



# Royal Bank of Canada

## Investor Presentation

June 2012

Financial information is in Canadian dollars and is based on IFRS, unless otherwise indicated.

### Caution regarding forward-looking statements



From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in this presentation and in the accompanying management's comments and responses to questions during the May 24, 2012 analyst conference call (Q2 presentation), in other filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements in this presentation include, but are not limited to, statements relating to our vision, aspiration, and strategic goals. The forward-looking information contained in this presentation is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, and our vision, aspiration, and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, operational, and liquidity and funding risks, and other risks discussed in the Risk management sections of our Q2 2012 Report to Shareholders and our 2011 Annual Report; general business, economic and financial market conditions in Canada, the United States and certain other countries in which we conduct business, including the effects of the European sovereign debt crisis; changes in accounting standards, policies and estimates, including changes in our estimates of provisions, allowances and valuations; the effects of changes in government fiscal, monetary and other policies; changes to and new interpretations of risk-based capital and liquidity guidelines; the impact of changes in laws and regulations, including relating to the payments system in Canada, consumer protection measures and the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations issued and to be issued there under; the effects of competition in the markets in which we operate; our ability to attract and retain employees; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; our ability to successfully execute our strategies and to complete and integrate strategic acquisitions and joint ventures successfully; development and integration of our distribution networks; and the impact of environmental issues.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

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

Information contained in or otherwise accessible through the websites mentioned does not form part of this Q2 presentation. All references in this Q2 presentation to websites are inactive textual references and are for your information only.

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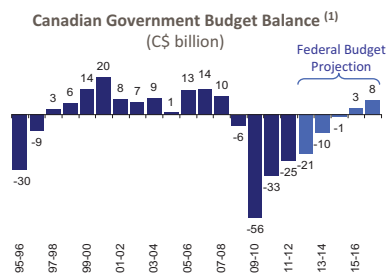
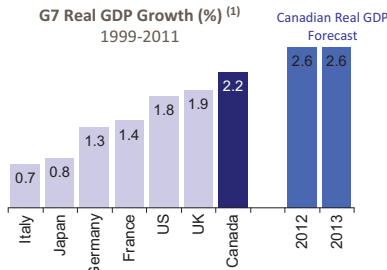


## Canada has maintained its AAA rating as a result of its fiscal prudence, conservative lending practices and its robust economy

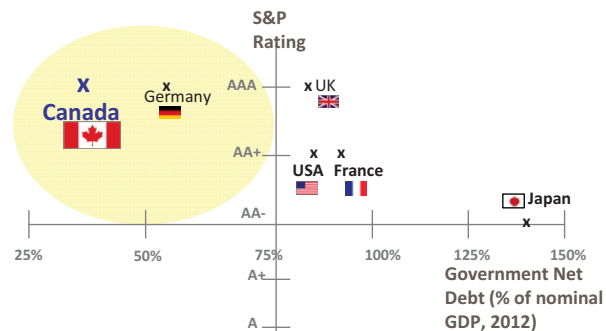


### ✓ Better placed than many countries (*International Monetary Fund, March 2009*)

- Highest real GDP growth from 1999-2011 among G7 peers
- 11 straight years of fiscal surpluses pre-crisis; proactively responded to crisis through strong fiscal stimulus and monetary policy
- Net debt to GDP ratio lowest among G-7
- Proactively responded to crisis through strong fiscal stimulus and monetary policy
- #1 for soundness of banks for the 4<sup>th</sup> consecutive year (*World Economic Forum, September 2011*)



Canada has the lowest net debt (as a % of GDP) of all G7 countries, while at the same time being one of only two G7 nations to be AAA rated

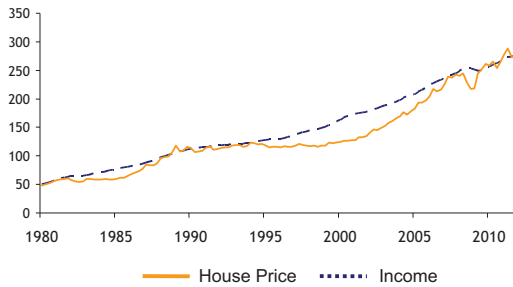


## Canadian housing market fundamentals remain sound

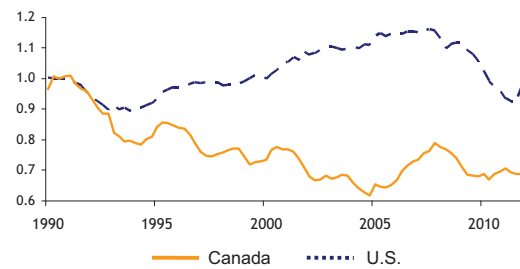


- Rising house prices have been largely justified by continued growth in labour income
- Although consumer leverage has been on the rise, the low interest rate environment has kept debt service ratios at historic lows
- The Canadian Government has been proactive in promoting a healthy housing market through policy measures:
  - Reduced amortization periods on insured mortgages
  - Increase down payment requirements
  - Reduced the amount that can be borrowed on a mortgage re-financing

