



ROYAL BANK OF CANADA INVESTOR SESSION FRIDAY SEPTEMBER 26, 2008

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By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our objectives, strategic goals and priorities will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include credit, market, operational, liquidity and funding risks, and other risks discussed in our Q3 2008 Report to Shareholders and our 2007 Report to Shareholders; general business and economic conditions in Canada, the United States and other countries in which we conduct business, including the

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Additional information about these and other factors can be found in our Q3 2008 Report to Shareholders and in our 2007 Report to Shareholders.

Information contained in or otherwise accessible through the websites mentioned does not form part of this transcript. All references in this transcript to websites are inactive textual references and are for your information only.

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PRESENTATION

Marcia Moffat - *Royal Bank of Canada – Head, IR*

Before beginning, I'd like to note that all remarks including those made during the question period may contain forward-looking statements that have inherent risks and uncertainties. Slide two contains our caution regarding forward-looking statements, which describes factors that could cause our actual results to differ materially from those statements.

Our agenda for the morning is shown on slide three. We'll begin with opening remarks by our CEO, Gord Nixon. Jim Westlake will then speak to you about our International Banking segment which consists of Custodial Services, US Banking and Caribbean Banking. And Mark Standish and Doug McGregor will present on the businesses that make up our Capital Markets segment and the opportunities we see there.

We'll have two question-and-answer sessions, the first after the International Banking presentation and the second after the Capital Markets presentation. Please note that Gord is able to join us for the first half of this morning only, so if you have any questions for him I would encourage you to ask them during our first Q&A session. And now let me pass the podium over to Gord Nixon.

Gordon Nixon - *Royal Bank of Canada - President, CEO*

Thank you very much, Marcia, and good morning, everyone, and thank you for joining us. We are certainly in interesting times and when we set this date a number of months ago I'm not sure we expected it to be at such an eventful period.

And it's always difficult to have a strategic discussion about our businesses, given everything going on in the financial markets. But we do look forward to the opportunity to talk about the strategies of two of our platforms as we move forward into this new world.

The turmoil and uncertainty in the global financial markets that began a year ago has unquestionably lead to a much more different and difficult operating environment for financial institutions than I think even the most bearish or pessimistic analysts would have predicted. However, as you have heard me say many times over the past year, we believe that RBC is in a very strong relative position compared to other banks around the globe.

This organization has withstood many market shocks and pressures over the past year. In 2008 year-to-date we have generated over \$3.4 billion of earnings and return on equity of 18.7%, which I think is a testament to our people, to our organization and our focus on customers. Our balance sheet is of high quality and we manage it prudently.

We diversify exposures in a variety of ways, including limiting our exposure to any single name or any single sector. Our liquidity position is solid and our capital ratios and senior debt ratings are amongst the highest of financial institutions globally.

While we are operating in a challenging environment, the turmoil continues to create opportunities for the organization and we think that will provide opportunities to continue to invest and pull away from some of our competitors. We have market leadership and financial strength, we're staying focused on maintaining momentum and collaborating across our organization, working hard to help our clients meet their needs in executing against our three strategies.

Our three strategic goals are shown on slide six. As you know, they are and have been for some time to be the undisputed leader in financial services in Canada, to build on our strengths in the United States and to be a premier provider of selected financial services globally. I continue to believe that RBC has the right long-term strategies for our businesses to succeed and that we will execute against our strategies and have executed as well or better than most of our competitors.

Let me make a few comments on auction-rate securities and then share views on the recent developments in the global financial markets. At our April Investor Day we mentioned that our US retail clients hold approximately \$1 billion of auction-rate securities in their accounts with us. That amount today is significantly lower because much has been redeemed by issuers at par.

We want to repurchase the remainder of our retail investors to assist them with their liquidity and difficulties, however we cannot do this until we complete our discussions with regulators in this process, a process that takes time. Like many other institutions that participated in the adjustable rate securities market, we have been in discussions with the SEC and other regulators since April and we hope to reach a conclusion with them soon.

We would expect the impact of RBC of repurchasing these securities to be negligible, based on our estimates of the difference between par value and their current valuations. These are high quality securities with the vast majority being AAA rated auction rate preferreds.

I'll finish off with my perspective on the global financial markets. Now while Mark Standish and Doug McGregor, later in the morning, will discuss recent market events in a more granular fashion, I would just make a few general comments. You've heard me speak in the past about the challenges in evaluating the US mortgage related assets and bank balance sheets.

I do believe that the proposal to empower the US Treasury to purchase up to \$700 billion in distressed mortgage rated assets would certainly be positive and provide more clarity and visibility on the valuation of these assets. It will help unclog what is today a congested banking system and provide greater transparency, thereby enabling the system to recapitalize and restructure.

While we view any US government actions as both positive developments and one that could speed up consolidation and restructuring in the US Retail Banking sector, I would emphasize that we remain cautious and disciplined. As you've heard me say before, we have no intention of making a large wholesale or Capital Markets acquisition, as it would be inconsistent with the strategy that we have articulated for many years which is to focus on taking advantage of our businesses and today's market dislocation to grow and invest directly in our Capital Markets businesses.

Under the right circumstances, we could strategically support a Retail Banking or wealth management acquisition and we expect opportunities, particularly but not limited to the United States, to unfold over the next 12 months.

However again, as I have stated in the past, we will only execute on transactions that make both strategic and financial sense and we will not compromise the financial strength of our organization. With those opening comments, I'd now like to turn it over to Jim Westlake who's going to talk about our International Banking business.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Thanks, Gord. Good morning, everyone. Today I'll provide an overview of the businesses that make up International Banking. Since April of this year I've been managing the businesses that comprise

International Banking and Insurance. As a portfolio of distinct businesses, each has their own key priorities and growth initiatives.

My remarks today will focus on International Banking, however I will be happy to answer any questions you may have on other areas. On slide eight you see International Banking is made up of RBC Dexia IS, our Global Custody and Investor Services business, US Banking and Caribbean Banking.

Turning to slide 11, we are investing across this portfolio of businesses in order to build a solid base of assets for the future. RBC Dexia Investor Services, our Global Custody and Investor Services business is a top-ten global player, succeeding at differentiating ourselves from the competition through our superior customer service and global reach.

In US Banking we continue to build an efficient and competitive US Banking operation. The acquisition and integration of Alabama National provides additional scale to continue advancing our strategy in the US Southeast.

In the Caribbean we have over 100 years of experience. The recent acquisition of RBTT, combined with our existing operation, creates a leader in all areas and provides us with an excellent opportunity to expand further in the region and in Central and South America.

Now let me go through the businesses each in more detail. Beginning on slide 13 with our Global Custody and Investor Services business, RBC's 50% joint venture interest in RBC Dexia Investor Services was created in 2006 when RBC and Dexia combined their Custodial Service business.

This joint venture has been very successful and has contributed to the diversified earnings stream of RBC, while providing us with strategic options for the future. We deliver world-class outsource solutions to institutional investors and their clients to one of the broadest global footprints.

With offices in 16 countries on four continents and \$2.8 trillion in assets under administration, we serve a diverse base of asset manager, pension fund, insurance company, financial institution and private banking clients with 7.6 million shareholder accounts and over 5,000 funds administered.

Moving to slide 14, RBC Dexia differentiates from its peers as a result of a relentless focus on customer service. In 2008 we were named Number One Overall Global Custodian by Global Investor for the fifth consecutive year and Best Global Transfer Agent and European Fund Administrator. However, the real proof point is that RBC Dexia has succeeded in attracting new clients and gaining more business from existing customers.

We offer a breadth and reach consistent with the top global players, which allows us to service large multi-jurisdictional fund managers and mandates in custody, fund administration and transfer agency services. The ability to meet these primary needs allows us to cross sell other services and products such as securities lending and cash management.

Certainly market conditions do impact our business and we have seen a slowing in the growth of assets under administration over the year. However, our business is solid and profitable with good long-term growth profile.

Going forward, on slide 15, the strategic focus is to strengthen the global franchise by leveraging strength in home markets to gain new clients, including building on leadership position in Canada and Luxembourg to enter high potential growth markets, broadening the suite of client solutions to meet more client needs, including areas such as fund-to-funds and alternative investment, and optimizing operations and technology to capture efficiencies, leverage scale and provide a consistent and integrated client experience.

Turning over to our US Banking operation, beginning on slide 17, we believe the US Southeast remains an attractive place to do business and grow our footprint. We operate in North Carolina, Alabama, Georgia, Florida, Virginia and South Carolina. These six States have attractive demographic and economic traits, including a GDP that represents approximately one fifth of the entire United States or twice the GDP of Canada. This is driven by a population of over 53 million people and a population growth rate higher than the US average.

Turning to slide 18, since 2001 we have thoughtfully built a solid base of assets and infrastructure in the US Southeast, through measured expansion, in order to broaden and deepen our footprint. Our 440-branch network is comparable in size to National Bank of Canada, one of Canada's six major banks.

As you can see from the map, we have full branch distribution coverage and a strong position in the States of North Carolina, Alabama and the city of Atlanta. Our long-time strength in North Carolina also complements our presence in Coastal Virginia and South Carolina.

With the addition of ANB, we are the fifth largest bank in deposits in Alabama with a solid presence in Birmingham, Huntsville and the Mobile Baldwin County area. The market in Florida is fragmented so we focus on a community strategy, which gives us density in key markets such as Tampa, Naples, Fort Myers and Daytona, as well as the southeast of Florida in the cities of Fort Lauderdale and Miami.

