Royal Bank of Canada
Fixed Income Presentation

Q2/2014

All amounts are in Canadian dollars. Financial information is based on financial statements prepared in compliance with International Accounting Standard 34 *Interim Financial Reporting* and is presented on a consolidated basis unless otherwise noted. Our Q2 2014 Report to Shareholders and Supplementary Financial Information are available on our website at rbc.com/investorrelations.

Investor Relations

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 RBC Fixed Income Presentation, in filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission, in reports to shareholders and in other communications. Forward-looking statements in this Fixed Income Presentation include, but are not limited to, statements relating to our financial performance, objectives, vision and strategic goals, the housing market in Canada and the Canadian economy. 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 financial performance, objectives, vision and strategic goals and priorities, 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, the Canadian economy and the Canadian housing market 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, liquidity and funding, insurance, regulatory compliance, operational, strategic, reputation and competitive risks and other risks discussed in the Risk management and Overview of other risks sections of our 2013 Annual Report; the impact of regulatory reforms, including relating to the Basel Committee on Banking Supervision's (BCBS) global standards for capital and liquidity reform, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder, over-the-counter derivatives reform, the payments system in Canada, the U.S. *Foreign Account Tax Compliance Act* (FATCA), and regulatory reforms in the United Kingdom (U.K.) and Europe; the high levels of Canadian household debt; cybersecurity; the business and economic conditions in Canada, the U.S. and certain other countries in which we operate; the effects of changes in government fiscal, monetary and other policies; our ability to attract and retain employees; the accuracy and completeness of information concerning our clients and counterparties; the development and integration of our distribution networks; model, information technology and social media risk; 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. Material economic assumptions underlying the forward looking-statements contained in this Fixed Income Presentation are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2013 Annual Report, as updated by the Overview section in our Q2 2014 Report to Shareholders. 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 in our 2013 Annual Report and in the Risk management section of our Q2 2014 Report to Shareholders.

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

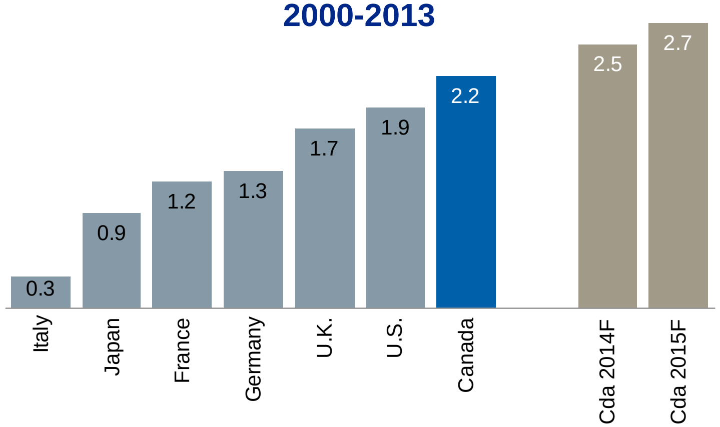
Canadian Economy

SECTION I

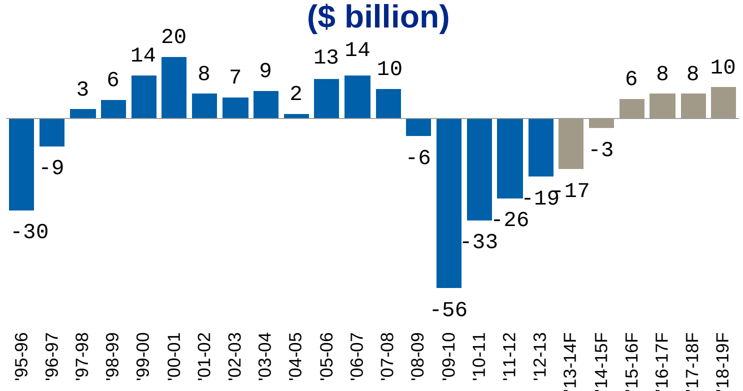
Strong fiscal position

- Strong rating as a result of fiscal prudence, conservative bank lending practices and solid economy
- Lowest net debt to GDP ratio among G-7 peers
- Proactively responded to crisis with strong fiscal stimulus and monetary policy
- #1 for soundness of banks for the 6th consecutive year[1]

