



Finding  
better ways

Royal Bank of Canada (RY on TSX and NYSE) and its subsidiaries operate under the master brand name of RBC and may be referred to in this text as RBC. We are Canada’s largest bank as measured by assets and market capitalization and one of North America’s leading diversified financial services companies. We provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services

on a global basis. Our Global Technology and Operations and Global Functions teams enable business growth with expert professional advice and state-of-the-art processes and technology. We employ more than 70,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 36 other countries.

Fold	Financial highlights	33	Management’s Discussion and Analysis	110	Consolidated Financial Statements	177	Supplementary information
2	Better for our clients	34	Overview	111	Management’s responsibility for financial reporting	181	Glossary
4	Better for our shareholders	38	Accounting and control matters	111	Report of Independent Registered Chartered Accountants	183	Directors and executive officers
6	Better for our employees	43	Financial performance	112	Management’s report on internal control over financial reporting	184	Principal subsidiaries
8	Better for our communities	51	Quarterly financial information	112	Report of Independent Registered Chartered Accountants	185	Shareholder information
10	Chief Executive Officer’s message	53	Business segment results	113	Consolidated Balance Sheets		
15	Performance compared to objectives	71	Financial condition	114	Consolidated Statements of Income		
16	Business discussion	80	Risk management	115	Consolidated Statements of Comprehensive Income		
21	Chairman’s message	102	Additional risks that may affect future results	115	Consolidated Statements of Changes in Shareholders’ Equity		
22	Corporate governance	104	Additional financial information	116	Consolidated Statements of Cash Flows		
24	Corporate responsibility			117	Notes to the Consolidated Financial Statements		

Vision

- Always earning the right to be our clients’ first choice

Values

- Excellent service to clients and each other
- Working together to succeed
- Personal responsibility for high performance
- Diversity for growth and innovation
- Trust through integrity in everything we do

Strategic goals

- To be the undisputed leader in financial services in Canada
- To build on our strengths in banking, wealth management and capital markets in the United States
- To be a premier provider of selected global financial services

This annual report contains forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. 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. Additional information about these factors can be found under “Caution regarding forward-looking statements” on page 33.



# Financial highlights

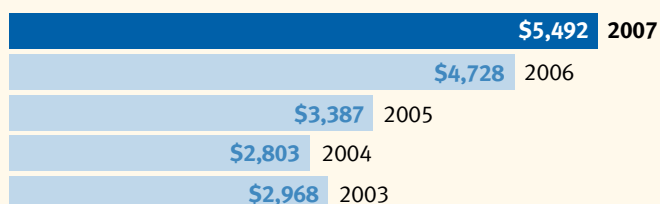
(C\$ millions, except per share and percentage amounts)	2007	2006	2005	2007 vs. 2006 Increase (decrease)	
<b>Operating performance</b>					
Total revenue	\$ 22,462	\$ 20,637	\$ 19,184	\$ 1,825	9%
Provision for credit losses	791	429	455	362	84%
Non-interest expense	12,473	11,495	11,357	978	9%
Net income	5,492	4,728	3,387	764	16%
Return on common equity (ROE)	24.6%	23.5%	18.0%	n.m.	110 bps
Earnings per share (EPS) – diluted	\$ 4.19	\$ 3.59	\$ 2.57	\$ .60	17%
<b>Capital</b>					
Tier 1 capital ratio	9.4%	9.6%	9.6%	n.m.	(20)bps
Total capital ratio	11.5%	11.9%	13.1%	n.m.	(40)bps
Risk-adjusted assets	\$ 247,635	\$ 223,709	\$ 197,004	\$ 23,926	11%
<b>Key drivers</b>					
Total loans (before allowance for loan losses)	\$ 239,429	\$ 209,939	\$ 191,914	\$ 29,490	14%
Total deposits	365,205	343,523	306,860	21,682	6%
Total assets	600,346	536,780	469,521	63,566	12%
Assets under management	161,500	143,100	118,800	18,400	13%
Assets under administration – RBC	548,200	525,800	417,100	22,400	4%
<b>Common share information</b>					
Share price (RY on the TSX)					
High	\$ 61.08	\$ 51.49	\$ 43.34	\$ 9.59	19%
Low	49.50	41.29	30.45	8.21	20%
Close	56.04	49.80	41.67	6.24	13%
Dividends per share	1.82	1.44	1.18	.38	26%
Book value per share	17.58	16.52	14.89	1.06	6%
Market capitalization (C\$ millions)	71,522	63,788	53,894	7,734	12%

n.m. not meaningful

### Total shareholder return (TSR) (on a \$100 investment on November 1, 2002) (1)



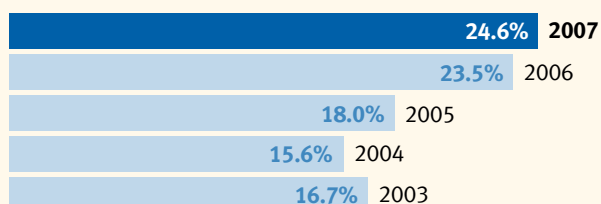
### Net income



### Diluted earnings per share (EPS)



### Return on equity (ROE)



Note: All data in Canadian dollars unless otherwise stated.

(1) TSR – Total shareholder return is price appreciation plus dividends reinvested, annualized.

(2) Five-year compound annual growth rate (CAGR).

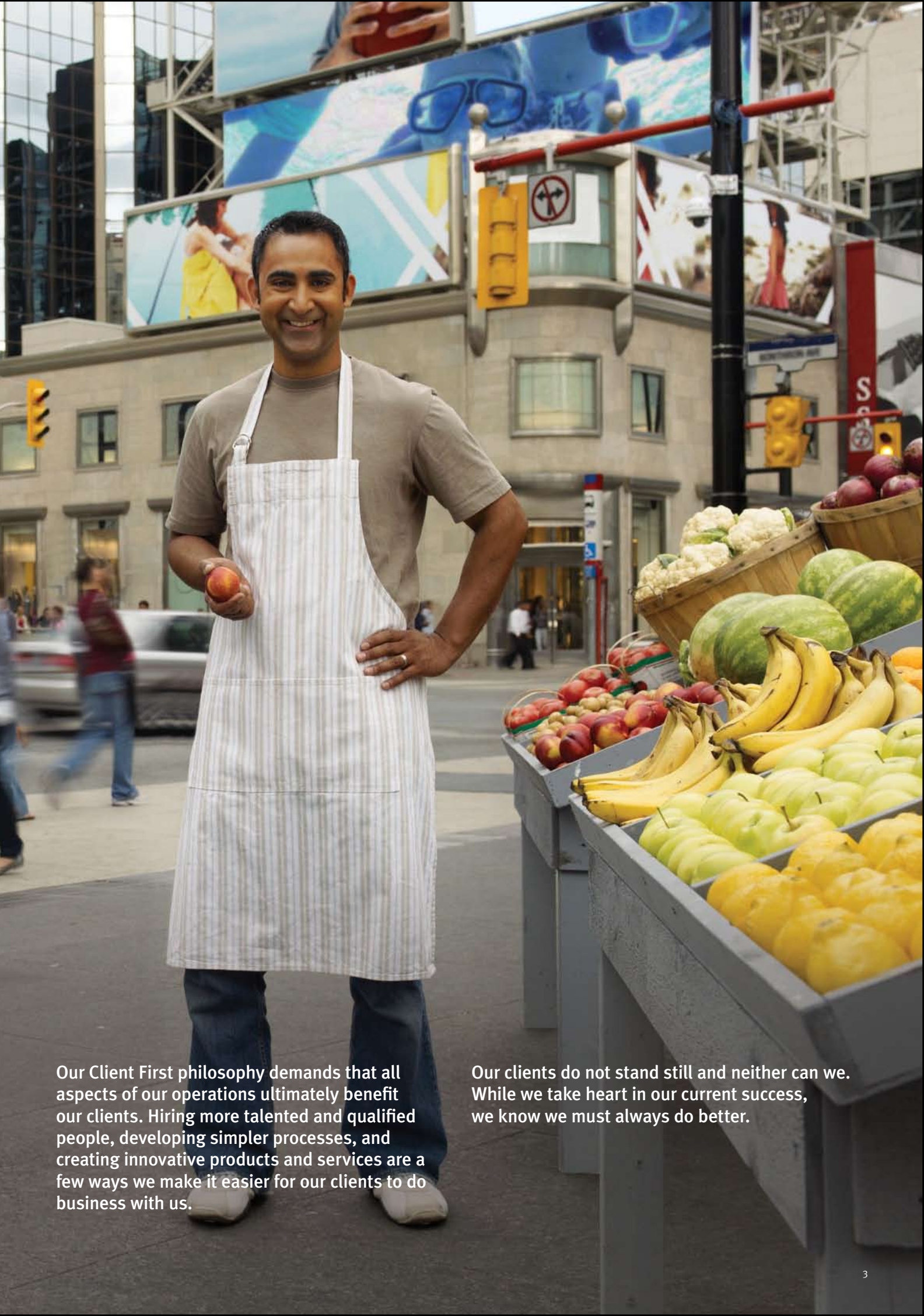
We are continually striving to do better for our shareholders by delivering value to our clients, providing opportunities to our employees and making a positive impact within our communities.

# Better means deeper relationships.

Whether it is a family seeking their first mortgage, a small business owner looking to expand or a multinational corporation exporting to new markets, we continually seek ways to better understand our clients' aspirations and goals.

We understand that our clients take different paths to success but know that we can play a vital role in guiding their journey. Our relentless focus on communicating and building relationships based on trust and insight ensures we deliver value and remain relevant to the people we serve.





