



*a retirement plan we
can look forward to*

Working hard
to help clients
CREATE

my own business



*a banking experience
right for us*



*an education for
our children*



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

- In Canada, to be the undisputed leader in financial services
- In the U.S., to be a leading provider of banking, wealth management and capital markets services by building on and leveraging RBC's considerable capabilities
- Internationally, to be a premier provider of select banking, wealth management and capital markets services in markets of choice

ROYAL BANK OF CANADA (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest bank as measured by assets and market capitalization, one of North America's leading diversified financial services companies and among the largest banks in the world, as measured by market capitalization. We provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. We employ more than 80,000 full- and part-time employees who serve more than 17 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 48 other countries. For more information, please visit rbc.com.

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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 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 29.

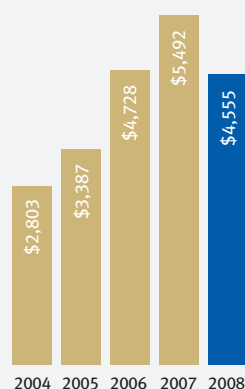
Financial Highlights

(C\$ millions, except per share and percentage amounts)	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Operating performance					
Total revenue	\$ 21,582	\$ 22,462	\$ 20,637	\$ (880)	(4)%
Provision for credit losses	1,595	791	429	804	102%
Non-interest expense	12,351	12,473	11,495	(122)	(1)%
Net income	4,555	5,492	4,728	(937)	(17)%
Return on common equity (ROE)	18.0%	24.6%	23.5%	n.m.	(660)bps
Earnings per share (EPS) – diluted	\$ 3.38	\$ 4.19	\$ 3.59	\$ (.81)	(19)%
Capital ⁽¹⁾					
Tier 1 capital ratio	9.0%	9.4%	9.6%	n.m.	(40)bps
Total capital ratio	11.1%	11.5%	11.9%	n.m.	(40)bps
Risk-adjusted assets	\$ 278,579	\$ 247,635	\$ 223,709	\$ 30,944	12%
Key drivers					
Total loans (before allowance for loan losses)	\$ 291,755	\$ 239,429	\$ 209,939	\$ 52,326	22%
Deposits	438,575	365,205	343,523	73,370	20%
Total assets	723,859	600,346	536,780	123,513	21%
Assets under management (AUM)	226,900	161,500	143,100	65,400	40%
Assets under administration (AUA) – RBC ⁽²⁾	623,300	615,100	582,300	8,200	1%
Common share information					
Share price (RY on the TSX)					
High	\$ 55.84	\$ 61.08	\$ 51.49	\$ (5.24)	(9)%
Low	39.05	49.50	41.29	(10.45)	(21)%
Close	46.84	56.04	49.80	(9.20)	(16)%
Dividends declared per share	2.00	1.82	1.44	.18	10%
Book value per share	20.99	17.58	16.52	3.41	19%
Market capitalization (C\$ millions)	62,825	71,522	63,788	(8,697)	(12)%

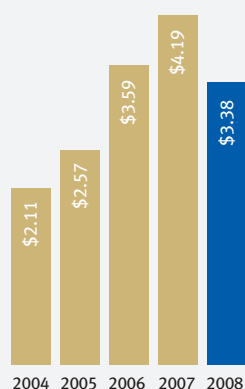
(1) 2008 capital ratios and risk-adjusted assets are calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) under the new Basel II framework. Comparative capital ratios and risk-adjusted assets are calculated using guidelines issued by OSFI under the Basel I framework. Basel I and Basel II are not directly comparable.

(2) Assets under administration – RBC: Revised to include mutual funds sold through our Canadian branch network. Comparative amounts have been revised to reflect this change.
n.m. not meaningful

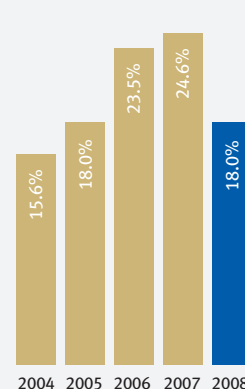
Net income



EPS – diluted



ROE





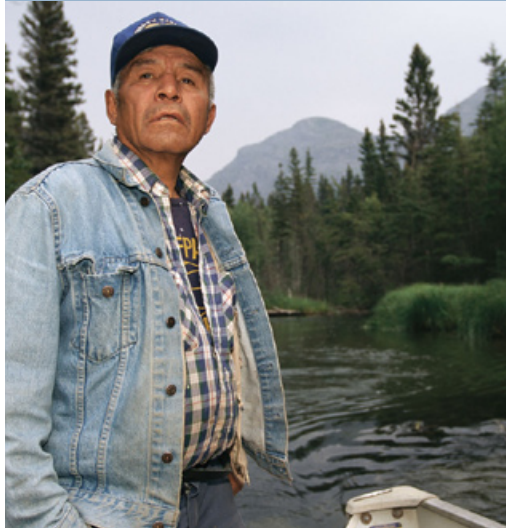
*a visionary leader
in biotech*



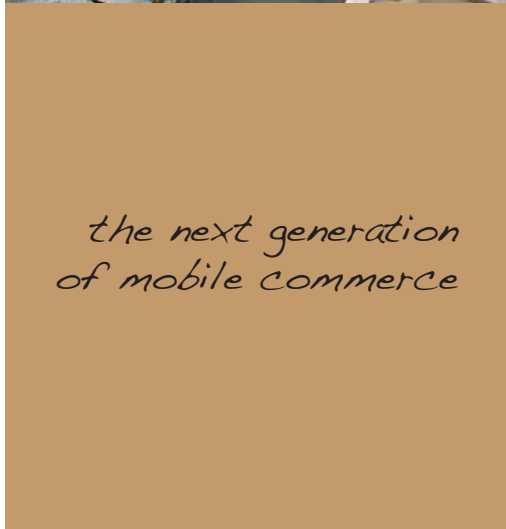
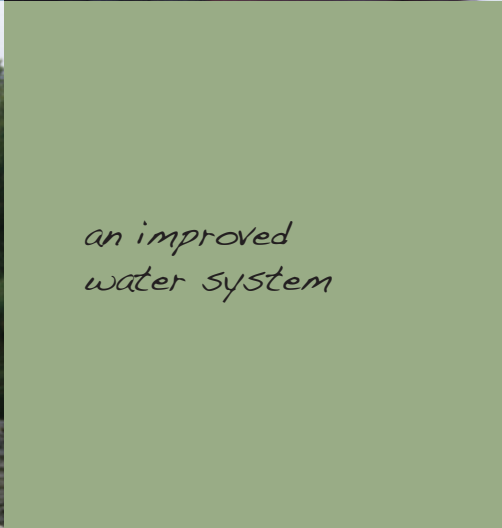
our dream vacation



*my future, the way
I design it*



*an improved
water system*



*the next generation
of mobile commerce*



a software revolution

*a detailed plan to
act upon*



*new ways to power
the planet*



an oil and gas pioneer



my first new car



a global opportunity



*an addition to
our family home*



*Working hard to
help clients create*

“If we have learned one thing from the events of the past year, it is that in difficult times clients most need and value honest and expert advice from professionals who can deliver solutions. At RBC, we are working hard to help clients create confidence in their future.”

– Gordon M. Nixon

CHIEF EXECUTIVE OFFICER'S MESSAGE

Uncertain times bring into sharp relief the importance of fundamentals. This year, as market and economic conditions were at their most challenging, RBC emerged, not unscathed, but strong and stable largely due to our commitment to the essential elements of sound management: business diversification, comprehensive risk management, a clear strategy, and a strong balance sheet.

If we have learned one thing from the events of the past year, it is that in difficult times clients need and value honest and expert advice from professionals who can deliver solutions. At RBC, we are working hard to put our clients first by giving them advice, products and services that help them create confidence in their future. We have encouraged a more collaborative and accountable culture where employees are empowered to create a superior client experience. This culture is reflected in our client-centric vision, in the work of more than 80,000 professionals leveraging their experience and expertise, and in RBC's depth and breadth of resources for the benefit of all our clients.

The current financial crisis has shown its ability to substantially alter the environment for many individuals, companies, financial institutions, and our shareholders. While we have not been able to escape the year without some losses, in 2008, RBC generated more than \$4.5 billion of earnings and a return on equity of 18.0%. These results prove that, as the rules for our sector and our domestic and global economies are being rewritten, RBC's strategy of actively managing a diversified portfolio of businesses and excelling at the execution of our revenue and cost-efficiency initiatives has enabled us to withstand the past year's market shocks and pressures and continue to generate value for our clients and shareholders.

RBC's diversified business portfolio remains the foundation of both our stability and our success, particularly through trying times. While several of our businesses have been significantly impacted by current economic events, the diversification of our portfolio of businesses across industries, geographies and client segments has reduced the overall volatility of our

revenues and earnings. This provides us with the flexibility and stability necessary to make investments in pursuit of our long-term strategy and goals. Given the overall strength of our portfolio of businesses, we find ourselves in a position to take advantage of opportunities that many of our competitors can no longer consider.