**Canadian House Price & Labour Income<sup>(1)</sup>**  
(Indexed 1988=100)



**Debt Service Ratio<sup>(2)</sup>**  
(Indexed Q3/90=100)



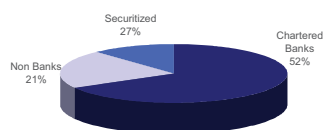
(1) Canadian Real Estate Association, Statistics Canada, RBC Economics Research as at Dec 2011  
(2) Statistics Canada, Federal Reserve Board, RBC Economics Research as at Dec 2011

## Significant structural differences exist between the Canadian and the U.S. mortgage markets

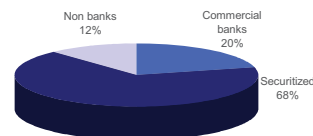


	Canada	U.S.
<b>Regulation</b>	<ul style="list-style-type: none"> <li>• Fully insured if LTV <u>over</u> 80%</li> <li>• Insurance is government-backed</li> <li>• All borrowers must meet standards for a 5-year fixed rate mortgage</li> <li>• Down-payment &gt; 20% on non-owner occupied properties</li> </ul>	<ul style="list-style-type: none"> <li>• Insured only if conforming and LTV <u>under</u> 80%</li> <li>• No regulatory LTV limit – can be over 100%</li> <li>• Not government-backed if private insurer defaults</li> </ul>
<b>Consumer Behaviour</b>	<ul style="list-style-type: none"> <li>• Mortgage interest is not tax deductible</li> <li>• More apt to pay off mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage interest is tax deductible</li> <li>• Less tendency to pay down mortgage</li> </ul>
<b>Lender Behaviour</b>	<ul style="list-style-type: none"> <li>• Strong underwriting discipline; extensive documentation</li> <li>• Most mortgages are held on balance sheet</li> <li>• Conservative lending policies have led to low delinquency rates</li> </ul>	<ul style="list-style-type: none"> <li>• Wide range of underwriting and documentation requirements</li> <li>• Most mortgages are securitized and sold</li> <li>• Significant sub-prime origination</li> </ul>
<b>Lender Recourse</b>	<ul style="list-style-type: none"> <li>• Easy to foreclose on non-performing mortgages, with no stay periods</li> <li>• Full recourse against borrowers</li> </ul>	<ul style="list-style-type: none"> <li>• Stay period of up to 90 days to foreclose on non-performing mortgages</li> <li>• Limited recourse against borrowers</li> </ul>

**Canadian Residential Mortgage Market (C\$1.1 trillion)<sup>(1)</sup>**



**U.S. Residential Mortgage Market (USD\$10.3 trillion)<sup>(2)</sup>**



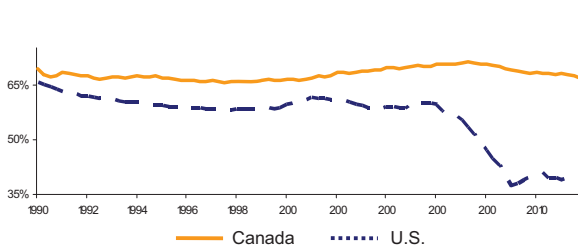
(1) Bank of Canada, Q4 2011, RBC Economics Research  
(2) U.S. Federal Reserve Q4 2011, RBC Economics Research

## Conservative lending practices have led to fewer delinquencies

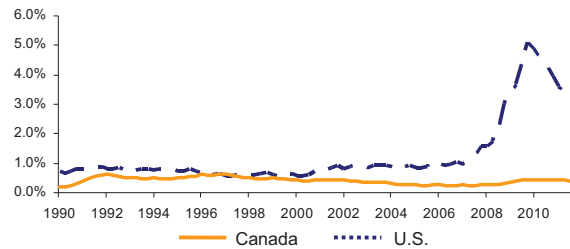


- Canadians carry a significant and stable amount of equity in their homes
  - Rate of home ownership comparable to U.S. (approximately 68% in both countries)<sup>(1)</sup>
- Mortgage delinquency rates remain low and have been stable through the recent credit cycle

Homeowners' Equity as % of Total Value of Real Estate Assets <sup>(2)</sup>



Mortgage Delinquencies <sup>(3)</sup> (90+ days)