Turning to slide 19, let's look at what we've done recently to move the franchise forward for the future. The growth of our asset base to date culminated earlier this year with the acquisition of Alabama National Bancorporation. ANB added more than 100 branches to the network and approximately \$6 billion in loans and \$5 billion in deposits.

This year we also completed a major systems upgrade and moved our branches to a common front-end teller system. This enhances our client experience by reducing processing time on transactional items and freeing time for value-added interaction.

We've been putting our heads down and aggressively focusing on cost containment, improving efficiencies and reducing non-interest expense through an assessment of legacy infrastructure. We're also realizing cost and revenue synergies from the integration of ANB. You will have seen from our Q3 reporting that there was a step up in overall expenses, commensurate with the ANB acquisition, but we have managed the growth rate of ongoing expenses and have driven significant costs out of the run rate.

Turning to slide 20 and looking forward, as we look at refining the operating model in the coming months we will work to confirm the attributes that define RBC Bank and develop the value proposition that will define our operations, including the products and services offered, our distribution strategy and our positioning against our client base and competitors in the market.

Our US Banking business has a well developed business and commercial strategy. Another focus will be to leverage this strength to develop an equally robust retail strategy in order to provide our clients with an integrated experience and a full product suite to serve their business and retail needs. We will review product and service offerings to identify areas for improvement and ensure we're able to deliver on our value proposition.

Finally, we will continue to strengthen the RBC Bank brand and solidify the RBC name in the regions by aligning with RBC's global brand strategy and message of stability and growth. We will continue to devote resources to targeted sponsorships such as the RBC Canadian Open Golf Tournament, which was a big success for us this year and was televised on a major US network.

We are gaining business as a result of the continued brand awareness of RBC and the fact that we are a well capitalized, highly rated bank. In these times of turmoil, RBC's strength and stability is helping to build employee morale and client confidence.

Banking in the US markets in which we operate will remain competitive, but our targeted approach to business clients and their full range of needs continues to offer a profitable, largely under served opportunity that fits well with our history and experience in serving clients in the US Southeast.

The deposit environment has been increasingly competitive as a result of some major banks driving down margins in order to fund their balance sheet with retail deposits. We are not immune to the impact of this but will continue to focus on a number of specialty areas, such as public and institutional banking where we have relationships and capabilities to attract and maintain deposits.

We have certainly experienced difficulties resulting from the ongoing stress in the US housing market and the tough operating environment. And credit issues to date have primarily been a result of higher impaired loans in our residential builder finance portfolio and, to a lesser extent, our commercial and retail portfolios. Our provisioning for credit losses in the builder finance portfolio has significantly impacted International Banking's earnings. We outlined the size of the different loan portfolios in our Q3 disclosure.

There is no doubt that we face structural, credit and economic head winds in the US. However, the bank that we have built today and our geographic footprint position us well when the environment improves. But let's be clear, the recovery in earnings will not happen overnight, as we need to work through the impact of winding down the out-of-footprint portion of our builder finance portfolio and the overall weakness in US credit. That being said, I believe that we have already done a great deal of work to create momentum for the next few years and will continue to drive forward.

The final business I'll talk about this morning is Caribbean Banking, starting on slide 22. RBC has a long history in the Caribbean, dating back over 100 years. In fact, we had a branch in Havana, Cuba prior to opening our first branch in the city of Toronto. The recent acquisition of RBTT solidifies our position as a leader in the region by giving us strong market positions in two new markets where we had no presence, Trinidad and Tobago, one of the strongest economies in the Caribbean, as well as Jamaica.

In addition to these two countries, we gained presence in the Dutch Caribbean, adding to our established market-leading positions in Bahamas, Barbados and Cayman Islands. All together we now operate in 17 countries, have approximately 130 branches and are the second largest bank in the English Caribbean, as measured by assets.

Looking at slide 23, you see RBTT has been a perfect complement to RBC's footprint in the Caribbean with almost no overlap between the two respective branch networks. While currently operating as separate entities, once fully integrated the two operations will have over 7,000 employees and will be the premier financial institution in the region, providing a comprehensive range of innovative financial services for individuals, private and public sector companies, governments and international investors.

This includes a full range of local and international credit cards, sophisticated international financing packages, trade promotion services and interactive trade financing initiatives. The new management structure of Caribbean Banking combines the operational, risk and financial strength of RBC with RBTT's local management expertise, giving us a best-of-both-worlds scenario to build on going forward.

Turning to slide 24, our key priorities in the near term will focus on integrating cultures and operations in preparing for future growth opportunities. First, the focus in the coming months will be on ensuring RBTT and RBC become one company, including understanding and supporting our shared vision and values and being able to build on expertise, resources and support.

Second, over the next 18 to 24 months we will focus on integrating RBTT and RBC's infrastructure, technology, products and services to provide a common platform for growth and expansion in the region. Ultimately, we plan to leverage the strength of RBC and RBTT's combined operations and infrastructure to pursue opportunities in high-growth markets such as the Spanish Caribbean and Central and South America.

In conclusion, International Banking is a portfolio of distinct businesses in which we are investing for the future. Each business has a unique strategy to deliver performance in their respected areas of strength. RBC Dexia will continue to differentiate through superior customer service and global reach.

US Banking will focus on being an efficient and competitive bank in key markets in our US Southeast footprint, while working through the negative impact of the current environment.

And Caribbean Banking will integrate the cultures and operations of RBC and RBTT, while preparing for future growth within the Caribbean and beyond.

And one last slide looking at the pro forma view of total banking revenue in this segment, when you include the RBTT acquisition, our US Banking and Caribbean Banking operations have comparable contributions to revenue, with Caribbean contributing slightly less than 50% and US Banking just slightly more than 50%. So thank you for your time and we'll now take any of your questions.

QUESTION AND ANSWER

Gordon Nixon - *Royal Bank of Canada - President, CEO*

I would encourage, before we start, to try to focus the early questions on Jim's lines of business before jumping too quickly to the Capital Markets side where there will be lots of opportunity. First question?

Darko Mihelic - *CIBC World Markets – Analyst*

The first question I guess is for Gord. You mentioned that possibly trying to repurchase the retail auction-rate securities. I'm curious if you can perhaps share with us whether or not you sold any to the institutional clients, whether or not there's any thought process there as to whether or not you might consider repurchasing those, and how big that is. Any sort of information on that would be helpful.

Janice Fukakusa - *Royal Bank of Canada - CFO*

Let me give you a summary. The total program that we had was about \$21 billion. As you know, we had about \$3.5 billion approximately on our balance sheet at the end of Q3, about \$1.5 billion was in off balance-sheet vehicles that we provide liquidity support to. And Gord spoke about the \$1 billion that's sitting in our retail clients' accounts, which has come down considerably because of redemptions, not redemptions but refinances.

Of the balance of the program, out of the total program about a third was sold to institutional investors and the rest was sold to large broker dealers and co-managers, or has been basically redeemed or taken out of the market. (technical difficulty).

Gord Nixon - Royal Bank of Canada - President, CEO

Yes, I would just look at what has been done in the marketplace by most, which is agreements to buy back from retail investors. And I think that, like most institutions, we're working as hard as we possibly can to get that market back, either being restructured or winding positions down.

And that's pretty consistent with virtually all of the banks that have been participants in that marketplace, so I don't think we'd expect anything different from that. Stan, I don't know if you have anything to add to that?

Andre Hardy - RBC Capital Markets - Analyst

Question for Jim on the Caribbean. You talked about 18 to 24 months to fully integrate them. How does that compare with your original expectations?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

That's right on our plan. We are just completing a pre-planned redo of all of the front-end systems at RBTT, it's a program called Recast. And so when we were buying that company, what we recognized is that we wanted to completely roll that out in their footprint, get that done and then we would roll the legacy RBC on.

So it's why I mentioned it specifically, because it seems like an unusually long time to complete an integration. But we felt that that was the best way to go. And it's on time and on schedule, so we're pleased with it.

Jim Bantis - Credit Suisse - Analyst

Thanks. Jim Bantis, Credit Suisse, I have a question for Morten. I was listening to the WaMu-JP Morgan call, we got a sense of valuations on home mortgages, real estate loans in the US with this particular institution with a 20% haircut last night, basically, on that portfolio. How does that look relative to what you've taken to date on some of your exposures you've gotten through Alabama National? Now I know they're different portfolios, but maybe you could shed some light on it.

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Speaking to the portfolios in RBC bank, if you go back to the Q3 disclosures you get the broad numbers so you can check whether my memory's right here, but looking at consumer portfolios first, we've got about \$1.5 billion in first residential mortgages, all prime, so good quality, and actually that portfolio is performing well.

So the kind of haircuts you would see for larger US institutions with a spread of a fair amount of subprime activity and in a broad number of more difficult markets, our residential first is very clearly not in that category. We only have about \$2 million, \$2.5 billion worth of home equity loans, also prime from a quality standpoint but clearly a more difficult product.

And so that portfolio is not performing as well as we'd like. But if you look at it relative to the other participants in the market with large subprime exposures, it's actually performing extremely well. It's just off our normal performance standard, some degree of deterioration. And because there are second

charges, you end up with borrowers defaulting, longer time to recovery and some degree of loss on those. But the recovery rates will be significant. But some losses on that portfolio.