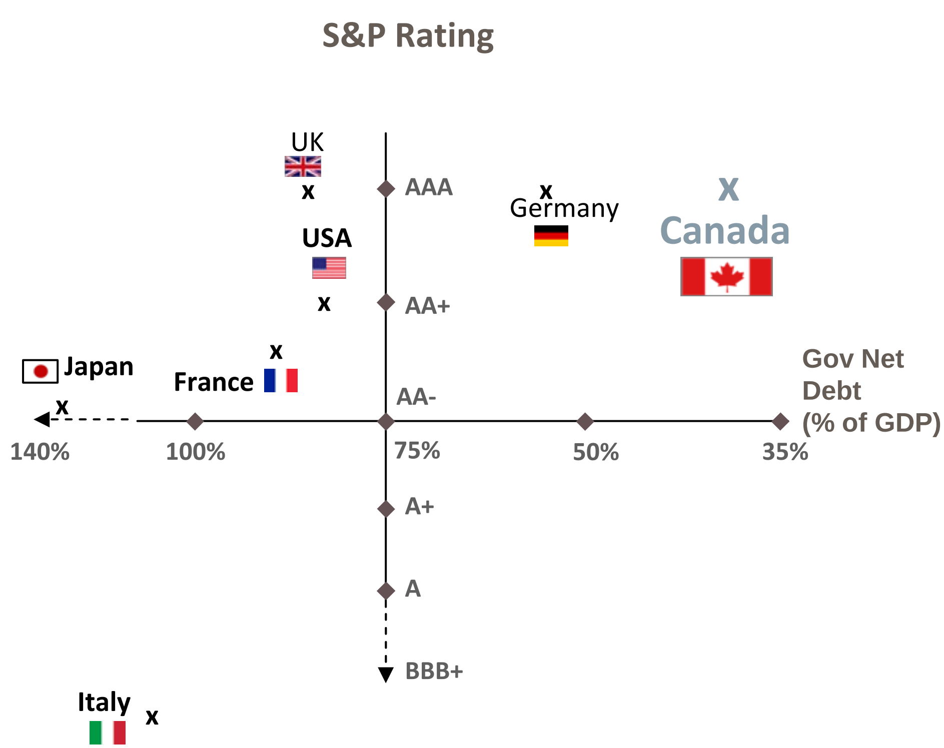
G7 Real GDP Growth (%)[2]
2000-2013



Canadian Government Budget Balance[3]
($ billion)



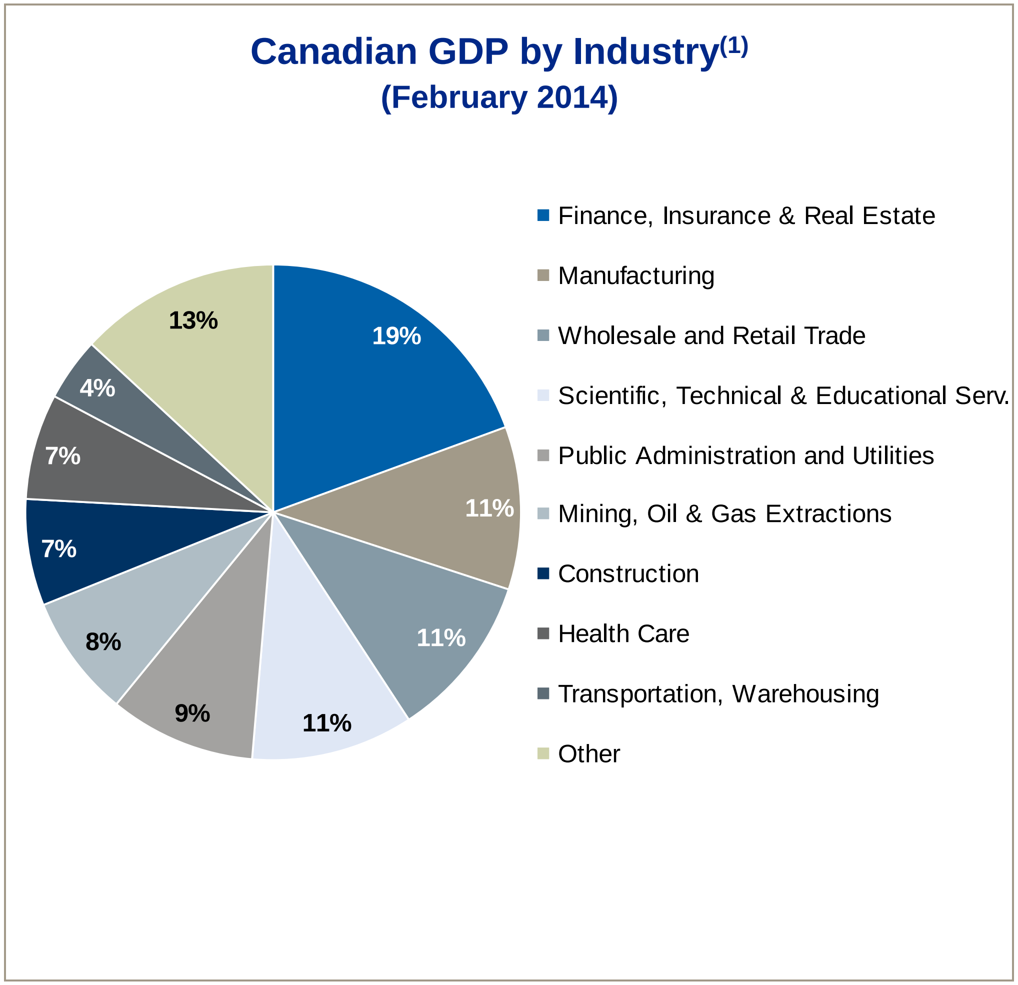
G7 Net debt as a % of nominal GDP[4]
2013