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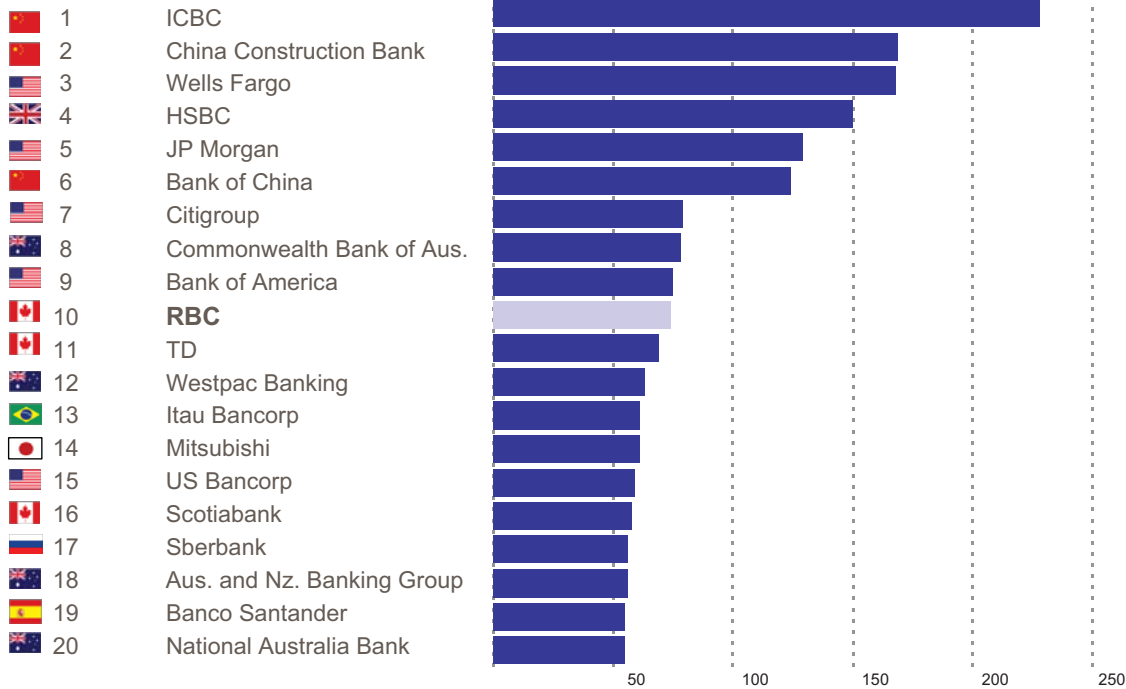
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# RBC – Among the Top 20 Largest Banks Globally



Market Capitalization US\$ billions <sup>(1)</sup>



**Well-positioned competitively**

# Who we are – Universal bank with financial strength



- Universal bank in Canada with selective focus globally
  - Active in all banking areas in Canada with leading market positions
  - Global capabilities in capital markets and wealth management
- Diversified model with the right mix of businesses and geographies
  - Able to generate significant returns throughout the economic cycle
  - Long-term strategic balance
  - 2/3 Canada and 1/3 other geographies
- Continuing to invest in our businesses while focusing on cost management
- Amongst the highest ratings globally:

Senior Debt Ratings							
Moody's	Aa3	DBRS	AA	S&P	AA-	Fitch	AA

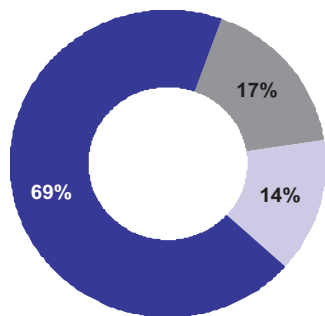
**Managing for long-term success**

# Diversified business with core strength in Canada



## Revenue by Geography <sup>(1)</sup>

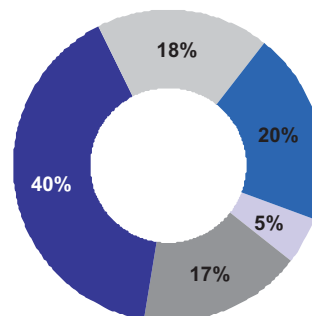
Average Q2 2011 to Q2 2012



■ Canada ■ U.S. ■ International

## Revenue by Business Segment <sup>(2)</sup>

Average Q2 2011 to Q2 2012



■ Canadian Banking ■ Wealth Management  
 ■ International Banking ■ Insurance  
 ■ Capital Markets

## Canadian leader with a select global scope

1. Amounts represent continuing operations

2. Amounts represent continuing operations and exclude Corporate Support. For further information, see Annual Report

# What we are doing to outpace the competition



## Canadian Banking

- ✓ Building on leading market positions and extending sales power
  - Capitalizing on our size and scale to continue growth at a 25% volume growth premium to the market
  - Continuing to drive on four key dimensions of superior client experience: service, advice, convenience/access and value for money
  - Leveraging our unparalleled distribution network and cross-selling ability to grow and deepen client relationships
  - Providing superior client access with the most branches (1,227) and ATMs (4,481) in Canada
  - Executing on key programs and dynamically managing our portfolio of initiatives to lower costs and drive efficiency