Our ongoing commitment to strong risk and performance management has allowed us to stay on course better than many of our domestic and international competitors. We diversify our risk in numerous ways while continuing to prudently use our balance sheet to produce high-quality earnings. We recognize that maintaining and continually enhancing our risk management capabilities will be critical as we navigate the challenging territory ahead of us. In addition, the strength of our asset quality and our liquidity position should provide a solid base for future growth.

In summary, our continued strong earnings performance relative to peers and top quartile performance of our share price over the medium- and long-term periods of three, five and 10 years reflect our sound risk management approach, our franchise's strong financial foundation, the benefits of our diversified business model and, most importantly, the hard work of our dedicated employees.

2008 Strategic goals

Throughout this year, our people and businesses have been committed to pursuing our three long-term strategic goals:

- In Canada, to be the undisputed leader in financial services
- In the U.S., to be a leading provider of banking, wealth management and capital markets services, building on and leveraging RBC's considerable capabilities
- Internationally, to be a premier provider of select banking, wealth management and capital markets services in markets of choice.

In Canada, our retail banking, wealth management, insurance and capital markets businesses made significant strides



Gordon M. Nixon
President and Chief Executive Officer

Janice R. Fukakusa
Chief Financial Officer

during the year, enhancing our market leadership positions while making it easier for clients to do business with us.

In the fiercely competitive Canadian banking marketplace, we must continue to earn our clients' business by ensuring our advice and services are accessible and available across a variety of channels. We have made it more convenient for clients to do business with us by growing our mobile and specialized sales forces, adding new bank branches and automated teller machines (ATMs), and increasing the number of bank branches that are open extended hours, including Saturdays, particularly in high-growth areas. Our clients can now do business with our contact centre agents in over 150 languages, and our small business and commercial business clients in all major international trading regions can now fulfill all their business needs through a single relationship. Furthermore, we have deepened client relationships and rewarded clients for their loyalty through innovative offerings. These and many other efforts have not gone unnoticed, with many notable third parties recognizing us for our client services capabilities including Synovate, *Euromoney*, and Maritz Canada Inc.

As the largest Canadian provider of wealth management services, we continued to offer our clients a full range of investment advice and planning services, supported by a team of experts in financial and retirement planning, tax, law, and trusts and estates. Our clients have access to an extensive family of equity and fixed income investment products from our asset management division, which broadened its capabilities by acquiring Phillips, Hager & North Investment Management Ltd. (PH&N) on May 1, 2008. The acquisition makes us the largest mutual fund company in Canada with a 16% market share and the largest private asset manager. The strength of this business is further reflected by \$8.8 billion in total mutual fund net sales in fiscal 2008.

RBC is the only bank in Canada to offer a suite of insurance solutions for both personal and business clients, and we are the Canadian market leader in creditor and travel insurance

and the second largest provider of living benefits products. Our product and distribution capabilities are also unique. RBC Insurance offers a broad range of life and health, and property and casualty products through proprietary channels (adjacent insurance branches and career sales forces) as well as through a variety of third-party channels (travel agents and life insurance brokers), allowing our clients the opportunity to create peace of mind by addressing all of their insurance needs.

As a leader in most aspects of the Canadian wholesale marketplace, we are the country's largest investment bank, and number one or two in many domestic rankings, including domestic debt capital markets and equity research. Importantly, a strong balance sheet and a respected brand name have enabled us to successfully export key competitive strengths into new markets.

Outside Canada, we have devoted significant management and financial resources to building our capabilities, our client base, and our brand.

Since 2001, we have thoughtfully grown our banking business in the southeastern U.S. market. Through measured organic growth and expansion through strategic acquisitions, we have created a network of nearly 440 branches in North Carolina, South Carolina, Virginia, Georgia, Alabama, and Florida.

Our U.S. banking business has been significantly affected by the ongoing stress in the U.S. housing market and the weakening U.S. economy. We have taken steps to address these issues, consistent with our commitment to prudent risk management practices. We exited our residential builder finance business outside our footprint and are actively managing the assets in that portfolio to reduce the impact of impaired loans over the long term. While we are aggressively monitoring and managing our retail and commercial loan portfolios, we are selectively growing our asset base by acquiring high-quality personal and business clients who are attracted to the quality of the RBC franchise. In addition, we are focused on leveraging the well-developed business and commercial

David I. McKay
Group Head, Canadian Banking

W. James Westlake
Group Head, International Banking
and Insurance



strategy in our U.S. banking business to develop an equally robust retail strategy to provide clients with an integrated experience and a full product suite to serve their business and retail needs.

We are keenly aware that improving our U.S. bank's earnings will be a long-term process, as we need to work through the residual weakness in the U.S. economy. We have done a great deal of work to create momentum for the next few years and, while there is no doubt that we face structural, credit and economic headwinds in the U.S. banking environment, we believe that we will be well-positioned when the environment improves.

Over the past year, we extended the reach of our wealth management services in the U.S. Our acquisition of Ferris, Baker Watts, Incorporated (FBW), significantly expanded our presence in key regions and added more than 300 financial consultants to our business. In addition, over the past year, we have attracted experienced financial consultants from our competitors to our U.S. wealth management business, a testament to both the quality of our business and to our growing reputation in the U.S. RBC now has more than 2,000 financial consultants serving clients in 41 states from 204 retail offices, making us the seventh-largest national investment advisory firm in the U.S. We also completed the conversion of our U.S. wealth management business to a single broker-dealer platform, along with our capital markets operations. As a result, our clients will have increased access to the global capabilities of RBC as well as to the broad product development capabilities of our capital markets business.

While economic events over the past year had a negative impact on some of our capital markets businesses in the U.S., many others were able to capitalize on opportunities created by the market environment, adding talent and resources that were drawn to the strength and stability of the RBC brand name. And while many of our competitors have been forced to downsize or significantly change their fundamental business models, the soundness of our U.S. capital markets business

has enabled us to aggressively reposition and redirect resources to take advantage of a broad range of opportunities that the evolving market has created. For example, businesses hurt by the market's recent instability, such as our structured products and securitization businesses, have been rationalized, while those that had new opportunities created by the turmoil, such as investment banking, fixed income and securities, have significantly upgraded their capabilities by recruiting experienced talent from competitor organizations.

We have not, however, changed our fundamental risk appetite or profile. Consistent with our emphasis on prudent risk management and maintaining our strong balance sheet, our capital markets business is focused on deploying capital in a manner that enhances and expands key client relationships, particularly at a time when we know clients are placing a premium on strong and stable banking relationships.

Closing our acquisition of RBTT Financial Group (RBTT) was the most significant development outside North America in 2008. Combined with our existing Caribbean banking business, the acquisition made RBC the second-largest banking group in the English-speaking Caribbean, with approximately 7,000 employees serving clients in 17 countries through 127 branches and business centres. The RBTT footprint was an excellent complement to our business and has provided us with immediately strong market positions in two new markets – Trinidad and Tobago, one of the strongest economies in the Caribbean, and Jamaica.

Our wealth management operations continued to expand outside North America by opening a new office in Chile and, with our capital markets operations, in India. Overall, the business continues to grow by recruiting experienced private banking professionals, aided by our reputation within the industry as a premier provider of wealth management services to clients around the world.

Our joint venture, RBC Dexia Investor Services (RBC Dexia IS), differentiates itself as a provider of international trust services



M. George Lewis
Group Head, Wealth Management

Barbara G. Stymiest
Chief Operating Officer

by providing superior customer service and global reach. In 2008, we were named number one overall global custodian by *Global Investor* for the fifth consecutive year. However, the real proof of success is that in current conditions, RBC Dexia IS has attracted new clients and gained more business from existing customers.

As Canada's only global investment bank, we continued to grow, generating approximately 50% of our revenue outside Canada as we executed a deliberate and disciplined international growth strategy. During the past year, we added a leveraged finance team in London to support our European investment banking business, and we expanded the U.K.-based infrastructure financing business into Continental Europe and Australia as well as the U.S. Finally, we continued to extend our global capabilities related to the energy and mining sectors, becoming a preferred provider of services in a very dynamic market.

2008 Performance against objectives

We established our 2008 objectives in November 2007 based on our economic and business outlooks for 2008 at that time. While we acknowledged that early 2008 would be challenging, with continued market volatility and slower economic growth, we did not anticipate these conditions to persist for the duration of the year nor for the impact to be as significant. During the year, we acknowledged that our progress towards certain objectives was impeded largely by market volatility and uncertainty – reflected in writedowns, higher provisions for credit losses in our U.S. banking business, and declining interest margins. As a result, except for our Tier 1 capital ratio, we did not meet the annual objectives we set at the beginning of this fiscal year. Our capital position remained strong throughout 2008 with our Tier 1 capital ratio above our target.

During the turbulent environment of the past year, the importance of our sound business approach and the benefits of our diversified business model helped sustain our share performance relative to our peers. We delivered top quartile

share performance of 8% and 12% in the medium-term periods of three and five years, respectively, while increasing dividends paid over the three-year period at an average annual compounded rate of 19%.

How we will measure ourselves in the future

We expect our operating environment in 2009 will continue to pose challenges that will demand our continued diligence in the management and allocation of our resources. Volatile financial market conditions will continue into 2009 as credit and liquidity concerns persist and global economies slow down. We believe that recent government measures such as interest rate cuts, financial market rescue packages and enhanced intra-bank lending guarantees will eventually work to improve market stability.