The rest of the consumer portfolios -- our unsecured portfolios are very small. And so while clearly the unsecured consumer portfolios, to the extent you have difficult economic environments you're operating in, we're going to see some ongoing losses there. But again, it doesn't contribute very much to the negative performance in RBC Bank.

As Jim was saying, the main part of the problem for RBC Bank is in the Builder Finance portfolio. And for those of you who try to reconcile to the legal entity reporting that you can see through call reports and so on, we've moved some of the portfolio off into a separate subsidiary. But between Alabama National and RBC Bank, it's around \$3 billion worth that we started out with. And we've had significant growth in non-accruals, you've seen the provisioning that we've taken there.

If you look at the provisions, Jim was saying, in the International Banking segment, the majority of it is Builder Finance. And between looking at business segment then and geographic reporting on provisioning, you get a pretty good idea of the size of that deterioration.

And, you know, those markets clearly continue to be difficult, there is ongoing deterioration, but we've been in through -- this is a portfolio where the problems have come early and I think you see the trend lines fairly clearly.

We're clearly not going to be out of the woods in the near term on any of this, but it's not a -- it's a well run business, good quality builders, good markets but the trouble is the whole market is having a very tough time. And so you end up having builders across the board ending up not being able to basically move the inventory.

I would say that our early experience on dealing with the problem portfolio and moving out built out projects and so on, we've actually had very good recoveries on the easy end of the portfolio of the defaulted loans. So actually shrinking it at the quality end has been quite good. Clearly the more troubled assets will take longer to work through. The point here is we're not a distressed seller in this market, so we will continue to work through and realize, I think, decent value.

But we'll probably have to wait for some time before the market is good enough for us to be able to move it out of what we think the fundamental values suggest it should be. But our view is that selling at distressed prices, which is where you see the assets move today, is not economic for us.

Outside of those portfolios, the deterioration on the commercial and business banking portfolios are primarily, it's again under performing what we'd like the portfolios to be at. But relative to what you see in the markets, and particularly the institutions with bigger portfolios and a bigger sort of quality, they're actually performing quite well. It's just that it's no where near the quality performance of Canadian portfolios.

Jim Bantis - Credit Suisse - Analyst

Morten, just a follow up on, I know it's early days and they haven't even passed it yet, but with respect to TARP, is it possible that some of the loans coming from Alabama National or RBC Centura could be put off into that vehicle?

Morten Friis - Royal Bank of Canada - Chief Risk Officer

I would say it's highly unlikely. As you say, it's early days. We don't know the terms of the set up. But I would, frankly, be very surprised if that is a vehicle that we're eligible for or makes sense for us if we are eligible.

Jim Bantis - Credit Suisse - Analyst

Got it.

Gord Nixon - Royal Bank of Canada - President, CEO

Michael?

Michael Goldberg - Desjardins Securities - Analyst

Thanks. A question for Jim Westlake, Michael Goldberg, Desjardins Securities. Jim, in view of the turmoil in US Retail Banking, can you talk about potential opportunities or threats to deposit market share with the franchises that you have or could possibly have?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Yes there's no doubt -- I mentioned that there is a lot of compression in spreads in the marketplace. And as rates have gone up you're seeing a lot of large regionals, major banks that are offering rates normally that were associated with small community banks.

So we're seeing that. We're a little bit fortunate in that a large portion of our deposit base, we have about \$18 billion of deposits in our US bank, comes from the business on the commercial side. It tends to be more relationship based and so a lot of those tend not to respond the same way as some of the retail deposits.

And while we have not gained tremendous share, our deposits over the last few months since we acquired Alabama National are actually up ever so slightly, which is a good sign for us that we're maintaining that and hope that it will pay us a little more money as we see some return to better spreads.

Gord Nixon - Royal Bank of Canada - President, CEO

Does that answer your question, Michael? Or were you getting at are we seeing a shift in deposits from some of the weaker banks? Is that --

Michael Goldberg - Desjardins Securities - Analyst

I'm just wondering whether there could be some shifting of market share in customers, given the turmoil that --

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Yes sorry, Michael. Yes we are seeing that. And I think that's allowing us at least to hold our own. I think that we are seeing consumers very aware of the FDIC rules and asking many more questions than they might have asked about some players in the past, and spreading money around and that kind of thing. The market that we're operating most of our bank in we're not seeing huge shifts relative to our bank.

Gord Nixon - Royal Bank of Canada - President, CEO

And the way I would describe to some degree, Michael, is that the center of the storm is really a week or so old. That's when you're starting to see reactions and it's one of those things where in theory we should be a beneficiary, but it's not something that we wish for. Ian?

Ian de Verteuil - BMO - Analyst

Jim, - on the US. From your background, having come from running an operation in Canada where you have incredibly strong positions and 15%, 20% shares of every category and one or two in every business, and then you go down to the US and you look at this market position, can you articulate to me, as you've gone down, what have been the challenges that you've seen versus what you've seen in Canada? And can the bank really make reasonable returns on -- while operating even with number five positions in these markets?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Well, certainly Canada is an easier environment to operate in and I like the assets of our Canadian bank, and it's a lot easier to make these presentations if you're Dave McKay today, there's no question about that.

But I think my observation is that the markets are very different. Canada operates, while we have all those assets, you're competing with a small handful of very large players in most of the core markets that we're in and slugging it out for basis points and market share.

The US is a highly fragmented market still. While we hear a lot of the same names here all the time, when you get into the various communities there are many, many community banks, small regionals, larger regionals.

And so I think that operating and understanding that, and what we're trying to do is very much bring a lot of the efficiencies that you can bring part of RBC, leveraging, whether it's technology, whether it's risk, many of the things that we have, but still staying very community focused, which I think is important if you're going to operate at the size level that we are.

We have very targeted strategies around business owners, professionals, small commercial, leveraging that into doing retail business. So I think that we can't employ the strategies that we employ in Canada and try to be everything to everybody in all of those markets.

But if you're selective on the communities, know what they are, have the right targeted products, there are many, many organizations in the US that will do well in that fragmented market. So we're not trying to build Canada south, it's a very different market. But we can bring a lot of things to the table that help us grow in that marketplace and that environment.

Ian de Verteuil - BMO - Analyst

Can you give some examples, just some anecdotes of specific things that you're taking down there, on purchasing or -- that really allow you to lever the RBC machine in aggregate?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

A good recent one, we're doing a full review of all of the credit card programs. And while that's not a large business in the US, bringing the purchasing power that we have with our rewards programs, bringing the type of scale to the operation which have not been integrated will be a big boost to that US business and allow us to focus on that as a piece of growth.

I think that looking at a lot of the great work that's been done in Canada the last couple of years on the business and commercial side, where we've done a lot of client segmenting, integrating the experience throughout, we actually have one of the key people who is doing that here down in Raleigh, Tracey Stevenson, who is very much working on that.

So those are a couple of things that are just very directly, and I would say more indirect, a lot of the technology. You mentioned purchasing, just getting everywhere that we operate using the purchasing power of RBC is a big deal.

Sumit Malhotra - Merrill Lynch - Analyst

Sumit Malhotra, Merrill Lynch, another one for Jim. Another thing we got used to when you were running the Canadian segment was positive operating leverage. And despite the fact that there's been a few deals done over the last few years that have some synergies, efficiency for the International segment has been in the high 70s for a while.

When you think about that, and I know spreads have obviously been a concern on the top line, do you feel it's mostly a revenue issue? Or is there some more work to do on expenses? And do you think that positive operating leverage sometime in the near term is a feasible goal?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Yes I think that there's an effect on both, but I think you can expect the same relentless focus on operating leverage in our US Bank that you have come to expect in Canada and I think you'll continue to expect in Canada.

Our efficiency ratio is still far too high, it's around the 70 mark and even a little higher than that and going a little higher as a result of the reduced revenue on the loan book. But we will certainly set some very aggressive objectives. And as we roll out our plans for next year I would think that the expectation would be significant leverage on an ongoing basis.

Rob Sedran - National Bank Financial - Analyst

Thanks. Rob Sedran, National Bank Financial. Jim, can you talk a little bit about what you see as the long-term organic growth rate for US P&C bank? And would that answer have been different perhaps two years ago than what it might be today?

And then Gord, just philosophically, when you're thinking about business mix, if that organic rate is below, what some other business lines can generate, how should we think about business mix where you'd probably need to do an element of acquisitions just to keep the US contribution constant?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

I think there's two elements to the growth. I think that most of the numbers that I'm looking at from an industry perspective in the southeast are calling for kind of mid single-digit growth rates, generally, in financial services, broadly speaking. I certainly think that with the organization that we have in place and the attributes that our objective would be at least double the growth rate that the general financial market would do, and I think that's reasonable with the assets we have.

Gord Nixon - Royal Bank of Canada - President, CEO

You know it's a very tough question, Rob, to answer in today's environment. You've heard me say over the last number of years as people have talked about should we invest more aggressively in the United States, we have struggled and we have struggled because the returns from an economic perspective have been very challenging. The valuations have been high, returns have been average. And when you combine the two it's very difficult to deploy capital, or has been very difficult to deploy capital and achieve an attractive return.

You know to sit here today and know exactly where that's going to be over the next couple of years is very, very challenging to say the least, although it should be a lot better. And as I alluded to in my remarks, that's one of the things we're looking at very carefully. But we're going to remain very focused and we're going to remain very cautious, just given the ongoing operating environment.