Our Client First philosophy demands that all aspects of our operations ultimately benefit our clients. Hiring more talented and qualified people, developing simpler processes, and creating innovative products and services are a few ways we make it easier for our clients to do business with us.

Our clients do not stand still and neither can we. While we take heart in our current success, we know we must always do better.



# Better means increased confidence.

We recognize people and institutions have a choice of where they invest their money. The competition for capital is global and their investment decisions reflect whether they have confidence in our ability to deliver returns that are superior to others.

While our owners range from multi-billion dollar mutual funds and pension funds to the individual long-term investor, they all demand we demonstrate sound strategy and risk discipline, strong management, as well as excellent and ethical execution. We know there is little tolerance for missteps and we are proud of our long track record of enviable financial performance.





Of all our assets, our integrity is one of our most valued. As a complex, global financial services company, we recognize that our shareholders define return on investment in terms broader than dollars and cents. They expect us to act responsibly and make a positive contribution to the issues confronting society. We remain accountable to all our shareholders by providing

them with transparent financial and non-financial reporting and comprehensive disclosure. Our reputation for leading corporate governance practices is cited among the world's best.

We are committed to always working hard to ensure we reward our investors' confidence with superior returns and more reasons to trust their capital with us.



# Better means greater opportunities.

We believe our people ultimately determine our success.

We believe in enabling performance rather than simply managing it, and we continually work to create engaging environments where our people can perform their best. Active coaching

and feedback are essential to building productive partnerships between our managers and employees. Knowledge sharing is encouraged, and listening to and learning from each other is simply made easier with tools such as blogs, online newsletters, surveys and polls.





Providing comprehensive total rewards, which includes competitive pay and benefits, training, career opportunities, and flexible work options, helps enable us to attract and retain talented people.

Creating a positive environment means recognizing and unleashing the power of diversity. At RBC, we know our strength comes from the sum of the things we have in common – our shared values and purpose – and the things that make each of us different and unique.



# Better means broader impact.

We share in the common responsibility to make our communities better. We contribute to their economic prosperity as an employer, as a purchaser of goods and services, as a lender to small and local businesses, and as a supporter of community economic development initiatives and local entrepreneurship.

We help our communities by working with organizations and people who inspire others. The RBC Olympians Program is one example: Athletes, including four-time Canadian Paralympic champion Andrea Holmes (shown), act as community ambassadors and share their past experiences and current Olympic dreams with kids, community groups, clients and employees. They also work to create awareness and support





for amateur sport in Canada and inspire the next generation to be physically fit and participate in sports at any level.

Through the RBC Foundation, our donations help create social and economic opportunities that strengthen the communities where we operate. We are committed to making a lasting social impact through inspired, responsible giving and

by building strong partnerships with the charitable sector.

We are privileged to be operating in communities around the world that are full of opportunity and potential. We are proud that we can contribute to their success by supporting the people, programs and agencies that make our communities richer places for all.

# Finding better ways

At RBC, we spend significant time and energy advancing our vision of "Always earning the right to be our clients' first choice." Over several years, we have made dramatic changes to all aspects of our operations to make it easier for clients to do business with us. We have worked together to make our processes simpler and geared toward helping our clients. We set stringent financial goals and embedded a high-performance culture to drive top quartile performance for our shareholders. Our efforts have been met with tremendous success on all fronts, but like many great organizations, we know that it is not enough. Ours is a fiercely competitive business and we recognize that as a leader, the contest for clients, capital and talent never weakens and we must always pursue higher standards of growth and achievement. Indeed, we are always finding better ways to exceed the expectations of our shareholders, our clients and ourselves.

In 2007, our shareholders benefited from solid financial results that reflected our leadership position in core businesses in Canada and our expansion and growth in the U.S. and internationally. Across RBC, we have succeeded in numerous growth initiatives, and have taken advantage of opportunities in the Canadian and international markets. During 2007, we continued to return capital to our shareholders through dividend increases and share buybacks, delivering a total shareholder return of 16 per cent.

Our management depth and operational discipline have helped us weather the turbulent market conditions that surfaced in the middle of 2007. As issues in the U.S. subprime market spilled into other sectors, including high-quality debt markets, they prompted increased volatility, wider credit spreads and reduced liquidity in the capital markets.

We have not been immune to these general market conditions since we are active in the debt and equity markets, largely through our capital markets businesses, and our U.S. banking operations have some exposure to the U.S. real estate market.

Overall, I am pleased with how we have managed our businesses throughout 2007. The diversity of our businesses across multiple products, markets and geographies is a significant competitive advantage and it enabled RBC to deliver solid results in the face of this market disruption. Throughout this period, our strong risk management practices and our solid capital position not only allowed us to maintain our high credit ratings, but served to assure investors and bolster their confidence in us. Underpinned by the continued strength of our balance sheet, I am proud that we have again been recognized as the safest Canadian bank and the third-safest bank in North America (*Global Finance* magazine).

I have confidence in the capabilities of our organization, our management team and our people to continue to respond and react in the interests of our shareholders and clients. As a result of our efforts and investments made during the past several years, we are looking to the future from a position of strength. Our financial performance is strong, we are continuing to make investments necessary for future growth, and we are trusted and respected as a financial services provider, an employer and a corporate citizen.

I believe that our ability today to serve the needs of our clients in every market is as strong as ever and I am committed to ensuring that our people and our businesses have the resources to maintain this standard. Our foundation



Janice R. Fukakusa, Chief Financial Officer; Charles M. Winograd, Group Head, Capital Markets; Barbara Stymiest, Chief Operating Officer; Martin J. Lippert, Group Head, Global Technology and Operations; Gordon M. Nixon, President and Chief Executive Officer; W. James Westlake, Group Head, Canadian Banking; Peter Armenio, Group Head, U.S. and International Banking; M. George Lewis, Group Head, Wealth Management.



Our efforts have been met with tremendous success on all fronts, but like many great organizations, we know that it is not enough. We must always pursue higher standards of growth and achievement.

for future growth is made stronger by a backbone of centralized technology, operations and corporate functions teams that allows us to gain economies of scale and foster innovation. Our brand, which was again recognized as the most valuable in Canada (*Brand Finance, BrandZ*), is an asset that we know will be vital to our growth plans. We will be building our brand further through targeted advertising and sponsorships in the U.S. and U.K., and through several global initiatives, including the RBC Environmental Blueprint™ discussed on page 30 of this report. In addition, we are taking steps to develop a robust global talent pool as we are mindful that more of our growth will increasingly come from international markets.

#### 2007 Strategic goals

In 2007, our people remained focused on our strategic goals:

- To be the undisputed leader in financial services in Canada
- To build on our strengths in banking, wealth management and capital markets in the United States
- To be a premier provider of selected global financial services.

In the pages of this report, you will read the highlights of our progress toward each of these goals through a variety of initiatives, each with the common objective of serving our clients to the best of our abilities.

In Canada, we work hard to be a leader in a fiercely competitive marketplace. Spurred by our Client First philosophy and favourable economic conditions for much of the first half of 2007, all our retail Canadian businesses benefited from significant volume growth. Our Canadian retail businesses – banking, insurance and wealth management – demonstrated leadership throughout the year, setting an excellent foundation for future growth. In Canadian Banking, we grew lending volumes by 11 per cent and deposit balances by 6 per cent. Canadian Wealth Management continued its strong performance, improving revenue by 13 per cent. And as the Canadian industry leader in net sales of long-term mutual funds for 16 consecutive calendar quarters, Global Asset Management revenues grew 17 per cent from last year.

We have the broadest national retail presence in Canada – with more branches and automated teller machines (ATMs) than any other competitor across the country – and we have

worked hard to attain top three market shares in all products and regions. Despite our leadership position and reflective of our competitive environment, we continue to make investments that will pay dividends in the years ahead. I believe it is important that we not rest on past success, but use our resources to further improve service by renewing our branch network and re-energizing our people. Our clients are not the only ones who see the difference: In 2007, *Synovate* recognized us as the best among our largest domestic competitors for the service we provide clients in our branches and the value we give them.

Our diverse and broad-based capital markets businesses continued to lead in most elements of the Canadian market, and we were again named Dealmaker of the Year by the *Financial Post* for providing services to Canada's leading corporate, government and institutional clients. We continued to differentiate our capital markets business from our Canadian peers by leveraging our expertise globally in fixed income distribution, energy, mining and metals, the Canadian dollar, and cross-border mergers and acquisitions.

Our second and third strategic goals describe our ambitions outside our home market. Over time we expect to continue to grow our international business to account for approximately half of our overall earnings and we continue to invest to help make this possible. Our commitment to growing our international business lines is underscored by the fact that we have completed or announced a total of nine international acquisitions worth more than US\$4.5 billion since October 2006.

Our progress in the U.S. continues. One source of our strength in the U.S. is our ability to differentiate ourselves in the banking and wealth management markets by providing our clients with the benefit of RBC's global resources, but also stressing the autonomy and decision-making power of local management.

While our U.S. banking business must manage the effects of the recent downturn in the U.S. real estate market, we are committed to our long-term strategy of building a strong retail banking operation in the U.S. Southeast focused on serving businesses, business owners and professionals. The substantial investments that we have made in our operational infrastructure over the past couple of years will enable



further expansion in the region and result in scale and operating efficiencies over time. In 2007, we made great strides toward building a targeted banking client base of businesses, business owners and professionals. Loans and deposits were higher in our U.S. banking operations in 2007, and I am encouraged by the work done to build the foundation for future growth especially in the face of today's demanding conditions.

