

RBC CAPITAL MARKETS ANALYST AND INVESTOR DAY FRIDAY, JUNE 1, 2012

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Additional information about these and other factors can be found in the Risk management and Overview of other risks sections of our 2011 Annual Report and in the Risk management section of our Q2 2012 Report to Shareholders.

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GORDON M. NIXON, PRESIDENT & CEO

Thank you Amy, and thanks to everyone for joining us.

We are pleased to profile our Capital Markets segment which is a key part of RBC's diversified business mix and an important component of our long-term strategy.

Turning to Slide 4, as you saw last week, RBC reported a strong second quarter with core earnings of 1.8 billion up 5% over last year and continued momentum in most of our businesses. Within the context of the current environment, our core earnings were clean and solid. Overall our results clearly demonstrate RBC's earnings power, driven by our leading market position, diversified business mix, and prudent focus on managing costs and risk. Our core earnings year to date, excluding the loss related to Dexia, which I might add is largely offset by the tax recoveries we just announced, are at record levels, our return on equity is over 19%, and we continue to be optimistic on the second half of the year.¹

¹ Non-GAAP measure. See Q2 2012 Report to Shareholders for more information.

Turning to Slide 5 on our strategy. We believe in a diversified business strategy with the right balance of retail and wholesale businesses to generate strong earnings throughout the business and economic cycles. RBC is perceived by the market to have a larger capital markets business, but it is important to recognize that the contribution from RBC Capital Markets as a percentage of total bank revenue and earnings is at the median of our Canadian peers and in fact since 2007 we have demonstrated far less volatility than most. I would like to note that our business mix in the second quarter was in line with our historical trends, with retail businesses contributing three-quarters of earnings and Capital Markets at 25%. I would point out that Capital Markets includes certain treasury activities which Doug will expand on, and in the case of some of our competitors this is housed at an enterprise level and not included in their wholesale business. This revenue is generated from our investment of our liquidity in high quality, assets such as U.S. and Canadian sovereign debt.

To help frame our Capital Markets business, it is important to note that as of April 30th, our trading businesses, excluding treasury activities, accounted for approximately 20% of the banks total risk weighted assets, and in the first half of 2012 less than 10% of revenues. Treasury activities represented approximately 5% RWA and 2.5% of revenue. The balance of Capital Markets balance sheet activities relates to our traditional corporate and investment banking businesses.

While success has put a spotlight on risk, including Moody's review, it is important to highlight that in recent years, RBC has taken steps to strengthen and de-risk our businesses, including in Capital Markets where we have reduced exposure to more complex assets and also invested considerably in upgrading our control environment. As I noted on our first quarter earnings call, looking ahead and based on our five-year strategic plan, we forecast that our business mix will shift as our retail platforms are expected to deliver solid growth, and the contribution from wholesale, while strong and growing, is expected to trend down from the mid to the low 20s.

With respect to geography, in Canada we generate two-thirds of our revenue and RBC is the clear market leader. We are successfully leveraging our domestic strength to selectively build competitive businesses in the U.S. and in certain global markets.

Another component of our strategy is to maintain a strong capital base and as you saw at the end of the second quarter our Tier 1 Capital ratio was 13.2%. This strong financial position provides us with flexibility - a great advantage over competitors that face constraints on capital deployment as well as pressure to shrink their balance sheets and change their business strategies in response to regulatory changes.

Turning to Slide 6, let me explain why RBC Capital Markets is an important component of our long-term strategy. First of all, we believe that our strategic mix of retail and wholesale businesses provides the right balance of earnings and risk diversification through the cycle and is a competitive advantage that differentiates our performance. As you have seen in previous cycles, Capital Markets businesses generally lead a recovery, which provides a balance to retail businesses which typically lags. Second, RBC Capital Markets is aligned with our strategic objectives. The business is primarily focused on North America where it generates over 75 per cent of its revenue and we have competitive strengths in each of our businesses. We are the leader in Canada and as you will hear in the presentation we now consider the U.S. to be a second home market. This North American focus is complemented by a select global presence in the U.K. and Europe with distribution capabilities in Asia. Our Capital Markets segment generates strong risk-adjusted returns, and Doug and Mark will show you later in the presentation, our wholesale earnings have been consistently profitable and stable, and have not incurred substantial losses – something that is not true of many other large global banks, smaller banks, or even all of the other Canadian banks. Third, RBC Capital Markets effectively serves the needs of clients in its capacity as a trusted advisor and a counter-party of choice to corporations, institutional investors and governments in Canada and globally.

We have the capabilities to meet the needs of our Canadian clients who are increasingly looking for capital markets solutions outside of their domestic market, as well as the ability to serve a more international base of clients, including large multi-national companies. Backed by the

strength, stability and brand of RBC and RBC Capital Markets, we see tremendous opportunities to further leverage our capabilities to attract new clients and deepen relationships with existing clients.

As you will hear from Doug and Mark we have strong momentum, in particular in the U.S. where we have considerably up-tiered our client base over the past three years. We are pleased that you can join us today. Capital Markets is a key part of RBC's diversified business mix and we are confident it is positioned to drive strong returns over the long term relative to other areas of financial services and that are in line with our organizational risk and return objectives. With that, I will now turn the presentation over to Doug McGregor.

DOUG MCGREGOR, CHAIRMAN & CO-CEO RBC CAPITAL MARKETS

Thank you Gord. Good morning, thank you for coming.