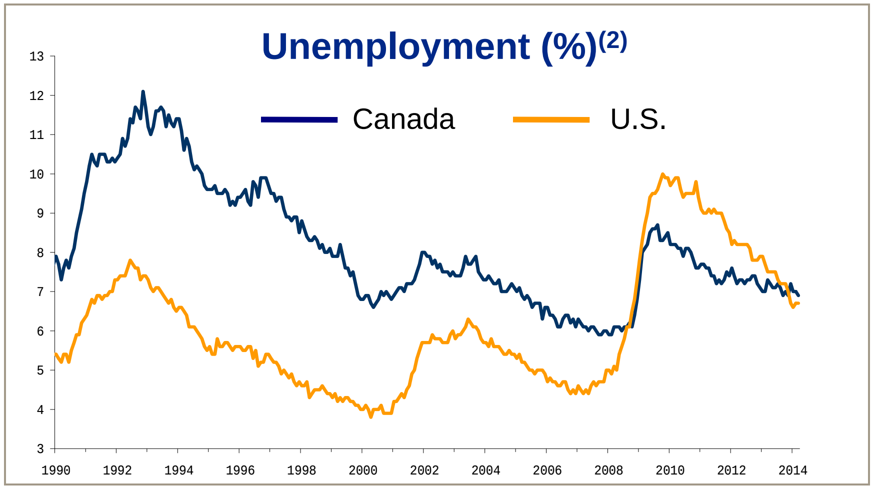


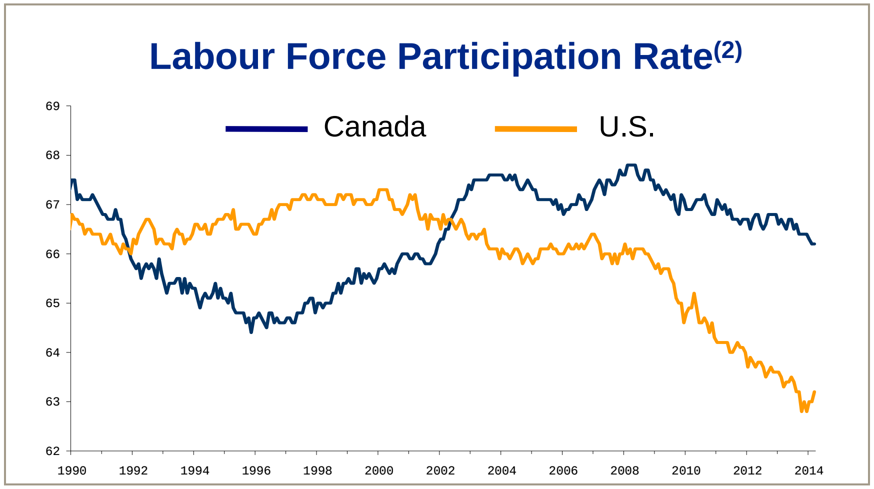
(1) World Economic Forum, 2013.
(2) National statistics offices, RBC Economics Research.
(3) Department of Finance Canada, RBC Economics Research.
(4) S&P, International Monetary Fund (IMF), RBC Economics Research.

Attractive economic fundamentals

- A diversified economy resulting in balanced economic growth
- Inflation remains at the lower bound of the Bank of Canada's 1-3% target range; however, the absorption of excess capacity in the economy is expected to bring inflation closer to mid-range by 2015
- Unemployment rates are trending favourably and have shown less volatility to global shocks







(1) Source: Statistics Canada, RBC Economics Research.
(2) Statistics Canada, Bureau of Labor Statistics, RBC Economics Research.

Structural backdrop to the Canadian housing market

	Canada[1]	U.S.[1]
Regulation	▪ Government influences mortgage underwriting policies through control of insurance eligibility rules ▪ Fully insured if LTV is over 80% – Must meet 5-year fixed rate mortgage standards – Government-backed, on homes <$1 million – Down-payment > 20% on non-owner occupied properties ▪ Re-financing cap of 80% on non-insured mortgages	▪ Agency insured only if conforming and LTV under 80% ▪ No regulatory LTV limit – can be over 100% ▪ Not government-backed if private insurer defaults
Consumer Behaviour	▪ Mortgage interest not tax deductible ▪ Greater incentive to pay off mortgage	▪ Mortgage interest is tax deductible ▪ Less incentive to pay down mortgage
Lender Behaviour	▪ Strong underwriting discipline; extensive documentation ▪ Most mortgages are held on balance sheet ▪ Conservative lending policies have historically led to low delinquency rates	▪ Wide range of underwriting and documentation requirements ▪ Most mortgages securitized
Lenders Recourse	▪ Ability to foreclose on non-performing mortgages, with no stay periods ▪ Full recourse against borrowers[2]	▪ Stay period from 90 days to one year to foreclose on non-performing mortgages ▪ Limited recourse against borrowers in key states