We have 350 branches in high-growth markets in the U.S. Southeast, with 103 branches to be added following the expected close of our acquisition of Alabama National Bancorporation (ANB) that was announced in September. In total, we have used acquisitions and *de novo* branch openings to expand our current number of branches in the U.S. by 24 per cent over 2006 with more than 900 additional employees dedicated to serving our U.S. banking clients. We are continuing to pursue investments that will grow our retail banking business in high-growth markets in the U.S. Southeast.

In the U.S. wealth management market, we are the seventh largest full service brokerage, as measured by number of financial consultants (FCs). We continued to build scale by enabling our clients to grow their assets by attracting high-producing FCs, and acquiring J.B. Hanauer & Co. Finally, in our U.S. capital markets businesses, we have leveraged our bulge bracket position in Canada to provide expertise and product breadth to U.S. mid-market companies. We have used acquisitions to expand our capabilities and expertise, remaining a leader in municipal finance, and gaining strength in both U.S. mid-market issues and the K-12 education finance sector.

The most notable development outside Canada in 2007 was the announcement of our agreement to acquire RBTT Financial Group (RBTT), which will create one of the most expansive banking networks in the Caribbean with a presence in 18 countries and territories across the region. This will be a truly transformational acquisition for us in the region and will extend our reach into many important new markets, notably Trinidad and Tobago, Jamaica, and the Dutch Caribbean. Unquestionably, pending a successful close, acquiring RBTT significantly advances us towards our objective to grow outside Canada.

Our core strength in international trust services is helping to drive our success as a top 20 global private bank, and we continued to expand our presence by opening several new offices during the year. Through our 50 per cent ownership in RBC Dexia Investor Services (RBC Dexia IS), we now operate in 15 countries and have been ranked as the top global custodian by *Global Investor* magazine and *R&M Consultants* for four and three consecutive years, respectively. Finally, in Capital Markets, we are a leading player in select niche businesses. For example, we are a leader in alternative currencies and are a top-tier player in infrastructure finance. In addition, we are leveraging our domestic expertise to expand our global mining and energy practices.

## 2007 Financial results

Long-term shareholders will not be surprised that we must leverage our ongoing financial success to cultivate new long-term growth opportunities for our businesses. For several years, we have made it a management priority to ensure current success was reinvested to fund future growth. This approach allowed us to deliver relatively solid shareholder returns in 2007 while returning capital through increased dividends and share buybacks. We raised dividends twice in 2007 for a total increase of 26 per cent, and we repurchased 11.8 million common shares. Our capital position is strong with a Tier 1 capital ratio of 9.4 per cent, comfortably above our target of greater than 8 per cent.

Our diluted EPS growth of 17 per cent, ROE of 24.6 per cent and dividend payout ratio of 43 per cent compared favourably to our annual objectives, largely reflecting strong performance across most of our businesses. Our defined operating leverage of 2.6 per cent (as shown on page 15) was below our annual objective of greater than 3 per cent reflecting higher costs in support of our growing business and investments in future growth initiatives, including acquisitions.

Our total shareholder return was 16 per cent for the year ended October 31, and our three-, five- and 10-year total shareholder returns were 25 per cent, 19 per cent and 15 per cent, respectively. Relative to our peer group, we delivered top quartile shareholder returns over the past three and 10 years, and second quartile returns over the past five years.

### How we will measure ourselves in 2008

We look ahead with some caution, understanding that current market volatility and uncertainty will impact financial performance. Nevertheless, we remain committed to generating top quartile total shareholder return in relation to our Canadian and U.S. peer group over the medium term.

On page 15, we show our 2008 financial objectives, which are based on our three strategic goals and economic outlook and are intended to generate strong returns for our shareholders.

Objectives for our defined operating leverage, ROE, Tier 1 capital ratio and dividend payout ratio remain unchanged, reflecting our continued commitment to strong revenue growth, cost containment, as well as sound and effective management of capital resources. Our 2008 objective for diluted EPS growth is 7 to 10 per cent. Our objectives factor in the effect of our pending acquisitions of ANB and RBTT – which will be funded partly through issuance of our common shares – and related integration costs. The ANB acquisition is expected to close in early 2008 and the RBTT acquisition is expected to close in the middle of the year. We expect our provision for credit loss ratio to trend upward toward historical averages, in line with our view of the overall credit environment.

While Canada's economy expanded in the first half of 2007, our outlook is based on slower economic growth going forward as a result of weakening credit markets and the sharp rise in the Canadian dollar. We expect the U.S. economy to grow in 2008 at the same pace as 2007 as a result of rising business investment, strong export growth boosted by the depreciation of the U.S. dollar and continued consumer spending. We anticipate that financial market volatility will persist into early 2008 as lenders and investors remain cautious. In other global economies, we expect growth to ease moderately in 2008 with China and emerging Asian countries leading the way.

### Our success means finding better ways

While the past year has proved relatively successful by many, if not all, measures, RBC's advantage is our unwillingness to be satisfied with the status quo. Especially in difficult environments, strong players like RBC have the opportunity to build on their position of strength to gain clients, increase market share and grow quality assets by truly differentiating themselves. Our long-term investors will see clearly that we have changed significantly over the past several years in order to better serve our clients.

Our past record of strong performance is the result of our constantly asking how we can improve: I fully expect that our future performance will reflect our reaction to the same question. All our people at RBC are engaged in the response to this challenge, and I am proud that they are always finding better ways to gain our clients' business and their trust. Their continued work leads us to achieve our aggressive goals and, in turn, should provide our shareholders with confidence and superior returns.

I sincerely thank all our clients for their continued business and our more than 70,000 employees for their relentless focus on delivering value for our shareholders and clients around the world.



Gordon M. Nixon  
President and Chief Executive Officer



# 2007 Performance review

The table below shows our 2007 performance compared to our objectives for the year.

	2007 Objectives	2007 Performance
1. Diluted earnings per share (EPS) growth	10%+	17%
2. Defined operating leverage <sup>(1)</sup>	>3%	2.6%
3. Return on common equity (ROE)	20%+	24.6%
4. Tier 1 capital ratio <sup>(2)</sup>	8%+	9.4%
5. Dividend payout ratio	40–50%	43%

- (1) Our defined operating leverage refers to the difference between our revenue growth rate (as adjusted) and non-interest expense growth rate (as adjusted). Revenue is based on a taxable equivalent basis and excludes consolidated variable interest entities (VIEs), accounting adjustments related to the new financial instruments accounting standards and Global Insurance revenue. Non-interest expense excludes Global Insurance expense. This is a non-GAAP measure. For further information, including reconciliation, refer to the Key performance and non-GAAP measures section.
- (2) Calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).

## 2008 Objectives

	Objectives
1. Diluted earnings per share (EPS) growth	7–10%
2. Defined operating leverage <sup>(1)</sup>	>3%
3. Return on common equity (ROE)	20%+
4. Tier 1 capital ratio <sup>(2)</sup>	8%+
5. Dividend payout ratio	40–50%

- (1) See note (1) above.
- (2) Calculated using guidelines issued by the OSFI under the new Basel II framework, which changes the methodology for the determination of Risk-Adjusted Assets (RAA) and regulatory capital.

## Medium-term objective

	Objective	2007 Performance 3-year TSR	5-year TSR
1. Total shareholder return (TSR) <sup>(1)</sup>	Top quartile	Top quartile	Second quartile

- (1) Calculated for period ended October 31, 2007, based on share price appreciation plus reinvested dividend income versus the TSR of seven Canadian financial institutions (Manulife Financial Corporation, Bank of Nova Scotia, Toronto-Dominion Bank, Bank of Montreal, Sun Life Financial Inc., Canadian Imperial Bank of Commerce and National Bank of Canada) and TSR (in U.S. dollars) of 13 U.S. financial institutions (Bank of America, JP Morgan Chase & Co., Wells Fargo & Company, Wachovia Corporation, US Bancorp, Sun Trust Banks, Inc., The Bank of New York Mellon, BB&T Corporation, Fifth Third Bancorp, National City Corporation, The PNC Financial Services Group, KeyCorp and Northern Trust Corporation).

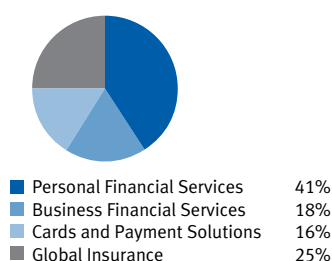
# Canadian Banking

(C\$ millions, except percentage amounts)	2007	2006	2005	2007 vs. 2006 Increase (decrease)	
Total revenue	\$ 12,521	\$ 11,696	\$ 10,998	\$ 825	7%
Net income	2,987	2,426	2,007	561	23%
Average loans and acceptances	200,000	179,700	160,700	20,300	11%
Average deposits	147,100	139,200	132,500	7,900	6%



Canadian Banking provides personal and business financial services in Canada and insurance products and services internationally. With our leading national distribution network and the most valuable brand in Canada, we serve approximately 14 million clients through the country's most extensive branch and ATM network, our proprietary and specialized sales forces, online channels and call centres.

## 2007 Revenue contribution



## Key highlights

- We continued to extend our leading market shares during the year across multiple product categories including personal loans, residential mortgages, personal investments, business deposits and loans, and creditor, disability and travel insurance. This growth was achieved while exercising disciplined pricing and prudent risk management.
- We grew our deposit base through the introduction of a new personal banking suite that included several client-centric features, such as multi-product rebates, and a new high-interest online savings account.
- We continued to expand our distribution strength by adding new bank branches, insurance offices and ATMs, particularly in high-growth markets, and we renovated and redesigned many of our existing bank branches to continue to better serve the needs of our clients.
- We deepened our client relationships as reflected by the increasing number of clients who have multiple products with RBC.