But today is a bit of an eventful day when you have an acquisition of the deposits of a bank without the liabilities. I mean compare that to two years ago when you were paying 3.5 times tangible book for banks that had mid-teen returns. The \$64,000 question though is what is the future and what's going to happen over the next period of time in the operating environment.

So I'm not trying to avoid your question, I'm just saying it's something that we're paying a lot of attention to, we're looking at it very carefully. But it's very difficult to determine exactly what returns are today, given the environment in the United States. But it is certainly very different from what it was a couple of years ago.

And I think that clearly that it's been -- we've benefited from sitting back to some degree. I mean you could say we've acquired as well over that period of time as well, but on a relative size and scale basis we've tended to be very cautious. And I think that's been a reasonable approach.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Are you there, Mario?

Mario Mendonca - Genuity - Analyst

Yes I am. Sorry, can you hear me?

Gord Nixon - Royal Bank of Canada - President, CEO

Yes.

Mario Mendonca - Genuity - Analyst

That was my mistake. A question about, I'm not sure if anyone's asked this question yet, on Washington Mutual? If you've disclosed your exposure to Washington Mutual is the first question. The second question is, the returns in the Retail Banking, where they are now and where you expect them to be probably in the next three to five years.

Gord Nixon - Royal Bank of Canada - President, CEO

We're going to get Morten Friis to comment on that, Mario.

Morten Friis - Royal Bank of Canada - Chief Risk Officer

So in terms of, we don't generally disclose the specific exposures to individual names, but just to say actually all the banks that have been in the news, we are quite satisfied with the exposure levels, we've been managing them closely. With Washington Mutual specifically I'd just add that the number is very small and we're satisfied that that does not represent an event for us. Thank you.

Mario Mendonca - Genuity - Analyst

Thank you.

Gord Nixon - Royal Bank of Canada - President, CEO

I think the second part was returns in US Banking, which is similar I think to the --

Mario Mendonca - Genuity - Analyst

I think Rob was asking about growth rate, I'm just thinking what you figure you can return on capital in the US Retail Banking going forward.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

I'm not sure I'd want to make too many predictions on that in the short term.

Mario Mendonca - Genuity - Analyst

It's more long term I'm thinking about, Jim.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

I'm just looking here, Janice is giving me a wave here.

Janice Fukakusa - Royal Bank of Canada - CFO

Jim - why don't I start off and then you can add to it. I think that with respect to returns in our US Retail Banking business, they have not been where we want them to be. I think the difficulty has to do a lot also now with the environment and where it is. So that's what Jim was talking about in terms of his overall focus on actively managing the cost, getting more organic growth.

Our returns in our Retail Banking business, and I think that it's evident from looking at how we report them to have been in the low single-digits, we would be happy to have them in the high single-digits, that would be one of our goals to the low double-digits. And Jim, would you like to add on to that?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Well it depends how long term you want to look into it I think, Mario.

Mario Mendonca - Genuity - Analyst

Three to five years would be good.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

You know you don't think you'd want to be in a business that can't be a positive contributor to the organization. So in order to do that we'd certainly have to get well up into double-digit returns.

Mario Mendonca - Genuity - Analyst

But right now low single-digits is what Janice said I think.

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Yes and that would look very good in the US right now I think.

Gord Nixon - Royal Bank of Canada - President, CEO

Again Mario, I would come back to the question I sort of avoided from Rob, which is it's very difficult, as we sit today, given valuations and given outlook for the US, to put a pin in on that. In theory, as things start to stabilize and we come out of this, my view is that returns will be higher, both in terms of investment returns because of what's happened with respect to valuations, and I think with respect to

operating returns as we get back into a more normalized environment as well. But it's very difficult as you sit today to know when that's going to happen and to what extent.

Mario Mendonca - Genuity - Analyst

I'm sorry, just on Washington Mutual you said the exposure, the best you can offer us right now is just very small, Morten?

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Sorry, the question was on --

Mario Mendonca - Genuity - Analyst

Sorry, the most that you're going to offer us right now is just saying that's it's very small exposure to Washington Mutual?

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Yes. You will not notice it in our financials.

Mario Mendonca - Genuity - Analyst

Got it. Thank you.

Michael Goldberg - Desjardins Securities - Analyst

Okay a question for Jim and George. Can you talk about the progress potential and opportunities for cross selling between Wealth and the Retail Banking in the US?

Jim Westlake - Royal Bank of Canada - Group Head - International Banking and Insurance

Yes I'll start and pass it over to George. You know the part that I'm spending the most time is looking at how we're operating the Southeast footprint. We have had considerable success building out some capacity there with our FC network that operates as part of our broker dealer. We have about 55 to 60 FCs operating directly in the footprint of the bank in a growing number.

We're also working very closely from both a product and a distribution standpoint to try to build our capability comparable to what we've talked to many times in Canada about our branch investment business, but our capability in the investments and mutual funds for sort of the under \$100,000 investor, which tends to be more branch focused. And so that's where we are. And then there's a number that I think George can talk to better on the money management side and on sweep and that kind of thing.

George Lewis - Royal Bank of Canada - Group Head - Wealth Management

Actually just on the southeast footprint itself, that's the one area where historically to the US Wealth Management business, whether it be Dain Rauscher or Tucker Anthony Sutro, did not have an historical presence.

So the fact that we've been able, together with Jim's business, to grow a significant operation in the US Southeast, partly through co-location and branches of RBC Bank, partly through stand-alone Wealth Management branches, it's been a good and growing portion of our business.

Secondly, to Jim's point, we do now have a Global Asset Management business which includes our Voyageur Asset Management business in the US, a very effective manager of institutional accounts as well as money market mutual funds. And we would be looking to leverage that together with our operations here in Canada with PHN and RBC Asset Management and manage it into the US market.

Michael Goldberg - Desjardins Securities - Analyst

If I could just follow up on the question, again, given the turmoil out there, Gord, you had said that one possible area where RBC could be looking at adding would be in Wealth Management in the US. Do you see any particular opportunities arising out of the turmoil?

Gord Nixon - Royal Bank of Canada - President, CEO

Yes. And then if George wants to add on, he's more than welcome to. We have said, as you know, for quite some time that if we look at areas of interest from an acquisition perspective, outside of Canada, it would be focused on Wealth Management and banking, not exclusively in the United States but in all markets.

And I would say that we are and have been active in terms of exploring strategies and alternatives in both those sectors. Clearly there's been a very different valuation shift in one sector versus the other, but both remain of interest in terms of our growth plan.

George Lewis - Royal Bank of Canada - Group Head - Wealth Management

I think the only thing I'd add on to Gord's remarks is, to his last comment about valuation adjustments, it still remains that wealth and asset management companies, while they've come down in value, that's still held up from a multiple perspective to a much stronger degree than banking or other parts of financial services.

It's also important to keep in mind that we have, over the last two years, continued to execute on our strategy of making small bolt-on acquisitions, in '07, JB Hanauer, in '08 Ferris, Baker, Watts. And there is still a lot of potential from integrating those acquisitions into our US Wealth Management business.

So Michael, that's our current focus is really on improving our operating performance in the US. Adding FCs, I should highlight we believe we have an opportunity with some of the turmoil at some of the larger firms in the US to significantly add to our FC complement through recruitment. And that really is our organic acquisition opportunity, if you will, for the next year.

Darko Mihelic - CIBC World Markets - Analyst

Thank you, a question for Gord. If I looked at it correctly when I reviewed the JP Morgan purchase of WaMu, its Tier I capital ratio fell from 9.2 to 8.3. You mentioned if the right opportunity came along you would perhaps make an acquisition, but you weren't going to compromise your capital strength.

Should we take from that you don't want to see your capital ratio drop below current levels, for example? Or would you in fact be prepared to watch it drop to say the 8.5% level if the right opportunity came around?

Gord Nixon - Royal Bank of Canada - President, CEO

Yes I won't answer your question specifically, but I will tell you that directionally we would be very reluctant to see our capital ratios not remain amongst the highest in the industry and our credit rating remain amongst the highest in the industry. We just think it's a fundamental part of our organization and, in today's environment, something that we're going to work very hard to protect.

Darko Mihelic - CIBC World Markets - Analyst

Thank you.

Gord Nixon - Royal Bank of Canada - President, CEO

Well I think that's probably pretty good timing. I suspect there'll be lots of questions when Mark and Doug are up here as well. So Marcia, I'll turn it back to you.

Marcia Moffat - Royal Bank of Canada - Head - IR

So we'll just take a 10-minute break here and then we'll regroup for the session on Capital Markets. Thank you.

(BREAK)

PRESENTATION

Marcia Moffat - Royal Bank of Canada - Head - IR

Why don't we get started again. Everybody can get comfortable. So we'll turn now to the Capital Markets segment. To my right are Doug McGregor and Mark Standish. And Mark is going to kick off the presentation for Capital Markets. Thank you.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Sorry, thank you, Marcia, and good morning everyone. So obviously Doug and I are very pleased to be here today to talk about Capital Markets. But let me begin our presentation however with a brief overview of recent events.

And, obviously, focus on our incredibly unusual market conditions that do obviously impact our business. Two weeks ago I, along with my partners, and many of you were still analyzing the implications of the US Treasury's decision to take over Fannie Mae and Freddie Mac.