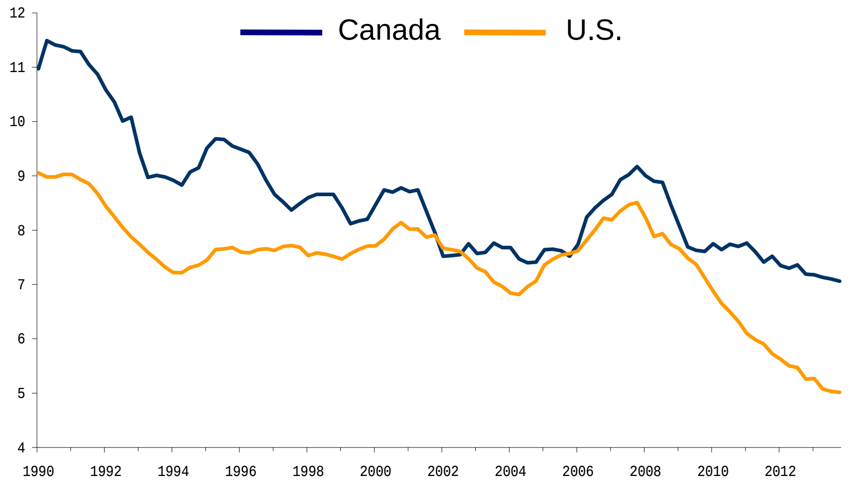
(1) Current regulation and lenders recourse.
(2) Alberta has some limited restrictions on full recourse.

Canadian housing market fundamentals remain sound

- While there is scope for housing activity to strengthen in the near-term following weather-related weakness in the first quarter of the year, housing activity should gradually moderate to levels that are more sustainable and in line with household formation in Canada
- Housing affordability is at reasonable levels across Canada with tensions concentrated in a few local markets
  - Positive demographics, household income gains and low interest rates are supporting balanced conditions
  - Policy measures promoting a healthy housing market
- Household debt service costs ratios remain historically low, with little movement towards higher risk
- Lenders maintaining strong underwriting discipline and require extensive documentation
  - Most mortgages held on balance sheet and conservative lending policies have led to low delinquency rates

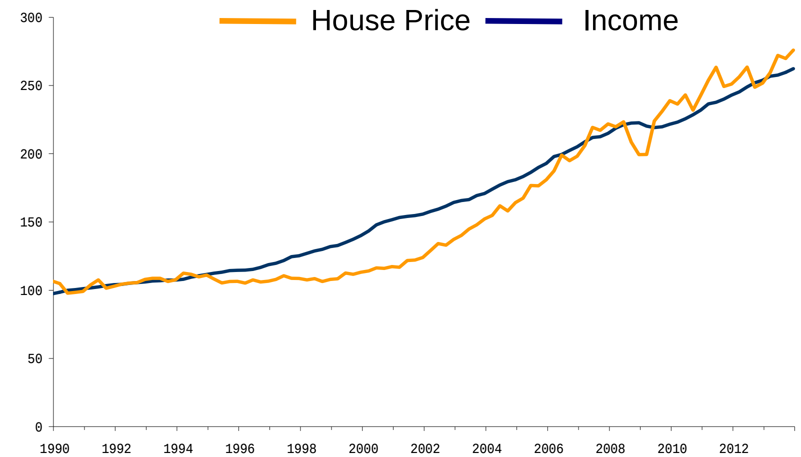
Household Debt Service Costs(1)

(Mortgage & non-mortgage interest payments as a % of PDI)



Canadian House Price & Labour Income(2)

(Indexed 1990=100)