## Insurance

- ✓ Consistent contributions to our diversified earnings stream
  - Increasing sales through lower cost channels, leveraging RBC's client, distribution, risk management and brand strength
  - Pursuing select international growth opportunities in reinsurance

## Wealth Management

- ✓ Building a global high-performing asset manager and expanding market share
  - Almost \$260B in AUM serving retail and institutional clients in Canada, U.S., U.K., Europe, Latin America & Asia
  - Largest Canadian retail fund company (all-in and long-term funds) with 14.5% market share (up 51 bps year over year), and eight consecutive years with over 20% of industry long-term fund sales<sup>(1)</sup>
  - Leading Canadian institutional manager and dedicated and growing service to U.S. institutional clients
  - Largest and most comprehensive full-service wealth manager in Canada with 22%(2) HNW market share
  - Increasing penetration in the U.S., U.K. and Emerging Markets, enhanced by the recent acquisition of the Coutts business from RBS, adding approximately \$2B in Latin American, Caribbean, and African client assets to a growing base

## Capital Markets

- ✓ A premier Canadian investment bank with select global reach
  - Increasing our leadership in Canada - leading market share in all businesses including: debt and equity origination, M&A advisory, research, and sales & trading
  - Significant and broad capabilities in the U.S. with deepening client relationships
  - Building on core strengths and capabilities in Europe and Asia-Pacific

## International Banking

- ✓ Building a portfolio of quality franchises
  - RBC Dexia: Broadening their suite of product offerings to further cement their high-touch approach while delivering a globally integrated client experience
  - In the Caribbean, integrating operations while building a strong franchise

1. IFIC, Mar. 2012; The universe of fund companies captured in the mutual fund assets reported by IFIC was

recently expanded and now includes approximately \$50 billion of additional fund assets. As a result, the market share is lower than previously reported. Eight years as of Dec. 31, 2011

2. Investor Economics, 2011

# Where we are going



## Vision

Always earning the right to be our clients' first choice

## Aspiration

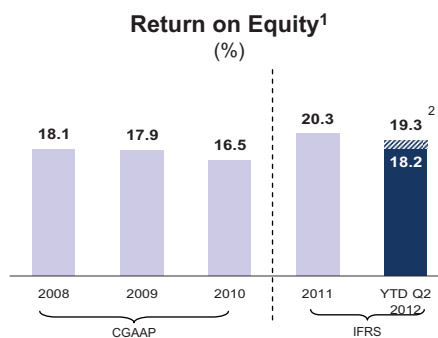
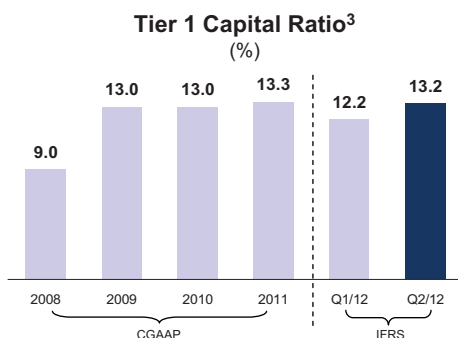
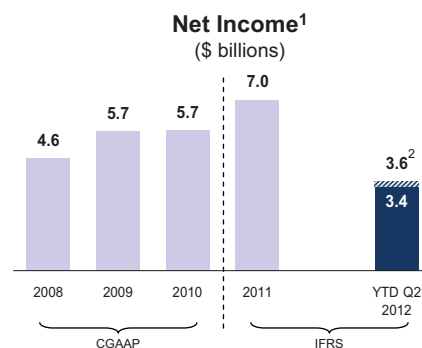
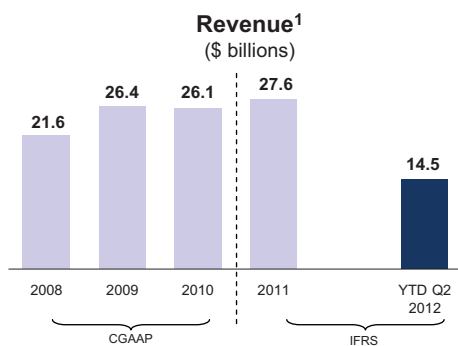
To be a top performing diversified financial institution

## Goals

- ✓ In Canada, to be the undisputed leader in financial services
- ✓ Globally, to be a leading provider of capital markets and wealth management solutions
- ✓ In targeted markets, to be a leading provider of select financial services complementary to our core strengths

Extending our lead in Canada and growing globally

# RBC's strong financial profile



(1) Presented on a continuing operations basis.