We are pleased to be meeting with you today to provide you with an update on RBC Capital Markets. I will begin our presentation with an overview of our business and our financial performance and Mark Standish will then provide an outline of our strategy going forward. Doug Guzman, Global Head, Investment Banking, and Jonathan Hunter, Global Head, Fixed Income and Currencies, are also here today to speak to you about their businesses. Turning to Slide 8, what we want you to take away from today's discussion is that we intend to deliver steady earnings growth built on our diversified business model and strong risk management culture. We will explain: How we have grown our corporate and investing client relationships with a focused strategy in each of our key geographic markets – Canada, U.S. U.K. and Asia; how we invest capital in our business in a changing regulatory environment; and how we can increase operating margins as we leverage the significant infrastructure investments we have made in recent years. Our goal is to continue to be the best Canadian investment bank and to grow earnings and franchise value in our core markets outside of Canada. Leadership is a critical component of how we will continue to achieve success, and we are very fortunate to have a strong and talented team, many of whom are here today. Let me take a moment to introduce them: Mark Hughes, Chief Operating Officer; Harry, Samuel, CEO Europe; Mike Bowick, Co-Head Global Equities; Greg Mills, Co-Head Global Equities; Stephen Walker, Head of Global Credit; Richard Talbot, Co-Head Global Research; Bruce McDonald, Head Commodities & Electronic Trading; Troy Maxwell, CFO, RBC Capital Markets.

Our Operating Committee also includes members of our risk management group led by Morten Friis, RBC's Chief Risk Officer, and Clinton Lively, RBC's Head of Market and Trading Risk. After the formal presentation, the senior management team will also be available for the Q&A session. Before I move on, I would like to highlight that the average tenure of our Operating Committee members at RBC is 17 years, which is highly unique in our industry. This deep institutional knowledge serves to foster our strong culture, as well as support long-term relationships with our clients.

Moving onto our business, before we go into more detail about our strategy I think it is important to take a step back and look at what we have achieved over the last four years since Mark and I became Co-CEO's in the fall of 2008. We have built a highly integrated, client-focused business model. We have stepped up our lending activity to drive our debt and equity capital markets and advisory businesses which are supported by strong research and secondary market sales and trading. Prior to 2008, we were the leading Canadian investment bank and we had a competitive fixed income and equities trading businesses in the U.S. and U.K. We were slowly building out our origination capabilities and hiring more bankers to grow our client base and the investment banking franchise.

When the financial crisis occurred in the fall of 2008, we were presented with an opportunity to improve our U.S. and U.K. businesses. Loan spreads more than doubled and many competitors were unable to meet client's borrowing lending requests. We decided to expand our investment banking and lending in the U.S. and the U.K. We have increased our loan book and banking

capabilities in the U.S. We have full product capabilities and consider the U.S. our second home market. In the U.K., pre-crisis, we had significant fixed income and foreign exchange sales and trading capabilities. Since 2008, we have expanded our investment banking, equity trading and research capabilities by adding, net, 150 front office professionals. We expanded our sector focus in the U.K. beyond the mining and oil and gas sectors. We have added to our Infrastructure coverage group as well as adding a Financial Institutions team. These are sectors in which we have global competitive advantage. And in Asia, we opened a new trading floor in Hong Kong in November 2010, doubling capacity to 120 trading desks. We cover Chinese investing clients from Hong Kong and Beijing.

Overall, we have maintained a philosophy of diversification across products and risk which has served us well, particularly through the financial crisis. We also focus on the alignment of lending, research, trading and advisory services. In the current market environment, providing credit to our clients is almost a prerequisite to winning advisory business. We entered the crisis with a small loan book and we have grown it over the past four years with good financial results and good risk metrics. Our business model is centred on the client. Our integrated model of Corporate and Investment Banking -- on the left hand side; and Global Markets businesses -- on the right hand side of this diagram shows how we meets the needs of both our issuing clients and investing clients by providing a full range of product, and sector expertise.

Our business is located in the largest investment banking fee pools around the world. This map provided by Thomson Reuters shows the fee pools of key geographies of the world. Canada, the U.S., the U.K. and Asia Pacific represent over 80% of the global pool. Our plan is to focus our efforts and capital to continue to take market share and improve profitability in our core markets. In Canada, we remain committed to expanding our leadership position across all of our domestic businesses, as it is critical to global expansion. We are first in almost every league table category in Canada. In the U.S., the significant investments we have made to grow our corporate and investment banking business have been very successful. Early in the last decade we established our U.S. client business because: the U.S. market is very attractive and offers diversification from a commodities intensive Canadian market; and our clients were becoming progressively more cross-border and we needed U.S. capabilities to maintain Canadian market share. In building out the U.S. business, we sought a more balanced and integrated mix of trading revenue and corporate and investment banking revenue. Our investment bank enables our cash equities and fixed income trading businesses to benefit from high margin new issues; and finally, the financial crisis was again, a key event for us as we were able to extend our growing full-service platform and establish strong relationships with clients at a time when other institutions were retrenching.

Our performance and success in this market over the past few years has served to re-enforce our view of its long-term potential for growth in the U.S. Doug Guzman, will expand on our success in the U.S. further in his remarks. Our businesses in the U.K. and Europe have grown from a niche approach to a more broadly based sector coverage approach. Our U.K. investment bank covers, energy, mining, infrastructure, industrials, financials and business services. We are a primary dealer in six European countries. Our goal is to continue our measured build-out focusing on building investment banking capabilities and our loan book which will result in more new issue business in fixed income and our equities business as well as M&A advisory mandate. We will do this by continuing to develop and selectively hire top talent in the areas of targeted growth, building new support infrastructure where required, selectively extending our balance sheet to increase our loan book, and by leveraging fixed income and equity origination to grow secondary client flow. In Asia, our businesses remains focused primarily on fixed income distribution and foreign exchange trading. Growth in the east will come from increased distribution of globally manufactured fixed income products and building out our fixed income manufacturing capabilities in local currencies.