The Canadian economy likely slipped into a recession in the final quarter of 2008 and we forecast it will grow by only .3% in 2009 due to weaker domestic demand. While consumer spending is expected to slow, reflecting modest weakening in the labour and housing markets, the economic slowdown is expected to result in calmer inflationary pressures and more stable commodity prices. Meanwhile, we project the U.S. economy will have negative growth of 1% in 2009. We anticipate that deteriorating economic conditions and financial market volatility will continue to dampen both consumer and business spending and will likely cause the U.S. recession to deepen as negative economic growth persists over the remainder of 2008 and in early 2009. Growth in other global economies, particularly those in the Eurozone, will likely weaken further in 2009, as overseas economies continue to contract due to weaker domestic demand, financial market volatility and reduced demand for exports from major trading partners. Emerging economies, led by China, are expected to grow at a very moderate pace in 2009 given uncertainty in global financial markets and recessionary conditions in some industrialized countries.

A. Douglas McGregor
Chairman and Co-CEO, Capital Markets

Mark A. Standish
President and Co-CEO, Capital Markets



We anticipate that the medium term will see more cyclical and structural changes for the financial services industry, including higher funding costs, higher capital levels, the impact of the deleveraging of balance sheets and a move to above-average loan-loss levels from recent historic lows.

Because market and economic conditions introduce a high degree of uncertainty into the short-term planning horizon, we have created a set of medium-term performance objectives (shown on page 9) that we think better reflect realistic goals against the backdrop of near-term market turbulence. By concentrating on these medium-term objectives, our management team will focus on both current performance as well as on prudent investment in higher-return businesses that will provide us with competitive advantages and sustained and stable earnings growth for the future.

Our medium-term objective is to generate earnings per share growth of 7% or more. Our focus on cost management relative to revenue growth is underlined by a medium-term operating leverage objective of above 3% while striving for a return on equity target of 18% or more. We will keep a keen eye on our capital base, with our objective of maintaining a Tier 1 capital ratio of 8.5% or higher, well ahead of regulatory requirements and above our 2008 objective of 8%. Finally, our objective is to maintain a dividend payout ratio over the medium term of between 40% and 50%, the same as in 2008.

Helping our clients create a more confident future

During troubled times, strong, diversified and well-managed companies like RBC have an advantage over many others. Our momentum has been positive, but more importantly, we have been able to deliver solid earnings in a very difficult environment. We are encouraged by having our home market heralded by the World Economic Forum as the base of the soundest banking system world wide. And while we are

cautious and conservative about conditions over the near term, we are proud of our consistent financial strength, sound risk management policies and diversified business mix that have enabled us to provide confidence to our millions of clients and shareholders.

Outside Canada, we're working through the challenges and finding ways to invest capital, to hire top talent, to make acquisitions, and to continue to build on the strategies that we have pursued over the past several years. Across RBC, we have renewed our attention to cost management because we understand that our ability to control costs is critical to giving us the flexibility to overcome current challenges and support our future growth.

2008 was a difficult year, but I'm pleased to say our employees rose to its challenges. I am proud of all our professionals and our management team who have demonstrated they are unshaken by the uncertain conditions we have encountered and are undeterred by those that might lie ahead. More than ever, we understand that our clients need and value sound advice, and we will redouble our efforts to reach out to them to help them create a more confident future.

I sincerely want to thank all of our clients for their continued trust. And I want to thank our more than 80,000 professionals, whose hard work, integrity and dedication are responsible for our ongoing results.

A handwritten signature in dark ink, appearing to read 'Gordon M. Nixon'.

Gordon M. Nixon
President and Chief Executive Officer

2008 Performance review

The table below shows our 2008 performance compared to our objectives for the year.

	2008 Objectives	2008 Performance	
Diluted EPS growth	7%–10%	(19)%	
Defined operating leverage ⁽¹⁾	>3%	1.0%	
ROE	20%+	18.0%	
Tier 1 capital ratio ⁽²⁾	8%+	9.0%	
Dividend payout ratio	40%–50%	59.0%	
		3-year TSR	5-year TSR
Total shareholder return (TSR) ⁽³⁾	Top quartile	Top quartile	Top quartile

- (1) Our defined operating leverage is a non-GAAP measure and refers to the difference between our revenue growth rate (as adjusted) and non-interest expense growth rate (as adjusted). For further information, 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) under the new Basel II framework.
- (3) Calculated for period ended October 31, 2008, based on share price appreciation plus reinvested dividend income versus the TSR of seven Canadian financial institutions (Manulife Financial Corporation, Bank of Nova Scotia, The 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, Key Corp and Northern Trust Corporation).

The table below shows our medium-term objectives.

	Objectives
Diluted EPS growth	7%+
Defined operating leverage ⁽¹⁾	>3%
ROE	18%+
Tier 1 capital ratio ⁽²⁾	8.5%+
Dividend payout ratio	40%–50%

- (1) See note (1) above.
- (2) See note (2) above.

(C\$ millions, except percentage amounts)	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Total revenue	\$ 9,586	\$ 9,329	\$ 8,348	\$ 257	3%
Net income	2,662	2,545	2,124	117	5%
Average loans and acceptances (1)	225,000	199,200	179,000	25,800	13%
Average deposits	155,000	147,100	139,200	7,900	5%
Operating leverage	2.6%	6.5%	4.4%	n.m.	(390)bp

(1) Total assets, Total earning assets, and Loans and acceptances include average securitized residential mortgage and credit card loans for the year of \$22 billion and \$4 billion, respectively.

CANADIAN BANKING provides personal and business financial services in Canada. Through our leading national distribution network and the most valuable brand in Canada, we reach approximately 10 million clients through our extensive branch and ATM network, proprietary and specialized sales forces, online channels and contact centres.

2008 Revenue contribution



2008 Key performance highlights

- Net income was up \$117 million, or 5%, over last year, reflecting revenue growth and effective cost management efforts. Prior year results included a \$326 million (\$269 million after-tax) gain related to the Visa Inc. restructuring, partially offset by an increase to our credit card customer loyalty reward program liability of \$121 million (\$79 million after-tax).
- Total revenue increased \$257 million, or 3%, over the prior year, reflecting continued solid volume growth across all businesses, partially offset by margin compression. The growth was achieved well within our risk-reward parameters. The prior year included the gain related to the Visa Inc. restructuring and the points liability cost as noted above.
- Our loan book increased by 13% as a result of strong growth in the home equity business and the launch of new credit card offerings.
- We grew our deposit base by 5% through the introduction of new personal and business products that included U.S. dollar eSavings accounts and two new high-yield investment solutions for business clients.

Business achievements in 2008

- We expanded our reach to clients by growing our mobile and specialized sales forces, adding new bank branches and ATMs and increasing the number of bank branches that are open extended hours, including Saturdays, particularly in high-growth markets.
- Clients have greater access to more customized and enhanced financial planning and advice tools with Your Future by Design®, a unique approach to client advice. We also continued to develop and provide clients with interactive online planning resources, such as Credit Solutions Selector, Mortgage Calculator, Business Solutions Selector, and Cash Flow tools.
- We have deepened client relationships and rewarded clients for their loyalty with further developments to our multi-product rebates and new, innovative products including a line-up of Canadian and U.S. dollar high-interest savings accounts; the new Visa Infinite card, providing exclusive benefits and privileges to cardholders; security-enhanced, chip-enabled credit cards; and eStatements and preferred commission pricing for our Direct Investing clients.

- With the launch of our Language Line interpreter service, our clients can now do business with our contact centre agents in over 150 languages.
- With the acquisition of ABN AMRO N.V.'s Canadian commercial leasing division, we extended our leadership position as the largest bank-owned commercial leasing business in Canada, as measured by assets.
- We made it easier for our business clients when we launched the Global Banking for Business program to provide a single point of contact for small and commercial business clients in all major international trading regions.
- We continued to be recognized for our efforts to improve our client service. In 2008 we were named:
 - A leader among the Big Five Banks in Branch Service and Financial Advice (Synovate Best Banking Awards: The Synovate Customer Service Index (CSI) 2008 – Personal Banking)
 - The number one domestic Private Bank in Canada (Euromoney 2008 Private Banking Survey)
 - Best in overall service: RBC Direct Investing (Dalbar 2007 Direct Brokerage Service Award)
 - The number one bank chosen by most commercial clients* in Canada, with almost three in 10 Canadian commercial businesses dealing with RBC, and strong year over year gains in client loyalty (Maritz Industry Survey, 2008)

* Businesses with sales revenue of \$1 million or above.

2009 and beyond

- We will focus on continuing to make it easier for clients to do business with RBC through great products, services, improved processes and increased accessibility.
- We will continue to focus on delivering a superior client experience.
- We will strive to deliver insightful, relevant financial advice and solutions to retain and attract clients to RBC in specific markets, geographies and life stages.
- We will focus on aligning our infrastructure, products and services, sales and retail capabilities to drive future growth, efficiencies and client value.