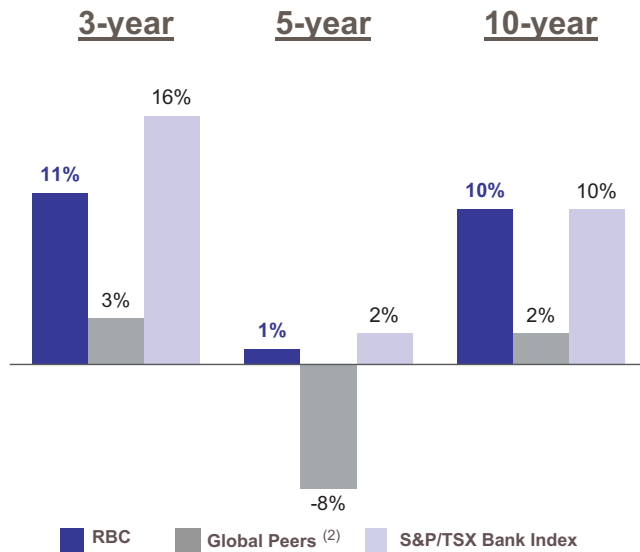
(2) Non-GAAP measure: Excludes the \$202 million after-tax loss on acquisition of the other 50% interest of RBC Dexia

(3) Presented on a consolidated operations basis 2008 – 2011 calculated under Basel II. Q1/12 onward calculated under Basel 2.5.

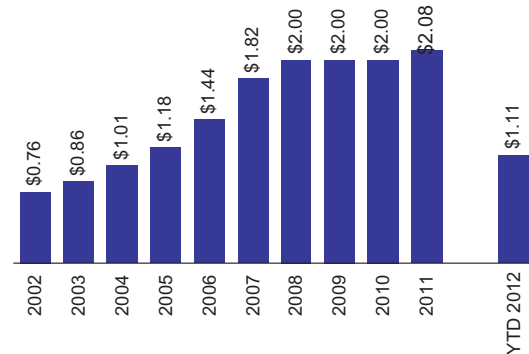
# Strong shareholders returns



## Total Shareholder Return (1)



## History of delivering stable and growing dividends

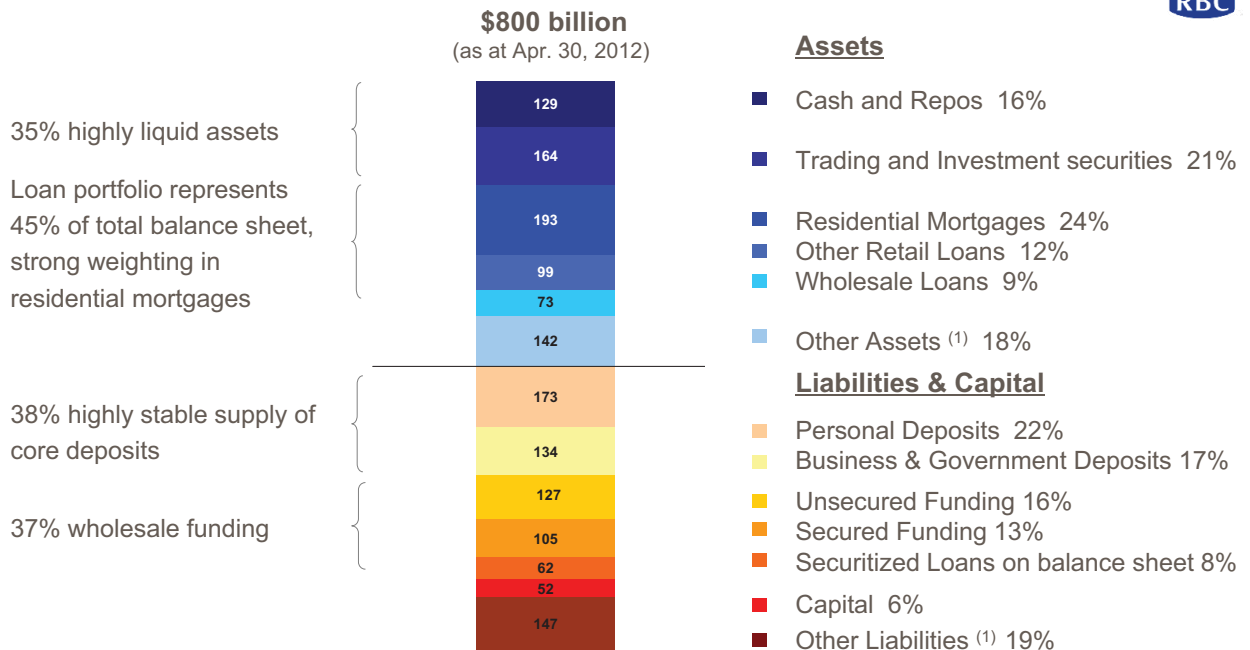


- ✓ Two quarterly dividend increases in the last year, totalling \$0.07 per share to \$0.57 per share
- ✓ Maintained the dividend through the economic downturn

## Strong earnings generation and long-term shareholder value

1. Price appreciation plus dividends reinvested, as at May 22, 2012.  
2. See 2011 Annual Report for details on Global Peer group.