We also have a small build out of our investment bank in Sydney supported by an increase in our loan book, in our infrastructure, mining and energy businesses. We have an emphasis and expertise on industries that use large amounts of capital like energy, mining, real estate and infrastructure. This shows in our revenue breakdown on Slide 13. Our trading revenues are

diversified among financials, asset managers and corporations. We have increased our global fee market share considerably over the past three years.

This was clearly underscored with the recent release of Thomson Reuters and Dealogic's detailed review of the North American and global banking landscape for the first quarter of 2012. We rank as the 10th leading investment bank in the Americas by corporate and investment banking fees, increasing our market share from 1.8% in 2008 to 4% in the first quarter of 2012. And RBC ranked as the 10th largest global investment bank in terms of net fee revenue in Q1 2012, up from 15th in Q1 2011.

Over the past 4 years, we have made a significant investment in our brand in target markets through advertising, our golf sponsorships, media relations and community events. These initiatives are reinforcing the strength of the RBC brand for our clients and also for our employees who view RBC as a very attractive place to work. The brand of RBC and of Canadian banks outside of Canada has never been better and it does create client opportunities. Throughout our build out, we have upgraded our controls and governance infrastructure and invested heavily to enable controlled growth through increased spend in finance, risk management and technology and operations. Globally, we have added over 1000 people, net, since 2008 with the greater proportion being in the back office.

We upgraded front-office talent consistent with our goal of shifting the balance of our businesses towards Corporate and Investment Banking. Growth in new hires for Investment Banking has been double that of Global Markets. We will continue to selectively add people to our business platforms and teams where it makes sense, but our focus is on leveraging our current headcount with increased productivity. We have no intention of making large acquisitions or expanding our footprint. Our growth has occurred primarily through individual hires, with some small teams, and this will be our approach going forward.

Moving to our financial position on Slide 16. We have moved our revenue and earnings up considerably from pre 2008 levels. We have had a strong track record of stable and consistent earnings which compares favourably to our Canadian and global competitors. Our revenue stream is diversified both by business and by geography and we have a healthy balance between Corporate and Investment Banking and Global Markets, driven by our focus on increasing our proportion of fee-based revenue. This diversification and balance is now a key strength of our business. Our U.S. business now generates more revenue for RBC Capital Markets than our Canadian business and we expect it to generate over 40% of our earnings this year. Going forward, we are focused on improving market share and margins in the U.S. The results of our investments in Europe have been positive; however they are encumbered by the challenges of the European crisis and we are being very careful to manage the risk in Europe. In Asia Pacific, while small, we are growing revenues and starting to see some traction of our recent investments. This slide shows our revenue by core business activity. Starting with Global Markets, we have Fixed Income, Currencies and Commodities, Global Equities and Treasury Services and Funding. Fixed Income is our largest trading business and includes our debt sales and trading activities, including rates, credit and foreign exchange. Revenue for the past twelve months has been \$1.3 billion. Jonathan will talk more fully on this business later in our presentation. Our Commodities and Futures business provides hedging and financing activities primarily for clients in the energy space. Global Equities revenue of \$959 million includes equity capital markets fees, equities sales and trading and equity-linked products and research.

A key component of both our Fixed Income and Global Equities revenues is their leading Debt Capital Markets and Equity Capital Markets origination activities. We also have Treasury Services and Funding. This grouping includes our secured repo financing and financing against listed client securities for both internal and external clients. Short-term funding and liquidity management earns revenue by funding and investing RBC's \$50 billion plus of liquidity assets.

Before I expand on the Treasury Services business in Capital Markets, following on Gord's comments, let me first make the distinction between RBC's Corporate Treasury group housed at the enterprise level which reports directly to Janice Fukakusa. The Corporate Treasury team manages the long term funding and structural interest rate requirements of RBC, while Treasury

Services in Capital Markets focuses on short term funding. We have found that housing short term funding within Capital Markets ensures that this key function is managed by those with expertise and strong connections to the daily marketplace. I would note that when making comparisons between global wholesale banks, you do need to understand where this Treasury Services activity resides. In some of our competitors, this liquidity management role and supporting balance sheet are housed outside of their wholesale platform and positioned at the Enterprise level. Finally with respect to Global Markets, we do, as you know, have proprietary trading activities. These are managed within one business unit, Global Arbitrage and Trading, but the financials are allocated within Global Markets by asset class, in other words, fixed income revenues are in the FIC line and equity revenues are in the Equities line.

We believe it is an important outlet for us to manage our liquidity and to profitably deploy surplus capital in a highly liquid, market neutral arbitrage strategy; however, I would stress our prop trading business represents less than 3% of RBC's total revenues. In other trading businesses, we are focused on client facilitation. Equities revenues come from agency trading on exchanges. Our Fixed Income and Currencies revenues are approximately 80% directly related to client flows with the remaining 20% associated with market making, underwriting and hedging. Our Global Investment Banking business includes our investment bankers who maintain relationships with our clients, our equity and debt origination teams, and syndication and advisory services such as M&A.

Our lending business is also included in this segment and comprises corporate lending. Our lending revenue has grown significantly in the past four years and further diversity and stabilize our revenue. Also included in this lending line is our securitization business. This comprises conduit funding and Asset-backed-securities funding we arrange for our clients in Canada, the U.S. and in the U.K. and Europe. Finally, the other category includes some losses we have incurred over the last twelve months as we have been reducing our legacy assets. Mark will expand on our legacy portfolio in his remarks.

We have a high quality, liquid balance sheet as outlined on Slide 18. We have ordered this depiction of our balance sheet from top to bottom, according to liquidity, to highlight both how liquid our balance sheet is as well as the low-complexity of the bulk of our assets. Over the past four years, growth of our balance sheet has been very controlled, primarily reflecting our focus on optimizing capital, including a shift from trading securities to loans, as well as our de-risking activities.

