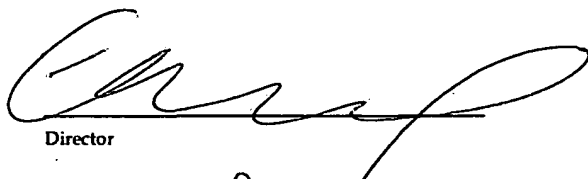
**RBC Investor Services Trust**

**Balance sheet**

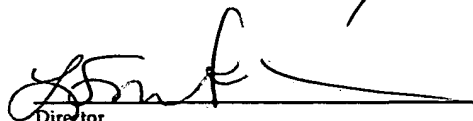
As at

S'000	Note	October 31, 2019	October 31, 2018
<b>Assets</b>			
Cash and due from banks	7	19,650,868	18,834,470
Securities	8	65,039	65,039
Assets purchased under reverse repurchase agreements		1,829,901	1,801,011
Loans and advances to customers		312,973	205,678
Derivatives	16	711,973	583,894
Tangible assets	9	6,340	8,632
Goodwill and other intangible assets	10	290,878	258,688
Deferred tax assets	6	5,090	-
Other assets	11	513,890	497,354
<b>Total assets</b>		<b>23,386,952</b>	<b>22,251,766</b>
<b>Liabilities</b>			
<b>Deposits</b>			
Business and other	12	17,628,304	16,720,863
Bank	12	1,617,252	1,606,169
		19,245,556	18,327,032
Derivatives	16	706,032	587,094
Provisions and other obligations	13	87,838	41,492
Deferred tax liabilities	6	-	56
Other liabilities	14	1,581,637	1,335,820
<b>Total liabilities</b>		<b>21,621,063</b>	<b>20,291,494</b>
<b>Equity</b>			
Subscribed capital	17	661,162	661,162
Retained earnings		1,099,061	1,273,742
Other components of equity		5,666	25,368
<b>Total shareholder's equity</b>		<b>1,765,889</b>	<b>1,960,272</b>
<b>Total liabilities and equity</b>		<b>23,386,952</b>	<b>22,251,766</b>

The accounts were approved by the Board of Directors on December 17, 2019 and signed on its behalf by:



Director



Director

The accompanying Notes are an integral part of these financial statements.

## RBC Investor Services Trust

### Income statement

\$'000	Note	For the year ended	
		October 31, 2019	October 31, 2018
Interest income	3	410,403	339,697
Interest expense	3	(254,233)	(176,395)
<b>Net interest income</b>		<b>156,170</b>	<b>163,302</b>
<b>Non-interest income</b>			
Investment administration, custodial fees and other		438,029	449,927
Foreign exchange revenue	4	126,984	141,250
Securities lending commission		66,939	85,168
<b>Non-interest income</b>		<b>631,952</b>	<b>676,345</b>
Allowance for credit losses	5	(1,197)	(170)
<b>Total revenues</b>		<b>786,925</b>	<b>839,477</b>
<b>Non-interest expense</b>			
Human resources	13/15	(280,321)	(254,756)
Equipment		(108,843)	(100,416)
Occupancy		(33,521)	(30,933)
Sub-custody		(48,647)	(53,199)
Professional fees		(65,425)	(74,103)
Amortization of other intangibles	10	(27,982)	(18,506)
Other		(187,719)	(84,462)
<b>Non-interest expense</b>		<b>(752,458)</b>	<b>(616,375)</b>
<b>Income before income taxes</b>		<b>34,467</b>	<b>223,102</b>
Income taxes	6	(9,148)	(55,839)
<b>Net income</b>		<b>25,319</b>	<b>167,263</b>

### Statement of comprehensive income

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
<b>Net income</b>	<b>25,319</b>	<b>167,263</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to income statement</b>		
- Re-measurements of employee benefit plans gains / (losses)	(26,660)	18,403
- Income taxes	6,958	(4,803)
<b>Total items that will not be reclassified subsequently to income statement</b>	<b>(19,702)</b>	<b>13,600</b>
<b>Other comprehensive income (loss) for the year, net of taxes</b>	<b>(19,702)</b>	<b>13,600</b>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>5,617</b>	<b>180,863</b>

The accompanying Notes are an integral part of these financial statements.

RBC Investor Services Trust

Statement of changes in shareholder's equity

For the year ended October 31, 2019

\$'000	Core shareholder's equity		Other components of equity			Total shareholder's equity
	Subscribed capital	Retained earnings	Available-for-sale fair value reserve	Employee benefit plans	Total	
<b>Total shareholder's equity</b>						
As at October 31, 2018	661,162	1,273,742	-	25,368	25,368	1,960,272
<b>Changes in equity:</b>						
Dividends on common shares	-	(200,000)	-	-	-	(200,000)
Net income	-	25,319	-	-	-	25,319
Other comprehensive income (loss) net of taxes	-	-	-	(19,702)	(19,702)	(19,702)
<b>As at October 31, 2019</b>	<b>661,162</b>	<b>1,099,061</b>	<b>-</b>	<b>5,666</b>	<b>5,666</b>	<b>1,765,889</b>

For the year ended October 31, 2018

\$'000	Core shareholder's equity		Other components of equity			Total shareholder's equity
	Subscribed capital	Retained earnings	Available-for-sale fair value reserve	Employee benefit plans	Total	
<b>Total shareholder's equity</b>						
As at October 31, 2017	661,162	1,106,482	7	11,768	11,775	1,779,419
Transitional adjustment (Note 2)	-	(3)	(7)	-	(7)	(10)
As at November 1, 2017	661,162	1,106,479	-	11,768	11,768	1,779,409
<b>Changes in equity:</b>						
Dividends on common shares	-	-	-	-	-	-
Net income	-	167,263	-	-	-	167,263
Other comprehensive income (loss) net of taxes	-	-	-	13,600	13,600	13,600
<b>As at October 31, 2018</b>	<b>661,162</b>	<b>1,273,742</b>	<b>-</b>	<b>25,368</b>	<b>25,368</b>	<b>1,960,272</b>

The accompanying Notes are an integral part of these financial statements.

RBC Investor Services Trust

Cash flow statement

\$'000	Note	For the year ended	
		October 31, 2019	October 31, 2018
<b>Cash flow from operating activities</b>			
Net income		25,319	167,263
<b>Adjustments for non-cash items and others:</b>			
Depreciation	9	3,645	2,576
Amortization of other intangibles	10	27,982	18,506
Provision for credit losses	5	1,197	170
Deferred income taxes	6	1,812	2,930
<b>Adjustments for net changes in operating assets and liabilities:</b>			
Cash and due from banks (term deposits)		(782,065)	1,798,962
Assets purchased under reverse repurchase agreements		(28,890)	52,502
Loans and advances to customers		(107,295)	22,566
Derivative assets		(128,079)	(199,427)
Deposits		918,524	(4,172,579)
Derivative liabilities		118,938	205,686
Provision and other obligations	13	19,686	7,720
Net accrued interest receivable and payable		(1,661)	16,599
Unrealized losses arising from changes in foreign currency		55	38
Other		229,745	704,413
<b>Net cash (used in)/ from operating activities</b>		<b>298,913</b>	<b>(1,372,075)</b>
<b>Cash flow from investing activities</b>			
Net acquisition of tangible and other intangible assets	9/10	(64,580)	(65,345)
Net change in available-for-sale securities		-	-
<b>Net cash from (used in) investing activities</b>		<b>(64,580)</b>	<b>(65,345)</b>
<b>Cash flow from financing activities</b>			
<b>Dividends paid</b>		<b>(200,000)</b>	<b>-</b>
<b>Net cash (used in) financing activities</b>		<b>(200,000)</b>	<b>-</b>
Net change in cash and cash equivalents		34,333	(1,437,420)
Cash and cash equivalents at the beginning of the period		16,885,990	18,323,410
<b>Cash and cash equivalents at the end of the period</b>	7	<b>16,920,323</b>	<b>16,885,990</b>
<b>Cash flow from Operating activities include:</b>			
Amount of interest received		408,805	355,908
Amount of interest paid		(254,296)	(176,007)
Amount of income tax paid		(51,072)	(44,503)

(1) There was no restricted cash or cash balances with central banks in the years ended 2019 and 2018.

The accompanying Notes are an integral part of these financial statements.

**Notes to the Financial Statements**

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## RBC Investor Services Trust

### Notes to the Financial Statements

#### 1. General

##### RBC Investor Services Trust

Letters Patent creating RBC Investor Services Trust ("the Trust"), under its prior name RBC Dexia Investor Services Trust, were issued on September 26, 2005 by the Minister of Finance (Canada). The Trust was granted its Order to Commence and Carry on Business by the Office of the Superintendent of Financial Institutions Canada ("OSFI") on October 26, 2005. The Trust's shares are not quoted on a public market.

The Trust is incorporated and headquartered in Canada. The principal place of business is 155 Wellington Street West, Toronto, ON M5V 3L3.

The Trust is indirectly wholly owned by Royal Bank of Canada ("RBC") and the Trust's immediate parent company is Royal Bank Holding Inc. ("RBHI"), incorporated in Canada.

##### Investor & Treasury Services

The Trust is part of RBC's Investor & Treasury Services™ business segment.

RBC Investor & Treasury Services is a global brand name and is a part of RBC. RBC Investor & Treasury Services is a specialist provider of asset services, custody, payments and treasury services for financial and other institutional investors worldwide. RBC Investor & Treasury Services is comprised of three businesses: Transaction Banking, Investor Services and Treasury Services.

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

The financial statements were approved by the Board of Directors of the Trust and signed by two members of the Board of Directors on December 18, 2018.

#### 2. Summary of significant accounting policies

##### a. Compliance with IFRS

The accompanying financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These financial statements are in conformity with OSFI requirements and are in accordance with the Trust and Loan Companies Act (Canada). Except where otherwise noted, the same accounting policies have been applied to all periods

presented.

##### b. Basis of accounting

The financial statements are stated in thousands of Canadian dollars ("\$"), the functional and presentation currency, unless otherwise indicated.

##### c. Current and future accounting developments

##### IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which establishes the principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. Accordingly, the majority of the Trust's revenue, including net interest income, was not impacted. In April 2016, the IASB issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application.

During the year, the Trust adopted IFRS 15. As permitted by the transition provisions of IFRS 15, the Trust elected not to restate comparative period results; accordingly, all comparative information is presented in accordance with our previous accounting policies as indicated below. The adoption of IFRS 15 did not significantly impact the financial results of the Trust.

##### 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 recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting aside from enhanced disclosure requirements.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

IFRS 16 will be effective on November 1, 2019 for the Trust. The adoption of IFRS 16 is not expected to significantly impact the financial results of the Trust.

#### d. Use of estimates, assumptions and significant judgments

##### Use of estimates and assumptions

In preparation of the Trust's financial statements in accordance with IFRS, management is required to make subjective estimates and assumptions that affect amounts reported on the financial statements as well as related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: securities impairment, determination of fair value of financial instruments, the allowance or provision for credit losses, derecognition of financial assets, pensions and other post-employment benefits, income taxes, carrying value of goodwill and other intangible assets, useful lives of tangible and intangible assets and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting the Trust's future financial statements.

Refer to the relevant accounting policies in this note for details on the use of estimates and assumptions.

##### Significant judgements

In preparation of these Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Significant judgments have been made in the following areas and discussed in the relevant financial statement notes:

- Fair value of financial instruments - Note 18 "Fair value"
- Goodwill and other intangibles - Note 2(j) "Goodwill and other intangible assets" and Note 10 "Goodwill and other intangible assets"
- Income taxes - Note 2(m) "Income tax" and Note 6 "Income taxes"
- Employee benefits - Note 2(n) "Employee benefits" and Note 13 "Provisions and other obligations"
- Provisions - Note 2(o) "Provisions" and Note 13 "Provisions and other obligations"
- Provision for credit losses - Note 2(k) "Impairment of non-financial assets" and Note 5 "Allowance or Provision for credit losses"

#### e. Foreign currency translation

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

The Trust uses a multi-currency system where foreign currency transactions are initially recorded in foreign currency and translated to local functional currencies by applying an exchange rate at the transaction date. At each balance sheet date, outstanding balances are then retranslated to Canadian dollars using the 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 income statement for monetary items.