# High quality, liquid balance sheet provides significant flexibility



## Solid risk management contributes to balance sheet strength

(1) Other assets include \$88B of derivatives related assets, largely offset by derivatives related liabilities in Other liabilities. Also includes Assets of Ops Held For Sale related to RBC Bank of \$27 billion. Other liabilities include \$34 billion related to our U.S. regional retail banking operations. The sale of closed on March 2, 2012

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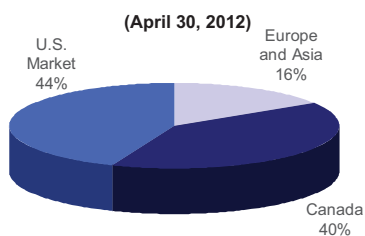
# 3

## RBC funding strategy – strong retail deposit base complemented by well diversified global funding program

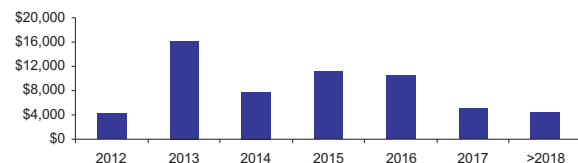


- **Transformed funding mix**
  - Reduced reliance on wholesale funding due to retail deposit growth (12% year-over-year as at April 30, 2012)
  - Shifted funding mix to self-funded securitization sources such as CMB, MBS, Golden securitization and covered bonds to provide greater diversification and cost effectiveness
- **Diversified wholesale funding**
  - Well diversified across products, currencies, investor segments and geographic regions to reduce reliance on any single source of funding
  - Well balanced maturity profile that is reflective of the maturity profile of our asset base
  - Raise majority of funding in international markets to preserve a significant amount of domestic capacity which can be tapped during stressed market conditions
  - Maintain regular issuance in all major markets to promote investor engagement and secondary market liquidity

### Well Diversified by Geography



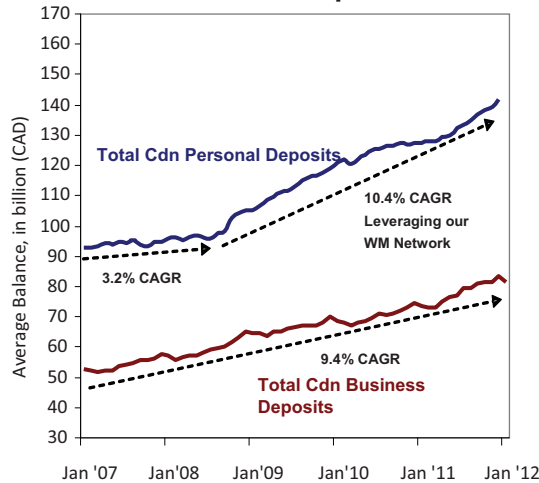
### Well Balanced Maturity Profile



## Strong deposit growth – leveraging strength of distribution



### Canadian Deposits



	Jan 2007	Jan 2012
HISA	\$ -	\$ 19b
Advisory Channel Deposits	\$ 1b	\$ 27b *
Other Personal Deposits	\$115b	\$126b
<b>Business Deposits</b>	<b>\$ 98b</b>	<b>\$139b</b>
<b>Total Deposits</b>	<b>\$214Bn</b>	<b>\$311Bn</b>

\*Advisory Channel deposits are sourced largely from our own Wealth Management network and have been the focus of targeted strategies and product development to increase our share of this product.

### Gaining Canadian market share

Largest distribution channels of any Canadian Bank, both “in-branch” and through Wealth Management Advisors

Over the past few years, we initiated several successful strategies to grow our relationship deposit base:

- Over the period November 2009 to November 2011, our share of the Canadian personal deposit market has grown from 18.25% to 19.49%
- Leveraging our Wealth Management network, which is larger than any other Canadian bank
- Canadian relationship business deposits continue to grow at faster pace than the market

### International deposit initiatives

Several initiatives in place including:

- Acquiring 100% of RBC Dexia’s deposits
- US retail bank operates as a deposit gatherer
- Supporting deposit growth in Channel Islands and other offshore wealth management centres

## Diversified global wholesale funding program



### Well established issuance platforms in all the major debt markets

- U.S. registered shelf (US\$25 billion)
- EMTN program (US\$40 billion),
- Covered bond program (€ 15 billion),
- Canadian shelf (C\$15 billion),
- Securitizations (Canada mortgage bonds, NHA MBS and credit cards)
- Samurai and Uridashi debt program (¥ 1 trillion)