## Achievements in 2007

- We were ranked first among Canada's major banks for "Branch Service" and "Value for Money" by *Synovate* for our efforts in improving the client experience.
- We gave new clients even more reasons to bank with us as we launched new and innovative products such as a high-interest online savings account, improved packages for students and seniors as well as our RBC Rewards® card loyalty program.
- We introduced incentives, including charitable environmental donations, rebates and discounts, to encourage clients to conduct home energy audits, switch to online eStatements, and purchase renewable energy and hybrid vehicles.
- We introduced more convenient and efficient credit and account opening processes for the business banking market segment while also launching a new flat-fee account and an account selector tool.
- We won the Bank Insurance Securities Association Award of Excellence for innovation and leadership in providing our clients with insurance advice, choice and solutions.

## 2008 and beyond

- We will focus on delivering a superior client experience and helping clients achieve financial success, allowing us to retain and grow their business.
- We will focus on continuing to improve our processes and revise our business models to make it easier for our clients and employees to do business at RBC.
- We will focus on delivering relevant advice and solutions to attract new clients to RBC.



# Wealth Management



Wealth Management comprises businesses that directly serve the growing wealth management needs of affluent and high net worth clients in Canada, the U.S. and outside North America, and businesses that provide asset management and trust products through RBC and external partners. We are a market leader in Canadian wealth and asset management, and have strong and growing businesses in the U.S. and internationally. Our 3,300 financial consultants, advisors, private bankers and trust officers provide investment advisory and discretionary services, banking, credit and estate and trust services to affluent and high net worth clients. We have a network of 300 offices in 20 countries around the world.

2007 Revenue contribution



(C\$ millions, except percentage amounts)	2007	2006	2005	2007 vs. 2006 Increase (decrease)	
Total revenue	\$ 3,992	\$ 3,487	\$ 3,151	\$ 505	14%
Net income	762	604	502	158	26%
Assets under administration	488,500	476,500	380,700	12,000	3%
Assets under management	161,200	142,800	118,500	18,400	13%

## Key highlights

- We realigned our businesses in February 2007 to create a separate Wealth Management segment to focus on extending our leadership position in Canada and aggressively growing in the U.S. and international markets.
- In 2007 we continued to increase our proportion of fee-based revenue, to 53 per cent of all Wealth Management revenue from 50 per cent in 2006.
- The fastest growing segment in our Canadian wealth management business continues to be high net worth clients (households with more than \$1 million in investable assets).
- We continued to lead the Canadian mutual fund industry in both sales and performance, outpacing the industry in net sales of long-term funds for the last 16 consecutive calendar quarters. By continuing to leverage our broad retail distribution network in Canada and by expanding our third-party distribution, our mutual fund assets under management increased by \$13.1 billion, or 19 per cent, over the prior year.
- We continued to build scale in the U.S. and internationally for future growth through organic expansion and acquisitions. We offered client solutions from across our businesses including extending more than US\$1 billion in credit provided by international wealth management to high net worth clients of our U.S. wealth management business.
- We continued to lead the Canadian asset management industry in the development of innovative products. We were the first major Canadian bank to launch a socially responsible mutual fund family through our partnership with Jantzi Research Inc. and the first Canadian financial institution to introduce mutual funds with reduced management fees for self-directed investors.

## Achievements in 2007

- We were the first in the Canadian full service brokerage industry to surpass \$150 billion in client assets under administration through our Canadian full service broker.
- We continued to lead the Canadian mutual fund industry in net sales, more than 75 per cent ahead of the second-place fund company.
- We received the Lipper Award for the “Best Overall Fund Group” in Canada in recognition of our strong investment performance.
- We acquired J.B. Hanauer & Co., a financial services firm specializing in retail fixed income and wealth management services, expanding our presence in strategic and desirable New Jersey, Florida and Pennsylvania markets.
- We continued to expand our international wealth management business focused on high net worth clients, opening offices in several cities, including Mexico City, Beijing and Santiago.

## 2008 and beyond

- We will continue extending our lead in the Canadian wealth and asset management markets.
- We will pursue strong organic and acquisitive growth in our existing U.S. wealth management businesses that serve individual clients and advisors.
- We will focus on expanding our high net worth international wealth management business in select markets as well as through “bolt-on” acquisitions to complement our existing operations.
- We plan to expand our asset management business globally, initially through acquisitions with a focus on U.S. opportunities.
- We will work to continue attracting and retaining experienced advisors, private bankers and other client facing professionals across all our businesses.

# U.S. & International Banking

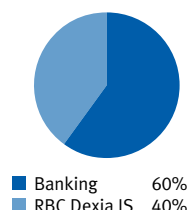


We provide personal and business banking solutions to individuals, businesses, business owners and professionals through 350 banking centres in the U.S. Southeast. The announced acquisition of Alabama National Bancorporation (ANB), expected to close in early 2008 pending shareholder and regulatory approvals, will add 103 branches focused in high-growth U.S. Southeast markets.

Our Caribbean operations provide banking solutions to individuals and businesses throughout our network of 44 branches in eight Caribbean countries and territories. The announced acquisition of RBTT, which is expected to close in mid-2008 pending shareholder and regulatory approvals, will add more than 84 branches to our network throughout the Caribbean.

We have a 50 per cent ownership in RBC Dexia IS, which offers a complete range of investor services, such as custody and fund administration, to institutions worldwide.

## 2007 Revenue contribution



(C\$ millions, except percentage amounts)	2007	2006	2005	2007 vs. 2006 Increase (decrease)	
Total revenue	\$ 1,915	\$ 1,628	\$ 1,577	\$ 287	18%
Net income	242	261	256	(19)	(7)%
Average loans and acceptances	22,300	18,500	17,200	3,800	21%
Average deposits	34,200	28,700	21,200	5,500	19%
Assets under administration – RBC Dexia IS (1)	2,713,100	2,421,100	–	292,000	12%

(1) RBC Dexia IS represents the total assets under administration as at September 30, 2007, of the joint venture established January 2, 2006, of which we have a 50% ownership interest.

## Key highlights

- We continued to expand our banking footprint in key growth areas in the U.S. Southeast through targeted acquisitions and *de novo* branch openings such as:
  - We announced our intention to acquire ANB, which would better position us to serve the banking needs of businesses, business owners and professionals in the key markets of Alabama, Florida and Georgia in the U.S. Southeast
  - We acquired 39 branches in Alabama that were owned by AmSouth Bancorporation
  - We added 17 branches in Georgia when we acquired Flag Financial Corporation.
- We took steps to dramatically grow our banking operation in the Caribbean by announcing our intention in October to acquire RBTT. This transformational acquisition extends our reach into many important regional markets, notably Trinidad and Tobago, Jamaica, and the Dutch Caribbean, and provides the platform for additional growth both within and outside the region. The acquisition would create one of the most expansive banking networks in the Caribbean in 18 countries and territories across the region.
- We realized 12 per cent growth in assets under administration with RBC Dexia IS underpinned by both new and existing client growth. RBC Dexia IS surpassed \$2.7 trillion in assets under administration.
- Loans and deposits in our U.S. banking operations rose 14 per cent and 8 per cent (18 per cent and 12 per cent in U.S. dollars), respectively, as a result of acquisitions and organic growth.
- Loans and deposits in our Caribbean banking operations rose 10 per cent and 4 per cent (14 per cent and 8 per cent in U.S. dollars), respectively, as a result of growth initiatives and favourable business conditions in the region.

## Achievements in 2007

- We made significant investments in our U.S. & International Banking operations, successfully pursuing strategically important acquisitions in the U.S. Southeast and Caribbean that complement our strategy.
- We added a real estate lending team to our Caribbean operations, giving us the expertise to better serve clients across the region. In addition, we formed a Small Business Unit to serve this growing client segment.
- RBC Dexia IS continues to be ranked the world's number one global custodian in two leading industry surveys (*Global Investor*, *R&M Consultants*) and we achieved significant new business wins and retentions, including Claymore Investments, First State Investments (UK) Limited, Guardian Capital Group, HSBC Bank Canada, Manulife Financial, Swiss Reinsurance Company (Swiss Re) and Université du Québec.

## 2008 and beyond

- We will continue to implement our long-term strategy to become the pre-eminent bank for business, business owners and professionals in the U.S. Southeast.
- We will focus on efficiently integrating, pending successful close, the ANB acquisition while retaining and growing our client base.
- We will focus on successfully integrating, pending successful close, RBTT and our Caribbean retail banking operations to create the leading bank in the region.
- We will focus on pursuing growth strategies with RBC Dexia IS that include strengthening our global client franchise, building new value-added products and expanding our presence in high-potential markets.



# Capital Markets



Our diverse capital markets businesses provide corporate and institutional clients with advice, capital, access to the world's financial markets and innovative products to help them achieve their growth objectives. By leveraging our leadership position in Canada, we have built a strong and growing U.S. mid-market capital markets franchise. Outside North America, we have established ourselves as a leading provider of global financial services. Notable areas of strength include global fixed income distribution capabilities, structuring and trading, foreign exchange, and infrastructure finance, as well as broad capabilities in global mining and energy.

2007 Revenue contribution



(C\$ millions, except percentage amounts)	2007	2006	2005	2007 vs. 2006	
				Increase (decrease)	
Total revenue (1)	\$ 4,389	\$ 4,136	\$ 3,562	\$ 253	6%
Net income	1,292	1,355	686	(63)	(5)%
Trading revenue (1)	2,021	2,143	1,684	(122)	(6)%
Average assets	311,200	260,600	229,100	50,600	19%

(1) Taxable equivalent basis.