#### f. Financial Instruments

##### Classification of financial assets

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

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

All other debt instruments are measured at FVTPL.

##### Business model assessment

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

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or hedging funding or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of its businesses, for example, market risk, credit risk, or other risks as described in the Risk Management section of RBC's Management's Discussion and Analysis, and the activities undertaken to manage those risks;
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model; and
- The compensation structures for managers of its businesses, to the extent that these are directly linked to the economic performance of the business model. Its business models fall into three categories, which are indicative of the key strategies used to generate returns:
- **Held-to-Collect (HTC):** The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- **Held-to-Collect-and-Sell (HTC&S):** Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- **Other fair value business models:** These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

#### *SPPI assessment*

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

administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

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

#### **Loans and advances to customers**

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

Interest on loans is recognized in Interest income using the effective interest method.

For loans carried at amortized cost, impairment losses are recognized at each balance sheet date in accordance with an expected credit loss impairment model.

#### **Allowance for credit losses**

An allowance for credit losses (ACL) is established for all financial instruments, except for financial assets classified or designated as FVTPL, which are not subject to impairment assessment. Assets subject to impairment assessment include certain loans, reverse repurchase agreements, debt securities, interest-bearing deposits with banks, and accounts and accrued interest receivable. ACL on financial assets is presented net of the related asset on the Balance Sheet.

ACL on each Balance Sheet date is measured according to an expected credit loss impairment model.

#### **Securities**

Investment securities carried at amortized cost are measured using the effective interest method, and are presented net of any allowance or provision for credit losses, calculated in accordance with our policy for Allowance for credit losses, as described above. Interest income, including the amortization of premiums and discounts on securities measured at amortized cost are recorded in interest income. Impairment gains or losses recognized on amortized cost securities are recorded in Allowance or Provision for credit losses. When a debt instrument measured at amortized cost is sold, the difference between the sale proceeds and the amortized cost of the security at the time of the sale is recorded as a Net gain (loss) on Investment securities in Non-interest income.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

#### Recognition of financial instruments

All "regular way" sales and purchases of financial instruments other than trading are recognized and derecognized on settlement date. Trading financial instruments are recognized and derecognized on trade date. Any unrealized gains or losses are recognized from trade date in the income statement unless the financial instrument is subsequently measured at cost.

#### Derecognition of financial assets

The Trust derecognizes 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 Trust is recognized as an asset or a liability.

The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired.

#### Transaction costs

Directly attributable transaction costs on all financial assets and financial liabilities, except for those classified at FVTPL are part of the initial measurement of 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 initial cost of the investment.

#### Offsetting a financial asset and a financial liability

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

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

#### Assets purchased under reverse repurchase agreements ("reverse repos")

Assets purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the

corresponding loans recorded as "Assets purchased under reverse repurchase agreements".

In the event that securities received in reverse repo transactions are sold to third parties, the gain or loss is recorded as other income under "Investment administration, custodial fees and other".

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 Trust has the right to liquidate the collateral held in the event of counterparty default. The securities received under reverse repo agreements are not recognized on the balance sheet unless the risk and rewards of ownership are obtained.

#### Securities lending

Substantially all of the Trust's securities lending transactions are based on an agency relationship whereby the Trust 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 Trust lends securities to or borrows securities from a third party. In return, the Trust receives or provides cash or non-cash collateral. The Trust earns a fee for structuring the transactions.

Non-cash collateral received in securities lending transactions is not recognized on the balance sheet.

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 20a). In the event of counterparty default, the Trust has the right to liquidate the collateral held on its own behalf or on behalf of the owner of the loaned security.

#### Cash and due from banks

Cash and due from banks represents cash, interest bearing overnight and term deposits with banks. Cash and due from banks are classified as loans and receivables and are carried at amortized cost.

#### Deposits

Deposits represent customer deposits and overdraft on bank accounts. These are carried at amortized cost.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 2. Summary of significant accounting policies (Cont'd)

##### Derivatives classification and measurement

The Trust's derivatives activity mainly includes foreign exchange contracts and currency swaps. All derivatives are initially recognized 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 that are not designated as hedging instruments are considered as trading derivatives. Changes in the fair value of a trading derivative are recognized immediately in the income statement.

##### Financial liabilities

Financial liabilities are non-derivative liabilities that are not designated as at FVTPL or as trading liabilities.

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

#### g. Revenue Recognition

##### Interest income and expense

Interest income and expense are recognized in the income statement on an accrual basis using the effective interest method based on the purchase price plus/minus transaction costs.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. 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 financial liability in the balance sheet.

Once an interest bearing financial asset has been written down to its estimated recoverable amount as a result of an impairment loss, interest income is thereafter recognized based on the rate of interest that was used to

discount the future cash flows for measuring the recoverable amount.

##### Investment administration, custodial fees and other (IFRS 15 and IAS 18)

The Trust earns fees on investment administration and custodial services to clients. These are derived from assets under administration (AUA) where the investment strategy is directed by the client or a designated third party manager.

Fees are recognized over time when the service is provided to the client, provided that it is highly probable that a significant reversal in the amount of revenue recognized will not occur, and are recorded in non-interest income, investment administration, custodial fees and other.

Fees are a function of the value of the assets under custody and administration, the volume of transactions, and rates as set forth in the underlying client agreement.

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 FVTPL.

Commitment fees on a loan are recognized as part of the effective interest rate if the loan is granted, and recorded in entirety on expiry if no loan is granted.

#### h. Offsetting financial instruments in the income statement

The following items are netted in the face of the 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 realized and unrealized fair value changes.

#### i. 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.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

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

- Buildings 20-40 years
- IT equipment 3-10 years
- Fixtures and fittings 3-10 years
- Leasehold improvements over the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years.

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

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

Gains and losses on disposals are recognized in the income statement as other income under "Investment administration, custodial fees and other."

#### j. 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 recognized.

Goodwill is calculated based on the excess/deficit of the cost of 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. Where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized immediately in the income statement.

When calculating the recoverable amount, judgment 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") to which the goodwill pertains 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 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 judgment and are consequently subject to uncertainty.

##### Other intangible assets

Intangible assets mainly consist of internally developed and acquired software.

Expenditure on internally developed software is recognized as an asset when the Trust 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 capitalization.

The capitalized 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 amortization and accumulated impairment losses.

Amortization is charged through the income statement on a straight-line basis over the estimated useful lives of the internally developed and acquired software. The estimated useful lives for capitalized development costs varies from 2 to 10 years.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates otherwise it is expensed.

Intangible assets are assessed for indicators of impairment annually. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, as described in Note 2(k) 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
- Discount rate and terminal growth rate

#### k. Impairment of non-financial assets

The carrying amounts of non-financial assets, including capitalized internally developed 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.

Intangible assets are assessed for indicators of impairment annually. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount.

For all assets other than goodwill, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

#### 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 CGU that are expected to benefit from the synergies of the combination. The lowest level of CGU is considered to be the Trust, including the Trust branches.

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

Impairment losses recognized in respect of cash-generating units are not allocated as the lowest level of CGU is considered to be the Trust, including the Trust branches.

#### l. Leases

The Trust mainly enters into operating leases for the rental of IT equipment and premises. Payments made under operating leases are recognized 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.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (Cont'd)

#### m. Income taxes

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

Current income taxes 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 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 realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Trust 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 recognized in the period the tax rate change is substantively enacted.

#### n. Employee benefits

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

##### Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income

statement as services are rendered. The Trust's pension obligation is limited to payments to a pension fund or to an insurance policy on behalf of the employee.

##### Defined benefit pension plans

Defined benefit pension plans are those under which the Trust 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 years; that benefit is discounted to determine its present value, deducting the fair value of any plan assets 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.

The Trust determines:

- 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 Trust 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 years. 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 Trust's obligations. Any actuarial gains or losses are recognized in the income statement in the year in which they arise.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 2. Summary of significant accounting policies (Cont'd)

##### Termination benefits

Termination benefits are recognized as an expense when the Trust 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Trust 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.

##### o. Provisions

A provision is recognized if, as a result of a past event, the Trust 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.

##### p. 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 recognized initially on balance sheet at fair value and subsequently measured at the higher of:

- the amount initially recognized less cumulative amortization of this amount, and

- the amount determined to be the best estimate of the obligation when 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.

##### q. Assets held on behalf of clients

Client assets, liabilities, income and expenses arising thereon are excluded from these financial statements.

##### r. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid financial assets with maturities of three months or less from date of acquisition, including overnight deposits with the bank.

RBC Investor Services Trust

Notes to the Financial Statements

3. Interest income and expense

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
<b>Interest income</b>		
Interest income on assets not at FVTPL		
Cash and due from banks	365,844	303,550
Securities	1,159	950
Assets purchased under reverse repurchase agreements	30,303	22,550
Loans and advances to customers	13,097	12,647
<b>Total</b>	<b>410,403</b>	<b>339,697</b>
<b>Interest expense</b>		
Interest expense on liabilities not at FVTPL		
Deposits	(254,233)	(176,395)
<b>Total</b>	<b>(254,233)</b>	<b>(176,395)</b>
<b>Net interest income</b>	<b>156,170</b>	<b>163,302</b>

4. Foreign exchange revenue

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
Net gains on foreign exchange	128,120	142,616
Revaluation losses	(1,136)	(1,366)
<b>Total</b>	<b>126,984</b>	<b>141,250</b>

5. Allowance for credit losses

\$'000	For the year ended October 31, 2019					For the year ended October 31, 2018				
	Specific impairment	Allowances	Write backs	Losses	Recoveries	Total	Allowances	Write backs	Losses	Recoveries
Other assets (1)	(1,117)	-	(80)	-	(1,197)	(170)	-	-	-	(170)
<b>Total</b>	<b>(1,117)</b>	<b>-</b>	<b>(80)</b>	<b>-</b>	<b>(1,197)</b>	<b>(170)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170)</b>

(1) Other assets include client receivables that contribute to specific impairment.

There were no collective allowance in the years ended October 31, 2019 and October 31, 2018.

RBC Investor Services Trust

Notes to the Financial Statements

6. Income taxes

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
<b>Current tax</b>		
Current year	(8,398)	(55,505)
Adjustments to prior years	1,063	2,596
<b>Total</b>	<b>(7,335)</b>	<b>(52,909)</b>
<b>Deferred tax</b>		
Current year	(970)	(1,191)
Adjustments to prior years	(843)	(1,739)
<b>Total</b>	<b>(1,813)</b>	<b>(2,930)</b>
<b>Income tax expense</b>	<b>(9,148)</b>	<b>(55,839)</b>

Tax relating to each component of other comprehensive income can be found in the statement of comprehensive income.

Reconciliation of statutory tax rate

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
Profit before income tax	34,467	223,102
Statutory tax rate	26.10%	26.10%
Income tax expense at applicable statutory tax rate	(8,996)	(58,229)
Decrease/(Increase) in income tax expense resulting from:		
Tax effect of non-deductible expense	(372)	1,533
Adjustments in respect of prior periods	220	857
<b>Income tax expense</b>	<b>(9,148)</b>	<b>(55,839)</b>
<b>Effective tax rate</b>	<b>26.54%</b>	<b>25.03%</b>

The aggregate amount of temporary differences associated with the Trust's investment in its branches for which deferred taxation has not been recognised in the financial statements is \$nil (2018: \$nil).

RBC Investor Services Trust

Notes to the Financial Statements

6. Income taxes (Cont'd)

Deferred tax

Movements

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
Opening balance	(56)	7,673
<b>Movements during the year:</b>		
Items recognized in the income statement	(1,812)	(2,930)
Items that will not be reclassified subsequently to income statement	6,958	(4,803)
Other movements	-	4
Ending balance	5,090	(56)
<b>Deferred income tax derived from assets</b>		
Pensions	-	(2,572)
Tangible and intangible assets	(18,459)	(13,001)
Subtotal	(18,459)	(15,573)
<b>Deferred income tax derived from liabilities</b>		
Post retirement and other employee benefits	6,799	5,456
Pension liabilities	3,830	-
Other non allocated and non applicable liabilities	12,920	10,061
Subtotal	23,549	15,517
Total	5,090	(56)

7. Cash and due from banks

Analysis by nature

\$'000	October 31, 2019	October 31, 2018
Nostro accounts	3,935,611	4,342,763
Demand deposits	12,984,712	12,543,227
Term deposits	2,730,545	1,948,480
Total cash and due from banks	19,650,868	18,834,470

Cash and cash equivalent

\$'000	October 31, 2019	October 31, 2018
Cash and due from banks	19,650,868	18,834,470
Less:		
Term deposits (initial maturity over 3 months)	2,730,545	1,948,480
Total cash and cash equivalent	16,920,323	16,885,990

8. Securities

The following table provides the residual term to maturity of securities.