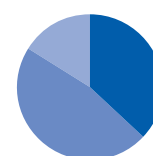
(C\$ millions, except percentage amounts)

	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Total revenue	\$ 3,987	\$ 3,992	\$ 3,487	\$ (5)	0%
Net income	665	762	604	(97)	(13)%
Assets under administration	495,100	488,500	476,500	6,600	1%
Assets under management	222,600	161,200	142,800	61,400	38%

Wealth Management

WEALTH MANAGEMENT businesses serve affluent and high net worth clients around the world and provide asset management and estate and trust services directly to clients and through internal partners and third-party distributors. This segment comprises Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management. We are a market leader in Canadian wealth and asset management, and we have strong and growing businesses in the U.S. and internationally. With more than 4,000 financial consultants, advisors, private bankers and trust officers in 24 countries, we help clients grow, protect and transfer their wealth.

2008 Revenue contribution



Canadian Wealth Management	37%
U.S. & International Wealth Management	47%
Global Asset Management	16%

2008 Key performance highlights

- Net income decreased \$97 million, or 13%, from last year primarily due to lower transaction activity amid continued uncertainty in global financial markets and the combined impact of the items related to the Reserve Primary Fund and auction rate securities (described in the Wealth Management section of the MD&A).
- Total revenue was relatively flat to last year. Lower transaction volumes, a decline in the fair value of certain securities held to economically hedge our stock-based compensation plan, and the unfavourable impact of the stronger Canadian dollar were mostly offset by recent acquisitions and solid growth in fee-based client assets for most of the year.
- Assets under management increased \$61 billion, or 38%, from last year, reflecting the acquisition of PH&N and strong net mutual fund sales for most of the year.
- Assets under administration increased \$7 billion, or 1%, from last year, reflecting the favourable impact of the stronger U.S. dollar on the translation of our U.S. dollar-denominated assets under administration, as at October 31, 2008. Assets under administration also increased, reflecting the acquisition of FBW, partially offset by lower client assets due to uncertainty in global financial markets.

Business achievements in 2008

- RBC's strength and stability, combined with the attractiveness of our Wealth Management platform and the acquisitions made by our businesses, have enabled us to grow to more than 4,000 client-facing advisors.
- In acquiring PH&N, we established ourselves as the leading provider of retail, high net worth, and institutional asset management services, and became one of the top pension plan managers in Canada, as measured by assets under management.
- We are now the largest fund company in Canada with 16% market share, leading the industry with \$8.8 billion in total mutual fund net sales in fiscal 2008.
- Adding the PH&N private client team to our existing capability also made us one of the largest private investment counselling firms in Canada, with market strengths coast to coast.
- We continued to offer our clients a full range of investment advice and planning services, supported by a team of experts

in financial and retirement planning, tax, law, and trusts and estates. Access to this specialized wealth management services team in Canada is one reason our investment advisors gave us top marks in a satisfaction survey of bank-owned, regional and national independent investment dealers (*Investment Executive* 2008 Brokerage Report Card).

- U.S. clients gained access to the global capabilities of RBC when we converted to a single U.S. broker-dealer platform with Capital Markets. Acquiring FBW significantly expanded our presence in key U.S. regions and added more than 300 financial consultants. We now operate 204 retail branches in 41 states.
- We opened a new office with Capital Markets in Mumbai, India, while our new office in Santiago, Chile, broadened our presence in Latin America.
- We were named the top provider of trust services in the U.K., and the highest-ranked Canadian firm in Latin America (*Euromoney*).
- Our asset management business continued to deliver strong investment performance, while keeping management expense ratios below the median and offering pricing options that provide clients with transparency and choice in seeking advice.
- We were named Best Overall Fund Group in Canada and, as a result of the PH&N acquisition, Best Bond Fund Family in Canada, both for the second consecutive year (Lipper Inc.).

2009 and beyond

- We will continue working to extend our lead in the Canadian wealth and asset management markets, with client-focused products, services and strategies.
- We plan to improve operating performance and to expand U.S. Wealth Management through organic growth and bolt-on acquisitions.
- We plan to expand our high net worth International Wealth Management business through organic growth and bolt-on acquisitions.
- We plan to expand asset management globally by leveraging our capabilities in the institutional market and in the individual market through sub-advisory and alliance opportunities.
- We will work hard to continue attracting and retaining experienced advisors, private bankers and other professionals across all our businesses.

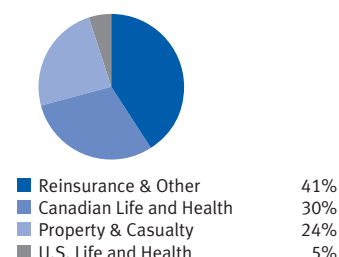
Insurance

(C\$ millions, except percentage amounts)	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Total revenue	\$ 2,610	\$ 3,192	\$ 3,348	\$ (582)	(18)%
Net income	389	442	302	(53)	(12)%
Premiums and deposits (1)	3,861	3,460	3,406	401	12%

(1) Premiums and deposits include premiums on risk-based insurance and annuity products, and deposits on individual and group segregated fund deposits, consistent with insurance industry practices.

We provide Canadians with improved access to INSURANCE choices through a wide range of insurance solutions including life, health, travel, home, auto, and creditor insurance services to individual and business clients. These products are distributed through third-party channels including independent life insurance advisors and travel agents as well as through our growing proprietary channels such as retail insurance branches, bank branches, call centres, online, and our career sales force. In the U.S., we offer life insurance, annuity products and travel insurance. Outside North America, we operate a specialty reinsurance business.

2008 Revenue contribution



2008 Key performance highlights

- Net income was down 12%, or \$53 million, over last year, mainly due to \$110 million (\$80 million after taxes) of investment losses on disposals and impairments, as well as impacts from equity market movements. This was partially offset by favourable actuarial adjustments and solid growth in our reinsurance and Canadian businesses. Our prior year included a \$40 million (before- and after-tax) gain related to the reallocation of certain foreign investment capital which had supported our property catastrophe reinsurance business, exited in 2007. This decline was partially offset by higher net actuarial adjustments reflecting management actions and assumption changes and solid growth in our reinsurance and Canadian businesses.
- Revenue decreased 18%, or \$582 million, over last year mainly due to the change in fair value of investments backing our life and health policyholder liabilities, largely offset in policyholder benefits, claims and acquisition expense. The decrease, which also reflects lower U.S. annuity sales as well as investment losses on disposals and impairments, as well as impacts from equity market movements was partially offset by growth in our reinsurance and Canadian businesses.
- Premiums and deposits grew \$401 million, or 12%, from a year ago, largely reflecting new sales growth, a U.K. annuity reinsurance arrangement and continued strong client retention.

Business achievements in 2008

- We expanded our retail insurance network in Canada to 35 branches in 2008, from 21 branches in 2007, giving our clients more convenient access to insurance services and advice. *Advisor's Edge*, a trade publication, recognized the impact of our retail insurance presence, naming the development of our insurance branch network as one of the most significant events in financial services over the last 10 years.
- We expanded our insurance offering in a number of ways to support large and small Canadian businesses, including reaching an agreement with Aon Reed Stenhouse Inc. (Aon) to provide commercial property and casualty and trade credit insurance solutions to business owners. This agreement with Aon, combined with our existing products and services, will enable us to provide large and small Canadian businesses with innovative advice and effective solutions tailored to meet their insurance needs.

- We continued to make it easier for Canadian clients to do business with us by offering a simplified life insurance product for the mass market and improving our online travel insurance offerings.
- RBC was recognized for our Wireless Road Advisor project at the 21st annual *CIO* 100 Awards program as an innovative organization that uses IT to create business value. This system enables mobile claims adjusters to use their laptops to access claims information over a wireless network to help clients with the claims process.
- We were the first Canadian-owned travel insurance provider to sign on with InRoomMD, a healthcare concierge program providing in-room hotel visits 24 hours a day, seven days a week, whenever possible, saving travellers the inconvenience of having to search for medical assistance while visiting the U.S.
- Through our Canadian Banking operations, we also became the first major Canadian bank to launch a disability insurance option under our Business Loan Insurance Plan which assists business owners by covering insured business loan and mortgage payments.

2009 and beyond

- We will focus on providing superior insurance solutions for our clients through new and existing distribution channels.
- We will enhance the client experience by providing customers with a comprehensive suite of RBC products and services based on their needs.
- The Lean Six Sigma methodology will be applied to process reviews of various groups – including health claims management, new product development, and new application processing – with a focus on immediate enhancements but also effecting a cycle of continuous improvement.
- We will focus on growing internationally through our reinsurance operations by executing on transactions that fit within RBC's overall risk framework.
- We will work to leverage our expanded retail banking presence in the U.S. and Caribbean to grow non-Canadian insurance revenue, providing clients with an integrated experience and RBC product suite to serve their business needs.

(C\$ millions, except percentage amounts)	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Total revenue	\$ 2,101	\$ 1,915	\$ 1,628	\$ 186	10%
Net income	(153)	242	261	(395)	(163)%
Average loans and acceptances	27,000	22,300	18,500	4,700	21%
Average deposits	42,500	34,200	28,700	8,300	24%
Assets under administration – RBC (1)	11,200			11,200	n.m.
– RBC Dexia IS (2)	2,585,000	2,713,100	2,421,100	(128,100)	(5)%
Assets under management – RBC (3)	3,900			3,900	n.m.

(1) AUA – RBC represents the AUA for RBTT as at September 30.