## Key highlights

- We completed three acquisitions to expand our client base and enhance our capabilities:
  - Carlin Financial Group, which provides our clients with a best-in-class North American electronic trade execution platform
  - Daniels & Associates, L.P., a U.S. merger and acquisition advisory firm specializing in the communications, media and entertainment, and technology sectors
  - Seasongood & Mayer, LLC, strengthening our franchise as one of the leading municipal finance platforms in the U.S.
- We expanded our global infrastructure finance platform and completed significant transactions in North America, Europe and Australia to be regarded as a top-tier player in the global infrastructure finance business.
- We expanded our base metals capabilities, enabling new and innovative transactions, such as a copper derivative with a notional value of US\$1 billion.
- We continued to extend our business in selected markets around the world, including asset-based lending in Canada, fixed income and structured product distribution in Asia, and investment banking in the U.S.

## Achievements in 2007

- We remain the leading Canadian investment bank. We were named:
  - Dealmaker of the Year in Canada for four of the last five years (*Financial Post*)
  - Best Investment Bank in Canada (*Global Finance* magazine)
  - Best Canadian Debt House (*Euromoney Magazine*, 2007)
  - Number One Foreign Exchange Dealer in Canadian dollars (*Euromoney Magazine*, 2007).
- We continued to hold the leading market share in the Canadian fixed income market and remain a global leader. We led an \$8.1 billion global bond issue, one of the largest to date.
- We extended our leadership position in Australian and New Zealand dollar denomination bond issuances and retained our premier position in the Alternative Dollar market.
- We launched the RBC Hedge 250 Index® on the London Stock Exchange as a joint venture with New Star Asset Management.

## 2008 and beyond

- We will strive to remain the Canadian wholesale client's first choice for all financial products and services.
- We will leverage our success and continue to diversify into new and complementary areas where we can show competitive strength such as:
  - Exporting our infrastructure and project finance expertise from the U.K. to other markets
  - Growing our investment banking and municipal finance business in the U.S.
  - Investing in our alternative assets and structured products businesses and expanding our distribution capabilities
  - Extending our global energy and mining capabilities
  - Leveraging the Carlin acquisition to build out our electronic trading capabilities.

# Corporate Support



## Global Technology and Operations and Global Functions

More than 18,000 employees in Global Technology and Operations (GTO) provide the essential information technology and operations capabilities necessary to support our diverse business activities. In partnership with our businesses, GTO provides processing and fulfillment support, direct customer sales and service through its contact centres and technology that enables the delivery of a secure, flexible, reliable and convenient client experience.

Our Global Functions support business growth by providing the mission critical control management systems, training and expertise necessary to meet our regulatory, financial reporting, balance sheet management and corporate funding requirements. Global Functions also provide leadership related to critical enterprise assets, including our people and our brand and contribute to the development of the enterprise strategy.

## Achievements in 2007

In partnership with our businesses:

- GTO delivered on more than 319 million ATM transactions, 132 million client calls, 105 million online banking transactions, 2.7 billion point-of-sale transactions and 100 million equity trades.
- GTO focused on enhancing the client experience through improved service levels and Interactive Voice Recognition changes in our contact centres, redesigning key processes using Lean Six Sigma techniques, eliminating top client irritants, and creating an end-to-end client services commitments framework.
- Global Functions contributed to our financial performance by effectively managing capital, employing innovative strategies to diversify funding sources, enhancing the productivity and engagement of the workforce, developing successful cost management initiatives, supporting the businesses in maintaining credit quality and our risk profile, and effectively managing our tax position.
- Global Functions supported enterprise M&A activity by conducting comprehensive due diligence and negotiations and managing stakeholder relations in all major transactions, including six international acquisitions.
- In November 2007, Global Functions launched the first covered bond program by a Canadian issuer, further enhancing our liquidity position and diversifying our access to wholesale funding.

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## 2008 and beyond

- GTO will enable business strategies by driving innovative process and technology improvements that simultaneously deliver a differentiated client experience and increased defined operating leverage.
- Global Functions will contribute to our financial performance by working to maintain a solid balance sheet, sound credit quality and capital ratios, effectively manage our tax position, and implement cost-saving initiatives while improving the alignment of business strategies and risk exposures.
- By collaborating with our businesses:
  - GTO will work to make it easier for clients to do business with us while enhancing client services, executing against our risk and compliance objectives, and ensuring the safety and soundness of our infrastructure
  - Global Functions will support business growth by attracting, retaining and motivating talented employees and maintaining a strong governance and compliance regime, a relevant and customer-centric brand strategy, enterprise strategy development, proactive enterprise compliance, and solid relationships with investors, credit rating agencies, regulators and other stakeholders.



# Chairman's message



Investor confidence is a key element of RBC's success and your Board of Directors works hard to earn it. We act as the stewards of the organization, exercising independent judgment in supervising management and safeguarding the interests of shareholders. In fulfilling our role, we foster a corporate environment built on integrity and provide management with guidance in pursuit of our shared goal: maximizing long-term shareholder value.

RBC's enterprise is complex, spanning multiple businesses and geographies. Our board's diversity of thought and experience enhances our ability to oversee the strategic development of a successful global enterprise, understanding and assessing RBC's competitive environment, and anticipating the business possibilities and challenges of tomorrow.

The board reviews aspects of RBC's strategy at every meeting, taking into account the opportunities and risks of the businesses. We contribute a forward-looking perspective by participating actively with management in an annual session dedicated to strategic planning. In reviewing the implementation and success of approved strategic and operating plans, we regularly monitor RBC's performance against strategic goals, approving capital expenditures and major transactions that align with our plan.

We take seriously our responsibility to oversee policies and processes to identify the principal risks to RBC's businesses and the systems implemented to manage them. The board reviews strategies for identifying, prioritizing and managing risk, and for clearly defining roles and responsibilities. We seek to ensure that management's plans and activities are prudent and focused on generating shareholder value within an appropriate and comprehensive policy framework.

All our efforts are marked by an emphasis on trust and integrity. Our goal is to nurture the positive values that are already well entrenched in RBC's corporate culture and to reinforce the ethical principles on which its reputation and success are founded. In the board's view, these are critical to RBC's long-term success.

RBC's Board of Directors has long been proactive in adopting leading corporate governance practices. We remain firmly committed to continuous improvement of RBC's strong and effective governance standards. Again this year our approach received high marks, earning recognition from the Conference Board of Canada, *IR Magazine* and *The Globe and Mail's* corporate governance rankings.

My goal as non-executive Chairman is to provide independent leadership that will empower the board to add value. This involves keeping the board focused on its objectives, cultivating a team approach and encouraging effective participation to draw the greatest advantage from each director's individual strengths. One of my key responsibilities is to ensure that the board is independent-minded and evaluates matters through a shareholder's lens. Another ongoing focus is overseeing board assessment and peer review, as well as our board development program, which further enhances the board's understanding of the evolving complexity of financial services and the financial literacy of all directors. Over the past year, the board participated in sessions dealing with specialized and complex aspects of RBC's business operations, accounting and financial instruments standards, methodologies used in assessing and controlling risk and the implications of the Basel II Capital Accord.

Your Board of Directors is proud to actively participate in the achievements of Royal Bank of Canada. On behalf of the board I would like to thank management and all employees for their strong contribution to RBC's performance over the past year.

David P. O'Brien  
Chairman of the Board

# Corporate governance

## Beyond compliance

At RBC, sound corporate governance has long been recognized as an essential element in developing investor confidence. Our approach looks beyond regulatory compliance and builds on our strong governance fundamentals by incorporating best practices to support the Board of Directors' ability to supervise and advise management with the goal of enhancing long-term shareholder value.

Transparency is a key aspect of good governance and the board takes seriously RBC's commitment to clear and comprehensive disclosure. Our practices and policies fully comply with guidelines established by Canadian securities regulators, as well as applicable provisions of the *U.S. Sarbanes-Oxley Act of 2002* and requirements of the New York Stock Exchange and the U.S. Securities and Exchange Commission applicable to foreign private issuers.

## Building on our tradition of excellence

To maintain our high standards, we continuously review and assess our corporate governance system. The Board of Directors' dynamic approach to governance anticipates best practices as they evolve. Over the past few years RBC has adopted many significant leading governance practices:

- A policy requiring directors to tender their resignations following the Annual Meeting if they fail to receive majority shareholder support
- Increased minimum share ownership guideline for directors to \$500,000 from the previous level of \$300,000, to strengthen alignment of their interests with those of shareholders
- Increased minimum share ownership requirements for executive officers to further align management and shareholder interests. The President and Chief Executive Officer (CEO) must have shareholdings worth at least eight times the last three years' average base salary. The standard for other members of Group Executive is six times the last three years' average base salary, except the Head of Capital Markets, who must hold shares worth at least two times the last three years' average salary plus bonus
- A Performance Deferred Share Program to strengthen the alignment of the interests of management with shareholders by tying senior management's rewards to the performance of RBC relative to a North American peer group of competing financial institutions
- Limited share dilution resulting from the reduction in the number of stock option grants awarded to management by approximately 70 per cent since 2003.

### In addition:

- Our comprehensive Director Independence Policy has continued to evolve in response to best practices and regulatory refinements. Under this policy, 15 of the 16 currently serving directors are independent
- Meetings of independent directors are held regularly
- All members of every committee of the Board of Directors are independent: the Audit Committee, Human Resources Committee, Corporate Governance and Public Policy Committee, and Conduct Review and Risk Policy Committee
- For the Audit Committee, more stringent independence criteria have been implemented, four individuals have been designated as audit committee financial experts, financial literacy requirements have been defined and a policy limiting the service of our Audit Committee members on the audit committees of other companies has been approved
- The Audit, Human Resources, and Corporate Governance and Public Policy committees have sole authority to retain and approve the fees of independent, external advisors. The Human Resources Committee retains an independent compensation consultant
- Board and director evaluation procedures have been enhanced, with written peer reviews added to complement the established peer assessment practice of one-on-one interviews with the Chairman
- The process of selecting individuals for nomination as directors has been formalized to ensure that the strengths of potential candidates are weighed against the competencies and skills that the board as a whole requires.