\$'000	Due within 6 months	Due between 6 and 12 months	Due after more than 1 year	Undetermined Maturity	October 31, 2019 Total	October 31, 2018 Total
Canadian government debt:						
Federal	65,039	-	-	-	65,039	65,039
Total	65,039	-	-	-	65,039	65,039

RBC Investor Services Trust

Notes to the Financial Statements

9. Tangible assets

\$'000	For the year ended					
	October 31, 2019			October 31, 2018		
	Leasehold improvements	Office furniture and other equipment	Total	Leasehold improvements	Office furniture and other equipment	Total
<b>Opening cost</b>	29,386	14,612	43,998	28,838	14,381	43,219
Additions	784	516	1,300	585	247	832
Transfers	-	-	-	(11)	11	-
Foreign exchange translation	(12)	(14)	(26)	(26)	(27)	(53)
<b>Closing cost</b>	30,158	15,114	45,272	29,386	14,612	43,998
<b>Opening accumulated depreciation</b>	(21,336)	(14,030)	(35,366)	(18,932)	(13,904)	(32,836)
Depreciation charge	(3,510)	(135)	(3,645)	(2,421)	(155)	(2,576)
Foreign exchange translation	68	11	79	17	29	46
<b>Closing accumulated depreciation</b>	(24,778)	(14,154)	(38,932)	(21,336)	(14,030)	(35,366)
<b>Net book value</b>	5,380	960	6,340	8,050	582	8,632

There were no assets held under finance leases in the years ended 2019 and 2018.

10. Goodwill and other intangible assets

\$'000	For the year ended							
	October 31, 2019				October 31, 2018			
	Goodwill	Internally developed software	Other intangible assets (1)	Total <sup>1</sup>	Goodwill	Internally developed software	Other intangible assets (1)	Total
<b>Opening cost</b>	88,305	300,317	23,376	454,863	88,305	241,208	18,255	390,633
Additions	-	105,310 <sup>(2)</sup>	53	105,363 <sup>1</sup>	-	59,765	5,122	64,887
Disposals/write-offs	-	(43,204) <sup>(3)</sup>	-	(43,204)	-	-	-	-
Transfers	-	-	-	-	-	(374)	-	(374)
Foreign exchange translation	-	(130)	(129)	(259)	-	(282)	(1)	(283)
<b>Closing cost</b>	88,305	362,293	23,300	516,763	88,305	300,317	23,376	454,863
<b>Opening accumulated amortization</b>	-	(138,756)	(17,554)	(199,175)	-	(121,321)	(16,735)	(180,921)
Amortization charge	-	(25,053)	(2,929)	(27,982)	-	(17,687)	(819)	(18,506)
Disposals/write-offs	-	1,121 <sup>(3)</sup>	-	1,121	-	-	-	-
Foreign exchange translation	-	82	69	151	-	252	-	252
<b>Closing accumulated amortization</b>	-	(162,606)	(20,414)	(225,885)	-	(138,756)	(17,554)	(199,175)
<b>Net book value</b>	88,305	199,687	2,886	290,878	88,305	161,561	5,822	255,688

(1) Other intangible assets consist of software licenses purchased from third parties.

(2) Includes the transfer of intangible assets from an affiliated company.

(3) Relates to impairment charges associated with global repositioning of the business.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 10. Goodwill and other intangible assets (Cont'd)

The Trust's contractual commitments as at October 31, 2019 for external vendors to make intangible assets ready for use is \$ 26 thousand (2018: \$ 961 thousand), a portion of which will be expensed.

##### Goodwill impairment testing

Impairment test carried out for goodwill as at August 1, 2019 were based on the value in use of the CGU identified in accordance with Note 2k. The Trust including all Trust branches has been identified as the lowest level that 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 2019 and 2018. 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 2019 and strategic plans approved by the Global Executive Committee for 2020 to 2024. The cash flow projections were discounted at a risk adjusted cost of capital for the CGU. 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 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 \$'000	Goodwill at October 31, 2019 (1)	Discount rate (%)	Growth rate beyond initial cash flow projections (%) (1)
The Trust	88,305	9.0	3.0

(1) No change from 2018.

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 2019 and 2018.

These key inputs and assumptions used to determine the recoverable amount of the CGU using value in use were tested for sensitivity by applying a reasonably possible change to those assumptions. The discount rates were increased by 1%, growth rate beyond initial cash flow projections were decreased by 0.5%, and future cash flows were reduced by 10.0%. As at August 1, 2019, as well as up to October 31, 2019, no change in an individual key input or assumption as described would result in the CGU's carrying value exceeding its recoverable amount.

#### 11. Other assets

\$'000	October 31, 2019	October 31, 2018
Cash collateral	132,704	238,639
Accrued income	99,384	85,124
Accounts receivable (1)	49,210	60,809
Accrued interest	52,292	50,694
Deferred expenses	14,559	15,600
Current tax assets	45,426	9,281
Cheques and other items in transit	93,745	4,503
Business taxes (2)	10,172	2,167
Other assets (3)	16,398	30,537
<b>Total</b>	<b>513,890</b>	<b>497,354</b>

(1) Accounts receivable include issued invoices for services rendered to clients and related party receivables, net of specific impairment of \$ 2,197 thousand (2018: \$ 1,151 thousand).

(2) Business taxes include sales tax.

(3) Other assets include Pension assets of \$nil (2018: \$10.4 million). See Note 13.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 12. Deposits

\$'000	Demand deposits	Term deposits	October 31, 2019 Total	Demand deposits	Term deposits	October 31, 2018 Total
Business and other	17,551,588	76,716	17,628,304	16,619,379	101,484	16,720,863
Bank	1,617,252	-	1,617,252	1,606,169	-	1,606,169
Total	19,168,840	76,716	19,245,556	18,225,548	101,484	18,327,032

#### 13. Provisions and other obligations

##### a. Analysis by nature

\$'000	October 31, 2019	October 31, 2018
Defined benefit pension plans	14,674	591
Other post-employment obligations	26,051	20,905
Other long-term employee benefits	17,340	12,978
Other provisions (1)	29,773	7,018
Total	87,838	41,492

(1) Other provisions include severance (2019: \$24.3 million, 2018: \$4.9 million), and litigation and operational losses (2019: \$5.5 million, 2018: \$2.1 million).

All pension and non-pension plans are in Canada only.

Litigation: The Trust had no significant litigation claims outstanding for the years ended 2019 and 2018.

##### b. Analysis of movements

\$'000	October 31, 2019				October 31, 2018			
	Pensions and other post-employment plans	Other employee benefits	Other provisions	Total	Pensions and other post-employment plans	Other employee benefits	Other provisions	Total
Opening balance	21,496	12,978	7,018	41,492	27,331	14,436	10,408	52,175
Additional provisions	6,828	10,943	35,316	53,087	7,976	7,379	10,130	25,485
Utilized during the year	(3,814)	(6,581)	(12,561)	(22,956)	(5,853)	(8,837)	(13,520)	(28,210)
Reclassification (1)	(10,445)	-	-	(10,445)	10,445	-	-	10,445
Re-measurement of employee benefit plans (gains)/losses	26,660	-	-	26,660	(18,403)	-	-	(18,403)
Ending balance	40,725	17,340	29,773	87,838	21,496	12,978	7,018	41,492

(1) The reclassification represents the asset amount that was included in Other assets in 2018. See Note 11.

##### Provisions for pensions and other post-employment benefits

The Trust operates funded defined benefit pension plans for qualifying employees. The defined benefit plans are administered by a separate pension fund that is legally separated from the Trust. The Trust also operates unfunded post-employment medical coverage for qualifying employees.

##### Plan characteristics

The Trust sponsors a number of programs, which provide pension and post-employment benefits to eligible employees.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 13. Provisions and other obligations (Cont'd)

The defined benefit pension plans provide benefits based on years of service, contributions and average earnings at retirement. All of the plans' beneficiaries are located in Canada. The Trust also provides supplemental non-registered (non-qualified) pension plan for certain executives and senior management that are typically unfunded or partially unfunded.

The defined contribution plan provides pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of employees' annual earnings and a portion of the company contribution is dependent on the amount being contributed by the employee and their years of service.

The Trust measures the benefit obligations and pension assets as at October 31 each year. All plans are valued using the projected unit-credit method. The Trust funds the registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations.

The primary other post-employment benefit plans provide health, dental, disability and life insurance coverage and cover a number of current and retired employees who are all located in Canada. These plans are unfunded unless required by legislation.

For 2019, total company contributions to the defined benefit pension plans, defined contribution pension plans and other post-employment plans were \$3,343 thousand, \$7,665 thousand and \$471 thousand (2018: \$5,480 thousand, \$7,358 thousand and \$373 thousand), respectively. For 2020, total contributions to the defined benefit pension plans, defined contribution pension plans and other post-employment benefit plans are expected to be approximately \$3,984 thousand, \$3,600 thousand and \$708 thousand, respectively.

#### Risk exposure

By their design, the defined benefit pension and other post-employment plans expose the Trust to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in health care costs. By closing the defined benefit pension and post-employment plans and migrating to defined contribution plans, the volatility associated with risk exposures will reduce over time.

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

\$'000	October 31, 2019			October 31, 2018		
	Defined benefit pension plans	Other post employment plans	Total	Defined benefit pension plans	Other post employment plans	Total
A. Amounts recognized in the balance sheet						
<b>Plans that are wholly unfunded and plans that are wholly and partially funded</b>						
Present value of funded obligation	276,624	26,064	302,688	230,059	20,905	250,964
Fair value of plan assets	(261,963)	-	(261,963)	(239,913)	-	(239,913)
Net deficit / (surplus)	14,661	26,064	40,725	(9,854)	20,905	11,051
Net liability / (asset)	14,661	26,064	40,725	(9,854)	20,905	11,051

RBC Investor Services Trust

Notes to the Financial Statements

13. Provisions and other obligations (Cont'd)

Changes in fair value of plan assets and change in present value of benefit obligations

Movements in the present value and fair value of the defined benefit obligation for pension and other post employment plans are as follows:

\$'000	October 31, 2019			October 31, 2018		
	Defined benefit pension plan	Other post employment plans	Total	Defined benefit pension plan	Other post employment plans	Total
<b>B. Change in fair value of plan assets</b>						
Beginning of the year	239,913	-	239,913	236,665	-	236,665
Interest income	9,511	-	9,511	8,556	-	8,556
Remeasurement						
Return on plan assets (excluding interest income)	15,196	-	15,196	(4,932)	1	(4,931)
Employer contributions	3,343	471	3,814	5,480	372	5,852
Plan participants' contributions	844	398	1,242	834	365	1,199
Benefits paid	(6,334)	(869)	(7,203)	(6,170)	(738)	(6,908)
Other	(510)	-	(510)	(520)	-	(520)
Fair value of plan assets at end of year	261,963	-	261,963	239,913	-	239,913
<b>C. Change in present value of benefit obligation</b>						
Beginning of the year	230,059	20,905	250,964	239,636	24,360	263,996
Current service cost	5,064	738	5,802	5,796	964	6,760
Past service cost	-	-	-	-	-	-
Interest cost	9,049	922	9,971	8,489	843	9,332
Plan participants' contributions	844	398	1,242	834	365	1,199
Remeasurement						
Actuarial (gains) arising from demographic assumptions	-	106	106	(4,186)	(1,356)	(5,542)
Actuarial (gains)/losses arising from financial assumptions	35,706	3,609	39,315	(14,851)	(2,008)	(16,859)
Actuarial (gains)/losses arising from experience adjustments	2,236	255	2,491	511	(1,525)	(1,014)
Benefits paid	(6,334)	(869)	(7,203)	(6,170)	(738)	(6,908)
Benefit obligations at end of year	276,624	26,064	302,688	230,059	20,905	250,964

RBC Investor Services Trust

Notes to the Financial Statements

13. Provisions and other obligations (Cont'd)

Pension and other post-employment benefit expense

The following table presents the composition of the pension and other post-employment benefit expense.