Moving to Slide 19. We've had a strong track record of performance and we achieved this against a backdrop of decreasing yields and increased volatility. RBC Capital Markets has consistently delivered stable wholesale earnings since the financial crisis relative to both our Canadian and Global Peers. RBC Capital Markets was the 2nd least volatile in terms of annual wholesale earnings for the last five years among the big six Canadian banks. And relative to our global peers, we have demonstrated exceptional stability in our bottom line since the financial crisis began. We are focused on being consistently profitable and have generated strong risk-adjusted returns for RBC and its shareholders.

Now I will turn it over to Mark who will tell you about our strategy going forward.

MARK STANDISH, PRESIDENT & CO-CEO RBC CAPITAL MARKETS

Thank you Doug, and good morning everyone.

As highlighted on Slide 21 and aligned with the overall strategy of RBC, our priorities remain to: Extend our leadership position in Canada as the Premier Canadian Investment Bank; Expand and deepen client relationships in the U.S.; Build on our core strengths and capabilities in the U.K., Continental Europe, as well as Asia; and earn high risk-adjusted returns on our assets and equity.

Over the next few slides, I will show you how we intend to meet our strategic priorities. As you all know, banks continue to operate in a very difficult market environment, which presents a number of significant challenges, and also presents good opportunities for us to increase our market share. Turning to Slide 22, let me highlight some of the cyclical and structural factors that are changing the way banks do business. On the cyclical front, we continue to face uncertain markets and macroeconomic conditions, driven in part by ongoing European economic, social and political issues, volatility in capital markets, declining liquidity, and both issuer and investor uncertainty. Initial public offerings and announced M&A have been light compared to prior years reflecting the uneasy sentiment and low confidence in a market turn-around. This trend will likely continue until we see some steady and recurring positive economic indicators, including greater clarity on the situation in parts of Europe. Moreover, the continued low interest rate environment continues to pressure bid-ask spreads without a corresponding meaningful rise in debt origination and credit trading.

Looking at the competitive landscape, while American banks remain as competitive as ever, some European competitors are struggling and marginal players are retrenching. It is interesting to note that in 2011, foreign financial institutions in the U.S. accounted for \$5 trillion in assets, or one-fourth of every commercial and industrial loan made in the country. That number is expected to fall as many banks, especially some of the large European banks, de-lever their balance sheets and in some cases, pull out of the U.S. altogether. Although competition among the strongly capitalized firms remains fierce - this shift creates opportunity for RBC Capital Markets to step-up and grow market share in Corporate and Investment Banking as we compete for top-tier clients, and in Global Markets, as clients look to more reputable and financially strong counterparties who have broad distribution capabilities. While it is difficult to forecast when the current environment will gain some stability and when these challenges will subside, even within this environment - we have strong momentum. Our pipeline has remained strong and as Doug mentioned, we have built the significant skills and capabilities and capacity required to continue to grow our business.

The structural factors impacting global markets have in some respects, created a more permanent shift in the way investment banks conduct business. Firstly, regulatory reform has increased capital and liquidity requirements forcing banks to review their businesses and exit those that can't meet the necessary return on risk weighted assets. While the objectives of the reforms are clear, there remains uncertainty over the details with respect to scope, implementation and timing. Regulations such as Basel III capital and liquidity requirements, together with Dodd-Frank, will fundamentally alter the economics of certain businesses such as derivative trading, which will move to exchanges, and securitization and credit trading which will require much more capital to be held against these activities. We also face the asymmetric implementation of rules such as Basel III, which will require Canadian banks to be compliant by November 1, 2012. While early implementation unintentionally makes Canadian banks less competitive, it puts us ahead of many of our global peers in terms of a capital and risk perspective.

As a result of these structural changes in the market, there will be an increasing move to standardization and automation of trading and a move to more central clearing. Our investments in technology will enable us to adapt quickly but this shift will compress margins and will require banks to have the appropriate scale, distribution capabilities, infrastructure and the right e-commerce solutions to be successful. For example, our clients are interested in understanding broker routing capabilities and execution strategies, and the creation of THOR, RBC's patent-pending smart order routing technology, enables our clients to do so while presenting us with a great competitive advantage.

And finally, the growing trend of globalization of clients and capital flows will necessitate banks to have greater global product and more relevant, global product distribution capabilities. Clients have increasingly global requirements and are looking to banks that can meet their needs in their home countries and abroad – and this is where we have made significant headway.

For some time now, we have been focused on evolving our business in response to this new environment and Slide 23 highlights how we will achieve our strategic priorities through: deepening client relationships; optimizing capital and managing risk; and leveraging our investments to drive efficiencies.

As was mentioned earlier, we are very much focused on deepening our client relationships. Everything we do as a firm, every day, is centered on the importance of our clients. Our business model has evolved and we are rebalancing our traditional investment banking and global markets businesses and have been utilizing the loan book to do this. This enables us to further expand our origination, advisory and distribution capabilities in the U.S. and the U.K. and grow our focus on growing fee-based revenues.

Secondly, we continue to re-evaluate our businesses to reduce risk and optimize the use of our capital to ensure we are generating appropriate returns. These are not major restructuring activities and represent some fine-tuning at the margin to ensure an appropriate balance between risk and return in our businesses and disciplined capital deployment within our defined risk appetite.

And finally, we will leverage the investments we have made in our businesses to drive operating efficiencies, and manage costs while we further invest in technology solutions and distribution capabilities to drive long-term growth.