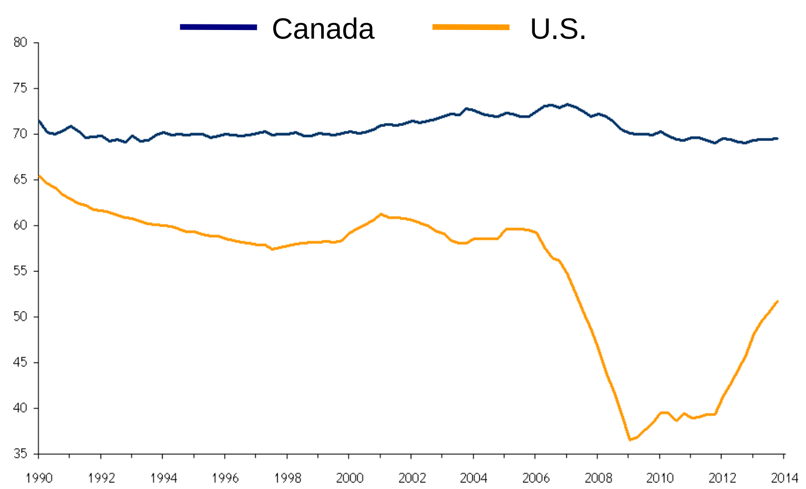
(1) Statistics Canada, Federal Reserve Board, Bureau of Economic Analysis, RBC Economics Research. PDI: Personal disposable income.
(2) Canadian Real Estate Association, Statistics Canada, RBC Economics Research.

Canadians have significant equity ownership in their homes

- Canadians carry a significant and stable amount of equity in their homes
- Canadian borrowers are more incented to pay off their mortgage as interest is not tax deductible and rate of home ownership is higher than that of the U.S., at approximately 69% compared to 65% for the U.S.[1]
- Mortgage delinquency rates remain low in Canada and have been stable through recent credit cycle
- RBC stress tests its residential mortgage and broader retail portfolios to dramatic movements in house prices, interest rates and unemployment

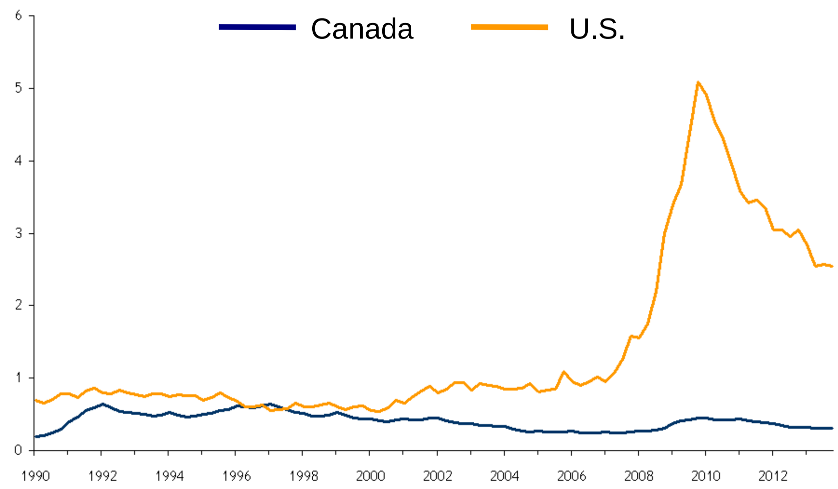
Homeowners Equity as % of Total Value of Real Estate Assets[2]

(Owners' equity as a % of residential real estate assets)



Mortgage Delinquencies[3]

(Mortgages 90+ days in arrears as a % of total mortgages)



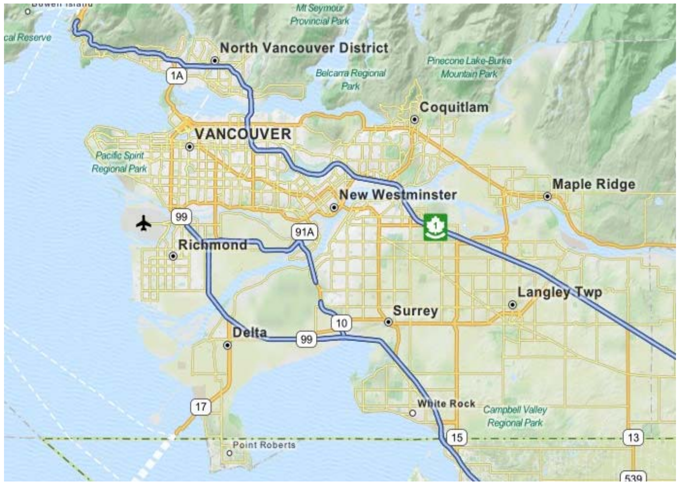
(1) Statistics Canada Census and U.S. Census Bureau.
(2) Statistics Canada, Federal Reserve Board, RBC Economics Research.
(3) Canadian Bankers' Association, Mortgage Bankers Association, RBC Economics Research.

The Toronto and Vancouver downtown condo markets

- Undeveloped land around Toronto / Vancouver is limited, causing shift to centralized condo housing
  - ‘Green belt’ surrounding Toronto has limited urban sprawl, increasing the demand for condos in the core
  - Vancouver is restricted in its ability for urban sprawl due to land constraints away from the city centre
- Canada has one of the highest per capita rates of permanent immigration in the world[(1)]
  - 20.6% of Canada’s population is foreign born (6.8 million), highest proportion among the G8 population[(1)]
  - 62.5% of all new immigrants to Canada move to Toronto, Vancouver or Montreal[(1)]
- RBC’s exposure to condo development is limited – less than 3% of our total commercial loan book
  - Condo mortgages represent just over 9% of our residential mortgage portfolio

“Green belt” surrounding Greater Toronto area

Vancouver limited by mountains, sea, U.S. border



(1) National Household Survey, May 8, 2013. Statistics Canada.