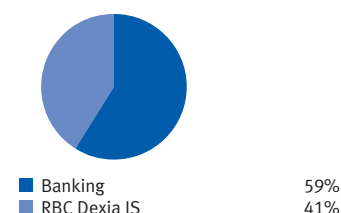
(2) RBC Dexia Investor Services represents the total assets under administration as at September 30 of the joint venture established January 2, 2006, of which we have a 50% ownership interest.

(3) AUM – RBC represents the AUM for RBTT as at September 30.

International Banking

INTERNATIONAL BANKING includes RBC's banking businesses in the U.S. and Caribbean, as well as global custody and investor services.

2008 Revenue contribution



Our U.S. banking operations offer a wide range of financial services and advice, including a complete line of banking services to individuals, businesses and public institutions throughout the southeastern U.S. Our network includes 439 full-service banking centres, an extensive ATM network, and telephone and online banking. We are now among the top five deposit holders in North Carolina and rank seventh overall as measured by deposits in our six-state southeastern banking footprint (North Carolina, South Carolina, Virginia, Georgia, Alabama and Florida).

In the Caribbean, we have one of the most extensive banking networks, with operations in 17 countries and territories. We provide banking solutions to individuals and businesses throughout our network of 127 branches.

Our U.S. and Caribbean banking business includes our cards operations, which provide a wide range of solutions for personal, business and merchant clients in more than 18 countries.

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

2008 Key performance highlights

- Net loss of \$153 million compares to net income of \$242 million a year ago. This was mainly attributable to a higher provision for credit losses, and writedowns and losses on our investment portfolios.
- Total revenue increased \$186 million, or 10%, from last year, due primarily to loan and deposit growth from our Alabama National Bancorporation (ANB) and RBTT acquisitions.
- Average loans and acceptances and deposits grew 21% and 24%, respectively, due largely to our ANB and RBTT acquisitions.
- Assets under administration through RBC Dexia IS decreased to \$2.585 trillion, or a 5% decrease from 2007 as a result of the capital depreciation on client assets.

Business achievements in 2008

- Following the integration of our acquisition of RBTT, our clients have access to one of the most extensive banking networks in the Caribbean. Our Caribbean operations as of October 31, 2008, have more than US\$22 billion in assets, 127 branches, with approximately 7,000 employees serving more than 1.6 million clients.

- In the U.S., we successfully integrated our acquisition of ANB by retaining client-facing employees and leveraging their local market expertise with technology and management resources to improve the client experience. The acquisition added more than 100 banking locations to our branch network. Our U.S. banking operations, which were ranked 40th largest in the U.S. by assets (as of June 30, 2008), serve approximately one million clients in six southeastern states.
- In 2008, RBC Dexia IS was distinguished in several important industry rankings: number one global custodian for a record fifth consecutive year (*Global Investor*, 2004–2008), number one provider of global custody services in Canada, Europe and U.K. (R&M Consultants, 2008), transfer agent of the year (*ICFA*, 2008) and global custody client relationship manager of the year (*ICFA*, 2008).

2009 and beyond

- In the U.S., we will refine our operating model to improve efficiencies and enhance our competitiveness in our southeastern footprint while remaining consistent with our risk management discipline.
- We will focus on building our U.S. banking business and commercial strategy to develop a robust retail strategy that provides our clients with an integrated experience and a full product suite to serve their needs.
- We will focus on integrating RBTT's infrastructure, technology, products and services to provide a common platform for growth and expansion in the Caribbean.
- We will focus on leveraging the strength of RBC and RBTT's combined operations and infrastructure to pursue opportunities in high-growth markets such as the Spanish Caribbean and Central and South America.
- 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.
- We will work to leverage our size, scale and expertise in Canada to significantly grow our international credit card business.

Capital Markets

(C\$ millions, except percentage amounts)	2008	2007	2006	2008 vs. 2007 Increase (decrease)	
Total revenue (1)	\$ 3,935	\$ 4,389	\$ 4,136	\$ (454)	(10)%
Net income	1,170	1,292	1,355	(122)	(9)%
Trading revenue (1)	967	2,929	2,143	(1,962)	(67)%
Average assets	340,300	311,200	260,600	29,100	9%

(1) Taxable equivalent basis.

Our diverse CAPITAL MARKETS businesses provide corporate, government, and institutional advice, capital, and 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 and are recognized as a top 15 global investment bank. Notable areas of strength include global fixed income distribution capabilities, structuring and trading, and foreign exchange. In addition, we continue to build our global capabilities in energy, mining and infrastructure finance.

2008 Revenue contribution



2008 Key performance highlights

- 2008 financial performance in Capital Markets was significantly impacted by writedowns resulting from the challenging market environment. These writedowns reduced revenue by \$2,091 million compared to \$393 million last year and reduced net income by \$920 million after-tax and related compensation adjustments as compared to \$173 million last year.
- Many of our Capital Markets businesses continued to perform well, despite the challenging environment, including certain fixed income and foreign exchange trading businesses along with our U.S. cash equities and lending businesses.
- Notwithstanding the market environment, our diversified platform and strong risk management allowed us to generate ROE of 20.5%, down from 26.6% last year.
- Average assets were up \$29 billion, or 9%, primarily due to an increase in derivative assets, largely reflecting increased market volatility and an increase in loan assets due to growth in corporate lending activities.

Business achievements in 2008

- We continued to be Canada's leading global investment bank, as reflected by the following noteworthy recognitions:
 - Dealmaker of the Year in Canada for five of the past six years (*Financial Post*)
 - Global ranking of 12th in the *Bloomberg 20* (2007)
 - Number one ranking in Canadian M&A, equity underwriting and corporate debt financing (*Bloomberg*, 2007)
 - Global Bond Arranger of the Year (*Project Finance* magazine, 2007), recognizing our strength in infrastructure finance and our global bond platform
 - Best Investment Bank in Canada (*Euromoney*)
 - Our research team was recognized for its ability to provide investment research on a North American and, increasingly, on a global level
 - Global ranking of 12th in the World's Best Stock Pickers awards (*Bloomberg*)
 - Number one (tied) in the StarMine Analyst Awards (*Financial Post*)

- We strengthened our market share in our U.S./global equity capital markets businesses, ranking 12th and 19th according to Dealogic (U.S.) and Bloomberg (global), respectively.
- We launched global capabilities for greenhouse gas emission trading, acting as a market-making provider, taking principal risk, providing pricing liquidity and facilitating hedging for clients on exchanges in Canada, the U.S. and Europe.

2009 and beyond

- We will strive to remain the Canadian wholesale client's first choice for financial products and services.
- In the U.S., we will build on the solid performance of our investment banking and equity sales and trading businesses to strengthen relationships with our clients and expand our market share.
- Further extend our U.K. infrastructure finance and project advisory capabilities in the European, U.S. and Canadian markets. We will further enhance our municipal banking business and expand our leveraged finance capabilities to grow our European client base.
- We will continue to build out our capabilities and infrastructure to support our global energy and mining businesses, expand our commodities franchise and enhance our electronic trading platforms. In addition, we will focus on expanding our leveraged finance capabilities to grow our European client base.
- We will focus on making further investments in our debt capital markets businesses within our Asian and New York-based emerging markets distribution platforms to deliver fixed income and structured products to high net worth and institutional clients.

CORPORATE SUPPORT comprises Global Technology and Operations (GTO) and Global Functions. Together, these teams contribute to achieving enterprise and business objectives by enabling the strategies of each business platform, and by driving innovative process and technology improvements, enhancing client service, executing against RBC's risk and compliance objectives, and ensuring the safety and soundness of our organization.

For financial highlights related to Corporate Support, please see page 74 of the MD&A.

GTO provides the processes and technology for a secure, flexible, reliable and convenient client experience. We develop and manage the essential information technology and operations foundation, the processing and fulfillment support, as well as the contact centre-delivered customer sales and service that support our diverse business activities.

Global Functions provides value-added services and advice to support business growth as well as the critical controls, systems and expertise necessary to meet regulatory and financial reporting, balance sheet management and corporate funding requirements. Global Functions also provides leadership related to the management of critical enterprise assets, including our people, corporate reputation, capital base, debt ratings, and enterprise strategy.

Business achievements in 2008

- In a year of extreme turbulence in the world's financial markets, RBC continued to be a source of stability and strength for our clients. Our enterprise risk management framework underpins our strength and stability and is at the core of our continued success under extremely adverse business conditions. We are disciplined and proactive in managing our risk profile within our risk appetite.
- Our treasury management team has skillfully and successfully maintained our liquidity position and accessed funding at relatively attractive rates from sources around the world in an environment where other financial institutions have struggled to access debt and capital.
- We safely and securely completed more than 300 million ATM transactions, 118 million client calls, 140 million online banking transactions, 600 million point-of-sale transactions and 230 million equity transactions on behalf of our clients.
- We were the Private Sector Winner of the Conference Board of Canada/Spencer Stuart 2008 National Awards in Governance in recognition of innovation in performance management for creating a framework that facilitates the more accurate and timely assessment of the implementation of strategic initiatives.
- The Canadian Institute of Chartered Accountants presented RBC for the second consecutive year with the Award of Excellence for Corporate Reporting in Financial Services, giving us the highest average ranking among Canadian financial industry competitors

for our financial reporting, corporate governance disclosure, electronic disclosure and sustainable development reporting.