“Our approach looks beyond regulatory compliance and builds on our strong governance fundamentals by incorporating best practices to support the Board of Directors’ ability to supervise and advise management with the goal of enhancing long-term shareholder value.”

David P. O’Brien, Chairman of the Board

### Demonstrating leadership

These measures build on our previous governance initiatives, which include, among many others:

- Ensuring independent leadership of the Board of Directors by being first among our peer companies to separate the positions of Chairman and Chief Executive Officer in 2001
- Adopting a policy limiting interlocking directorships of board members in 2002
- Permanently discontinuing grants under the Director Stock Option Plan in 2002
- Being among the first major Canadian companies to expense stock options in financial statements, which we have done since 2003
- Providing continuous educational material, presentations and programs to directors so they remain knowledgeable and informed about the ever-changing business and regulatory environment and the specialized and complex aspects of finance and our business operations.

### Enhancing our disclosure

In keeping with our goals of continuously improving governance and providing greater transparency and simplicity in our communications, in recent years we have enhanced disclosure in our Management Proxy Circular, including:

- More detail on the compensation paid to individual directors and their share ownership
- Greater clarity on senior officers’ compensation relative to fiscal year performance
- Three-year, easy-to-read overviews of named executive officers’ compensation
- Aggregate compensation of top executives as a percentage of market capitalization and a percentage of net income after-tax
- Comprehensive description of how the President and CEO’s compensation is determined, including performance metrics and weighting
- Details of comparator companies used for benchmarking of both corporate performance and executive pay
- Increased disclosure regarding executive pensions, including the impact of changes in interest rates, annual service cost, accrued obligation and value of retirement plans for top executives.

### Important information about our governance practices

The following additional information on our governance practices is available at [rbc.com/governance](http://rbc.com/governance):

- Our Statement of Corporate Governance Practices and Guidelines
- Our Code of Conduct
- The charters of our Board of Directors and each of its committees
- Our Director Independence Policy
- Position descriptions for the Chairman of the Board, the chairs of committees of the board, and the President and CEO
- A summary of significant differences between the NYSE rules applicable to U.S.-listed companies and our governance practices as a non-U.S. issuer
- Our Corporate Responsibility Report and Public Accountability Statement.

### 2008 Annual Meeting

Shareholders are invited to attend our Annual Meeting at 9 a.m. (Eastern Standard Time) on Friday, February 29, 2008, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, Toronto.

# Corporate responsibility



At RBC, we believe our first duty is to operate with integrity at all times so that we can continue to ensure the present and future well-being of our stakeholders: clients, employees, investors, suppliers, governments, communities and non-governmental organizations. Our strategic approach to corporate responsibility and the suite of programs and practices described here serve as the RBC Blueprint for Doing Better™.

## Corporate Responsibility Principles: RBC Blueprint for Doing Better™

### Economic impact

- Provide strong returns to shareholders
- Pay fair share of taxes
- Support small business and community economic development
- Foster innovation and entrepreneurship
- Purchase goods and services responsibly

### Marketplace

- Develop and provide products responsibly
- Provide access to basic banking services
- Protect and educate consumers

### Workplace

- Respect diversity
- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Provide opportunities for training and development

### Environment

- Reduce intensity of operational footprint
- Promote environmentally responsible business activities
- Offer environmental products and services

### Community

- Provide donations with a lasting social impact
- Sponsor key community initiatives
- Encourage employees to contribute

## Recognition

In 2007, RBC was honoured with a number of global awards and recognition for our corporate responsibility efforts and performance.

### Awards

- RBC scored first place in the 2007 Best 50 Corporate Citizens in Canada ranking, according to *Corporate Knights* magazine.
- RBC was named one of the world's top 100 sustainable companies, according to the third annual "Global 100" ranking announced in *BusinessWeek* magazine. Companies on the list were selected from a universe of 1,800 publicly traded companies.

## Socially responsible investment indices

RBC is listed on a number of significant Canadian and international indices that help guide the investment decisions of socially responsible investors, including *Dow Jones Sustainability World Index*, the *DJSI North America Index*, the *FTSE4Good Index* and the *Jantzi Social Index*. Companies on these indices meet stringent social, ethical and environmental criteria.

## Reporting

Increasingly, companies are expected to report on their environmental, social and governance practices, in addition to their financial results. A range of stakeholders are asking for this information, yet there are significant differences of opinion about what companies should disclose, as well as the appropriate degree and manner of disclosure.

RBC has adopted a multi-pronged approach to sustainability reporting. While we follow the guidelines suggested by the Global Reporting Initiative, we do not produce a single printed report covering everything for all stakeholders. Instead, we provide reporting geared to various stakeholder groups, with an appropriate level of detail for each. Our external website ([rbc.com](http://rbc.com)) is our primary reporting mechanism, where our annual Corporate Responsibility Report and Public Accountability Statement can be found.

For more information, visit  
[rbc.com/responsibility/approach](http://rbc.com/responsibility/approach)



## Code of Conduct

All RBC employees worldwide are governed by our Code of Conduct, which was first established more than 20 years ago. The Code is reviewed regularly and was updated in 2007, with clarification of our process for approving and disclosing waivers, increased confidentiality protection provisions, additional guidelines for conflicts of interest, and updated standards for maintaining respectful workplaces. All employees are required to take a web-based learning program so that they know and understand the Code's principles and compliance elements. The program includes an online course and a test, which all employees must complete within 30 days of joining RBC and at least once every two years thereafter. The company's most senior officers and select others must complete the program annually.

## Ethics



A truly sustainable company must have ethical business practices. At RBC, one of our key values is to operate with trust through integrity in everything we do. Our blueprint for ethical behaviour includes a strong foundation of principles, codes and formal policies designed to protect consumers, combat corruption, ensure business continuity, and facilitate reporting of breaches or concerns.

For more information, visit  
[rbc.com/responsibility/governance](http://rbc.com/responsibility/governance)

### Policies

RBC has enterprise-wide compliance policies and processes to support the assessment and management of risks, including policies to address issues such as economic sanctions, lending to political parties, money laundering, terrorism financing and conflicts of interest. Policies and controls are reviewed regularly to ensure continued effectiveness and alignment with relevant laws and regulations.

#### Anti-money laundering policy

RBC is strongly committed to preventing the use of our financial services for money laundering or terrorist financing purposes. In 2007, every RBC employee worldwide, regardless of their role in the organization, took an anti-money laundering/anti-terrorism financing course and exam. The course was tailored for each business, function and geography with material specific to the laws of 38 countries and jurisdictions in which we operate. Our Global Anti-Money Laundering Compliance Group develops and maintains policies, guidelines, training and risk assessment tools and models and other controls to help our employees protect RBC and our clients, and to ensure we are managing ever-evolving money laundering and terrorism financing risks. Our controls in this area incorporate Know Your Client rules established by various regulators to ensure we properly identify our clients and protect against the illegal use of our products and services.

#### Crisis management

RBC utilizes a best-in-class Business Continuity Management program to ensure that our businesses or units are adequately prepared to deal with any disruption of service to its clients. Risk assessments of all areas are conducted annually and further supported with contingency plans and periodic testing.

The RBC Enterprise Crisis Management team, consisting of senior executives from across the organization, is responsible for ensuring continued service to our clients. It is supported by a global network of regional, business-line and local incident management teams. These teams are on call around the clock to address any situation that may pose material risk to staff, corporate reputation or our ability to deliver service to clients. Regular crisis simulations are conducted to test the readiness and timely response to all emergency situations.

The RBC Business Emergency Information Line is our link to employees to provide current updates in the event of a crisis or external situation affecting their ability to access RBC offices or serve our clients.

#### Reporting suspected irregularities

RBC has long-established processes that enable employees around the world to report suspected breaches of our Code of Conduct, other irregularities and dishonesty directly to our Ombudsman. Employees can report anonymously, confidentially and without fear of retaliation.

Specific to financial reporting practices, the RBC Reporting Hotline was established so employees and third parties around the world can anonymously, confidentially and without fear of retaliation, report suspected irregularities or wrongdoing relating to accounting, auditing or internal accounting controls directly to the RBC Ombudsman.

## 2007 Highlights

- Incurred taxes of \$2.09 billion worldwide
- Purchased goods and services totalling \$4.4 billion from international, national, regional and local suppliers of all sizes
- Served more than half a million small business clients in Canada, the United States and the Caribbean
- Promoted innovation, a key driver of the economy, through investments in early-stage technology companies and support for research-based initiatives

## Economic impact



Companies both large and small can help shape the economies of the communities and countries in which they do business, simply through their day-to-day business decisions and actions. RBC aims to have a positive economic impact by providing attractive returns to shareholders, creating employment, supporting small business and economic development, fostering innovation and entrepreneurship and purchasing responsibly.

### Economic development

RBC invests in sustainable economic development, and we are committed to contributing to the success of people and businesses in the communities where we operate. We support:

- Economic growth in communities where we do business
- Initiatives that help build well-being, wealth and capacity in Aboriginal communities
- Resources to promote economic self-sufficiency
- Financial literacy programs
- Programs that address basic needs, such as food banks.