Let me take a moment to further expand on these three key initiatives. Turning to Slide 24, a large component of driving ROE has been the redeployment of capital from trading to lending and strengthening the client relationship through the extension of our loan book. Our loan book growth has allowed us to deepen the client relationship, in fact our analysis indicates that for a typical client, three years following a loan, that client has used RBC Capital Markets for at least three additional products and services. In dollar terms, this translates into approximately \$2.2 million of annual revenue per client across the firm. And we strive for a 2 to 1 multiplier of other revenue to loan income.

Pre-crisis, we had a disproportionately small loan book compared to our peers. Between 2005 and 2007, we slowed the extension of business credit outside Canada, as loan spreads were getting so thin the risk/return equation simply was not attractive to us. Today, our business is much more relationship focused and lending has become a good business with attractive terms and spreads - and it provides a very good opportunity to deepen client relationships through cross-sell. Overall, since 2009, we have increased the number of lending clients by 30% to over 1,200 and most of the growth has been in the U.S. where we have added close to 400 lending clients in the last two years and continue to add quality names to our portfolio. Compared to some peers who have been reducing their lending commitments due to increased capital requirements, this is a tremendous competitive advantage for RBC Capital Markets. While growing our client relationships using the loan book is a priority, this growth will be governed by our strong risk management priorities. I think it is important to emphasize that we are not changing our risk practices or governance in order to obtain this loan growth.

Moving to Slide 25, over the last three-years as we grew our loan book, we increased the diversification of our industry coverage and we built significant sector and product capabilities focused on borrowing clients. Throughout this period of growth, we have not changed our approach to the quality of clients we deal with – our credit quality mix remains unchanged. Approximately 70% of our loan book outstandings are, and will continue to be investment grade companies. All credit adjudication across our lending book is aggregated to single name and individual country exposures and is subject to an extensive notional and economic capital limit framework. We also have industry and sector limits subject to the same framework which is benchmarked against peers and is both risk and concentration sensitive. Our extensive risk management team undertakes continuous credit risk monitoring, ensuring that we remain conservative in our approach and within our well defined risk appetite, which is consistent with RBC's approach bank-wide. Additionally, while all loans are approved by Group Risk Management, they are also reviewed by the Loans Commitments Committee, which includes

both Doug and myself. In addition to our strong credit risk practices, we have a strong market risk framework and risk culture which has enabled us to quickly respond to market conditions.

As seen on Slide 26, we have actively reduced our trading inventory, largely in fixed income, over the last three quarters to reflect not just the new market risk dynamics of Basel 3, but also the challenging market and macroeconomic conditions globally. The reduction was also driven in part by narrowing our breadth of trading products to focus more on origination. Our rapid reduction of inventory and underlying risk positions is reflected in a corresponding steady and downward trend in VaR and also reflects the highly liquid nature of our balance sheet. Our strategy has been effective and as you have seen from our recent quarter results where, we have been able to deliver strong trading results with lower risk. As an organization, we have always had a conservative approach to risk and over the years we have undertaken a number of actions to further de-risk our business and reduce any complexities.

This is clearly highlighted on Slide 27 where you can see our legacy asset portfolio. In 2009, we took action to identify, exit and ring-fence certain other complex risks. This included the structured credit business which we exited, and the remainder of our correlation book which we sold. We restructured our Bank Owned Life Insurance, or BOLI portfolio. Also, we continue to actively manage down our auction rate securities, and we wound down exposure to asset-backed securities held in a consolidated SPE. Overall since 2009, we have decreased our legacy assets by almost half and expect to completely eliminate positions by 2016. Unlike many of our global competitors, we have been proactive in reducing our legacy book. This decisive action has strengthened our balance sheet and enabled management to dedicate a greater amount of time and resources on our core businesses.

Moving on to our third area of focus on Slide 28, as Doug mentioned, we have heavily invested in infrastructure and governance to enable controlled growth. Complying with increased regulatory reform and the strengthening of our control environment has been costly and has increased our expense growth, placing additional pressure on our efficiency ratio. However, we can now monetize our investments and focus on reducing our expense run-rate as we improve cost efficiencies through investment in technology and automation. Capital Markets is also involved in the enterprise-wide cost management initiatives that are underway to reduce the trajectory of RBC's expense base. We are already seeing improvements in our efficiency and this focus will help us capture more profitable market share as we streamline processes and offer enhanced service to our clients.

To summarize, and as you can see on Slide 29, we are already actively managing our businesses under the Basel III framework. We implemented Basel 2.5 in Q1 2012 and are phasing in the Basel III impact over the four quarters of 2012. The first two quarters of this year already take into account approximately 50% of the full Basel III impact. We have a clear strategy to manage our business in the new environment and are focused on execution. We believe that by deepening our client relationships, optimally deploying capital and managing risk while focusing on driving efficiencies, we can drive our Return on Equity back up to the mid-to-high teens. This will not happen overnight but we expect to be there in the medium term as we start realizing the benefits from our actions today, with management emphasis on monitoring our performance and driving execution excellence.

With that, I will now turn it over to Doug Guzman.

DOUG GUZMAN, GLOBAL HEAD, INVESTMENT BANKING

Thanks Mark. Nice to see everyone. Let me take a few minutes to talk specifically about what we are doing in the Corporate and Investment bank.

At its very simplest, we are really doing three things. First, with Canadian clients we are building on our market leading position inside and particularly outside Canada – servicing their needs

globally. Our Canadian investment banking team is widely regarded as the premier team in the country. Second we are executing well in the U.S. We are leveraging our meaningful people investments, made during the 2008 through 2011 period, into profitable market share growth. Third, we are monetizing our more modest investments in Europe and Asia to connect our clients globally.