\$'000	October 31, 2019			October 31, 2018		
	Defined benefit pension plans	Other post employment plans	Total	Defined benefit pension plans	Other post employment plans	Total
<b>D. Components of benefit expense</b>						
Current service cost	5,064	738	5,802	5,796	964	6,760
Past service cost	-	-	-	-	-	-
Net interest (income)/expense	(462)	922	460	(67)	843	776
Remeasurement of other long term Benefits	-	56	56	-	(80)	(80)
Administrative expenses	510	-	510	520	-	520
<b>Total expense</b>	<b>5,112</b>	<b>1,716</b>	<b>6,828</b>	<b>6,249</b>	<b>1,727</b>	<b>7,976</b>

Total defined contribution expense for year ended October 31, 2019 was \$7,665 thousand (2018: \$7,358 thousand).

Remeasurements

The following table presents the composition of the remeasurements recorded in other comprehensive income.

\$'000	October 31, 2019			October 31, 2018		
	Defined benefit pension plans	Other post employment plans	Total	Defined benefit pension plans	Other post employment plans	Total
<b>E. Remeasurements</b>						
Actuarial (gains)/losses						
Changes in demographic assumptions	-	(12)	(12)	(4,186)	(1,359)	(5,545)
Changes in financial assumptions	35,706	3,501	39,207	(14,851)	(1,958)	(16,809)
Experience adjustments	2,236	425	2,661	511	(1,492)	(981)
Return on plan assets (excluding interest income)	(15,196)	-	(15,196)	4,932	-	4,932
<b>Total remeasurements (gains)/losses</b>	<b>22,746</b>	<b>3,914</b>	<b>26,660</b>	<b>(13,594)</b>	<b>(4,809)</b>	<b>(18,403)</b>

Investment policy and strategies:

Defined benefit pension plan assets are invested prudently in order to meet the longer term pension obligations at a reasonable cost. The asset mix policy was developed within an asset/liability framework.

Factors taken into consideration in developing the asset allocation include but are not limited to the following:

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

Notes to the Financial Statements

13. Provisions and other obligations (Cont'd)

To implement the asset allocation policy, the plan may invest in equities, fixed income securities, alternative investments and derivative instruments. The holdings in certain investments, including common shares, emerging market equities, fixed income securities rated lower than BBB and residential and commercial mortgages, cannot exceed a defined percentage of the market value of the defined benefit pension plans assets. Derivative instruments may be used as either a synthetic investment to more efficiently replicate the performance of an underlying security, or as a hedge against financial risks associated with the underlying portfolio. To manage the credit risk exposure, counterparties of the derivative instruments are required to meet minimum credit ratings and enter into collateral agreements, and counterparty exposures are monitored and reported to management on an ongoing basis.

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.

Fair value of plan assets	October 31, 2019		October 31, 2018	
	Quoted in active market %	Quoted in active market %	Quoted in active market %	Quoted in active market %
\$'000				
F. Fair value of plan assets				

Equity securities	29,228	11.2%	25,527	10.6%	100%
- Domestic					
- Foreign	57,433	21.9%	58,617	24.4%	99%
Debt securities					
- Domestic government bonds	55,564	21.2%	49,264	20.5%	0%
- Foreign government bonds	6,936	2.6%	6,116	2.5%	0%
- Corporate and other bonds	56,767	21.7%	55,754	23.4%	0%
Alternative investments and other	56,035	21.4%	44,635	18.6%	13%
Total	261,963	100%	239,913	100%	37%

The defined benefit pension plan assets are primarily composed of equity and debt securities. The equities and debt securities generally have quoted market prices in an active market (Level 1). Alternative investments and other includes real estate, and derivative financial instruments. In the case of real estate, no quoted market prices are usually available (Level 2 or Level 3). These assets are either valued by an independent valuator or priced using observable market inputs.

The allocation to equity securities of the pension plans is 33.1% (2018: 35.0%) and the allocation to debt securities is 45.5% (2018: 46.4%) and the allocation to Alternative investments and other is 21.4% (2018: 18.6%).

As at October 31, 2019, the assets include \$19 thousand (2018: \$19 thousand) of RBC common shares having a fair value of \$1,969 thousand (2018: \$1,797 thousand) and \$1,072 thousand (2018: \$937 thousand) of debt securities. For the year ended October 31, 2019, dividends received on the common shares held in the plan assets were \$73 thousand (2018: \$81 thousand).

Maturity profile

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

\$'000	October 31, 2019
G. Maturity profile	
Number of plan participants	1,088
Actual benefit payments 2019	6,334
Benefits expected to be paid 2020	8,492
Benefits expected to be paid 2021	9,193
Benefits expected to be paid 2022	10,076
Benefits expected to be paid 2023	10,897
Benefits expected to be paid 2024	11,543
Benefits expected to be paid 2025-2029	67,099
Weighted average duration of defined benefit (in years)	15.91

## Notes to the Financial Statements

### 13. Provisions and other obligations (Cont'd)

#### Significant assumptions used in calculating the defined benefit pension and other post-employment expense

##### Discount rate

For the pension and other post-employment plans, all future expected benefit payments at each measurement date are discounted at spot rates from a derived Aa corporate bond yield curve. The derived curve is based on observed rates for Aa corporate bonds with maturities less than six years and a projected Aa corporate curve based on spreads between observed Aa corporate bonds and Aa provincial bonds for periods greater than six years. Spot rates beyond 30 years are set to equal to the 30 year spot rate. The discount rate is the equivalent single rate that produces the same discount value as that determined using the entire discount curve. This valuation methodology does not rely on assumptions regarding reinvestment returns.

##### Rate of increase in future compensation

The assumption for increases in future compensation is based on the price inflation assumption and compensation policies in Canada, as well as relevant statutory and plan-specific requirements.

##### Healthcare cost trend rates

Health care cost calculations are based on both short and long term trend assumptions established based on the plan's recent trend experience as well as on market expectations.

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

\$'000	October 31, 2019		October 31, 2018	
	Defined benefit pension plan	Other post-employment plans	Defined benefit pension plans	Other post-employment plans
<b>H: Weighted average assumptions to determine benefit obligation</b>				
Discount rate	3.10%	3.10%	4.00%	4.00%
Rate of increase in future compensation	3.30%	NA	3.30%	NA
Health care cost trend rates (1)				
- Medical	NA	3.10%	NA	3.10%
- Dental	NA	3.10%	NA	3.10%

(1) For the Trust other post-employment plans, the 2019 assumed trend rates used to measure the expected benefits cost of the defined benefit obligations are also the ultimate rates.

Mortality assumptions are significant in measuring the obligations under the defined benefit plans. These assumptions have been set in accordance with current practices in Canada. Future longevity improvements have been considered and included where appropriate. The following table summarizes the mortality assumptions used for the Trust's defined benefit plans.

In years	October 31, 2019								October 31, 2018	
	Age 65		Age 45		Age 65		Age 45			
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
I. Life expectancy at 65 for member currently at	23.7	24.1	24.7	25.0	23.7	24.1	24.7	25.0		

#### Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations and expense for defined benefit pension and post-employment benefit plans. The increase (decrease) in obligation below have been determined assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated. The following table presents the sensitivity analysis of key assumptions for 2019.

RBC Investor Services Trust

Notes to the Financial Statements

13. Provisions and other obligations (Cont'd)

\$'000	October 31, 2019	
	Defined benefit pension plans	Other post-employment plans
<b>J. Sensitivity analysis</b>		
<b>Discount rate</b>		
Impact of 50bps increase in discount rate	(39,337)	(3,948)
Impact of 50bps decrease in discount rate	49,554	5,136
<b>Rate of increase in future compensation</b>		
Impact of 50bps increase in rate of increase in future compensation	1,428	-
Impact of 50bps decrease in rate of increase in future compensation	(1,476)	-
<b>Mortality rate</b>		
Impact of an increase in longevity by one additional year	6,467	345
<b>Health care cost trend rate</b>		
Impact of 100bps increase in health care cost trend rate	NA	286
Impact of 100bps decrease in health care cost trend rate	NA	(249)

14. Other liabilities

\$'000	October 31, 2019		October 31, 2018
	Cheques and other items in transit	1,006,245	
Accounts payable (1)	21,477		343,262
Accrued costs	140,432		84,208
Salaries and social charges payable	42,798		44,632
Business taxes (2)	1,016		4,901
Current tax liabilities	1,420		1,835
Accrued interest	936		999
Other (3)	367,313		45,492
<b>Total</b>	<b>1,581,637</b>		<b>1,335,820</b>

(1) Accounts payable mainly includes related party payables.

(2) Business taxes consist of sales tax.

(3) Includes cash collateral and amounts due to affiliates.

15. Share based compensation

The Trust offers share based compensation to certain key employees. The RBC share based compensation scheme was introduced to the Trust key employees during 2013, as part of the alignment with RBC.

**Deferred share plans**

The Trust offers performance deferred share award plans to certain key employees which vest over a maximum period of three years. Awards under the plans are deferred in the form of deferred share units and is paid in cash. 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 with 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.

RBC Investor Services Trust

Notes to the Financial Statements

15. Share based compensation (Cont'd)

The Trust's liabilities for the awards granted under the deferred share plans are measured at fair value, determined based on the quoted market price of RBC's common shares.

Obligations under deferred share plans

\$'000	October 31, 2019			October 31, 2018		
	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	Carrying amount	Number granted (thousands)	Weighted average fair value	Carrying amount
Deferred share unit plans	112	90.10	17,340	98	101.21	12,978

Compensation expenses recognized under deferred share plans

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
Deferred share unit plan	10,943	7,405

16. Derivatives

The principal derivatives used by the Trust are exchange rate contracts. Particular attention is paid to the liquidity of the markets and products in which the Trust trades to ensure that there are no undue concentrations of activity and risk. During 2019 and 2018 all derivatives were trading derivatives.

Exchange rate contracts include over-the-counter (OTC) 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. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency.

a. Analysis by nature

\$'000	October 31, 2019		October 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Derivatives held-for-trading	711,973	706,032	583,894	587,094
Total	711,973	706,032	583,894	587,094

b. Details of derivatives held-for-trading

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

\$'000	October 31, 2019				October 31, 2018			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
<b>Foreign exchange derivatives</b>								
Cross currency swaps	103,567,818	103,397,292	644,493	466,979	47,160,377	47,422,719	283,862	495,730
Foreign exchange forward rate agreements	20,991,405	21,156,088	67,480	239,053	29,262,521	29,002,777	300,032	91,364
Total	124,559,223	124,553,380	711,973	706,032	76,422,898	76,425,496	583,894	587,094

The remaining term to maturity of the majority of the Trust's derivatives is within one year. See Note 20 (c) Liquidity risk for the remaining term to maturity of the notional amounts.

## Notes to the Financial Statements

### 17. Subscribed capital

**Authorized**

Unlimited number of common shares, without nominal or par value

**Issued and subscribed**

By class of shares	October 31, 2019	October 31, 2018
Number of common shares issued and subscribed	1,090,303,854	1,090,303,854

### 18. 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**

**Securities - Government bonds**

Quoted market prices are used for government bond 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.

**Derivative assets and liabilities**

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

**Level 1 fair value measurements**

These are derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities.

**Level 2 fair value measurements**

These are derived from quoted prices for similar instruments in an active market, or quoted market prices for identical or similar instruments in inactive markets, or values using models where the inputs are observable.

**Level 3 fair value measurements**

These are derived from valuation techniques that include inputs for the financial assets or financial liabilities that are not based on observable market data (unobservable inputs).

**Credit valuation adjustment (CVA)**

Valuation adjustments are recorded for the credit risk of the Trust derivative portfolios in order to arrive at their fair values. CVA takes into account the Trust 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 amount of expected derivative related assets and liabilities at the time of default, estimated through modelling using underlying risk factors. Probability of default and recovery rate 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.