Royal Bank of Canada

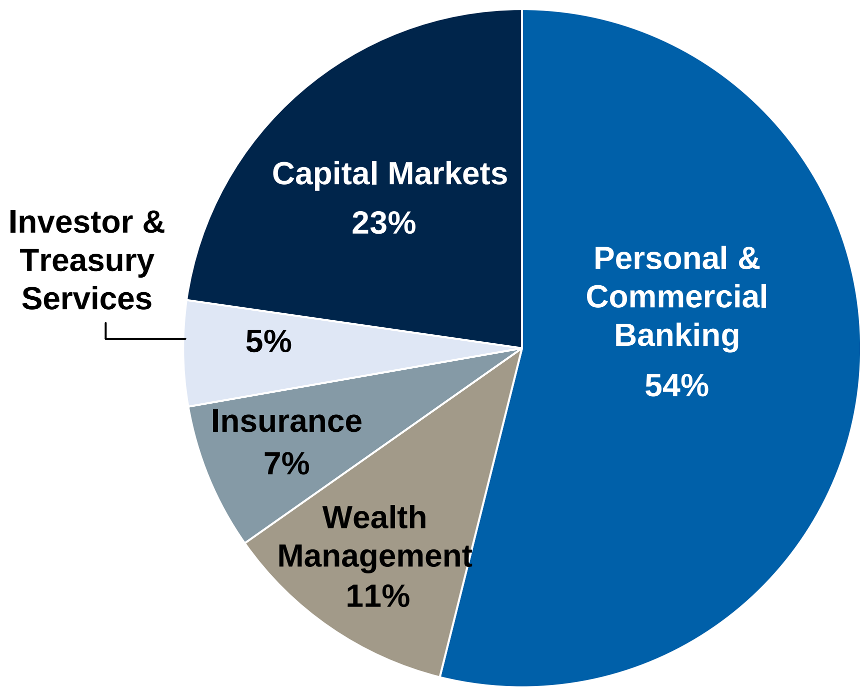
SECTION II

A diversified business model – RBC's key strength

- Diversified business mix, with the right balance of retail and wholesale
- Almost two-thirds of revenue from Canada
- Strategic approach in key businesses in the U.S. and select international markets

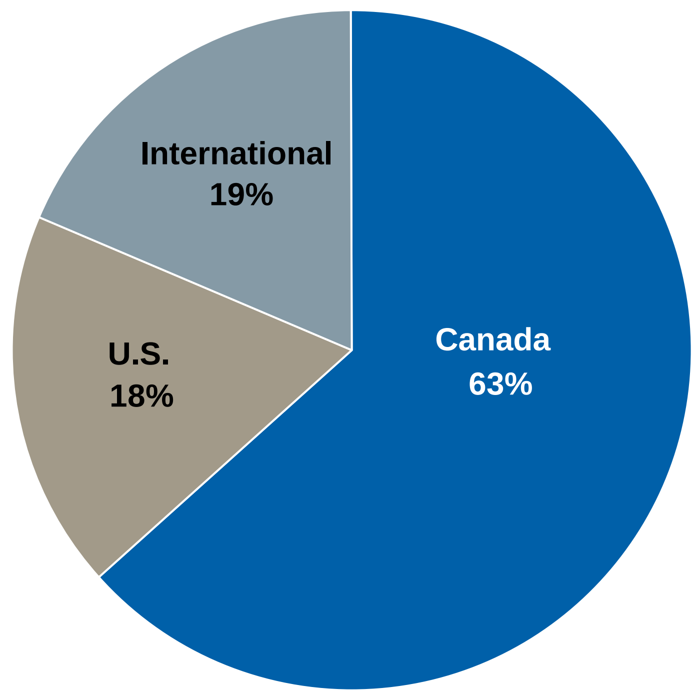
Earnings by business segment[1]

Latest twelve months ended April 30, 2014



Revenue by geography[1]

Latest twelve months ended April 30, 2014



(1) *Amounts exclude Corporate Support. These are non-GAAP measures. For further information, see the Business segment results and Results by geographic segment sections of our Q2 2014 Report to Shareholders and slide 22.*