RBC also promotes economic growth through industry partnerships. For example, we are a member of the Canadian American Business Council, raising awareness of the value of the Canada-U.S. trade relationship and enhancing the overall competitiveness of North American economies.

### Small business

Small business is an important engine driving economic growth. We are the market leader in Canada, serving almost one in four small business owners. We have over half a million small business clients in Canada, the U.S. and the Caribbean.

Financing is essential for many small businesses to start, operate or grow, and RBC offers a host of credit solutions tailored to meet the needs of diverse businesses at various stages. We also strive to provide the best possible products, advice and expertise to help this sector prosper.

### Innovation

RBC takes a leadership role in supporting innovation and the commercialization of research, and we support projects and organizations that promote learning, innovation and entrepreneurship, such as:

- The Medical and Related Sciences (MaRS) project, facilitating research and development, and its commercialization in Ontario
- The Council for Entrepreneurial Development, promoting high-growth, high-impact entrepreneurial companies in North Carolina's Research Triangle region
- Georgia Tech's Advanced Technology Development Center, a recognized science and technology incubator that helps entrepreneurs from the U.S. state of Georgia launch and build successful companies
- The RBC Next Great Innovator Challenge™, which rewards college and university students from across Canada for innovative ideas related to financial services.

Since 1969, we have brought investment dollars as well as our knowledge and expertise to budding software and technology companies serving the financial services and other sectors. We currently have approximately \$250 million dedicated to directly invest in emerging technology companies.

### Purchasing

Our procurement policies are inclusive and aim to promote sustainable business practices and economic development where possible and appropriate. To maintain the highest standards, we review our purchasing policies annually.

We promote fair purchasing practices and strive to support, whenever possible, the communities in which we operate. We are a founding member of the Canadian Aboriginal and Minority Supplier Council (CAMSC). RBC has been a member of CAMSC's U.S. affiliate, the National Minority Supplier Development Council, since 2002.

For more information, visit  
[rbc.com/responsibility/economic](http://rbc.com/responsibility/economic)



## 2007 Highlights

- Provided employment to more than 70,000 people worldwide, with \$7.9 billion in compensation and benefits
- Invested \$54 million in formal training and development initiatives
- The vast majority of employees are RBC shareholders

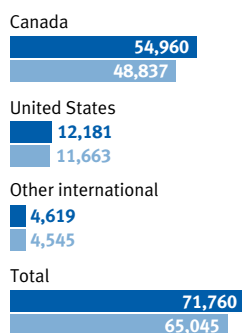
## Workplace



A talented and highly motivated workforce is a key element in our blueprint for building a sustainable and successful future. Consistently ranked as one of the top employers in Canada, RBC strives to strengthen our reputation as a quality employer in all countries in which we do business.

### RBC employment worldwide

Fiscal year (ended October 31, 2007)



- Number of employees
- Full-time equivalent positions (FTE)

For more information, visit  
[rbc.com/responsibility/workplace](http://rbc.com/responsibility/workplace)

### Building mutually rewarding relationships with employees

RBC provides a flexible and competitive Total Rewards program based on an understanding of what employees value and need. This comprehensive approach rewards people for their skills and contribution and includes compensation, benefits and a positive work environment, along with career and learning opportunities.

As our business and workforce continue to grow and become more diverse, offering choice and flexibility through Total Rewards is even more critical to our success.

Continuous employee growth and development helps ensure we meet current and future client needs. Employees have access to the training resources and opportunities they need to learn and grow as professionals. This includes developing employees to be leaders through the use of key job-related experiences.

The employee savings and share ownership plans that are part of our rewards program help align employee, investor and company objectives. The vast majority of employees are RBC shareholders through these programs.

Well-informed employees are more likely to align their actions with company goals. Our senior management team regularly meets with employees to discuss the company's goals, strategies and progress. Employees have access to company information via intranet sites, electronic news magazines, e-mail bulletins and other communication channels, and are encouraged to provide feedback and comments in a variety of ways.

RBC has a long history of listening and responding to employee feedback, with employee opinion surveys dating back to 1981. By understanding employees' views, RBC can take action to address their needs and the company's priorities, which results in high levels of employee engagement and a strong commitment to clients.

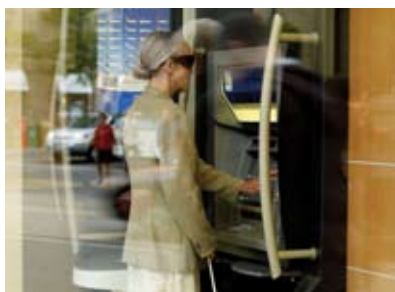
In 2007, we again gathered employee input on our progress in key areas including talent management, performance enablement, employee engagement and workplace culture.

### Diversity for growth and innovation

Diversity is one of our core values. We believe that leveraging diversity for growth and innovation is both a sound business imperative and the right thing to do for our employees, clients and the communities we serve.

RBC is a leader in promoting diversity. We regularly sponsor research studies, awards and public discourse that promote understanding and draw attention to diversity issues. Our annual *Diversity Progress Report* is available at [rbc.com/uniquecareers/diversity/progress\\_reports.html](http://rbc.com/uniquecareers/diversity/progress_reports.html).

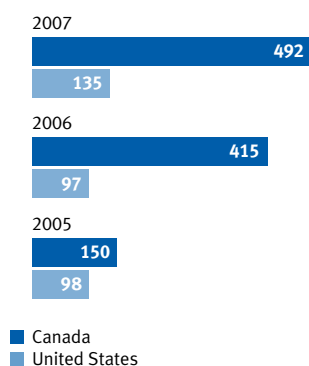
# Marketplace



It's been said that corporate responsibility isn't so much about how a company spends its money, but how a company makes its money. At RBC, our blueprint for building sustainable, long-term relationships with our clients includes responsible practices in the marketplace, such as soliciting and acting on client feedback, providing responsibly developed financial products, maintaining vigilant consumer protection measures and ensuring access to financial services.

## Responding to feedback

Clients surveyed (thousands)



## Responding to feedback

Every year, RBC businesses track client satisfaction and use client feedback to make improvements. For instance, in 2007, client research helped provide direction for these new initiatives in our Canadian retail banking operations:

- Environmentally responsible product options
- A simplified line-up of savings and chequing accounts with enhanced customer benefits
- High-interest online savings account
- Business banking packages for small businesses
- Enhanced marketing and communication materials for greater relevance.

## Product responsibility

### Responsible development of products and services

RBC follows a defined, rigorous process before launching any new product or significantly changing an existing one. We evaluate products for a range of risks and ensure they align with client needs, our Code of Conduct, laws and regulations, and voluntary consumer protection codes that we have signed. Approval levels within RBC correspond to the level of risk identified for a particular product or service.

### Low-carbon banking for consumers

One of our priorities is to provide products and services that help our clients mitigate their environmental impact. This includes online banking, and electronic statements and bill payment. In Canada, RBC introduced new financial options and incentives for our environmentally conscious clients in 2007, including incentives to switch off paper statements, have a home energy audit, buy a lower-emission car, and switch to green power. We encourage our clients to use electronic solutions that replace the carbon-intensive activities involved in retail banking such as travel and paper.

### Socially responsible investing (SRI)

Increasingly, investors are becoming interested in putting their money where their values are. In 2007, RBC became the first major Canadian bank to offer investors this option with the launch of the RBC Jantzi Funds, three funds that are screened for environmental, social and governance factors. Clients in Canada and the U.S. also have access to other SRI funds through our network of advisors.

## Responsible lending

RBC provides credit and banking services to companies in many industries. Our policies cover areas of concern, including environmental issues. For instance, RBC will not support or finance transactions that are directly related to trade in or manufacturing of material for nuclear, chemical, and biological warfare or landmines.

RBC has a number of anti-corruption policies which require us to apply appropriate scrutiny and monitoring measures to high-risk clients whose business activities are known to be susceptible to criminal activity or have been designated as high-risk for money laundering.

## 2007 Highlights

- Introduced new, low-carbon banking options for consumers
- Launched the RBC Jantzi Funds, three funds that are screened for environmental, social and governance factors
- Ranked among the most trusted companies for privacy in Canada by the Ponemon Institute's 2007 survey

## Consumer protection

### Privacy and information security

RBC is dedicated to safeguarding the privacy and confidentiality of personal, business, financial and other information. In fact, it is one of our highest priorities and remains a cornerstone of our commitment to our clients, employees and other stakeholders. We have had a formal Privacy Code since 1991, overseen by our Chief Privacy Officer, and we use vigorous security safeguards and internal controls to ensure the privacy and security of information entrusted to us. In 2007, we developed a broader, more holistic framework for managing privacy, information risk, security and records/content management. RBC ranked among the most trusted companies for privacy in Canada in the Ponemon Institute's 2007 survey.

### Fraud prevention

RBC has stringent security policies and practices, backed up by around-the-clock resources to prevent, detect and investigate potential fraud. Online security is a priority, and our security guarantees help protect online banking and self-directed brokerage clients from unauthorized transactions. In 2007, we centralized our claims process for unauthorized transactions, resulting in quicker reimbursement to clients. We upgraded most of our retail and branch lobby ATMs with anti-skimming devices in 2007. These devices deter would-be criminals from placing fraudulent skimming devices over the ATM card slot. We have developed a number of fraud-education initiatives including up-to-date tips and alerts, brochures and client presentations.

### Voluntary codes of conduct

The Canadian banking industry has developed a number of voluntary commitments and codes to protect consumers, to which RBC has committed. These are listed at [rbc.com/voluntary-codes-public-commitments](http://rbc.com/voluntary-codes-public-commitments).