**a. Breakdown of fair value of financial instruments carried at amortized cost**

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

RBC Investor Services Trust

Notes to the Financial Statements

18. Fair value (Cont'd)

\$'000	October 31, 2019							
	Carrying amount	Fair value always approximates carrying value (1)	Fair value may not approximate carrying value (2)	Total fair value	Fair value measurements using			
					Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Cash and due from banks	19,650,868	16,920,323	2,795,388	19,715,711	-	2,795,388	-	2,795,388
Securities	65,039	-	65,044	65,044	-	65,044	-	65,044
Assets purchased under reverse repurchase agreement	1,829,901	1,829,901	-	1,829,901	-	-	-	-
Loans and advances to customers	312,973	312,973	-	312,973	-	-	-	-
Other financial assets	443,733	443,733	-	443,733	-	-	-	-
<b>Total</b>	<b>22,302,514</b>	<b>19,506,930</b>	<b>2,860,432</b>	<b>22,367,362</b>	<b>-</b>	<b>2,860,432</b>	<b>-</b>	<b>2,860,432</b>
<b>Financial liabilities</b>								
Deposits								
Business and other	17,628,304	17,551,588	76,958	17,628,546	-	76,958	-	76,958
Bank	1,617,252	1,617,252	-	1,617,252	-	-	-	-
Other financial liabilities	1,578,384	1,578,384	-	1,578,384	-	-	-	-
<b>Total</b>	<b>20,823,940</b>	<b>20,747,224</b>	<b>76,958</b>	<b>20,824,182</b>	<b>-</b>	<b>76,958</b>	<b>-</b>	<b>76,958</b>

\$'000	October 31, 2018							
	Carrying amount	Fair value always approximates carrying value (1)	Fair value may not approximate carrying value (2)	Total fair value	Fair value measurements using			
					Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Cash and due from banks	18,834,470	16,885,990	2,011,214	18,897,204	-	2,011,214	-	2,011,214
Securities	65,039	-	65,075	65,075	-	65,075	-	65,075
Assets purchased under reverse repurchase agreement	1,801,011	1,801,011	-	1,801,011	-	-	-	-
Loans and advances to customers	205,678	205,678	-	205,678	-	-	-	-
Other financial assets	459,860	459,860	-	459,860	-	-	-	-
<b>Total</b>	<b>21,366,058</b>	<b>19,352,539</b>	<b>2,076,289</b>	<b>21,428,828</b>	<b>-</b>	<b>2,076,289</b>	<b>-</b>	<b>2,076,289</b>
<b>Financial liabilities</b>								
Deposits								
Business and other	16,720,863	16,619,379	101,765	16,721,144	-	101,765	-	101,765
Bank	1,606,169	1,606,169	-	1,606,169	-	-	-	-
Other financial liabilities	1,332,240	1,332,240	-	1,332,240	-	-	-	-
<b>Total</b>	<b>19,659,272</b>	<b>19,557,788</b>	<b>101,765</b>	<b>19,659,553</b>	<b>-</b>	<b>101,765</b>	<b>-</b>	<b>101,765</b>

(1) For financial assets and liabilities with term to maturity less than 3 months, the fair value approximates carrying value.

(2) For financial assets and liabilities with term to maturity over 3 months, the fair value may not approximate carrying value.

RBC Investor Services Trust

**Notes to the Financial Statements**

18. Fair value (Cont'd)

**b. Analysis of fair value of financial instruments carried at fair value**

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

\$'000	October 31, 2019 <sup>1</sup>				October 31, 2018			
	Level 1	Level 2	Level 3	Total <sup>2</sup>	Level 1	Level 2	Level 3	Total
<b>Asset</b>								
Securities	-	-	-	-	-	-	-	-
Derivatives	-	711,973	-	711,973	-	583,894	-	583,894
<b>Total</b>	-	711,973	-	711,973	-	583,894	-	583,894
<b>Liabilities</b>								
Derivatives	-	706,032	-	706,032	-	587,094	-	587,094
<b>Total</b>	-	706,032	-	706,032	-	587,094	-	587,094

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

There were no transfers between level 1 and level 2 in 2019 and 2018.

## Notes to the Financial Statements

## 19. 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 Trust 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.

\$'000		October 31, 2019						
		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 (3)	Total amount recognized on the balance sheet (4)
Assets purchased under reverse repurchase agreement	1,829,983	-	1,829,983	-	1,829,983	-	-	1,829,983
Derivative assets	323,365	-	323,365	299,490	-	23,875	388,608	711,973
<b>Total</b>	<b>2,153,348</b>	<b>-</b>	<b>2,153,348</b>	<b>299,490</b>	<b>1,829,983</b>	<b>23,875</b>	<b>388,608</b>	<b>2,541,956</b>

\$'000		October 31, 2018						
		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 (3)	Total amount recognized on the balance sheet (4)
Assets purchased under reverse repurchase agreement	1,801,102	-	1,801,102	-	1,801,102	-	-	1,801,102
Derivative assets	439,520	-	439,520	147,420	-	292,100	144,374	583,894
<b>Total</b>	<b>2,240,622</b>	<b>-</b>	<b>2,240,622</b>	<b>147,420</b>	<b>1,801,102</b>	<b>292,100</b>	<b>144,374</b>	<b>2,384,996</b>

(1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collaterals disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.

(2) Includes non-cash collateral of \$1.830 million (2018: \$1,801 million).

(3) Refers to other bilateral transaction where we do not have an agreement in place that permits netting in any circumstances.

(4) The netted amount of the financial assets and liabilities, together with the financial assets and liabilities not subject to or similar arrangement, are reconciled to the amounts presented on the associated balance sheet line.

RBC Investor Services Trust

Notes to the Financial Statements

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

\$'000	October 31, 2019								
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Amounts subject to enforceable netting arrangements							Amounts not subject to enforceable netting agreements (2)	Total amount recognized on the balance sheet (3)
	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	Net amount	Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)		
Derivative liabilities	538,210	-	538,210	299,490	-	238,720	167,822	706,032	
<b>Total</b>	<b>538,210</b>	<b>-</b>	<b>538,210</b>	<b>299,490</b>	<b>-</b>	<b>238,720</b>	<b>167,822</b>	<b>706,032</b>	

\$'000	October 31, 2018								
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Amounts subject to enforceable netting arrangements							Amounts not subject to enforceable netting agreements (2)	Total amount recognized on the balance sheet (3)
	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	Net amount	Amount subject to master netting arrangement or similar agreements but do not qualify for offsetting on the balance sheet (1)		
Derivative liabilities	295,983	-	295,983	147,420	-	148,563	291,111	587,094	
<b>Total</b>	<b>295,983</b>	<b>-</b>	<b>295,983</b>	<b>147,420</b>	<b>-</b>	<b>148,563</b>	<b>291,111</b>	<b>587,094</b>	

- (1) Financial collateral is reflected at fair value. The amount of financial instruments and financial collaterals disclosed is limited to and any over-collateralization is excluded from the table.
- (2) Refers to other bilateral transaction where we do not have an agreement in place that permits netting in any circumstances.
- (3) The netted amount of the financial assets and liabilities, together with the financial assets and liabilities not subject to or similar arrangement, are reconciled to the amounts presented on the associated balance sheet line.

## Notes to the Financial Statements

### 20. 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 Trust manages and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and counterparty groups. The Trust sets limits at the following levels: counterparty and single name.

#### Organization

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 Trust'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 and Trust legal entity level 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 Trust's portfolio is well diversified, reduce concentration risk and remain within the Trust's Risk Appetite. Limits are reviewed on a regular basis taking into account the business, economic, financial and regulatory environments.

#### The Trust's exposure

The core portion of the Trust's total credit risk exposure is driven by the reinvestment of its custody clients' excess cash balances as unsecured deposits with RBC entities. A small amount of investment in third party assets is maintained to support business operations. See Note 22 Related party transactions.

Another source of credit risk on the balance sheet arises from temporary overdrafts and credit facilities granted to its institutional custody clients as well as cash balances with correspondent banks.

The Trust is exposed to credit counterparty risk linked to OTC foreign exchange derivatives it contracts with its custody clients and covers with market professionals. Additional credit counterparty risk arises when the Trust provides indemnification to lenders as securities lending agent.

#### 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 enhancements, such as master netting agreements and pledges on assets.

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

\$'000	October 31, 2019		October 31, 2018	
	Maximum credit exposure	Collateral received <sup>(1)</sup>	Maximum credit exposure	Collateral received
Cash and due from banks	19,650,868	-	18,834,470	-
Securities	65,039	-	65,039	-
Assets purchased under reverse repurchase agreements	1,829,901	1,854,471	1,801,011	1,815,878
Loans and advances to customers	312,973	-	205,678	-
Derivatives	711,973	-	583,894	-
Other assets (1)	443,733	-	459,860	-
<b>Total</b>	<b>23,014,487</b>	<b>1,854,471</b>	<b>21,949,952</b>	<b>1,815,878</b>

(1) Other assets represent financial assets mainly comprised of client and related party receivables, cash collateral, accrued interest and accrued fee income.

See Note 24 for Commitments and other off-balance sheet arrangements.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 20. Risk management (Cont'd)

Derivatives are entered into with clients and positions are closed with third parties. The net position (derivative assets and liabilities) in 2019 was net asset of \$5,941 thousand (2018: net liability of \$3,200 thousand).

#### Exposure by counterparty type

\$'000	October 31, 2019		October 31, 2018	
Category of counterparty type		%		%
Financial institutions	23,094,526	98.79	21,925,287	98.54
Canadian Government	55,085	0.24	58,474	0.26
Investment funds	227,169	0.97	268,005	1.20
Total	23,376,780	100.00	22,251,766	100.00

#### Exposure by geographical region

\$'000	October 31, 2019		October 31, 2018	
Geography		%		%
North America	22,734,061	97.25	21,687,921	97.47
Europe	426,095	1.82	492,645	2.21
Central and Latin Americas	1,968	0.01	5,126	0.02
Asia	213,728	0.91	66,049	0.30
Others	928	0.01	25	0.00
Total	23,376,780	100.00	22,251,766	100.00

#### Collateral management

The Trust requires securities lending activities as well as some foreign exchange transactions to be performed on a collateralized basis. The extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral taken. Specific requirements relating to collateral valuation and management are documented in credit risk management policies.

The collateral received represents the cash and fair value of securities held against counterparty exposures. Debt collateral received is government, agency or highly rated corporate bonds.

#### Credit quality of financial assets

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

\$'000	October 31, 2019				Total
	AAA to AA-	A+ to BBB-	Non-investment grade	Not rated	
Debt and equity instruments	54,749	-	-	-	54,749
Loans and advances and cash balances	21,485,868	157,469	126,600	-	21,769,937
Derivatives	270,244	440,475	1,254	-	711,973
Other assets	-	-	-	840,121	840,121
Total	21,810,726	597,944	127,854	840,121	23,376,780

**RBC Investor Services Trust**

**Notes to the Financial Statements**

20. Risk management (Cont'd)

\$'000					October 31, 2018
	AAA to AA-	A+ to BBB-	Non-investment grade	Not rated	Total
Debt and equity instruments	58,216	-	-	-	58,216
Loans and advances and cash balances	20,576,358	164,073	73,374	-	20,813,805
Derivatives	94,242	486,680	2,972	-	583,894
Other assets (1)	-	-	-	795,851	795,851
<b>Total</b>	<b>20,728,816</b>	<b>650,753</b>	<b>76,346</b>	<b>795,851</b>	<b>22,251,766</b>

In 2019 and 2018, the Trust did not have any financial assets with renegotiated terms that would otherwise be considered past due or impaired.

**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 2019 and 2018.

## Notes to the Financial Statements

### 20. Risk management (Cont'd)

#### b. Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, foreign exchange rates, equity prices or commodity prices. Market risk has a direct impact on revenue for those positions that are fair valued through profit and loss for financial reporting purposes, a direct impact on the Other comprehensive income from securities that are classified as FVOCI, and an impact on the economic value of the firm from the structural interest rate mismatch between banking book assets and liabilities. Furthermore, market risk also has an impact on the firm's capital ratios.