As we are doing these three things, our geographic revenue mix is changing. The U.S. now represents over fifty per cent of revenues. Canada represents the second largest share. We have grown our business in an industry where revenues have not grown. That means we must be picking up market share. We have done so by taking advantage of a very disrupted market. We have added talent, built our client base and extended our product range. Let me give you a little more detail about our businesses in the key geographies Slide 32. In Canada, as many of you would be familiar, we are all things to all people. We have leading market share. We have long term client relationships, the best talent, and the best product range. We are Canada's global investment bank. In the U.S., which has represented the lion's share of our growth outside of Canada, we have achieved a position where we can honestly describe ourselves as an investment bank with bulge bracket capabilities. We have full industry coverage across the economy, a full product range with teams staffed largely with bankers trained at bulge bracket firms.

The strength we have in North America provides the foundation of our expansion into the U.K., and, to a much smaller extent, into Asia. In the U.K., we have in the last three years broadened beyond our historic focus on resources - mining and energy - to a select number of other sectors in which we have competitive advantage, such as Financial Institutions and providing full service capability to Infrastructure-related areas such as Utilities and Transportation. These suit our competitive advantages – balance sheet strength, client focus, advisory expertise, full product range and global scope. While Europe is undoubtedly less active today than it has been in the past -- we feel good about where we are. The team isn't oversized relative to the rest of the investment bank, and we have focus. Our client relationships in Europe also afford us opportunity to work with those clients in other jurisdictions – plugging them into execution expertise in the Americas, for example. I will prove that in a moment.

Our global Top 10 ranking that Doug mentioned is evidence of the momentum we have built. We have built a client focused franchise with a real opportunity to take market share. Our investments outside Canada are paying off. A word about our loan book which crosses all of these geographies. Our approach to clients is that we offer them a full product range of advice, equity and debt financing, hedging products ...etc. all of what they need in "one stop". We also make an investment in those client relationships. We invest in hiring great corporate and investment bankers, providing equity research and building securities distribution. We also importantly, invest by lending them money. Sometimes those loans are attractive to RBC on a stand alone basis, sometimes they are not. History has shown that loan losses and loan book profitability changes along with the economic cycle. A client relationship is just more resilient for a bank if it spans multiple touch points...so that is where we focus.

Let me highlight our key priorities. In Canada, we will continue to focus on execution and long term relationships. We don't need to build. Having said that, we can always improve. For example, in the mid cap range of the resource sectors we see a market share opportunity. We have historically had higher share with bigger companies, so we have been tweaking our coverage teams to capture share with smaller, earlier stage companies. In Canada, there is also an opportunity to take advantage of our cross-border integration, a real differentiator from the other investment banks. For example, we can offer our Canadian clients specialized U.S. based industry expertise that is deeper than that of our Canadian competition. In the U.S., the important pieces of the puzzle are largely in place. We have good senior bankers covering each of the major industrial verticals. We will grow the team selectively at a slower rate. In an economy as broad and deep as the U.S., there is always an opportunity to build deeper into almost any industry sub-sector. We will take advantage of some of that sub-sector opportunity at an opportunistic pace, as it offers real operating leverage. With our product capabilities and distribution system in place, (the "factory") additional senior client coverage bankers can bring

high margin revenue with limited incremental investment. Putting more volume through the factory, if you will. Having said that, the focus of U.S. growth will be growth that brings limited risk and near term incremental operating profit. In Europe, we recognize the balance we must strike between building capacity and the reality of the market. As we await a return to stability, we have slowed our growth. Our focus is on preserving the capacity and capabilities we have, and leveraging them across the globe.

I said I would provide evidence to support these claims of global capability. I said I'd come back to this. We show here a few examples of recent roles we enjoyed with good clients. They are very different from each other in character. What they have in common though, is that each is a transaction of such prominence that it would have been of interest to every investment bank in the world. I can walk through these as a progression from high "Canadian content" to lower. Let's start with Barrick. A long-time client where we have enjoyed the role of the trusted advisor for some time. Barrick chose us to be their lead financial advisor on their 7 billion acquisition of Equinox Minerals in Australia, as well as to act as lead-left book runner on their U.S. dollar bonds. So this is RBC acting for a long time Canadian client in geography far from home with the assistance of our Sydney based mining M&A team and financing in the highly competitive U.S. dollar investment grade bond market.

Next Glencore. This still has an important Canadian leg but here we are advising a leading global player on a significant, complex acquisition in Canada. The client is no longer Canadian but the target is. Glencore is Switzerland based and a global leader in its businesses. They are a key client target for every major global investment bank. They chose RBC Capital Markets to provide them with financial advice and financing for their 7.5 billion acquisition of Viterra, a Canadian company. The next two are even better examples of global progress as there is no Canadian leg. With Apollo, we have a leading global financial sponsor based in the U.S. choosing RBC Capital Markets as primary advisor on the \$7 billion acquisition of the energy and production assets of U.S.-based El Paso. We financed the deal. This is a client that would be known and sought after by every investment bank in the world. They chose RBC as a financing source because of balance sheet strength and our loan and bond distribution track record but, importantly, they also chose us to be their lead M&A advisor on an "in market" U.S. acquisition because they valued our industry expertise more highly than the expertise of others. Finally, the CKI group, a Hong Kong-based conglomerate, buys, Northumbrian Water Group, a utility in the United Kingdom for 4.7 billion Pounds. Covered by our small team of investment bankers in Hong Kong, CKI is part of the Li Ka Shing group of companies. At the time, this was the second largest public takeover of the year in the UK. CKI could have chosen any one of a large number of U.S., European or Asian banks to advise and finance however they chose RBC.