- We achieved Best Overall Score in the Forrester Research, Inc. 2008 Canadian Bank Secure Web Site Rankings.
- *IR Magazine* presented RBC with the 2008 Best Retail Investor Communications Award.
- RBC was once again included in two Dow Jones Sustainability indices for 2009 (the World Index and the North American Index).
- RBC was declared one of Canada's 10 Most Admired Corporate Cultures of 2008 (Waterstone Human Capital).

The following rankings recognized the strength of the RBC brand in 2008:

- Canada's Top 50 Brands published in *Canadian Business* magazine gave the RBC brand top place with an A+ rating
- BrandZ Top 100 Most Powerful Brands made RBC the first Canadian company to be named to its global list.

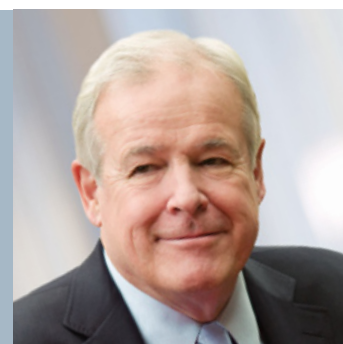
2009 and beyond

- Our Corporate Support teams will continue to strive to effectively and efficiently deliver value-added services and advice necessary to support the achievement of our strategic and performance goals.
- GTO will work in alignment with the strategic priorities of our businesses to make it easier for clients to do business with us, while enhancing client services, contributing to our risk and compliance objectives, and ensuring the safety and soundness of our infrastructure.
- Global Functions will contribute to RBC's financial performance by working to maintain a strong balance sheet, sound credit quality and capital ratios; effectively managing our tax position; and implementing cost-saving initiatives, while improving the alignment of business strategies and risk exposures.
- Global Functions will support business growth by executing strategies to attract, retain and motivate talented employees; by maintaining strong risk, governance and compliance regimes; and by promoting a relevant and customer-centric brand strategy, a clear and compelling enterprise strategy, and solid relationships with investors, credit rating agencies, regulators and other stakeholders.

Chairman's message

"The Board of Directors has been actively engaged in reviewing RBC's risk profile, while overseeing management's progress throughout the year in implementing business strategies in the face of a rapidly changing marketplace."

– David P. O'Brien



In the difficult market conditions of 2008, the board's role in overseeing management of the principal risks of RBC's businesses took on added significance. The Board of Directors has been actively engaged in reviewing RBC's risk profile, while overseeing management's progress throughout the year in implementing business strategies in the face of a rapidly changing marketplace. In doing so, we have brought our collective business experience to bear in assessing whether management's plans and activities are prudent and focused on generating shareholder value and achieving success in the short, medium and long term within an effective risk control environment. During 2008, we regularly measured corporate performance against objectives, approving significant capital expenditures and major transactions that were in alignment with the strategic plan approved by the board. Balanced by our careful oversight of policies, processes and systems that are designed to support prudent management of risks, we provided forward-looking advice to management concerning several strategic initiatives, including the significant expansion of RBC's presence in Canada and internationally. In particular, the board played an important role in advising management on major acquisitions that further built RBC's business in Canada (PH&N), the U.S. (ANB and FBW) and the Caribbean (RBTT).

To maximize our contribution, the Board of Directors is committed to adapting best practices in governance to the needs of the organization. This year we are the private sector winner of the National Award in Governance, conferred by The Conference Board of Canada and Spencer Stuart. While our governance practices, policies and processes have received recognition in the past, this latest award is especially meaningful. It recognizes the creation of a performance management framework aimed at enhancing the flow and quality of information to management and the Board of Directors. The availability of more timely, accurate and actionable information facilitates insightful analysis by directors and promotes constructive debate, both within the board and between the board and management.

This innovation reflects RBC's continuous improvement of its progressive governance processes. This approach to corporate governance supports us in our role as stewards of the organization, safeguarding the interests of shareholders by exercising independent supervision, while acting as key advisors to management in pursuit of a shared goal: enhancing long-term shareholder value.

Harnessing the energies and talents of strong individuals into a dynamic team is among my duties as non-executive Chairman. My goal is to provide leadership to enable the Board of Directors to continue to add value to RBC's performance. This involves instilling a common vision, maintaining high standards of board independence and overseeing processes of board assessment and peer review to optimize the board's effectiveness in fulfilling its mandate. Another priority is our continuing education program which equips directors to provide current and knowledgeable guidance to management in a rapidly evolving regulatory and business environment. Over the past year, the board received presentations dealing with such matters as methodologies used in assessing and controlling risk, the implications of the Basel II Capital Accord, financial institution disclosure practices, and implementation of International Financial Reporting Standards.

The ability of board members to contribute from a diversity of thought and business experience enhances the value we bring to the organization. Acting through our Corporate Governance and Public Policy Committee, the board places considerable importance on the process of selecting director candidates, weighing the existing strengths of the board against the evolving needs of the organization. We seek highly capable and independent individuals with a grasp of strategic management, who have been actively engaged in business leadership and have demonstrated high personal standards of behaviour and values. In 2008 we were pleased to welcome our newest director, Edward Sonshine, Q.C., president and chief executive officer of RioCan Real Estate Investment Trust, whose experience adds an important dimension to the board.

In a challenging year for the financial services industry, Royal Bank of Canada maintained its momentum and continued to build on past successes. Your Board of Directors is proud to be actively engaged in the organization's achievements. On behalf of the board, I would like to extend appreciation to management and employees around the world for their contributions to the success of the organization. While continuing to operate in a challenging environment, the Board of Directors, management and employees remain focused on serving RBC's clients and creating value for shareholders.

A handwritten signature in dark ink, appearing to read "David P. O'Brien".

David P. O'Brien
Chairman of the Board

Beyond compliance

RBC's Board of Directors has long been proactive in adopting progressive governance practices and policies. Our dynamic 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.

Corporate governance

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 comply with regulations and 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 such as RBC.

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 endeavours to anticipate 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
- Our comprehensive Director Independence Policy has continued to evolve in response to best practices and regulatory refinements. Fourteen of the 15 directors currently serving are independent
- Meetings of independent directors are held following each regularly scheduled board meeting
- A minimum share ownership requirement of \$500,000 for directors, ensuring strong 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 CEO must have shareholdings worth at least eight times the last three years' average base salary. This

requirement extends for two years into retirement. The standard for other members of the 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. These requirements extend for one year into retirement

- 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
- Reduced the number of stock option grants awarded to management by approximately 70% since 2003.

In addition:

- 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 apply to members, four individuals have been designated as Audit Committee financial experts, and a policy limiting the service of our Audit Committee members on the audit committees of other companies was adopted in 2004
- 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.

2008 Annual Meeting

Shareholders are invited to attend our Annual Meeting at 9 a.m. (Pacific time) on Thursday, February 26, 2009, at the Vancouver Convention & Exhibition Centre, Parkview Terrace, 999 Canada Place, Vancouver, B.C.

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 CEO in 2001
- Establishing board and director evaluation procedures, with written peer reviews to complement the peer assessment practice of one-on-one interviews with the Chairman. In addition, each board committee assesses its own effectiveness annually
- 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 a continuous education program for 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

- Easy-to-read, three-year 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
- Description of how the President and CEO's compensation aligns with corporate performance
- Details of comparator companies used for benchmarking of both corporate performance and executive pay
- Increased disclosure regarding executive pensions and the 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:

- Our Statement of Corporate Governance Practices
- 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 foreign private issuer
- Our Corporate Responsibility Report and Public Accountability Statement.

At RBC, we believe our duty is to operate our business with ethics and 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.

Corporate
responsibility



Corporate responsibility priorities

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
- Create employment

Marketplace

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

Workplace

- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Enable growth through training and development opportunities
- Respect diversity and promote inclusion

Environment

- Reduce intensity of our operational footprint
- Lend responsibly
- Leverage green business opportunities

Community

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

Vision

RBC is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility, the RBC Blueprint for Doing Better™. Our goals are to demonstrate integrity in our business practices and provide leadership in the workplace and the marketplace. Two of our key focus areas are diversity and the environment, which weave through all of our businesses. We are committed to being a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

Structure

At RBC, our whole company, every employee, is responsible for behaving responsibly, as outlined in our Code of Conduct, which reads:

"It is our duty as a corporate citizen to add value to society while earning a profit for our shareholders. RBC companies take responsibility for the effects of their actions, both social and economic."

In 2008, in order to respond to increased expectations for integrated programs and reporting, RBC created a new Corporate Citizenship group, encompassing Corporate Responsibility, Corporate Environmental Affairs and Donations.

Reporting

RBC has adopted a multi-pronged approach to reporting our corporate responsibility practices, sometimes called non-financial or sustainability reporting. We follow the guidelines suggested by the Global Reporting Initiative and undertake a range of reporting activities geared to various stakeholder groups, with our website being our primary reporting medium. Our annual Corporate Responsibility Report and Public Accountability Statement is provided online at rbc.com.