Strategic priorities

Strategic goals

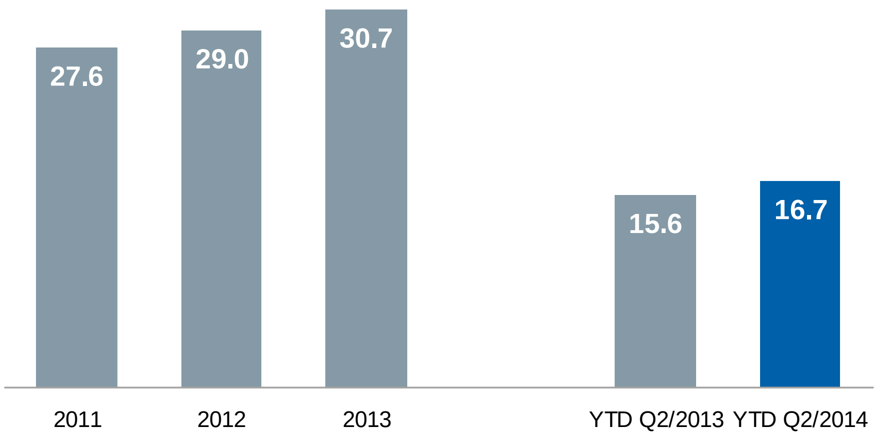
- **In Canada, to be the undisputed leader in financial services**
- **Globally, to be a leading provider of capital markets, investor and wealth management solutions**
- **In targeted markets, to be a leading provider of select financial services complementary to our core strengths**

Strategic priorities

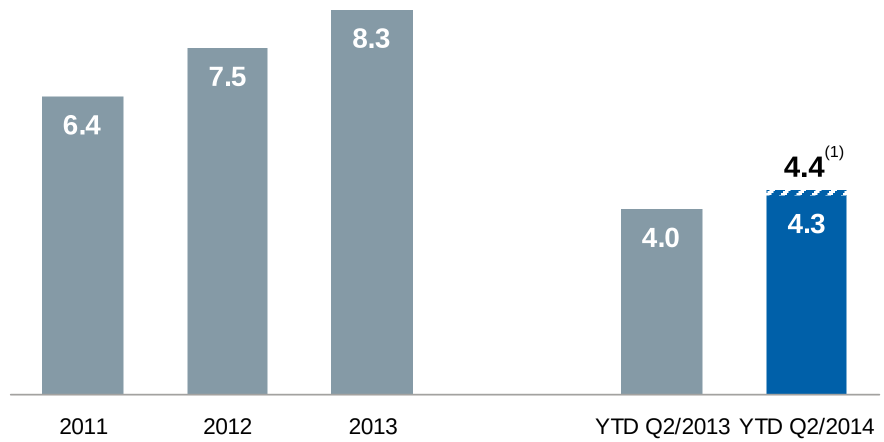
Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services (I&TS)	Capital Markets
▪ Offering a differentiated experience: value for money, advice, access and service ▪ Making it easier to do business with us and be the lower cost producer ▪ Converging into an integrated multi-channel network ▪ Enhancing client experience and improving efficiency in the Caribbean and U.S.	▪ Building a high-performing global asset management business ▪ Focusing on high net worth and ultra-high net worth clients to build global leadership ▪ Leveraging RBC and RBC Wealth Management strengths and capabilities	▪ Improving distribution efficiency and deepening client relationships ▪ Making it easier for clients to do business with us ▪ Pursuing select international opportunities to grow our reinsurance business	▪ Providing excellence in custody and asset servicing, with an integrated funding and liquidity management business ▪ Focusing on organic growth through client relationships, cross-selling and promoting the RBC brand ▪ Leveraging I&TS as a driver of enterprise growth strategies	▪ Maintaining our leadership position in Canada ▪ Expanding and strengthening client relationships in the U.S. ▪ Building on core strengths and capabilities in Europe and Asia ▪ Optimizing capital use to earn high risk-adjusted returns on assets and equity

Strong financial profile

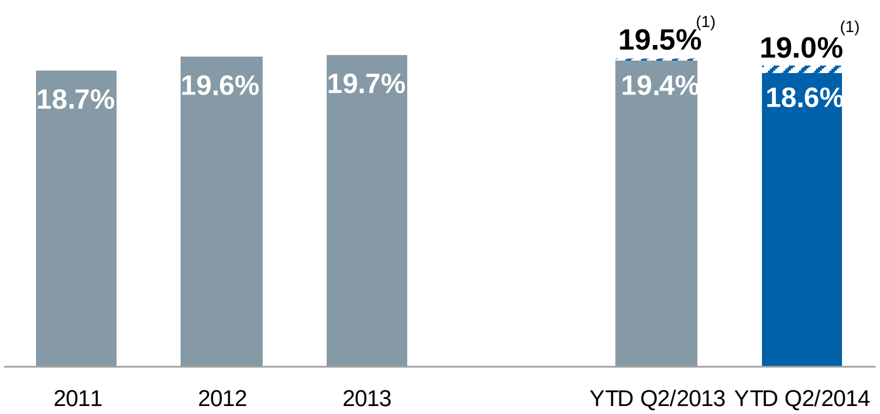
Revenue
($ billions)