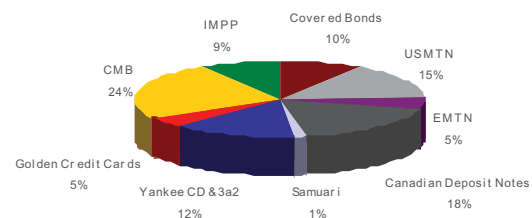
### Recent deals in 2012

- C\$1 billion 7-year senior unsecured issued May’12 at Libor+64bps equivalent
- C\$1.5 billion 5-year senior unsecured issued Apr’12 at Libor+60bps equivalent
- US\$1.25 billion 3-year senior unsecured issued Mar’12 at Libor+47bps
- US\$950 million 5-year credit card securitization issued Feb’12 at Libor+70bps
- C\$1.1 billion 3-year senior unsecured issued Jan’12 at Libor+75bps equivalent

### Globally active covered bond program using uninsured mortgages

- Launched in 2007: C\$9.5 billion equivalent is currently outstanding (EUR, CAD, USD and CHF)
- Recent Covered Bond Deals
  - C\$850 million 5-year issued Mar’10 at Libor+25bps
  - US\$1 billion 5-year issued Apr’10 at Libor+30bps
  - C\$1.1 billion 7-year issued Mar’11 at Libor+53bps
  - CHF 500 million 10-year issued Apr’11 at Libor+55bps (MS+4bps)

### Well Diversified by Product



# Senior Bank Debt Liquidation in Canada, U.S. and Australia



Canada	U.S.	Australia
<p><u>Super Senior:</u></p> <ul style="list-style-type: none"> <li>Covered bonds limited to 4% of assets</li> <li>No limits on other secured funding (e.g., repo)</li> </ul> <p><u>Preferred Resolution Method</u></p> <ul style="list-style-type: none"> <li>Under a "liquidation" (formal or agency method), the CDIC ranks <b>pari passu</b> with other unsecured senior obligations. Liquidation method has been used 76% of the time since CDIC was formed. In the remaining 24% of failures, all liabilities were assumed by an acquiring bank<sup>(1)</sup></li> <li>"CDIC is typically the largest unsecured creditor. The liquidator shares out proceeds from the resolution on a pro-rata basis to like-ranked creditors. Therefore, CDIC's recovery is indicative of the recovery of like-ranked creditors." – Bank of Canada research<sup>(2)</sup></li> </ul> <p><u>Historic Precedents</u></p> <ul style="list-style-type: none"> <li>No bank failures since 1996</li> <li>Since 1983, Canadian bank failure cumulative losses averaged a nominal 10.8%<sup>(1)</sup></li> </ul>	<p><u>Super Senior</u></p> <ul style="list-style-type: none"> <li>Covered bonds limited to 4% of assets</li> <li>No limits on other secured funding (e.g., repo)</li> <li>No limit on <b>FHLB advances</b>. FHLB lien expands automatically as haircuts grow with any credit assessment downgrade of its bank clients. FHLB claims are further protected by specific regulations (ref: 12 CRF Part 950)</li> </ul> <p><u>Preferred Resolution Method</u></p> <ul style="list-style-type: none"> <li>Under a "Purchase &amp; Assumption" transaction, the FDIC can be <b>first priority</b> compared to unsecured senior obligations. Purchase and assumption method was used by the FDIC in 67% of failures since the early 1980's.<sup>3</sup></li> <li>"Generally, [FDIC] losses on large banks are much smaller as a percentage basis than for smaller institutions. And the reason for that is large banks typically have a lot of equity capital and unsecured debt which must absorb losses under a statute before the FDIC would have to absorb any losses. So, actually, the loss rates for larger institutions are pretty low." – Sheila Bair, April 27 2009, CNBC interview</li> </ul> <p><u>Historic Precedents</u></p> <ul style="list-style-type: none"> <li>2008 WaMu: largest bank failure resolved by FDIC via Purchase &amp; Assumption transaction rather than pure liquidation method: <ul style="list-style-type: none"> <li>FDIC loss expectation: 0%</li> <li>Senior debt loss expectation: 100%</li> <li>Subdebt loss expectation: 100%</li> </ul> </li> </ul>	<p><u>Super Senior</u></p> <ul style="list-style-type: none"> <li>Banking Act 1959 gives deposit liabilities priority over other creditors in the liquidation of a bank.</li> <li>With the introduction of the Financial Claim Scheme (FCS) in 2008, the Australian Prudential Regulation Authority (<b>APRA</b>) is <b>first priority</b>:</li> <li>"The FCS will be administered by APRA and will make early payments to eligible depositors or general insurance policyholders using Government funds in the first instance. APRA would then take the place of the depositors/policyholders in the liquidation of the failed institution. If APRA was unable to recover the full costs of the scheme in the liquidation, relevant financial institutions could be levied to recover the costs of the FCS." – Treasurer of Commonwealth of Australia, June 2008</li> </ul>