It is not a coincidence that these very prominent roles for RBC involve industries which I previously identified as places in which we have global competitive advantage – energy, mining and infrastructure. Another item to note is the evidence of success as a "one stop shop" across all products. Jonathan is about to speak about our client centric fixed income activities. RBC leading Barrick's bonds in the highly competitive U.S. investment grade bond market and RBC financing CKI in the sterling market are good examples to bear in mind as Jonathan talks about client themes in his area. So the picture I'm painting is obvious. We continue to act for our Canadian clients domestically and increasingly abroad. We act for non-Canadian clients who have goals to accomplish in Canada. Very importantly though, and I would suggest not as well understood, is the success we have had working for non-Canadian global leaders as we help them achieve their goals outside of Canada – with no Canadian link. Our franchise has built well beyond its Canadian base.

These examples and many others evidence our global success. We are confident that we are on the right path. There will be continuing opportunities to do world class investment banking business with world class clients even as we slow the rate of growth in our people.

Our geographic breadth will remain essentially as I described it for the foreseeable future. We have made sufficient investment to have achieved evidence of global success and to create the opportunities for economies of scale on that investment. We are in a business in which client

activity and markets can ebb and flow. We have built with an organic approach and at a rate that permitted profitable growth. Having achieved that, we believe there is opportunity to build share with limited incremental investment.

Thank you and now Jonathan will speak to you about our Fixed Income and Currencies business.

JONATHAN HUNTER, GLOBAL HEAD, FIXED INCOME & CURRENCIES

Thank you Doug and hello everyone.

It's my pleasure to be here today to speak with you about the history of the FIC business or the fixed income and currencies business, where we are today, and where our strategy will take us over the next few years. First, let me begin by providing you with a bit of context on who we are and what it is that we do: FIC is one of RBC Capital Markets' primary client-facing businesses which uses debt, derivatives, and foreign exchange products to service the needs of both Issuer and Investor Clients across the globe. The business operates out of 4 primary hubs in Toronto, New York, London, and Hong Kong with a total front office staff of 627 people. Primarily, FIC does the following: Originate, distribute, and make markets in government, government agency, and municipal bonds as part of the Debt Capital Markets or DCM, Rates, and Municipal businesses. This government bond activity is broadly defined in the marketplace as a Primary Dealership; originate, distribute, and make markets in Corporate Debt, Loans, and high quality Asset-Backed securities as part of the DCM and Credit businesses; Provide derivative solutions to clients through the use of interest rate swaps, cross-currency swaps, and simple non-linear derivatives (caps, floors, and options) to help manage their interest rate risk and general Asset and Liability Management (issuer) and portfolio (investor) needs within the Rates Derivatives business; Provide foreign exchange services and solutions to help clients manage cash flow, Asset Liability Management, and portfolio needs within the FX business; and RBC's strong lending commitment supports all of these noted FIC activities.

In Canada, we are the number one franchise with leading origination and sales and trading platforms, focusing on corporate and financial institutions and federal, provincial and municipal government issuers. Our investor clients are a diverse group of customers spanning asset management firms, corporates, pension funds, insurance companies, governments and hedge funds. Similar to our overall Capital Markets strategy, we have selectively grown internationally and on Slide 36 you can see some of our major milestones. We are not new players to the U.S. or U.K. markets. We have operated foreign exchange and bond sales and trading operations in NY and London through RBC and Dominion Securities for over a hundred years.

In 1998, we expanded our presence in the U.K., with a particular emphasis on distribution and underwriting, by acquiring U.K.-based Hambros Merchant Bank which was the first significant step towards establishing worldwide reach with our distribution platform and really acted as a catalyst for what would be a multi-year iterative build in our global fixed income and currencies platform. By 2000, we had used the Hambros platform to create a successful U.K. Gilt-Edged Market Making business in London, or a UK primary dealer. Shortly thereafter, we acquired Dain Rauscher and Tucker Anthony Sutro which deepened our penetration into the U.S. client base and the US dollar markets in general. Along with their retail brokerages, we acquired their fixed income business which enabled us to become a top municipal underwriter and a provider of select taxable fixed income capabilities throughout the US. As we built our capabilities and grew organically throughout the 2000s, we had established strong distribution footholds in Canada, the U.K., Europe and the U.S. Given the long-term growth potential of Asia and the importance of this region to our global clients, in 2008 we pursued an incremental growth strategy in Hong Kong, focusing primarily on distribution of our global products. We chose Hong Kong as it serves as one of the key hubs for wealth in Asia and enabled us to centralize our operations, eliminate duplicative costs and create scale for the region. Our Asia Pacific initiative is focused on

broadening the distribution of our global products and developing selective local manufacturing capabilities, in line with our well established global product lines. For example, in Sydney, we have developed the local capabilities to underwrite foreign issuers like Province of Ontario in the A dollar or “kangaroo markets”. Furthermore, we routinely take Australian Financial Institutions to the US dollar and Sterling markets from an underwriting perspective. This strategy is highly integrated in our key areas of expertise.

RBC Capital Markets is a Primary Dealer in the U.S., Canada, the U.K., Australia, as well as some of the stronger European countries. Our experience in the U.K. Gilt Edged Market and as a U.S. primary dealer provided us with a blue print for developing this EGB or “European Government Bond” opportunity. Our strong risk management culture and our focus on distribution have enabled us to continue to iteratively grow and develop this capability in light of the current market. This has directly benefited our Debt Capital Markets or DCM business through the origination and syndication process beyond governments to include corporates and financial institutions. In addition, many clients, both issuer and investors, prefer to transact only with primary dealers. The European Government Bond side of the business is consistent with our strategic objectives of extending our European presence in selective markets that offer the greatest opportunity to extend our client offering and achieve a high return on capital. It leverages our global capabilities and remains an important source of revenue growth for the platform.