Volatility in the Dow and credit derivative spreads reflected the markets indecision about the ultimate success of Treasury Secretary Paulson's GSE rescue geared at stabilizing markets. Concerns about evaporating credit persisted as they obviously have done off and on since August 2007.

Now going into the weekend we are on watch to see the fate of Lehman Brothers and Washington Mutual, and implementing the necessary contingency plans. While the evidence continues to support our assessment that the long term future of standalone Wall Street investment banks was permanently impaired and the resurgence of the universal bank was inevitable little did we know that the extinction of the large independent investment banks would occur within a fortnight.

Last week, as we managed through the process of unwinding and replacing thousands of trades with Lehman, reacting to the repercussions of the markets pressures placed on Morgan Stanley and Goldman Sachs, the magnitude of the unfolding events on our largest competitors began to sink in. The evolving distinction between strong and secure financial institutions versus the rest began to solidify.

We are now in an environment where there is no grey but merely black and white. Being on the wrong side of that divide has become expensive and a real threat to securing the funding necessary to remain a going concern. RBC is one of those select institutions on the right side of that line. A clear benefit has been a flight to quality resulting in increased client volumes and access to funding at reasonable levels.

While many of the credit and funding markets we participate in remain dysfunctional, having a strong balance sheet and a respected franchise makes charting our course through this turbulent times slightly easier. The key to not just surviving, but benefiting from the current situation, is to maintain our focus and discipline around our strategies, difficult decisions related to the allocation of our balance sheet, allocations of staff will continue. But we are well positioned.

So against that backdrop I'm going to lead off in the presentation with a discussion of who we are, the strategic objectives which continue to shape our future, and our focus and key initiatives for long term growth.

Now Doug and I will alternate our remarks throughout the presentation.

RBC Capital Markets is in a strong position compared to its Canadian and US industry peers. RBC's financial strength, sound risk management, strong balance sheet and diversified business mix have enabled us to withstand many of the recent market shocks and pressures.

Capital Markets contributes approximately 20% to 30% of RBC's revenue and earnings. It has been our goal over the years to build a platform that generates consistent and solid earnings for RBC. We've accomplished this through a diversification of business mix and geographies and financial discipline. This approach has served us well. And we've made good progress in transforming our capabilities in line with client needs and market opportunities.

Over the past several years we've improved our overall competitive position by strengthening our capabilities and extending our global reach. The strength of our platform starts with our Canadian

franchise. We are Canada's largest investment bank, are number one or two in virtually every domestic ranking, and have a strong brand.

We are also in the unique position of being Canada's only global investment bank. Today we generate approximately 50% of our revenue outside of Canada. Our growth and success outside of Canada is the result of a concerted multi-year strategy. The discipline we've shown and the focus we've applied has enabled us to export key regional strengths into new markets.

While we have made some small acquisitions, our growth has been largely organic. Looking forward, this incremental approach will continue to drive our strategy. At the same time, we will remain vigilant in managing our cost structure and efficiently using our balance sheet.

This next slide shows the results of our efforts and our track record of growth. On a relative basis we believe our business is more stable, as compared to our peers, due primarily to our diversification. It is also important to note that despite the writedowns we've taken since the credit crisis began our cumulative ROE for the first three quarters of 2008 is 14.6%. A performance well above current industry returns.

Moving on to slide 29. As you see from this slide, Capital Markets has two primary divisions that generate the bulk of our revenues. Global Investment banking and Equity Markets houses our traditional investment banking and Equity Sales and Trading business. Global markets consist of our Debt Origination, Structuring and Trading operations. Collectively, these businesses represent our core of global franchise which enjoys broad diversification across geographies, clients and industry sectors.

This broad diversification has helped our segment overall to withstand the challenges and writedowns we've had in certain businesses. It's important to note that none of the businesses where we've reported writedowns were part of our core business.

This means that there has not been structural damage to our core earnings capacity. We have performed very well and reported positive earnings despite the losses related to the market environment. Our overall strategy has been successful. And we intend to stay the course.

This next slide, 30, shows the profile of Capital Markets today. When you look at our businesses across these regions there are specific strengths and opportunities. And while a number of our businesses are global, it's hard to capture our identity in a single sound byte.

Our profile is different in each of our three major geographic markets which is a function of our long term objectives and where we are in the evolution of our growth strategies. We will outline our strategy for each region in more detail. But first it's important to remind everyone what these profiles mean.

In Canada we are a well established bulge bracket firm and all things to all people. In the United States we are not all things to all people. Nor do we aspire to be. We are a collection of businesses with a bulge bracket product offering and our focus is on building a mid-market investment bank.

Outside of North America our operations in Europe, Asia and Australia all contribute to our global capabilities. In Fixed Income, Foreign Exchange, Energy and Mining, Infrastructure Finance and Structured Products. London is the center for product innovations and development.

Our strategy for growth in Asia and other emerging markets is primarily distribution focused. For example, we are looking to expand our distribution network to capture the benefits of investment demand for US dollar assets and structured products. Notwithstanding the impact of recent market events, longer term we expect to see the trends that we have witnessed in global Capital Markets to continue.

We believe growth in global Capital Markets will continue to outpace world GDP growth. These trends, along with the changing competitive landscape and increased business margins, should mean strong

growth prospects for our platform. In order to take advantage of future growth opportunities, we must continue to invest in building global capabilities and expanding into new markets, so that we're able to take any client into the major Capital Markets of the world.

Moving onto slide 31, our four core priorities should obviously be familiar to you because they've basically been the same for the past three years. Outside of the changes we've made to respond to fundamental shifts in the market we have not changed our core priorities and focus areas for growth.

Our objectives remain to be the undisputed leader in Canada. To be a top tier provider to the US mid-market, to provide financial and financing solutions through our structuring and trading capabilities and to be a top tier, global, debt driven investment bank.

These priorities are interconnected because leadership in our home market provides the capability to expand globally. And having global capabilities improves our product offering to our Canadian client.

For example, in our fixed income business our top tier position in Canada gives us strong credentials with issuers and investors around the world. For the first time ever we currently rank number one in volume year-to-date in US global issues for Canadian issuers. Historically the bulge bracket will be ahead of us. And for the first time that's changed. I'll now hand the podium over to Doug.

Doug McGregor - Royal Bank of Canada - Co-President - Capital Markets

Let's go to slide 32. In Canada we continue to be intensely focused on ranking first in all of our major business lines. For the past decade we've been named Dealmaker of the Year as recognized by the National Post for having the overall leading market share in debt and equity underwriting. According to Bloomberg in 2007 Capital Markets ranked number one in M&A, equity underwriting and corporate debt financing. Euromoney named us the best investment bank in Canada outright.

Slide 33, we will continue to compete vigorously in Canada especially where there are opportunities to significantly increase our market position. A good example of this is the junior oil and gas space. We've increased our junior energy research, sales and trading and energy investment banking commitments significantly over the past couple of years. This expansion supports our strategy of building global energy capabilities.

Commodities are an expanding asset class and this is a specific sector where we are investing. We're well positioned to grow in this market because of our mining and energy relationships and strong credit rating.

Slide 34, several years ago we were a Canadian investment bank with some international presence. The bulk of our revenues came from Canada which made sense given the majority of our client relationships were headquartered in Canada. As our clients have become more global we knew we had to have a global perspective. In 2007, as Mark said, approximately 50% of our revenues were generated outside of Canada.

Our approach to expanding outside of Canada has been build versus buy. By that I mean organic growth with selective team hires. The rankings that we've achieved in a number of our businesses has placed us among Bloomberg's top 15 global investment banks. In fact at the end of 2007 Capital Markets ranked 12th in the world according to Bloomberg by fees earned.

Slide 35, turning to the US, the improved results we have achieved in our US business is due to our focused strategy and commitment to the market. The reason we're so focused in the US mid-market is simple. We believe the mid-market, as defined as companies with a market cap of less than \$2 billion, accounts for approximately 50% of the US investment banking fee pool.

Over the last few years we've made strategic investments to establish a bulge bracket product platform and expand our client base. We have over 700 companies under equity research, a full investment grade, high yield and equity sales and trading platform, full lending capability, convertibles, M&A and on.

In the US most of our competitors are struggling and some such as Bear Stearns and Lehman have disappeared. There has never been a time of more opportunity for us to expand in the United States. For firms with strong balance sheets, such as RBC, the disruption of the past 14 months has provided a significant opportunity to attract clients.

As many of the bulge bracket firms who shifted their attention away from the mid-market and migrated back up to the S&P 500. We have taken advantage of market opportunities to upgrade capabilities, infrastructure and talent.

Our investments are paying off as evidenced by the market share advances we've made in a number of key product areas. In our cash equity business our market share of NYSE listed trading volumes has increased from 2.6% to 2.9% in 2007. On a year-to-date basis we're reporting market share of 3.3% which ranks us 9th overall in the US. These may not seem like big numbers but our numbers are ahead of Goldman Sachs and Bank of America.

On a daily basis our net revenue run rate in the global equities business is up 45% year-over-year. In equity underwriting and M&A we finished 2007 one spot up from where we ended in 2006. Given the size of the US market, these are significant improvements.

Slide 36, we remain focused on deepening our industry expertise in the US in our seven target industry sectors. They are consumer products, energy, health care, financial institutions, communication media and entertainment, real estate and technology.