For the Trust, the main source of market risk that has a direct impact on revenue results comes from the execution of foreign exchange transactions for clients. However, this impact is not a material exposure as trading activities are not part of its strategy or risk appetite. Very limited unhedged foreign exchange positions are authorized to allow for residual trades to be aggregated before transferring the market risk to the financial market.

Market risk that impacts Other Comprehensive Income arises from market fluctuation in the value of Basel III level 1 securities which are classified as FVOCI. The interest rate and credit spread risk on these securities is negligible in comparison to the Trust's structural interest rate risk.

#### Market risk- Non-trading activities

Through its asset-liability management (ALM) activities, such as deposit taking and reinvestment of its funds, the Trust has exposure to market risks, including structural interest rate risk.

#### Structural interest rate risk

Structural interest rate risk is managed to preserve the Trust's safety and soundness by limiting the vulnerability of economic value of equity and net interest income to adverse interest rate movements.

The Asset and Liability Committee ("ALCO") provides oversight over market risk policies, limits, and operating standards. Interest rate risk reports and profile are reviewed regularly by ALCO, risk management and the Board of Directors. The structural interest rate risk 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 managed. These limits are based on immediate and sustained  $\pm 100$  basis points (bps) parallel shifts of the yield curve.

The following table provides the potential before-tax impact of an immediate and sustained 100 bps increase or decrease in interest rates on projected net interest income and economic value of equity of the Trust's structural balance sheet, assuming no subsequent hedging. Calculations of these interest rate risk measures are based on management assumptions for business and market factors. Business factors include assumptions about future pricing strategies and volume and mix of new business, whereas market factors include assumed changes in interest levels and changes in the shape of the yield curve. As part of the monitoring process, the effectiveness of the interest rate mitigation activity is assessed on value and earnings bases, and model assumptions are validated against actual client behaviour. All interest rate risk measures are based on interest rate exposures at a specific time and continuously change as a result of business activities and the Trust's risk management actions.

\$ million	October 31, 2019				October 31, 2018	
	up 100 bps	down 100 bps	up 100 bps	down 100 bps	up 100 bps	down 100 bps
Economic value of equity risk	-	(22)	21	(35)		
Net interest income risk	(15)	(5)	(14)	6		

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

RBC Investor Services Trust

Notes to the Financial Statements

20. Risk management (Cont'd)

\$'000							October 31, 2019
Assets	Immediately interest rate- sensitive	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Non-rate- sensitive	Total
Cash and due from banks	3,935,611	13,108,515	2,552,313	54,429	-	-	19,650,868
Securities	-	65,039	-	-	-	-	65,039
Assets under reverse repurchase agreements	-	1,829,901	-	-	-	-	1,829,901
Loans and advances to customers	-	312,973	-	-	-	-	312,973
Derivatives	711,973	-	-	-	-	-	711,973
Other assets	-	-	-	-	-	443,733	443,733
<b>Total assets</b>	<b>4,647,584</b>	<b>15,316,428</b>	<b>2,552,313</b>	<b>54,429</b>	<b>-</b>	<b>443,733</b>	<b>23,014,487</b>
<b>Liabilities</b>							
<b>Deposits</b>							
Business and other	17,551,588	76,716	-	-	-	-	17,628,304
Bank	1,617,252	-	-	-	-	-	1,617,252
Derivatives	706,032	-	-	-	-	-	706,032
Other liabilities	-	-	-	-	-	1,578,384	1,578,384
<b>Total liabilities</b>	<b>19,874,872</b>	<b>76,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,578,384</b>	<b>21,529,972</b>
<b>Net position</b>							
On balance sheet sensitivity gap	(15,227,288)	15,239,712	2,552,313	54,429	-	-	-

\$'000							October 31, 2018
Assets	Immediately interest rate- sensitive	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years	Non-rate- sensitive	Total
Cash and due from banks	4,342,762	13,133,027	854,595	504,086	-	-	18,834,470
Securities	-	-	65,039	-	-	-	65,039
Assets under reverse repurchase agreements	-	1,801,011	-	-	-	-	1,801,011
Loans and advances to customers	-	205,678	-	-	-	-	205,678
Derivatives	583,894	-	-	-	-	-	583,894
Other assets	-	-	-	-	-	459,860	459,860
<b>Total assets</b>	<b>4,926,656</b>	<b>15,139,716</b>	<b>919,634</b>	<b>504,086</b>	<b>-</b>	<b>459,860</b>	<b>21,949,952</b>
<b>Liabilities</b>							
<b>Deposits</b>							
Business and other	16,619,379	91,484	10,000	-	-	-	16,720,863
Bank	1,606,169	-	-	-	-	-	1,606,169
Derivatives	587,094	-	-	-	-	-	587,094
Other liabilities	-	-	-	-	-	1,332,240	1,332,240
<b>Total liabilities</b>	<b>18,812,642</b>	<b>91,484</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>1,332,240</b>	<b>20,246,366</b>
<b>Net position</b>							
On balance sheet sensitivity gap	(13,885,986)	15,048,232	909,634	504,086	-	-	-

## Notes to the Financial Statements

### 20. Risk management (Cont'd)

#### c. Liquidity risk

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

The Trust's balance sheet structure has inherently low liquidity risk; the principal source of funding, demand deposits, is matched against short term investments with the RBC legal entity. The Trust monitors the composition of its deposit base with respect to liquidity risk.

The Trust's objective is to put in place a liquidity management structure where day-to-day requirements are met and protection is also available for unforeseen and potentially adverse events. Cumulative net cash flow analysis under different liquidity scenarios is used as the main liquidity risk measure. These scenarios incorporate sensitivity to deposit runoff and varying degrees of asset illiquidity. The assessment of the Trust's liquidity position reflects management's estimates, assumptions and judgments pertaining to its current and prospective conditions, market conditions and the related behaviour of its clients and counterparties.

The ALCO oversees liquidity risk management, monitoring liquidity against approved limits. ALCO reviews the Liquidity Management Policy and Pledging Policy, and provides recommendations for approval to the Board of Directors. Liquidity measures are reviewed by ALCO and by the Board of Directors.

Guidelines for liquidity risk include two regulatory measures, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The NSFR is scheduled for implementation by January 2019 in Canada. The Trust contributes to the LCR /NSFR position of RBC. In addition, the Trust has been required to file a standalone LCR calculation to OSFI, but no minimum LCR requirement has been set. However, through the Prudential Regulation Authority's oversight of the Trust UK Branch they have required the Trust to meet a minimum LCR requirement of 100%.

The Trust maintains strict limits on net open FX derivative positions. Derivatives contracts are entered into clients and the resulting position is closed with high quality counterparties.

The following tables analyse the Trust's non-derivative financial assets and liabilities and net settled derivative financial 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.

## Notes to the Financial Statements

## 20. Risk management (Cont'd)

\$'000	Breakdown of contractual cash flows					October 31, 2019
	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years (1)	Total
<b>Non derivative financial assets</b>						
Cash and due from banks	3,935,611	13,108,515	2,552,313	54,429	-	19,650,868
Securities	-	-	65,000	-	-	65,000
Assets purchased under reverse repurchase agreements	-	1,829,901	-	-	-	1,829,901
Loans and advances to customers	-	312,973	-	-	-	312,973
Other assets	136,678	259,370	71,255	5,066	1	472,370
<b>Total non derivative financial assets</b>	<b>4,072,289</b>	<b>15,510,759</b>	<b>2,688,568</b>	<b>59,495</b>	<b>1</b>	<b>22,331,112</b>
<b>Non derivative financial liabilities</b>						
Deposits						
Business and other	17,551,588	76,716	-	-	-	17,628,304
Banks	1,617,252	-	-	-	-	1,617,252
Other liabilities	1,342,865	216,008	360	4,221	14,969	1,578,423
<b>Total non derivative financial liabilities</b>	<b>20,511,705</b>	<b>292,724</b>	<b>360</b>	<b>4,221</b>	<b>14,969</b>	<b>20,823,979</b>
<b>Net position asset (liability)</b>	<b>(16,439,416)</b>	<b>15,218,035</b>	<b>2,688,208</b>	<b>55,274</b>	<b>(14,968)</b>	<b>1,507,133</b>

\$'000	Breakdown of contractual cash flows					October 31, 2019
	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years (1)	Total
<b>Derivatives</b>						
Derivatives settled on a gross basis (2)						
Outflow	-	120,125,112	4,428,268	-	-	124,553,380
Inflow	-	120,131,077	4,428,146	-	-	124,559,223

\$'000	Breakdown of contractual cash flows					October 31, 2018
	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years (1)	Total
<b>Non derivative financial assets</b>						
Cash and due from banks	4,342,762	13,133,027	854,595	504,086	-	18,834,470
Securities	-	-	65,000	-	-	65,000
Assets purchased under reverse repurchase agreements	-	1,801,011	-	-	-	1,801,011
Loans and advances to customers	-	205,678	-	-	-	205,678
Other assets	241,787	187,263	25,825	33,508	1	488,384
<b>Total non derivative financial assets</b>	<b>4,584,549</b>	<b>15,326,979</b>	<b>945,420</b>	<b>537,594</b>	<b>1</b>	<b>21,394,543</b>
<b>Non derivative financial liabilities</b>						
Deposits						
Business and other	16,619,379	91,484	10,000	-	-	16,720,863
Banks	1,606,169	-	-	-	-	1,606,169
Other liabilities	1,089,685	212,383	5,773	4,026	20,475	1,332,342
<b>Total non derivative financial liabilities</b>	<b>19,315,233</b>	<b>303,867</b>	<b>15,773</b>	<b>4,026</b>	<b>20,475</b>	<b>19,659,374</b>
<b>Net position asset (liability)</b>	<b>(14,730,684)</b>	<b>15,023,112</b>	<b>929,647</b>	<b>533,568</b>	<b>(20,474)</b>	<b>1,735,169</b>

\$'000	Breakdown of contractual cash flows					October 31, 2018
	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after more than 5 years (1)	Total
<b>Derivatives</b>						
Derivatives settled on a gross basis (2)						
Outflow	-	69,296,397	7,129,099	-	-	76,425,496
Inflow	-	69,294,148	7,128,750	-	-	76,422,898

(1) Includes amounts with an undetermined maturity.

(2) Foreign exchange OTC derivatives held for trading.

## Notes to the Financial Statements

### 20. Risk management (Cont'd)

The balances in the above tables will not agree directly with those in the Trust's balance sheet as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading assets and derivatives). Trading assets and derivatives are included in the 'On demand' maturity grouping, and not by contractual maturity, because trading assets and liabilities are typically held for short periods of time. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called. Cash flows payable in respect of customer accounts are primarily contractually repayable on demand or at short notice.

#### 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 Trust manages operational risk by ensuring appropriate infrastructure, controls, systems and qualified individuals are in place throughout the organization 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, management and monitoring of operational risks. The framework is supported by independent governance processes, a code of ethics, risk-based internal auditing, and corporate and business compliance activities.

#### Measurement

Operational risk is monitored through various mechanisms. The Trust 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 major projects and new products 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 Trust appoints an external auditor to report on key internal controls covering the Trust's core business - custody and fund administration, in compliance with the relevant industry standard such as the International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organization".

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.

#### Control

The Trust manages operational risk by having the appropriate infrastructure, systems of controls, systems and people in place throughout the organization. Supporting these activities are groups that focus on:

An independent risk management function: credit risk, operational risk, market risk are assessing risk on an ongoing basis.

A Compliance function: Ensuring that the Trust meets all obligations resulting out of existing laws and regulations Anti-Money Laundering ("AML"), Know Your Customer ("KYC"), Protection of investors, etc.

An internal audit team that is independent from the business. The Internal Audit Services is headed by the RBC Chief Internal Auditor, who reports functionally to the RBC 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.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 20. Risk management (Cont'd)

The scope of the internal audits extends to all activities and functions of the Trust and its 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 are determined with opportunity to accelerate the cycle when required by regulators.

#### Reporting

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

#### e. Capital adequacy

The Trust has complied with all the capital requirements imposed by OSFI during all periods presented. The Trust has complied with the Basel III leverage ratio framework and disclosure requirements published by OSFI in October 2014 commencing with its first quarterly filing on January 31, 2015.