As I highlighted earlier, we have a full suite of products and services to cater to the needs of our investing and issuing clients in selective markets around the world. In Canada and Canadian dollar worldwide, we are a leading full service franchise. In the U.S., the U.K. and Europe and Asia Pacific we have a breadth of capability in select and focused markets. These capabilities are directed at servicing the needs of our clients around the world. Revenue is generated from fees driven from origination activities and the ancillary service we provide throughout execution, for example, foreign exchange and interest rate hedging and also from client flow trading in the variety of products and services we provide. We also earn income from our inventories that are there to provide support to client execution in terms of market making, underwriting and hedging.

While structural changes in the FIC markets have impacted the dynamics of the business more than other businesses, we have been agile in responding our focus to continue serving our clients and gain profitable business. We have a strong alignment between origination and secondary trading, and are able to distribute product for issuers throughout our global network of investor clients. We recognize that the FIC environment has changed, most dramatically in the U.S. and Europe. Regulatory changes are also starting to fundamentally change the way markets operate. More products will be moved onto exchanges, reducing margins and requiring greater infrastructure spend to compete. But, we are confident that we have taken the right steps to align the way we manage the risks in our business and optimize the returns on deployed capital and we continue to devote considerable attention to our “originate to distribute model”. As I tell people daily, we are in the moving business, not the storage business and we have significantly improved the velocity of our inventory in the first half of 2012.

In this new environment, as shown on Slide 38, we are focused on four main areas that will enable us to grow this business within our existing geographic footprint and risk appetite. First of all, transforming the business for growth. In the current environment, to be successful, we believe that we must focus first and foremost on our clients. We will use origination and our core product expertise to provide superior coverage and execution to our corporate and investment banking clients and to our investing clients. Furthermore, it is paramount that we optimize capital and continue to reduce our trading risk. Our gross balance sheet is down 15% from a year ago. Basel 3 adoption has driven our Risk Weighted Assets higher, consistent with our peers but through a number of management actions we have reduced our RWAs by 20% since Q4 2011 and further reductions are expected going into year end. Value-at-risk or VaR has halved year over year and we have reduced the sensitivity of our inventory to credit spreads. We have exited products that do not provide the right risk-adjusted-returns and are not core to the service of our clients. As part of our strategy going forward, Value-at-risk or VaR will be managed on the basis of the market environment and FIC’s client-driven risk profile with a heightened focus on risk adjusted returns.

Secondly, we must leverage our increased lending commitment by maximizing origination opportunities and capturing ancillary product revenues across FX, derivatives and secondary bond sales and trading. This drives increased relevance with both Issuers and Investors and produces a more sustainable “fee-driven” income stream. As mentioned earlier, a lending client typically uses RBC for three or more products or services and we will be driving for even greater cross-sell. Third, we must emphasize greater penetration and share of wallet with our key clients. FIC has approximately 9,000 clients globally. The breadth of our products and our worldwide reach places us in an opportune position to enhance our standing with these clients through targeted cross-selling. 70% of our clients are “real money” clients....corporates, asset managers, pension funds, insurance companies and governments... these client types represent the largest opportunity to cross-sell as their needs are multi-faceted and line up with our breadth of products and services and global reach. This includes growing our Asia Pacific distribution capabilities to support ongoing expansion of world-wide manufacturing. For example, some of the largest users of our U.S. Dollar Rates business sit in Japan and China. We carry government bond inventory to support the day to day buying and selling needs of these clients. These are the same clients that routinely participate in our new issue Credit calendar. Finally, we must continue to build “scale” in our commoditized businesses particularly Rates and FX through enhanced operational infrastructure. This has particular relevance outside of Canada where our leading market position is less defined. Operational infrastructure is a broad concept in that it refers to e-Commerce, front to back processing efficiencies and client-on boarding, to name just a few...in effect, we need to make it easier to do business with RBC to maximize client flow.

Regulatory reform, as we have noted earlier, is driving more client activity onto exchanges and clearing houses which will further drive margins lower. Differentiation will need to be achieved through ease, consistency and transparency of execution and settlement and a significant portion of our capital spend is directed towards both technology and market structure to ensure we maximize our share of client flows. On Slide 39, you can see how we’ve been successful in implementing our global strategy to date, winning awards in each of our four primary regions. We are a trusted advisor of choice for our clients, and we believe that our highly integrated, client-centric business model will continue to drive client relevance as we move forward.

With that, I will hand the presentation back to Mark for wrap up.

MARK STANDISH, PRESIDENT & CO-CEO RBC CAPITAL MARKETS

Thanks Jonathan.

As we have demonstrated today, over the last four years though our focused strategy we have strengthened our business and built a highly integrated, client-focused model which is again highlighted on Slide 41.

Throughout this period, we continued to deliver strong earnings on both an absolute and relative basis which as you all know was within the context of some exceptional market conditions. There is no question that we continue to face uncertain market conditions, but we believe that RBC Capital Markets is very well positioned for a number of reasons. We have a focused strategy around our clients and the right capabilities to meet our client needs. We are adapting to the changes in the market, and are keenly focused on prudently allocating capital and effectively managing risk. We have made significant investments in our business both on the control and governance side and also the front office which position us well for future growth and also greater efficiencies.

In the near term, we expect that markets will continue to be volatile, but we believe the steps we have taken in recent years should minimize that volatility, and as you saw in our trading results for the first half of the year we are seeing the benefits from our risk-reduction activities and greater focus on client origination. Our results have also highlighted the success we are seeing on the investment banking side, in particular through our build-out in the U.S. With respect to the balance of the year, as I noted on the recent earnings call, generally speaking activity tends to be

slower, but we are feeling relatively confident about the second half for the reasons highlighted today. While the trading environment has weakened, the origination pipeline remains strong. Additionally, with our strong business model, we believe we are well-positioned to quickly respond to the dynamics of our markets and manage the challenges, as well as seize the opportunities that lie ahead.

With that, I will now open it up for questions.