Recognition

In 2008, RBC was privileged to receive a number of global awards and honours for our corporate responsibility efforts and performance:

- For the ninth consecutive year, RBC was named to the Dow Jones Sustainability World Index, an annual review that recognizes the world's financial, social and environmental corporate leaders.
- RBC is included on the Jantzi Social Index and for the last seven consecutive years, has been included on the FTSE4Good Index.
- For the fourth consecutive year, RBC was named one of the world's top 100 sustainable companies, according to the Global 100 ranking unveiled at the World Economic Forum in Davos, Switzerland.
- RBC was included on the 2008 Best 50 Corporate Citizens in Canada ranking, according to *Corporate Knights* magazine.

For more information, visit rbc.com/responsibility/approach

Ethics and business integrity

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.

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, conflicts of interest and gifts and entertainment. Policies and controls are reviewed regularly to ensure continued effectiveness and alignment with relevant laws and regulations.

Anti-money laundering

RBC is strongly committed to preventing the use of our financial services for money laundering or terrorist financing purposes. Annually, every RBC employee worldwide, regardless of his or her role in the organization, takes an anti-money laundering/anti-terrorism financing course and exam. The course is tailored for each business, function and geography with material specific to the laws of 48 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.

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 2008 to clarify provisions regarding use of company-provided Internet access, sharing of information with third parties and contacts for reporting irregularities. All employees are required to take a web-based learning program and test or follow an alternative process approved by our Human Resources Group, so that they know and understand the code's principles and compliance elements. Employees must review the code and acknowledge adherence to it when they join RBC and at least once every two years thereafter. The company's most senior officers and select others must complete the program annually.

Crisis management

RBC uses a best-in-class Business Continuity Management program to ensure that our businesses are adequately prepared to deal with any disruption of service to 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 for, and timeliness of responses to emergency situations.

The RBC Business Emergency Information Line is our link to employees, providing 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 employees around the world have the duty to report suspected breaches of our Code of Conduct, other irregularities and dishonesty. We have long-established processes that enable employees to do so, and our Code of Conduct protects employees from retaliation for any report made in good faith.

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

For more information, visit rbc.com/responsibility/governance

Economic impact

Priorities

- 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
- Create employment

2008 Highlights

- Delivered top-quartile share performance of 8% and 12% over three- and five-year periods, respectively, while increasing dividends paid over the three-year period at an average annual compound rate of 19%
- Incurred taxes of \$2.08 billion worldwide
- Served more than half a million small business clients in Canada, the U.S. and the Caribbean
- Purchased goods and services totalling \$4.7 billion from international, national, regional and local suppliers of all sizes

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.

Economic development

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

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

Promoting self-sufficiency and growth

We help stimulate economic growth by investing in programs that enable economic development with a social purpose. For instance, in Canada, we support:

- The Neil Squire Society's Employ Ability Program which assists physically disabled adults in Canada seeking employable skills, education and confidence
- The Winnipeg Salvation Army's Work Readiness Program which helps income assistance recipients find a job and become self-sufficient
- Miziwe Biik, which is committed to improving the socio-economic status of the Greater Toronto Area Aboriginal population through access to training, employment opportunities, business development services, and employment counselling
- Youth Employment Services, a leading Canadian youth organization that provides innovative programs empowering disadvantaged and vulnerable youth to become self-sufficient, contributing members of society.

In the U.S., RBC Bank provides millions of dollars in financing for community development projects, benefiting low- and moderate-income populations. Projects include low-income rental and ownership housing developments, as well as affordable housing for the elderly and people with disabilities.

Partnerships

RBC also promotes economic growth through industry partnerships. For example, we support the Greater Halifax Partnership which brings together over 150 private sector companies, three levels of government and skilled business professionals dedicated to engaging the community in the growth of Greater Halifax's economy.

Innovation

RBC takes a leadership role in supporting innovation and the commercialization of research. In May 2008, we joined Research in Motion Limited and Thomson Reuters to launch BlackBerry Partners Fund, a US\$150 million venture capital fund, to invest in mobile applications and services for the BlackBerry platform and other mobile platforms.

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.

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

Workplace

Priorities

- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Enable growth through training and development opportunities
- Respect diversity and promote inclusion

2008 Highlights

- Provided employment to more than 80,000 people worldwide
- Paid \$7.8 billion in compensation and benefits
- Invested \$149 million in formal training and development initiatives to complement extensive on-the-job learning

The talented and highly motivated people who make up our workforce are key to 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.

A culture of employee engagement

As our business and workforce grow and become more diverse, it's important that we continue fostering a strong sense of how we succeed together. We do this by making it easy for employees to understand the roles they play in fulfilling RBC's strategies, helping employees grow personally and professionally, and being committed to employee engagement.

We recognize that well-informed employees are more likely to align their actions with company goals. Employees have many opportunities to learn and ask questions about company goals, strategies and progress through meetings with senior management, regular formal communications and our extensive intranet.

We have a long history of listening and responding to our employees, and we regularly seek feedback and comments. We have been conducting employee opinion surveys since 1981. In 2008, we gathered employee input on our progress in key areas including career development, performance enablement, employee engagement and workplace culture. By understanding employees' views, RBC can take action to address their needs and the company's priorities. This results in high levels of employee engagement and a strong commitment to clients.

Diversity and inclusion

RBC is a leader in valuing diversity. Our strength comes from a combination of what we have in common, like shared values and purpose, and what makes us different, like experiences and perspectives. By bringing together those similarities and differences, we are able to break new ground and better serve our clients and communities.

We believe in creating an inclusive environment for our employees, where they can feel valued, respected and supported – a place where employees can develop their own unique abilities and

realize their aspirations. We also lead by stimulating public discussion on diversity issues through sponsoring research studies and awards that draw attention to diversity issues.

Our annual Diversity Progress Report is available at rbc.com/careers/diversity.

Competitive compensation and total rewards

At the heart of an engaged workforce is a flexible, competitive and meaningful Total Rewards program. Our program is based on an understanding of what employees value. It recognizes that flexibility and choice are the best response to meeting our employees' diverse needs. Our comprehensive approach rewards people for their skills and contributions by offering employees competitive compensation, benefits and a positive work environment.

Employee savings and share ownership programs are also a part of our Total Rewards program. In Canada, over 70% of employees are shareholders through these programs, which help align employee, investor and company objectives.

Growth through training and development

Employees expect ongoing career and learning opportunities to be a part of their Total Rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Experience is often the best teacher, and experience-based learning in the form of work assignments, projects and one-on-one coaching is central to growth at RBC. Employees also have access to the training resources they need to learn and grow through our many online learning and classroom training opportunities.

For more information, visit rbc.com/responsibility/workplace

Marketplace

Priorities

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

2008 Highlights

- Added more green banking options and socially responsible investment products
- Expanded line-up of banking products and services designed for newcomers to Canada
- Enhanced customer and employee awareness of privacy and information security

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.

Product responsibility

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 2008, we continued to offer options for our environmentally conscious clients including incentives to switch off paper statements, have a home energy audit, buy a lower-emission car, and switch to green power.

Socially responsible investing (SRI)

As investors continue to express an interest in SRI, RBC has reinforced its commitment to offering products that incorporate environmental, social and governance criteria in the investment process. In 2008, we expanded our SRI options through the acquisition of PH&N, which manages the PH&N Community Values Funds. Through Voyageur Asset Management Inc., we also acquired certain assets of Boston-based Access Capital Strategies, LLC (Access Capital). Access Capital invests in debt securities that support community development serving low- and moderate-income individuals and communities across the U.S.

Responsible lending

RBC provides credit and banking services to companies in many industries. Our policies cover environmental implications and other areas of concern. For instance, our Credit Risk Management Framework, released in October 2008, states certain types of clients and transactions must in all cases be avoided, including the direct financing of companies manufacturing equipment or materiel for nuclear, chemical or biological warfare landmines and cluster bombs. RBC is a signatory to the Equator Principles, a set of voluntary guidelines addressing environmental and social risks associated with project finance.

RBC has a number of anti-corruption controls 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 or financing terrorism.

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 rigorous security safeguards and internal controls to ensure the privacy and security of information entrusted to us. In 2008, we continued to build upon our robust framework for managing privacy, information security, and records and content management by focusing on important areas such as client and employee awareness. This includes the development of a Phishing Resource Centre to help educate our clients on how to recognize fake websites and e-mail scams, as well as an internal focus on employee education and development. We also revised our public website to make it easier for consumers to obtain important information about privacy, information security, and fraud prevention.

Fraud prevention

RBC has stringent security policies and practices, supported by around-the-clock resources to prevent, detect and investigate potential fraud. Our guarantees for online banking and self-directed brokerage clients offer 100% reimbursement for funds lost through unauthorized transactions in their accounts. We continue to focus on operations by introducing simpler processes, with positive results as evident in the significant decrease in the turnaround time for fraud claims, resulting in quicker reimbursement to our clients. We continue to develop fraud-education initiatives including up-to-date tips and alerts, brochures and client presentations.

Treating customers fairly

At RBC, we put our clients first, and that means it is of central importance to us that we treat our clients fairly. We abide by a number of market conduct rules and regulations designed to protect financial services clients, such as the Canadian cost of borrowing and other disclosure requirements, U.S. fair lending requirements and U.K. Treating Customers Fairly regime. In addition, the Canadian banking industry has developed a number of voluntary codes to protect consumers, to which our Canadian businesses have committed. These are listed at rbc.com/voluntary-codes-public-commitments.