We will also increase our penetration of the US Muni market or Municipal market by leveraging our expertise in Infrastructure Finance and Structured Products. We plan to build on the momentum we've achieved in our US Global Equity and Global Prime Services businesses to capture a greater market share.

In the case of Equity Sales and Trading, we've evolved from a mid-tier broker into a strong North American service provider. We upgraded our client offering due in large part to the successful integrations of Carlin. Carlin you may remember is an electronic service provider we purchased about 18 months ago.

Over the last few months we've taken advantage of the dislocation in markets to make a number of key team hires in the US and in Europe. In the US these teams include options trading, program trading and oil and gas asset disposition business, Richardson Barr, a municipal healthcare banking group as well.

Our plan is to continue to take advantage of the market opportunities by selectively adding teams, upgrading talents and capabilities. Our goal remains to be a leading middle market firm in the US. And now I'll turn back over to Mark for the plans for our global business.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

In terms of risk management we missed this one. There's a ton of wires at the back here and about a foot to walk across. Anyway, thanks Doug. So looking beyond North America, our operations in Europe, Asia and Australia contribute to our global capabilities and competitive advantage in Fixed Income, Foreign Exchange, Infrastructure Finance, Energy, Mining and Structured Products. These global capabilities are not only a distinct competitive advantage relative to our Canadian peers, but they also contribute to our diversified earnings stream.

In building our global businesses we have remained focused on taking strong and singular capabilities such as Infrastructure Finance in London. And marrying it to an established capability backed by capital and our global distribution network. This model has worked well for us and explains how we've achieved top tier rankings in a number of our niche businesses.

On the next slide we intend to continue to make strategic investments in our global businesses over the next few years which will underpin our overall ranking as a top 15 global investment bank. We plan to further expand our Energy and Mining franchises in London and Sydney respectively to augment our North American capabilities. We have also recently added a Leveraged Finance team in London to support our growth in Europe and to extend the reach of our established teams in Toronto and New York.

We've talked about exporting our UK Infrastructure Finance expertise into the US municipal market to increase our penetration of that client base. Our plans for this business also extend into continental Europe, Australia and Canada. And we intend to leverage our global distribution to meet the demands of foreign investors.

In our structuring businesses we expect investors in Asia and the Middle East to continue to drive a higher portion of global growth. Further investments are targeted for the distribution platforms we have in Asia and Latin America to meet the demands of institutional investors with US Dollar Assets and Structured Products.

Moving onto slide 39, so what will RBC Capital Markets look like in 2012? In Canada we will continue to be a bulge bracket investment bank, all things to all people. Outside of Canada we aim to be an integrated network of businesses, some global in scale, some with a regional focus and a number that are industry driven. All of which have potential for strong competitive positioning. In total the critical mass of the organization will be large enough to provide the capital to fund technology and other investments and attract talent and retain talent to serve our clients with excellence.

Equally, if not more important, we will be intensely focused on the efficient and effective use of RBC's balance sheet to fund our client businesses. At the same time we continue to actively manage our costs to ensure that we can continue to reinvest in our business and take advantage of opportunities in the market.

For many firms in our industry the past 14 months have seen a significant portion of their earnings base disappear. And it will take years for them to recover, if at all. With few exceptions the separation of bulge bracket firms and global banks that dominate the Capital Markets industry from their next tier of competitors has narrowed.

For firms such as RBC, the market disruption provided an opportunity to improve our competitive position. We've taken advantage of the available opportunities to make a number of key team hires to augment our business capabilities and selectively upgrade talent. The flight to quality seen in recent months has played well to our strengths and has fuelled the growth of our client businesses. Looking ahead we remain positive about our platform.

Today we are a top 15 investment bank in an industry undergoing massive structural change. Despite the challenges in the market, Capital Markets has come through the last 14 months with its core earnings capability intact.

And we believe even with the current market turmoil we should be well positioned for continued future growth. We are focused on executing our long term strategy and will continue to take advantage of market opportunities to accelerate our growth and increase market share. So thank you for your time and attention this morning and Doug and I will be pleased to take any questions.

QUESTION AND ANSWER

Andre Hardy - RBC Capital Markets - Analyst

I have two questions Doug.

Operator

(Operator Instructions).

Andre Hardy - RBC Capital Markets - Analyst

Can you talk about the program, I mean you can address the industry if you want or RBC specifically, in terms of rehedging positions where Lehman was a counterparty?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Sure, but I think what I'd like to do is hand this over to Morten because it's not just specific to Capital Markets. It's broader, specific to the firm.

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Well you may want to chip in at the end, Stan.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Thank you.

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Well probably just in terms of the Lehman exposure and contingent for market risk and effect we had with the positions there. I mean just to start with -- I mean like everybody, we've been managing our exposure to the financial sector quite actively over the last few months and with Lehman specifically we've had our focus on that for some time.

So I mean the net result was that from a -- If we start with the counterparty risk pieces and work back to the replacement of the trade, the result was coming into the bankruptcy we had exposure of fundamentally, in three different spots.

And we had credit facilities that, given their liquidity position, ended up not being drawn. We had derivative facilities that we have been actively managing. And at the time of when they filed the net position was that we owed them money. So working out of those positions we started from an easier spot, if you like. And we had a certain amount of securities finance activity.

So, in terms of the unwinding of all of these positions, all the repos have been replaced actually was done quickly and so we were happy with that process. The close out of the derivatives positions have gone well and we expect that to be a neutral if net positivish outcome for us.

Although I would note that, obviously, this is going through the bankruptcy settlement so I think it will be a period of weeks before we actually have confirmation of what the precise numbers are going to be.

In terms of the credit facilities, because of our view of the name we did have a hedge on for a portion of the relatively small credit facilities that we had. But with no draws against it at the time so that puts us in a nice starting position.

And needless to say there are dribs and drabs of Lehman exposure in a couple of other spots. None of it significant and so we expect to -- all of that to unfold. So in a narrow Lehman sense, from a counterparty standpoint the dust has yet to settle. But we expect that to be a flat to somewhat positive picture at the end of the day.

The contingent market risk here in many ways was probably the bigger concern for us. And I think Stan probably is in a better position to talk through the details. But the long and short of it, we worked through replacing all of those positions and it's actually gone I think more smoothly than we would have hoped.

Andre Hardy - RBC Capital Markets - Analyst

Including CDS?

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Including CDS. I don't know, Stan, whether you want to answer that?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Yes, I think in terms of the industry, I think the postmortem will show that some firms were significantly better prepared for an event like this. Not just specifically for Lehman and others. I think that the biggest issue that we face was just simply finding credit counterparts that we were happy reinstating the risk with. Given the overall picture of what's going on. But as Morten said, I think we were very happy with how the whole thing unfolded.

Andre Hardy - RBC Capital Markets - Analyst

Okay. My second question is related to returns and I'll let you pick '06 or '07 as a base here. But obviously there's pressure on the industry to delever. And how much pressure do you expect your business to face from a leverage perspective? And how material is that to returns in the end?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Janice can probably answer specific numbers with respect to leverage better than we can. But the issue we face right now is certainly not a shortage of customers, in fact quite the opposite.

It's really a matter of figuring out that there's a good alignment between the sweet spot of products that we have and that they match up with the demands that the client has. And relationships are becoming again, which is a great thing, truly relationships. Opposed to just simply a transactional relationship driven by the best price.

So we are seeing tremendous strength come back into a lot of our core businesses. And our challenge is really managing the clients that we want to be married to in terms of this quid pro quo between the return that we're looking for and the balance sheet access and resources that we provide.

Andre Hardy - RBC Capital Markets - Analyst

So you're indirectly saying leverage might come down but spreads are going up?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Absolutely.

Sumit Malhotra - Merrill Lynch - Analyst

Thanks, speaking to that point, and I think Janice will correct me if the numbers are wrong. Average assets in RBC Capital Markets in Q3 were down something like \$25 billion. And I note that because the first time I've seen this segment's assets decline in five years. And it didn't seem to be loan, so it would suggest there's certain trading businesses at least this quarter that you may have pulled back on.

And the fact that assets have grown so significantly in this time that RBC Capital Markets ROE is expanded innate of the bank. I mean is this really to the point that this is the start of some of the extra leverage that has gone in the last five years coming out of the system or your bank specifically?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Oh I think that's definitely the case for the entire system. I mean there were a lot of businesses that were using balance sheet at the margin for relatively modest return. We've cut those businesses out. I mean we started focusing, from the Capital Markets' perspective on our balance sheet that's just -- not just gross adjusted assets but also risk adjusted assets. Probably over two years ago and moved one of our most senior people to focus on that area.

So we've been looking at our businesses from a standpoint of balance sheet usage, return on balance sheet, requirement of unsecured funds versus secured funds quite actively for well over two years. So reducing the size of the balance sheet for us was a fairly easy process.

Sumit Malhotra - Merrill Lynch - Analyst

It wouldn't be incorrect for me to expect that assets of that segment to be flat to down in the near term?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

That's probably fair and reasonable.

Michael Goldberg - Desjardins Securities - Analyst

Thanks. The UBS report that came out in the Spring that was mandated by the Swiss Banking authority pointed out that inappropriate transfer pricing was the key contributing factor to its problems. I have a

couple of questions about transfer pricing for funds. Are you charged the average cost of funds for RBC consolidated?