### Know Your Client rules

Know Your Client rules are key to investment and banking clients' protection. Our employees are required to make all necessary efforts to understand a client's profile, financial and personal objectives before making recommendations relevant to their needs. Our due diligence also covers compliance with applicable securities, consumer protection, anti-money laundering, anti-terrorism and economic sanctions legislation.

### Client complaint process

Our formal process for handling client concerns is outlined on our website and in our *Straight Talk* brochures. If clients believe an issue to be unresolved following receipt of a response from the RBC representative dealing with their concern, they may appeal to the Office of the Ombudsman, which examines decisions made by RBC companies and reviews their compliance with proper business procedures. The Office ensures customers get a fair and impartial hearing and are treated with consideration and respect. We also respect the dignity and privacy of all parties involved in the proceedings. Certain disputes that remain unresolved after being reviewed by the Ombudsman may be directed to a number of agencies and regulators listed on our website and in our *Straight Talk* brochures.

### Access to banking services

RBC is committed to providing banking access through customized products and services to a host of groups who were traditionally underserved.

For more information, visit  
[rbc.com/responsibility/marketplace](http://rbc.com/responsibility/marketplace)



## 2007 Highlights

RBC continued to make progress on how we manage environmental issues through our priority activities. Highlights include:

- Release of the RBC Environmental Blueprint™, outlining our environmental policy, priorities and commitments for the next several years
- Launch of our pilot EnergySmart Program designed to enlist employees in reducing energy consumption in our owned and leased premises

# Environment



RBC is committed to environmental sustainability. We believe that this commitment has enhanced our capacity to conduct business and the RBC Environmental Blueprint™ will allow us to continue delivering short- and long-term benefits for our clients, employees and the communities in which we live and conduct business.

## Policy

The RBC Environmental Policy was first developed in 1991 and, since then, periodically updated to reflect the changing environmental priorities of our company and our stakeholders. In 2007, our policy was substantially revised. It now more comprehensively addresses environmental matters pertaining to operations, business activities, products and services, employees, compliance, reporting and transparency and partnership.

## Priorities

To effectively carry out our environmental sustainability mandate, we prioritized our key environmental issues and activities in 2007 as part of the RBC Environmental Blueprint™. In selecting our priorities, we considered our potential exposure to, and influence over, the issue or activity, as well as its importance to our complete array of stakeholders.

Climate change, biodiversity (including issues related to forests and indigenous peoples) and water were selected as our priority environmental issues.

## Climate change

Climate change presents environmental, social and financial challenges to the global economy, human health and to our own businesses and operations. The two causes of climate change are natural systems and human activity, most notably greenhouse gas emissions from the combustion of fossil fuels, and large-scale removal of forests and vegetation. We believe that it is of vital importance that we all contribute to efforts to reduce greenhouse gas emissions and effectively adapt to the unavoidable impacts of climate change.

## Biodiversity

Biodiversity, or “biological diversity,” refers to the variety of different species, the genetic variability of each species and the variety of different ecosystems that they form. Environmental degradation resulting from human activity and the forces of climate change is disrupting the natural biodiversity of habitats and ecosystems. Critical natural systems and the abundant biodiversity they support must be preserved in order to maintain healthy communities, cultural values and shareholder value.

Forests help moderate the climate, provide diverse habitats for species and purify water. We believe that we must play a part in protecting the integrity of the boreal forests of Canada and rainforests around the world by supporting sustainable forestry practices.

RBC recognizes that the identity, cultural beliefs and economies of some indigenous peoples are intrinsically tied to their region’s history, biodiversity and natural landscapes. We believe that industries operating in these natural areas must consider the effects of their operations on affected communities, and particularly communities of indigenous peoples.

## Water

Water is the most important natural resource on earth, and without it, all life would cease. Access to clean fresh water, the preservation and management of watersheds and water conservation are becoming increasingly urgent environmental concerns, both globally and in many of the regions in which we operate. Climate change, pollution and inefficient water usage are factors contributing to a growing water crisis. In 2007, we launched the RBC Blue Water Project, a 10-year, \$50 million charitable grant program to help find global solutions to this crisis and we are exploring opportunities to contribute solutions through financial products and services as well.

## 2007 Highlights (continued)

- Launch of environmental banking options for clients, helping them make a contribution to the environment through RBC Homeline®, eStatements, hybrid car financing and green power
- Recognition by *Newsweek* as the company most capable globally of addressing the risks and opportunities of climate change
- Recognition by the Carbon Disclosure Project as a leader in understanding and managing the financial risks and opportunities of climate change

We intend to direct our environmental efforts toward three priority activities that are important to RBC and our stakeholders:

- Reducing the intensity of our environmental footprint
- Promoting environmentally responsible business activities
- Offering environmental products and services.

### Reducing the intensity of our environmental footprint

RBC is committed to continuing to reduce the intensity of our energy use, paper consumption, employee travel, water use and procurement activities on a per employee or per square metre basis. In 2007, we improved operating efficiencies through strategic management of our environmental footprint and realized positive financial and environmental impact. For example, retrofit lighting in our branch network and the provision of electronic statements for clients has reduced our consumption of energy, paper, operational costs and our indirect greenhouse gas emissions.

### Responsible business activities

At RBC, we work with our clients and the companies we invest in to mitigate environmental risks and support environmentally responsible business models. Comprehensive environmental risk management policies and procedures facilitate the environmental review of transactions, and we regularly update these policies and procedures to address regulatory changes, emerging and evolving issues and international best practices. For example, our Policy on Social and Environmental Review in Project Finance, which enables us to meet our commitment to the Equator Principles, was amended in 2007 to reflect new requirements under the revised Principles.

In our lending activities, and as appropriate, environmental issues are assessed at the following levels: industry, borrower and transaction. Policies require that, where warranted, transactions are reviewed by internal or third-party environmental specialists to ensure that environmental risks are appropriately identified and addressed. Our internal team of environmental experts provides support and expertise to business and operational units throughout the organization.

### Financial products and services

RBC seeks to offer an expanding array of products and services that provide environmental benefits, are clearly distinguishable from comparable non-environmentally focused products, and empower clients to reduce their environmental footprint at little or no additional cost.

We view environmental markets – including renewable energy, clean technology, and emissions trading – as an emerging business area for RBC. We participate in and are watching these markets closely for future opportunities. For example, in collaboration with several U.S. and Canadian banks and the UN Environment Programme Finance Initiative, RBC commissioned a report on global best practices in environmental financial products and services. The report was published online in August 2007, and in September, RBC hosted a workshop for North American banks to learn more about opportunities in green financial products and services.

For more information, see the Risk management section of the MD&A or visit [rbc.com/responsibility](http://rbc.com/responsibility) and [rbc.com/environment](http://rbc.com/environment)

## 2007 Highlights

- RBC contributed more than \$82.8 million to community causes worldwide through donations of more than \$47.7 million and an additional \$35.1 million in the sponsorship of community events and national organizations
- Employees and pensioners worldwide contributed countless hours in volunteer activities and funds to not for profit groups through payroll deductions, direct giving and special events
- As part of the RBC Environmental Blueprint we announced the RBC Blue Water Project™, a \$50 million philanthropic commitment over 10 years to support programs to enhance access to clean drinking water, watershed management and water conservation

## Community



The RBC Community Blueprint™ contains a broad suite of programs and initiatives to help build stronger, more sustainable and prosperous communities around the world. Our employees and pensioners also make enormous contributions as volunteers, sharing their financial and business knowledge, time and enthusiasm with thousands of community groups worldwide.

### Donations

Donations are a cornerstone of our community programs, with a tradition of philanthropy dating back to our roots. In fact, we have donations on record as far back as 1891. We are one of Canada's largest corporate donors, and contribute to communities across North America and around the world. We are committed to making a lasting social impact through inspired, responsible giving and by building strong partnerships with the charitable sector. Our priority areas for funding include:

- Helping keep kids in school
- Supporting community health care through children's mental health programs
- Providing for emerging artist programs
- Encouraging employee volunteerism
- Helping find global solutions for the preservation and conservation of and access to fresh water.

### Employee contributions

Our Employee Volunteer Grants Program was launched in 1999 to support and encourage community involvement. Employees and pensioners who volunteer a minimum of 40 hours a year to a registered charity are eligible for a \$500 grant to the organization in their honour. Since 1999, RBC has made over 12,488 grants and donated more than \$6.24 million to celebrate our employees' volunteer efforts.

### Sponsorships

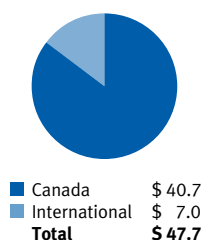
RBC is committed to supporting opportunities that are important to our clients and our communities. As part of this commitment, we sponsor numerous Canadian and international programs as well as community and cultural events in the neighbourhoods where we do business. By leveraging our strategic partnerships, we can truly differentiate RBC as a leading company committed to enabling the success of our clients and our communities.

Our sponsorships focus on two major platforms: amateur sports and visual arts. We support the development of amateur athletes through sponsorship of grassroots events in local communities and national sport associations. We are the longest standing supporter of Canada's Olympic Team, dating back to 1947, and a Premier National Partner of the 2010 Olympic and Paralympic Winter Games in Vancouver.

We also believe that healthy, vibrant communities are a direct result of investing in creative vision and artistic talent. We proudly support community events, art exhibitions and theatre performances. Celebrating its ninth year, the RBC Canadian Painting Competition recognizes the talent of emerging professional visual artists in Canada.

For more information, visit  
[rbc.com/responsibility/community](http://rbc.com/responsibility/community)

2007 Worldwide RBC donations  
by geography  
(C\$ millions)



2007 RBC donations  
in Canada by cause