The Trust has a Capital Adequacy Ratio of 26.9% at the end of 2019 (2018: 29.6%).

Capital adequacy and regulatory capital are monitored by both senior management committees and the ALCO. The calculation is based on techniques and approaches issued under the guidelines developed by the Basel Committee on Banking Supervisions ("Basel Committee") and the Committee of European Banking Supervision. Basel Capital Adequacy Reporting ("BCAR") is issued on a quarterly basis to OSFI.

Under the Capital Adequacy Requirements ("CAR-1") guideline, OSFI requires each bank/trust or banking/trust group to:

- (a) Maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10.5%; and
- (b) Maintain a Leverage ratio ("LR") that exceeds the minimum level prescribed by OSFI.

By policy, the Trust maintains capital positions and ratios that exceeds minimum prescribed regulatory requirement and internal limit. The regulatory capital can be composed of:

- Tier 1 capital: Share capital, retained earnings and reserves created by appropriations of retained earnings. The carrying amounts of intangible assets is deducted from the Tier 1 capital; and
- Tier 2 capital: Qualifying subordinated loan capital, collective impairment allowances.

The Trust has an internal capital plan to guide day-to-day capital management which is reviewed and approved by ALCO and the Board of Directors. On an annual basis, the Trust assesses its risk appetite and risk capital requirements to determine if there is a need to raise additional capital or the amount of excess capital available for distribution to the Parent Bank. The Trust defines the target capital and calculates the projected capital levels and capital ratios for the next financial year under different scenarios.

RBC Investor Services Trust

Notes to the Financial Statements

20. Risk management (Cont'd)

Basel III

The Trust complied with the Canadian Basel III guideline and reporting requirements for BCAR published by OSFI in August 2012 commencing with its first quarterly filing on January 31, 2013.

Under Basel III requirements:

\$'000	October 31, 2019	October 31, 2018
Gross Tier 1 Capital	1,765,889	1,960,272
Total deductions Tier 1	(276,235)	(253,631)
<b>Adjusted net Tier 1 Capital (1)</b>	<b>1,489,654</b>	<b>1,706,641</b>
<b>Total capital and reserves (Eligible own funds)</b>	<b>1,489,654</b>	<b>1,706,641</b>
<b>Capital requirements:</b>		
Credit risk and counterparty risk	313,298	328,383
Operational risk	130,216	132,258
Market risk	-	-
Interest rate risk	-	-
Foreign exchange risk	-	-
Adjustment for Capital Floor (2)	-	-
<b>Total capital requirements (2)</b>	<b>443,514</b>	<b>460,641</b>
Capital ratio: (1)		
<u>Eligible own funds</u>	26.87%	29.64%
Capital requirements × 12.5		
<b>Leverage ratio</b>	<b>5.98%</b>	<b>7.51%</b>

(1) OSFI requires the application of the CVA capital charge effective January 1, 2014. To ensure an implementation similar to that in other countries, the CVA capital charge was phased in over a five year period beginning 2014 and ending December 31, 2018, in accordance with two possible options. Under the option selected by RBC, Option 1, where CVA increased RWA for purposes of calculating CET1, Tier 1 and Total capital ratios, and the Trust used 100% in 2019.

(2) OSFI requires the application of a restriction on the amount of capital benefit that can be derived from the application of Advanced Internal Rating Based approach.

**RBC Investor Services Trust**

**Notes to the Financial Statements**

21. Leasing

a. The Trust as lessor

The Trust is not active in leasing as a lessor.

b. The Trust as lessee

Operating Leases

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

\$'000	October 31, 2019 (1)	October 31, 2018 (2)
Not later than 1 year	5,722	23,336
Later than 1 year and not later than 5 years	3,209	72,575
Later than 5 years	-	53,071
<b>Total</b>	<b>8,931</b>	<b>148,982</b>

(1) Amounts no longer include sublease payments as the Trust has entered into a new Master Spaces Services Agreement with RBC as at June 30, 2019.

(2) During fiscal 2019, the Trust identified one lease contract commitment that was included in error, resulting in an overstatement of \$115 million. Comparative amounts as at October 31, 2018 have been restated to correct for this overstatement.

There were no future sublease payments expected to be received under non-cancellable sub-leases during 2019 and 2018.

Lease payments recognized in the income statement during the year:

\$'000	For the year ended	
	October 31, 2019	October 31, 2018
Minimum lease payments	10,581	21,233
<b>Total</b>	<b>10,581</b>	<b>21,233</b>

There was no contingent rent during 2019 and 2018 and there was no sublease income recognized in the income statement during 2019 and 2018.

The Trust has not contracted any finance leases during 2019 and 2018.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 22. Related party transactions

##### Related parties

Related parties include the parent company, RBC, associated companies, post-employment benefit plans for the benefit of the Trust's 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

\$'000	October 31, 2019			October 31, 2018		
	Parent company (1)	RBC (2)	Other related parties (3)	Parent company (1)	RBC (2)	Other related parties (3)
<b>Balance sheet</b>						
<b>Assets:</b>						
Cash and due from banks	-	19,472,706	2,344	-	18,605,387	4,491
Assets purchased under reverse repurchase agreements	-	1,829,901	-	-	1,801,011	-
Loans and advances to customers	-	-	-	-	-	-
Derivatives (4)	-	112,708	208,931	-	64,004	375,536
Other assets	-	66,159	164,082	-	230,687	41,165
<b>Liabilities:</b>						
Deposits	-	278,016	3,406	-	341,191	1,982
Derivatives (4)	-	88,999	447,736	-	212,471	83,521
Other liabilities	-	206,335	109,363	-	109,431	294,247
<b>Income statement</b>						
Interest income	-	397,106	(1,678)	-	326,248	(773)
Interest expense	-	(3,376)	(118)	-	(4,709)	(98)
Investment administration, custodial fees and other	-	104,228	(4,394)	-	101,848	5,859
Foreign exchange revenue	-	167,481	(532,452)	-	10,428	134,188
Securities lending commission	-	-	(8,422)	-	-	(9,485)
Non-interest expense	-	(179,344)	(10,063)	-	(130,744)	5,936
<b>Off balance sheet</b>						
Derivative to receive at end of year (4)	-	27,909,930	53,864,391	-	19,926,690	29,502,311
Derivative to deliver at end of year (4)	-	27,910,104	54,057,877	-	20,144,316	29,141,891
Derivative to receive highest amount during year (4)	-	35,017,941	60,162,134	-	19,926,690	30,143,830
Derivative to deliver highest amount during year (4)	-	34,901,578	59,869,564	-	20,144,316	30,049,454
Foreign exchange spot transactions to deliver (4)	-	1,097,812	820,901	-	595,928	885,362
Foreign exchange spot transactions to receive (4)	-	1,098,807	821,050	-	595,723	885,461
Collateral received (5)	-	1,854,471	-	-	1,815,878	-

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

(1) The immediate shareholder of the Trust, RBHI.

(2) RBC includes RBC and RBC group entities (excluding RBHI).

(3) Relations with other related parties in the RBCIS group.

(4) Spot and forward foreign exchange contracts and currency swaps for which the Trust entered into with RBC and RBC Investor Services Bank S.A. to facilitate client transactions. The disclosure of notional amounts as of the end of the year and the highest month-end notional amounts during the year is considered the most meaningful information to represent foreign exchange transactions during the year.

(5) Collateral received against reverse repo activities with RBC.

## **Notes to the Financial Statements**

### **22. Related party transactions (Cont'd)**

#### **b. Residual Profit Split**

During fiscal 2019, RBC Investor & Treasury Services implemented the Residual Profit Split (RPS) model, which effectively replaced various existing transfer pricing arrangements, and reflects an integrated business model across the Investor Services business.

The RPS methodology applies transfer pricing guidance from the Organisation for Economic Co-operation and Development (OECD), and recognizes that custody banks generate profit by ensuring valuable synergy benefits are extracted by utilizing economies of scale to enable operational efficiency and value creation. In line with the OECD guidelines, residual profits generated from the entities within the Investor Services business operating jointly are to be shared between them in proportion to their contributions.

#### **c. Transfer of intangible assets**

During fiscal 2019, the Trust entered into a revised Master Services Agreement and a Schedule to this Agreement with an affiliated entity, resulting in the transfer of certain capitalized costs included in intangible assets, related to the enhancement of an existing custody application for \$50 million cash consideration.

#### **d. Key management compensation**

##### **Key management personnel and Directors**

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries, directly or indirectly. They include the senior members of RBC called the Group Executive (GE). The GE is comprised of the President and Chief Executive Officer and individuals that report directly to him, including the Chief Administrative Officer, Chief Financial Officer, Chief Human Resources Officer, Group Chief Risk Officer, Chief Strategy & Corporate Development Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations, and Personal & Commercial Banking. The Directors do not plan, direct, or control the activities of the entity; they oversee the management of the business and provide stewardship.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 22. Related party transactions (Cont'd)

##### Compensation of key management personnel and RBC Directors

\$ million	For the year ended (1)	
	October 31, 2019	October 31, 2018
Salaries and other short-term employee benefits (2)	26	34
Post-employment benefits (3)	2	2
Share-based payments	44	42
	72	78

(1) KMP and RBC Directors received their remuneration from RBC. No direct compensation is charged to the subsidiary by RBC in respect of the services provided.

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

(3) RBC Directors do not receive post-employment benefits.

##### Stock options, stock awards and shares held by key management personnel, Directors and their close family members

\$ million	October 31, 2019		October 31, 2018	
	No. of units held	Value	No. of units held	Value
Stock options (1)	2,372,714	51	2,154,835	37
Other non-option stock based awards (1)	1,481,096	157	1,440,002	138
RBC common and preferred shares	463,362	49	453,316	43
	4,317,172	257	4,048,153	218

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

##### 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 KMP, 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, 2019, total loans to KMP, Directors and their close family members were \$8 million (2018: \$10 million). We have no provision for credit losses relating to these loans as at and for the year ended October 31, 2019. No guarantees, pledges or commitments have been given to KMP, Directors or their close family members.

##### Pension Plan

Since the inception of the Defined Benefit Pension Plan ("the Plan"), the Trust ("the Plan sponsor") has incurred various expenses related to the administration and operation of the Plan. Commencing in 2008 the Fund of the Trust's pension plan ("the Fund") is to pay all reasonable and bona fide expenses related to the auditing of the Fund, preparation of actuarial valuation reports, investment management fees and third party fees related to member communications.

As at October 31, 2019, the Trust had a receivable of \$887 thousand (2018: \$887 thousand) and \$39 thousand (2018: \$39 thousand) for investment management and audit fees respectively from the Plan, representing the amounts paid on behalf of the Plan for the years 2008-2010 by the Trust.

Since the inception of the Plan, the Trust has acted as the custodian for the assets of the defined benefit component of the Plan and no custody fees have been charged.

## RBC Investor Services Trust

### Notes to the Financial Statements

#### 23. List of nominee and associate companies

Name	Principal office address	Amount (1)
Nominee companies:		
RBC Investor Services Australia Nominees Pty Limited (2)	2 Park Street, Level 47, NSW 2000 Sydney, Australia	AUD 100
Brant Investments Limited (2)	200 Bay Street, 12th Floor, South Tower, Toronto, Ontario, M5J 2J5, Canada	CDN 366
Roy Nominees Limited (2)	Riverbank House, 2 Swan Lane, London EC4R 3BF, United Kingdom	GBP 100
Associate company:		
RBC Investor Services UK LLP	Riverbank House, 2 Swan Lane, London EC4R 3BF, United Kingdom	GBP 1

(1) Actual values of share capital, not reported in thousands of dollars.

(2) The Trust holds 100% of voting rights of the entities.

Nominee companies are used by the Trust to facilitate the segregation of client assets held in custody from assets owned by the Trust in a corporate capacity.

Nominee and associate companies are accounted for at cost.