Or, if not, what would you have to pay and what would be the impact if you couldn't rely on its covenant? What do you figure the impact on segment profitability would be if you had to fund on a standalone basis and how would it impact on your ability to do business more generally speaking?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

I can certainly answer the first part of that question and then try and find someone to answer the second part. As part of the exercise of really understanding our balance sheet, we also moved to, as far as capital markets are concerned, a model of charging our businesses for the type of balance sheet that they use.

So from an individual business standpoint within Capital Markets, if a business is using one year unsecured money priced against one month opposed to three months, we're charging them for that which is driving the right behavior in terms of those individual businesses.

It was a bit frustrating certainly for the first one to two quarters that we were doing that at the start of the credit crisis because a lot of firms we compete with certainly were unresponsive to the change in pricing in the marketplace.

And we were getting a lot of pressures from clients questioning why we were moving our prices and other firms weren't. But the good news is we're now starting to see much more reasonable pricing across the industry.

Doug McGregor - Royal Bank of Canada - Co-President - Capital Markets

I would just add that we spent a fair amount of time with that UBS report and I think the conclusion that it drew was that if you have incorrect funding, i.e., charging too little for term assets and assets in general, you tend to accumulate assets which can be a bit of a problem.

So we're reasonably focused in terms of especially on the term side of the balance sheet to make sure the funding cost is appropriate, and that encourages people to be more careful with what they buy and how long they hold it.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

It's amazing in times like this how quickly you find out how smart some of your clients really are and they've really figured out all the nuances of financing in the marketplace. And a process that we've employed has really, I think, put us in good stead.

Michael Goldberg - Desjardins Securities - Analyst

So is appropriate the average cost of funds for RBC consolidated? Or is appropriate the cost of funds that RBC Capital Markets would have to pay without relying on RBC's covenants?

Janice Fukakusa - Royal Bank of Canada - CFO

Right, Michael, the cost of funds in RBC Capital Markets, reflects the cost of funds of RBC. So with respect to the short term funding, that would be fundraising at the margin that reflects current prices. And with respect to the term funding, we fully transfer out, price out, the cost of term funding.

So definitely as our funding costs have risen in that arena, it's fully transferred priced out to the businesses. So I think what you see in Capital Markets is a very fair view of the cost of funds and what's happening in the current market. There's nothing sitting anywhere else that's not within the segments.

Ian de Verteuil - BMO - Analyst

Hello, Ian de Verteuil. A couple questions on just what's going on in the CP Markets, currently. You have quite large ABCP structures in the United States and a some reasonable sized ones here in Canada as well. Can someone talk to what your whole levels are, how much of the CP you're having to buy yourself to actually support the structures? I think the number was \$24 million at the end of Q3. Can you talk to how that has changed over time and how those structures are working?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

I can comment generally about what we're seeing in the marketplace and obviously this as information that the clients have because these are the levels that, or things that we're doing with clients. But in terms of the US, the US ABCP market went through its shock soon after the start of the crisis for the non-bank ABCP market in Canada.

Clients pulled back from that market and really went through an enormous reassessment, a reevaluation process where they looked at individual conduit programs and really assessed the quality and the underlying strength and the structure. So as we sit here today, we do not see an enormous amount of stress in our US ABCP, our conduit business.

In Canada, it's more congested. There are less large investors the way that there are in the US market. In the US market we're clearly benefiting from a flight to quality. They're probably four maybe five institutions including RBC who are enjoying a flight to quality here. And then there are a whole host of individuals, sorrying of institutions with small programs that are really struggling in this marketplace to place their paper.

Ian de Verteuil - BMO - Analyst

So when we think about the \$40 billion can you talk to, I think the US and I may get this a little bit wrong about \$25 billion and the rest is in Canada, can you talk to, are you actually having to buy CP to support the programs?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

Very little.

Ian de Verteuil - BMO - Analyst

The second question relates to the, I think it was in the second quarter you had to buy some assets out of the conduit. When we think of these programs, it is, the handle is off balance sheet, they really are accrual accounted entities where the actual hit to the income statement doesn't come in until there's a credit event in the conduit.

Ian de Verteuil - BMO - Analyst

It is -- I don't know if it's Morten or it's Janice. We have a difficulty thinking of these as off balance sheet structures when credit events at the margin in the conduit accrue to the bank itself. And what's the thinking behind that being an off balance sheet structure, generally?

Morten Friis - Royal Bank of Canada - Chief Risk Officer

Well maybe I'll start and let Janice handle the tough part. Let's go back to the specifics of what we did, I believe, in the second quarter. In a technical sense the assets are actually still in the conduit off balance sheet, but they're funded through a loan where because of our view of the assets long term not having sufficient value, we have taken a provision on the loan extended to defund that asset in a segregated part of the conduit. So, the exposure is real to us, it is in a technical sense still sitting in the conduit. That just, maybe just to speak to context here so we get the numbers roughly right.

That you were talking about the \$38 billion or so, and again my memory is not perfect here, but it's in our disclosure. The amount of structured assets that we have where you may end up having some concern over asset quality is in the hundreds of millions of dollars. A particular position that we funded and took a provision on the loan is the single asset that at this stage has any quality issues that make it look like a provision would be appropriate.

So, in other words, in terms of the totals, the conduits are by-and-large, when you take away the \$800 million of somewhat structured assets, the rest are all in the plain, vanilla, easy-to-understand, credit card receivable, trade receivables, auto finance, et cetera, which is why as Stan was pointing out they continue to fund well in the markets because they are the type of assets that investors like and that fund well. Now in terms of the on-off balance, and I don't know Janice whether you want to add anything to deal with accounting or substance issues that Ian raised.

Janice Fukakusa - Royal Bank of Canada - CFO

I'll just had one point to Morten's excellent answer, and that is that because we have full liquidity support lines of course, we put up capital against those lines. So from our perspective we reserved capital for those particular lines in the event they are drawn and something else happens to asset quality within the conduit. So I think that Morten has really identified the potential, that potential for any current asset quality issues is pretty small with respect to those conduits.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

I would just add to that that the interesting thing about these conduits is the tremendous level of transparency to large institutional investors. And we've found that back over the term Y2K, it was very difficult in the market to place bank paper, but it was surprising to us just how easy it was to place this type of conduit paper because large investors could see exactly what they were getting. And no one knew the implications of Y2K on bank paper.

From a rate perspective, if we have to increase the rate, the yield on this paper to place it, that is for the for the account at the servicer, and what we've seen a little bit like the ebb and flow of the tide, over the last 14 months is as rates increase, when we place the paper, the servicer would pull back on the amount of use on that particular line. And they tend to be pretty active in terms of looking at the rate that this paper's placing at versus other types of financing that they have.

Operator

We have a question from Mario Mendonca on the phone.

Mario Mendonca - Genuity - Analyst

A lot, in line with Ian's question about the off balance sheet vehicles. There is a standard, a FASB, it's a proposal obviously from FASB on the consolidation of the variable interest entities, it came out just in September, and I probably don't understand it well enough.

But the question is first, Janice, are you, I imagine you're well aware of what's going on in the US and it would appear that these standards would have, at least, companies that follow US GAAP bring a lot of these off balance sheet vehicles on balance sheet.

The question for you is do these standards have a place in Canada? Is it something you would have to look at for Royal's Canadian GAAP financial statements? And is there a similar move in Canada to put standards in place that are analogous to what we're seeing in the US?

Janice Fukakusa - Royal Bank of Canada - CFO

Mario, from this, the US GAAP standard perspective, we're still reviewing the potential impact on our US GAAP reconciliation. With respect to Canadian GAAP, basically because of the conversion to IFRS that's happening over the next couple of years, the VIE accounting is one of the areas where there is a difference between IFRS GAAP.

And as you know the US GAAP standards are evolving and Canadian GAAP, but we are definitely in the process of drilling down on the IFRS treatment for VIE and how and simulating how that would look from our own perspective if we were currently under IFRS. But that's certainly a working in process.

We don't anticipate the Canadian standard to align with US GAAP at this point. And the Canadian Standards Board has said that they're not putting out any major new accounting while we're going through this sort of transition. Although I guess it would depend on what's happening environmentally.

Mario Mendonca - Genuity - Analyst

Would it be fair to say then you don't anticipate any changes in how Royal accounts for VIEs in year 2009 or even actually meaning for 2008 and 2009 financial statements?

Janice Fukakusa - Royal Bank of Canada - CFO

I could probably say that for 2008 because we're almost at the end of the fiscal year. I can't really say that for 2009 because the standards, accounting standards, as you know are subject to extreme scrutiny now and they may be rewriting them as we speak. And definitely the US GAAP standards are advancing quite quickly, so with respect to our US GAAP reconciliation following, you'll see any of that reflected in 2009.

Mario Mendonca - Genuity - Analyst

It sounds like you wouldn't rule out some changes in Canada then, although nothing's been announced, you wouldn't rule it out?

Janice Fukakusa - Royal Bank of Canada - CFO

Yes, I don't think anyone can rule out nothing happening with respect to accounting because it has seen a subject of great debate now in the news.

Mario Mendonca - Genuity - Analyst

Thanks for your help.

Jim Bantis - Credit Suisse - Analyst

Thanks, Jim Bantis, Credit Suisse. I'm trying to figure the opportunities that you would shut out of in over the past of years with pricing being aggressive by Lehman or Bears, structures being advantageous for the client, not for the broker.