Know Your Client rules

Know Your Client rules are key to the protection of all our clients. Our employees are required to make all necessary efforts to understand a client's profile, and financial and personal objectives before making recommendations relevant to the client's 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 is 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.

Responding to feedback

Every year, RBC businesses track client satisfaction through a range of feedback mechanisms such as telephone, paper and online surveys in order to improve our products and services. For instance, in 2008, we asked 492,000 clients within our Canadian retail banking operation for their feedback, which helped provide direction for the following initiatives:

- More green banking options such as paperless statements
- Banking products and services tailored for newcomers to Canada
- New banking channels and functionalities
- Product features that reward customers for their loyalty
- New Family Financial Kit to help parents of young children organize their family's financial future
- Enhanced customer advice to meet all banking and financial needs
- More relevant marketing and communication materials.

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. A full description of these can be found in our annual Corporate Responsibility Report and Public Accountability Statement at rcb.com/pas.

For more information, visit rbc.com/responsibility/marketplace

Environment

Priorities

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

2008 Highlights

- Converted all office paper purchased in Canada and the United States to Forest Stewardship Council (FSC) certified sources and converted all office paper in the British Isles to either FSC, Program for the Endorsement of Forest Certification or 100% recycled content
- Launched our greenhouse gas (GHG) emissions trading desk with capabilities to transact on exchanges in Canada, the U.S. and the European Union

RBC is committed to environmental sustainability, as outlined in the RBC Environmental Blueprint™. We continue to develop and implement the necessary programs, procedures and guidelines to support this commitment. We believe that fulfilling our environmental goals will lead to short- and long-term benefits for clients, shareholders, employees and the communities in which we live and conduct business.

Policy

The RBC Environmental Policy was developed in 1991 and substantially revised in 2004 and 2007 to reflect the changing environmental priorities of our company and our stakeholders. The policy addresses environmental matters pertaining to operations, business activities, products and services, employees, compliance, reporting transparency and partnerships.

Progress on our priorities

Reduce the intensity of our environmental footprint

RBC is committed to reducing our energy use, GHG emissions, paper consumption and water use. We are also committed to reducing the negative environmental impacts associated with the waste we generate and our procurement activities. We know that improving our operational efficiency, reducing our consumption of energy and natural resources, and decreasing GHG emissions associated with our business activities can lead to positive environmental and economic results. Among other highlights in 2008, we:

- Developed a global Responsible Procurement Policy that will increase the acquisition of environmentally and socially preferable products and services and reduce the negative impacts associated with our supply chain
- Updated the electrical, mechanical and architectural standards for our Canadian branch network to eliminate excess capacity and to improve energy efficiency
- Opened 36 new green-powered branches in Canada. At the end of October 2008, we had 76 Canadian branches powered by certified “green” emission-free power.

Promote environmentally responsible business activities

At RBC, we work with our clients and the companies in which we invest in to identify and 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 issues and international best practices. In our lending activities, policies require that certain transactions be reviewed by internal or third-party environmental specialists to ensure that we are appropriately identifying and addressing environmental risks.

Among other highlights in 2008, we:

- Analyzed the exposure of borrowers in our loan and investment portfolio to climate change risks and regulations
- Conducted research on water issues, including an analysis of water scarcity and the impacts on certain industrial sectors and geographical regions in the U.S. and Canada
- Updated RBC policies regarding environmental risk management for business and commercial markets.

Offer environmental products and services

RBC seeks to offer an expanding array of products and services that provide environmental benefits and empower clients to reduce their environmental footprint at little or no additional cost. Among other highlights in 2008:

- Since January 2006, over 3.2 million RBC accounts have been switched from paper statements to electronic statements. The resulting paper savings amount to approximately 112.5 million sheets or 511 metric tonnes of paper. Using the Environmental Defense Fund Paper Calculator, these paper savings are equivalent to approximately 13,500 trees.
- Launched the RBC Energy Saver Mortgage in Canada which offers a \$300 rebate on a home energy audit. A home energy audit is a report generated by a licensed professional who is specially trained to examine electrical, mechanical and architectural aspects of residential homes. The audit provides recommendations to help improve a home's energy efficiency and lower energy costs.
- Commissioned a report to review sustainability indices and disclosure initiatives in North America and Europe in collaboration with several U.S. and Canadian banks and the UN Environment Programme Finance Initiative.

2008 Highlights (continued)

- Performed detailed environmental credit risk assessments on 650 transactions in Canada and the United States
- Convened a panel of experts to advise RBC on the RBC Blue Water Project™, and committed almost \$11.8 million in grants to 39 organizations globally to support watershed protection and access to clean drinking water
- Named to the Carbon Disclosure Leadership Index 2008 under the Carbon Disclosure Project. Among financial institutions, RBC was ranked number one in Canada, and tied for second place globally
- Trained RBC Capital Markets and Risk Management staff on climate change and carbon markets

Key environmental issues

When developing the RBC Environmental Blueprint, we prioritized our key environmental issues by assessing our potential exposure to, and influence over, the issue, as well as its importance to our complete array of stakeholders. Our key environmental issues are climate change, biodiversity and water.

Climate change

Climate change presents environmental, social and financial challenges to the global economy, human health and our own businesses and operations. 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

Biological diversity, or biodiversity, 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. RBC also recognizes that the identity, cultural beliefs and economies of some indigenous peoples are intrinsically tied to their region's history, biodiversity and natural landscapes. Critical natural systems and the abundant biodiversity they support must be preserved in order to maintain healthy communities, cultural values and shareholder value.

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.

Sustaining the RBC Environmental Blueprint

Keeping the RBC Environmental Blueprint on course requires an open and proactive dialogue with our stakeholders and peers, independent and co-operative research to identify and better understand emerging environmental issues and transparent and relevant reporting of our initiatives and progress. We also recognize the importance of philanthropy to help communities meet their environmental objectives. We refer to these activities as "Sustaining the RBC Environmental Blueprint." Among other highlights in 2008, we:

- Proactively collaborated with non-governmental organizations including Rainforest Action Network, Forest Ethics, Nature Conservancy of Canada, the Canadian Boreal Initiative, Zerofootprint, Flick Off, and the Durrell Wildlife Preservation Trust
- Responded to inquiries from sustainability indices, socially responsible investment companies and analysts including the Ethical Funds Company, Jantzi Research, the Carbon Disclosure Project, Dow Jones Sustainability Index and Innovest Strategic Value Advisors
- Researched and authored a number of reports on water-related issues including opportunities to support safe drinking water in First Nations communities; water supply issues in the Caribbean; impact of water scarcity on industrial sectors and geographic regions in the U.S. and Canada; and the impact golf courses have on the environment.

For more information, visit rbc.com/environment

Community

Priorities

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

2008 Highlights

- Contributed more than \$99 million to community causes worldwide through donations of more than \$51.5 million and an additional \$47.5 million to the sponsorship of community events and national organizations
- Launched leadership and community action grants as part of 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

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 financially and 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, which have 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. We 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:

- Supporting freshwater initiatives
- Helping keep children in school
- Supporting community healthcare through children's mental health programs
- Providing for emerging artist programs.

Community sponsorships

Sponsorships are an important component of a company's promotional and marketing activities, and RBC sponsors events and initiatives that are important to our clients and our communities. Through strategic partnerships at the Canadian and international level, as well as locally in regions where we do business, we intend to differentiate RBC as a leading company committed to enabling the success of our clients and our communities.

For example, 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. RBC is also co-sponsoring the Olympic Torch Relay, which will touch communities all across Canada.

We believe that investments in creative vision and artistic talent will result in healthy, vibrant communities. We support community events, art exhibitions and theatre performances. For example, RBC is the official bank and major sponsor of the Toronto International Film Festival. As part of our sponsorship, we will lend further assistance to the cultural growth of Canada through the RBC Emerging Artist Bursary Program. Celebrating its 10th anniversary this year, the RBC Canadian Painting Competition recognizes the talent of emerging professional visual artists in Canada.

Employee contributions

Volunteerism

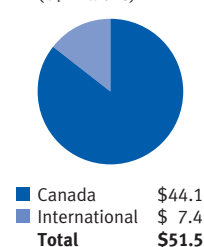
Our Employee Volunteer Grants Program was launched in 1999 to support and encourage community involvement. Employees and pensioners who volunteer a minimum of 40 hours a year to a registered charity are eligible for a \$500 grant to the organization in their honour. Since 1999, RBC has made over 14,500 grants and donated more than \$7.2 million to celebrate our employees' volunteer efforts. In 2008, we expanded the program to RBC employees globally, celebrating the community work of dedicated RBC employee volunteers around the world.

Employee giving

Not only is RBC one of the largest private sector contributors to the United Way in Canada, we also have one of the largest private sector employee giving campaigns in Canada. In North America, our employees donated more than \$12.6 million in 2008, facilitated through payroll deduction, in addition to direct giving and employee-driven fundraising events.

For more information, visit rbc.com/community

2008 Worldwide RBC donations by geography (C\$ millions)



2008 RBC donations in Canada by cause