#### 24. Commitments and other off-balance sheet arrangements

##### Regular way trades

\$'000	October 31, 2019	October 31, 2018
Notional amounts for foreign exchange spot transactions to be delivered	3,497,378	3,046,802
Notional amounts for foreign exchange spot transactions to be received	3,497,451	3,046,938

##### Collateral

###### a. Collateral "if collateral can be sold or re-pledged"

\$'000	October 31, 2019		October 31, 2018	
	Fair values of collateral	Fair values of collateral sold/repledged	Fair values of collateral	Fair values of collateral sold/repledged
Financial instruments received as collateral (1)	1,854,471	-	1,815,878	-
Total	1,854,471	-	1,815,878	-

(1) Collateral was received in connection with reverse repurchase agreement and securities lending activities.

###### b. Financial assets pledged as collateral

\$'000	October 31, 2019	October 31, 2018
Carrying amount	45,031	45,052

Financial assets pledged as collateral consist of on balance sheet securities pledged to guarantee settlement and other dedicated activities according to local regulations in 2019 and 2018.

Financial assets are pledged with the Canadian Depository Securities and Clearstream.

##### Other commitments

\$'000	October 31, 2019	October 31, 2018
Securities lending indemnifications	83,939,790	89,363,332

**Notes to the Financial Statements**

**24. Commitments and other off-balance sheet arrangements (Cont'd)**

**Securities lending indemnifications**

In securities lending transactions, the Trust 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. The borrower must fully collateralize the security loaned at all times. The Trust may provide an indemnification to securities lending customers to ensure that the fair value of securities loaned will be returned in the event that the borrower fails to return the borrowed securities and the collateral held is insufficient to cover the fair value of those securities. These indemnifications normally terminate without being drawn upon. The term of these indemnifications varies as the securities loaned are callable on demand. Collateral held for the Trust securities lending transactions typically includes cash or securities that are issued or guaranteed by the Canadian government, U.S. government or other OECD countries.

RBC Investor Services Trust

Notes to the Financial Statements

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

The table below presents an analysis of assets and liabilities recorded on the balance sheet by amounts to be recovered or settled within one year and after one year based on contractual maturities and certain other assumptions outlined in the footnotes below. As warranted, the Trust 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.

\$'000	October 31, 2019			October 31, 2018		
	Within one year	After one year	Total	Within one year	After one year	Total
<b>Assets</b>						
Cash and due from banks	19,596,439	54,429	19,650,868	18,330,384	504,086	18,834,470
Securities	65,039	-	65,039	65,039	-	65,039
Assets purchased under reverse repurchase agreement	1,829,901	-	1,829,901	1,801,011	-	1,801,011
Loan and advances to customers (1)	312,973	-	312,973	205,678	-	205,678
Derivatives (2)	711,973	-	711,973	583,894	-	583,894
Tangible assets	-	6,340	6,340	-	8,632	8,632
Goodwill and other intangible assets	-	290,878	290,878	-	255,688	255,688
Deferred tax assets	2,746	2,344	5,090	-	-	-
Other assets	513,890	-	513,890	486,909	10,445	497,354
<b>Total assets</b>	<b>23,032,961</b>	<b>353,991</b>	<b>23,386,952</b>	<b>21,472,915</b>	<b>778,851</b>	<b>22,251,766</b>
<b>Liabilities</b>						
Deposits						
Business and other (3)	17,628,304	-	17,628,304	16,720,863	-	16,720,863
Bank	1,617,252	-	1,617,252	1,606,169	-	1,606,169
Derivatives (2)	706,032	-	706,032	587,094	-	587,094
Provisions and other obligations	22,650	65,188	87,838	10,122	31,370	41,492
Deferred tax liabilities	-	-	-	56	-	56
Other liabilities	1,562,446	19,191	1,581,637	1,311,320	24,500	1,335,820
<b>Total liabilities</b>	<b>21,536,684</b>	<b>84,379</b>	<b>21,621,063</b>	<b>20,235,624</b>	<b>55,870</b>	<b>20,291,494</b>

(1) Loans and advances to customers 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) Business and other deposits are presented as within one year due to their being repayable on demand or at short notice on a contractual basis. In practice, these deposits relate to a broad range of customer-types which form a stable base for the Trust's operations and liquidity needs.

RBC Investor Services Trust

Supplementary disclosures (unaudited)

OSFI requires federally regulated trust companies to disclose prescribed information in either their Notes to financial statements or in a supplementary report appended to the annual financial statements. The information required by OSFI that is not disclosed in the Notes to the financial statements is included in the below supplementary disclosures.

Summary of risk-weighted assets (Basel III)

\$'000		October 31, 2019		
Basel III Capital Adequacy Requirements	Gross exposure	Adjustment to net exposure for collateral (comprehensive approach)	Net exposure after credit risk mitigation	Risk-weighted assets
<b>Standardized approach</b>				
Drawn (overdraft)	217,163	-	217,163	216,945
Repo-style transactions			-	
OTC derivatives	2,651	-	2,651	2,651
<b>Subtotal</b>	<b>219,814</b>	<b>-</b>	<b>219,814</b>	<b>219,596</b>
<b>AIRB approach (1)</b>				
Deposit with Bank (2)	19,722,596	(1)	19,722,595	1,296,271
Repo-style transactions	85,891,287	(79,495,562)	6,395,725	1,022,409
Securities - debt	54,908	-	54,908	713
OTC derivatives	2,664,369	-	2,664,369	470,637
Committed Facilities	-	-	-	-
Adjustment to AIRB risk-weighted asset for scaling factor	-	-	-	167,401
<b>Subtotal</b>	<b>108,333,160</b>	<b>(79,495,563)</b>	<b>28,837,597</b>	<b>2,957,431</b>
<b>Other assets not included in standardized or AIRB approach (1)</b>				
	On-balance sheet assets	Weighted average of risk weights		Risk-weighted assets
Building and equipment, less accumulated depreciation	6,340	100%		6,340
Deferred tax assets	-	250%		-
Other assets (at 100%)	472,409	100%		472,409
Other assets (at 20%)	93,745	20%		18,749
Other assets (at 0%)	179,322	0%		-
Unrealized gains on derivatives	711,973	0%		-
Goodwill	88,305	0%		-
<b>Subtotal</b>	<b>1,552,094</b>	<b>-</b>		<b>497,498</b>
<b>CVA (3)</b>	<b>241,700</b>	<b>100%</b>		<b>241,700</b>
<b>Total risk weighted assets for credit risk</b>				<b>3,916,225</b>
<b>Standardized approach for minimum capital required for operational risk</b>				
Risk-weighted assets for operational risk				1,627,700
Adjustment for Capital Floor				-
<b>Total risk-weighted assets</b>				<b>5,543,925</b>

(1) Advanced internal rating-based.

(2) Includes committed credit facility.

(3) OSFI requires the application of the CVA capital charge effective January 1, 2014. To ensure an implementation similar to that in other countries, the CVA capital charge will be phased in over a five year period beginning 2014 and ending December 31, 2018, in accordance with two possible options. Under the option selected by RBC, Option 1, where CVA increased RWA for purposes of calculating CET1, Tier 1 and Total capital ratios, and the Trust used 100% in 2019.

RBC Investor Services Trust

Supplementary disclosures (unaudited)

\$'000		October 31, 2018		
Basel III Capital Adequacy Requirements	Gross exposure	Adjustment to net exposure for collateral (comprehensive approach)	Net exposure after credit risk mitigation	Risk-weighted assets
<b>Standardized approach</b>				
Drawn (overdraft)	247,575	-	247,575	247,575
Repo-style transactions	204,630	(78,775)	125,855	125,855
OTC derivatives	457	-	457	457
<b>Subtotal</b>	<b>452,662</b>	<b>(78,775)</b>	<b>373,887</b>	<b>373,887</b>
<b>AIRB approach (1)</b>				
Deposit with Bank (2)	18,763,311	(1)	18,763,310	1,175,292
Repo-style transactions	97,916,776	(89,676,602)	8,240,174	1,526,217
Securities - debt	58,376	-	58,376	758
OTC derivatives	1,318,616	-	1,318,616	223,307
Committed Facilities	-	-	-	-
Adjustment to AIRB risk-weighted asset for scaling factor	-	-	-	175,534
<b>Subtotal</b>	<b>118,057,079</b>	<b>(89,676,603)</b>	<b>28,380,476</b>	<b>3,101,108</b>
<b>Other assets not included in standardized or AIRB approach (1)</b>				
	On-balance sheet assets	Weighted average of risk weights		Risk-weighted assets
Building and equipment, less accumulated depreciation	8,632	100%		8,632
Deferred tax assets	-	250%		-
Other assets (at 100%)	538,031	100%		538,031
Other assets (at 20%)	4,503	20%		901
Other assets (at 0%)	156,380	0%		-
Unrealized gains on derivatives	583,894	0%		-
Goodwill	88,305	0%		-
<b>Subtotal</b>	<b>1,379,745</b>	<b>-</b>		<b>547,564</b>
<b>CVA (3)</b>	<b>102,791</b>	<b>80%</b>		<b>82,232</b>
<b>Total risk weighted assets for credit risk</b>				<b>4,104,791</b>
<b>Standardized approach for minimum capital required for operational risk</b>				
Risk-weighted assets for operational risk				1,653,225
Adjustment for Capital Floor				-
<b>Total risk-weighted assets</b>				<b>5,758,016</b>

(1) Advanced internal rating-based.

(2) Includes committed credit facility

(3) OSFI requires the application of the CVA capital charge effective January 1, 2014. To ensure an implementation similar to that in other countries, the CVA capital charge will be phased in over a five year period beginning 2014 and ending December 31, 2018, in accordance with two possible options. Under the option selected by RBC, Option 1, where CVA increased RWA for purposes of calculating CET1, Tier 1 and Total capital ratios, and the Trust used phased-in scalars of 72%, 77% and 81% respectively in 2018.

RBC Investor Services Trust

**Supplementary disclosures (unaudited)**

Leverage ratio common disclosure template

\$ millions	October 31, 2019	October 31, 2018
<b>On-balance sheet exposure</b>		
On-balance sheet items (excluding derivatives, Securities financing transaction exposures		
1 (SFTs) and grandfathered securitization exposures, but including collateral)	20,834,906	19,866,861
(Deductions of receivables assets for cash variation margin provided in derivatives		
2 transactions)	(142,184)	-
3 (Asset amounts deducted in determining Basel III transitional Tier 1 capital)	(276,235)	(253,631)
<b>4 Total on-balance sheet exposure (excluding derivatives and SFTs) (sum of lines 1 to 3)</b>	<b>20,416,487</b>	<b>19,613,230</b>
<b>Derivatives exposures</b>		
Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation		
5 margin)	996,975	583,116
6 Add-on amounts for PFE associated with all derivatives transactions	1,670,816	740,579
Gross-up for derivatives collateral provided where deducted from the balance sheet assets		
7 pursuant to the operative accounting framework	-	-
8 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
9 (Exempted CCP-leg of client-cleared trade exposures)	-	-
10 Adjusted effective notional amount of written credit derivatives	-	-
11 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
<b>12 Total derivative exposures (sum of lines 5 to 11)</b>	<b>2,667,791</b>	<b>1,323,695</b>
<b>Securities financing transaction exposures</b>		
Gross SFT assets recognized for accounting purposes (with no recognition of netting), after		
13 adjusting for sale accounting transactions	1,830,022	1,802,764
14 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
15 Counterparty credit risk (CCR) exposure for SFTs	-	-
16 Agent transaction exposures	-	-
<b>17 Total securities financing transaction exposures (sum of lines 13 to 16)</b>	<b>1,830,022</b>	<b>1,802,764</b>
<b>Other off-balance sheet exposures</b>		
18 Off-balance sheet exposures at gross notional amount	-	-
19 (Adjustments for conversion to credit equivalent amounts)	-	-
<b>20 Off-balance sheet items (sum of lines 18 and 19)</b>	<b>-</b>	<b>-</b>
<b>All-in basis (Required by OSFI)</b>		
21 Tier 1 capital - All-in basis	1,489,654	1,706,641
22 (Regulatory adjustments)	-	(253,631)
<b>23 Total Exposures (sum of lines 4,12,17 and 20) - All-in basis</b>	<b>24,914,300</b>	<b>22,739,689</b>
<b>24 Leverage ratio - All-in basis</b>	<b>5.98%</b>	<b>7.51%</b>

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