So maybe you can each give us from your business units a couple of examples where you don't even have to hire people, you don't have put more economic capital, but the business will shift to you because Goldman and Morgan are now becoming banks, they're delevering. What are a couple of tangible businesses that you've got that we can see market share gains in?

Doug McGregor - Royal Bank of Canada - Co-President - Capital Markets

Jim, probably the first example that comes to mind is leverage finance. And I guess going back 12 to 14 months in the leverage finance business where we're quick to get into that business. We're the largest loan syndicator in Canada. We have leverage finance people on the ground here in Canada, in England, in New York.

We're reviewing multiple deals and they all have the same characteristics. They were at 100% underwrites with multiple banks posting 100% underwrites to be allocated, smaller portions, and they were at very uneconomic terms.

And so I think that our problem with the business going into the summer of '07 wasn't so much that we predicted there was going to be credit crisis, but we were just struggling with the returns and the quantum. What we're seeing now in the leverage finance market is a complete repricing and restructuring of deals, we're more active than we were two years ago, notwithstanding the deal flow was down 60% or 65%. Because spread is there, flex is there, and probably most importantly, sponsors are putting in good amounts of equity.

So when I look back I think that the restructuring of that market has been good. And then also the fact that many of the people we compete with just can't participate in that market right now has provided some opportunities. So we're doing it with the people we currently have.

And I think Mark spoke to the lending book to a certain extent. We're working hard in terms of making sure that we're getting paid properly in that book, in our loan book. Obviously managing risks, but there

probably is an opportunity to earn more money with the loan book than there was prior to this happening with the same people and the same resources.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

I think, Jim, from a global markets perspective that there's two sides to this. One side is the business is that we don't have to participate in now, structured credit being a good example. Businesses that were requiring an enormous amount of investment, and really one really making returns for us at the time, the clients weren't requiring us to get into them.

And the other side of it is really what we're seeing in our daily business flow, our core businesses. We are a preferred counterpart. People want to deal with us now. We're finding very large institutions all around the globe who wouldn't take our call a year ago are now calling us. And the sustainability of that is I think very promising because people now see our compatibilities that didn't really know what our capabilities were before. And it's really allowed us to prove ourself just in the boring, daily core businesses.

Michael Goldberg - Desjardins Securities - Analyst

I'd like to get back to my earlier question. I know it's sort of a hypothetical question, but if in the reregulation that ultimately ensues following recent developments, part of that is some kind of prohibition in universal banking from the Capital Markets arm using the covenant of parent bank to fund.

How do you feel that that might impact the business, and RBC in particular? And secondly, can you talk about any changes that you see emerging in comps structure as a result of these developments?

Doug McGregor - Royal Bank of Canada - Co-President - Capital Markets

Okay. First of all the question was purely hypothetical, but I think we're seeing evidence of the fact that the investment banking business in the US for those that haven't been bought are having to restructure into a bank holding company.

And they're having to produce a balance sheet that qualifies them as such. And so obviously a standalone investment bank funding in this environment is a challenge. Which is why the industry is restructuring and deleveraging would be required.

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

We'll just have to see how this plays out. We are going to be coming into a period of intense, it's going to be regulatory free-for-all. And in the same way that an enormous amount of regulation was written in the early 1930s after the 1929 crash, we're going to see exactly that type of environment unfold in the next two to four years.

In terms of compensation, my only comment in compensation is you still have to pay for very good people. And I think what's really different today than what it was a year or so ago, is that there wasn't enough differentiation between a very good person versus someone that's just enjoying a bull market. And I think going forward, you're going to see a lot more differentiation, there still is a lot of demand, however, for the best people.

Doug McGregor - Royal Bank of Canada - Co-President - Capital Markets

One of the things is for the most discouraging to us is that Barclays taking over Lehman, is paying all the Lehman people they want. Or intends to pay them all, is the ones that they're in most demand, let's say the most senior and best to Mark's comments.

They're going to pay them reasonably well this year and next year and we know it because we're trying to hire some of them. There's a constant frustration that we feel in terms of, we'd like to see a better opportunity in terms of labor market in the US. We expect that we will, but it's not obviously occurring right now.

Operator

We have Mario Mendonca again on the phone.

Mario Mendonca - Genuity - Analyst

A question about, we're all talking about deleveraging a fair bit. When I look at our average Canadian bank, I was thinking about the simple assets to shareholder's equity, the common shareholder's equity. It has declined a little bit this year from say, 25.7 times in the first quarter of the year, down to about 24 times now.

Given that Canada, our Canadian banks have fared fairly well and you folks are talking about how your customers are all there. Do you envision that assets to equity ratio, or the leverage ratio actually, declining at all for our Canadian banks? Anything below, say that 24 times, they're at right now?

Mark Standish - Royal Bank of Canada - Co-President - Capital Markets

I'll have to defer to Janice because obviously Capital Markets is only part of the overall bank balance sheet.

Janice Fukakusa - Royal Bank of Canada - CFO

Mario, I think that from a leverage perspective within the capital market business we are actively managing our risk adjusted assets, gross adjusted assets in terms of getting the highest return. From a Retail Banking and Retail Assets perspective, we're not constraining any of the growth on our retail side because as you know, the sale cycle is quite high. It's a very high ROE business for us.

So if you look at our total balance sheet at the margin there would be, there is pressure on Capital Markets. And that being said, by the way, our Capital Markets business, despite having written off quite a bit has still year-to-date realized 15% plus ROE.

So, from that perspective we're still deploying the capital above hurdle rate. But at the margin as we move forward, I would say that there would be more pressure on the capital market balance sheet, so that on average, I don't see the leverage ratios for the total bank growing. But we won't constrain our retail bank balance sheet growth.

Mario Mendonca - Genuity - Analyst

Well the two would sort of offset each other somewhat so that leverage ratio as it looks today for Royal and maybe even for your peers that may be where it is going forward. You don't see any major move down from here?

Janice Fukakusa - Royal Bank of Canada - CFO

I don't see any major move down, but of course, everything is in flux and it would depend on what our -- how our regulators are looking at leverage ratios and what's happening outside of the context of the Canadian market. And then of course, we're very keen to know the view of our rating agencies because that's as Gord said, we'll not sacrifice our AA rating and we want to make sure that we have pretty sound capital ratios going forward.

Mario Mendonca - Genuity - Analyst

But on that topic then, do you think the rating agencies, is there anything that would cause you to believe the rating agencies would rather a bank like Royal or the other Canadian banks that have a lower leverage ratio?

Janice Fukakusa - Royal Bank of Canada - CFO

I can't comment for the rating agency scenario, I haven't -- we're looking at some of the rating agency people are here now. But I will not turn the microphone over to them.

Mario Mendonca - Genuity - Analyst

I'll ask them directly then.

Janice Fukakusa - Royal Bank of Canada - CFO

Right. Good idea.

Marcia Moffat - Royal Bank of Canada - Head - IR

Okay. I think, oh it looks we have one more question.

Ian de Verteuil - BMO - Analyst

I think this presentation would be incomplete without some word from Chuck on the normal siege, the dour view.

Charles Winograd - Royal Bank of Canada - Group Head - Capital Markets

Want to get into a dour contest?

Ian de Verteuil - BMO - Analyst

I guess Chuck, what -- having heard from you over the years, one of the things I'd think we'd all appreciate is your perspective on where we are and what happens from here.

Charles Winograd - Royal Bank of Canada - Group Head - Capital Markets

Well, one of the things about thinking where we are is that having experience doesn't help because we've never been here before. From a perspective standpoint, I would have to say that the last couple of weeks have been very, very difficult and we're in uncharted territories. I keep asking myself, so what happens from here? And I think that this will end up being like the bottom of most cycles, it'll just keep going on until it stops.

And the catalyst as to what stops it will be not evident until people talk about it's obvious, six months after it happens. Like if I had to guess on one thing it would be house price stops going down.

But I think that you saw today's WaMu, who's tomorrow? And we're not there. I think that the fundamental problem is that everybody's selling everything and there are no buyers because deleveraging is gone through the system and it's why, while I worry about the US dollar when you see the \$700,000 million dollar program.

At least it's a buyer. And I think that before we're over, we're going to have, have to have buyers come in and it may well be they come in because rates come, go up a bit and effectively there is just more attractive total returns to getting above spread returns or equity markets get so cheap, the Sovereign Wealth Funds come back.

And I think it will be a combination of all those circumstances. But we've got get some buyers back here because we've got all sellers. So, it's just when markets freeze it's very difficult. But I've got to say this, last week was a new experience for me by a long shot. The difference between last week and August of 2007, is that none of the bullets had been shot in August of 2007, and there were a lot of bullets shot by the time we got to last week.

But these things, the system is quite resilient and I expect that it will just be a little bit deeper this time and then bottom because it's just got so bad that it bottoms. That's my view and I just like thank all the analysts. I've had a great time. After my experience as an analyst for 12 years, actually give them, and I've got to tell you guys, I actually read the stuff all the time. At least I know what to worry about.

Marcia Moffat - Royal Bank of Canada - Head - IR

Thanks everybody for joining us. I really appreciate it and as I mentioned at the beginning we do have a very short survey. Your feedback is really valuable. So if you could just take three minutes to fill in and if you don't have time right now for whatever reason, we'll follow it up with an email. But if you could fill them in by paper and hand them at the registration desk that would be great. Thank you.