**Deposit insurers have the flexibility to employ a variety of wind-down techniques. Precedents in Canada have been much more friendly to senior debt investors than in the U.S. or Australia under new laws.**

1) CDIC, Summary of Corporate Plan 2009/2010. Straight liquidation was used in 56% of bank failures. In 20% of bank failures, disposition through an appointed agent was used where all deposits and liabilities are normally paid in full within 5 years.  
2) Bank of Canada, Working Paper 2002-41, Estimating Settlement Risk and the Potential for Contagion in Canada's Automated Clearing Settlement System, by Carol Ann Northcott  
3) FDIC, Historical Statistics on Banking. A Purchase & Assumption transaction involves the purchase of all or some of the failed bank's assets and assumption of all or some liabilities.

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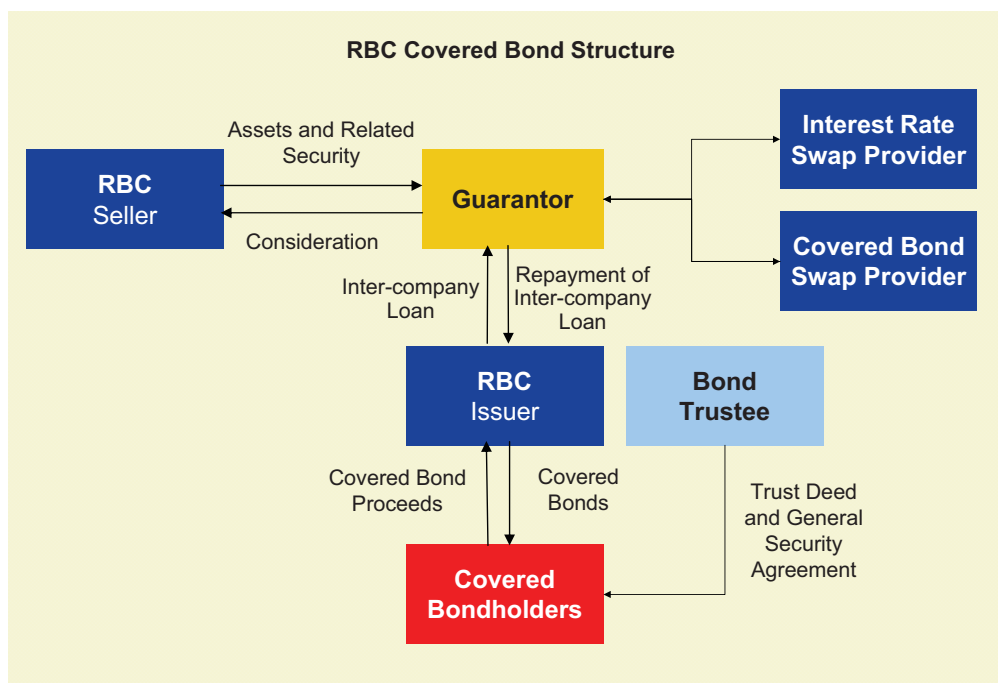


## RBC covered bonds: summary of program terms

<b>Issuer / Seller</b>	RBC
<b>Program Size</b>	€ 15 billion Global Program
<b>Ratings</b>	Aaa / AAA / AAA / AAA by Moody's, S&P, Fitch and DBRS
<b>Guarantor</b>	RBC Covered Bond Guarantor Limited Partnership (Guarantor LP), a bankruptcy remote, single-purpose entity
<b>Law</b>	Ontario, Canada
<b>Collateral</b>	Canadian prime, first lien residential mortgages
<b>Maximum LTV</b>	80%, unless insured
<b>Lead Dealer</b>	RBC Capital Markets

<b>Recent Transactions</b>	US\$1 billion 5-year issued Apr'10 at 3m\$L+30bps
	C\$1.1 billion 7-year issued Mar'11 at 3m\$L+53bps
	CHF 500 million 10-year issued Apr'11 at 3m\$L+55bps (MS+4bps)

## RBC obligation backed by an irrevocable guarantee



## Non-GAAP measures



We use a variety of financial measures to evaluate our performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that non-GAAP measures, such as results excluding the previously announced loss on our acquisition of RBC Dexia, Capital Markets trading revenue excluding certain items and Capital Markets geographic revenue excluding certain items do not have any standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other companies.

Additional information about our non-GAAP measures can be found under the “Non-GAAP measures” section of our Q2 2012 Report to Shareholders and the “Key performance and Non-GAAP measures” sections in our 2011 Annual Report, and our Q2 2012 Supplementary Financial Information.

Definitions can be found under our “Glossary” sections in our 2011 Annual Report and our Q2 2012 Supplementary Financial Information.

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