Net Income
($ billions)



Return on Equity



Q2/2014 Basel III Capital ratios – "All-in" basis[2]

- Common Equity Tier 1 9.7%
- Tier 1 Capital 11.4%
- Total Capital 13.2%

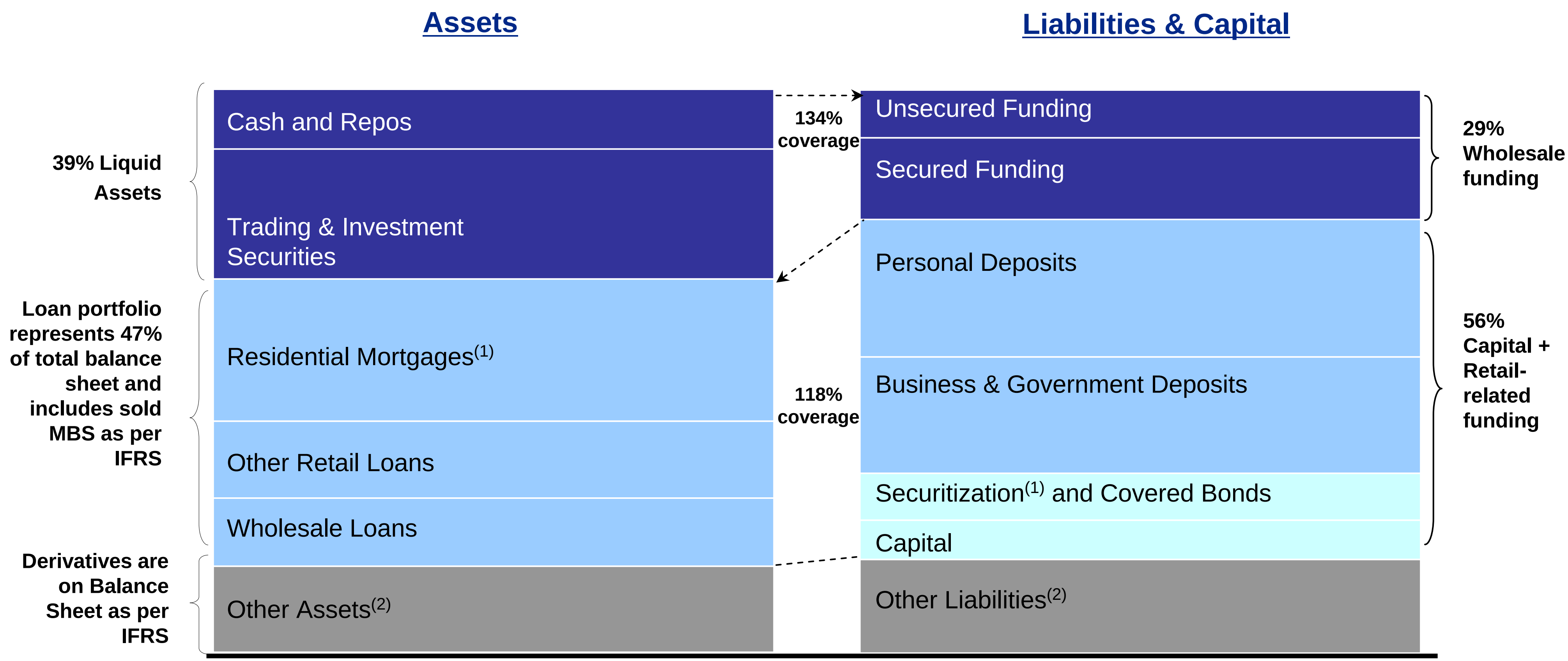
Credit ratings[3]

Moody's	S&P	Fitch	DBRS
Aa3	**AA-**	**AA**	**AA**
Negative	*Stable*	*Stable*	*Stable*

(1) Adjusted for specified items which includes the loss of $60MM (before and after-tax) related to the sale of RBC Jamaica in Q1/2014, a provision of $40MM ($32MM after-tax) related to post-employment benefits and restructuring charges in the Caribbean in Q1/2014, and a restructuring charge of $44MM ($31MM after-tax) related to the integration of Investor Services in Q2/2013. These are non-GAAP measures. See Reports to Shareholders for each specified period and slide 22 for additional information. (2) Capital calculated to include all regulatory adjustments that will be required by 2019 but retaining the phase-out rules for non-qualifying capital. Refer to the Capital Management section of our 2013 Annual Report for details on Basel III requirements. (3) Based on long-term senior debt ratings.

Strength of a high quality liquid balance sheet

$896 billion
(as at April 30, 2014)



(1) Securitized agency MBS are on balance sheet as per IFRS. (2) Other assets include $73 billion of derivatives related to assets, largely offset by derivatives related liabilities in Other liabilities. Under IFRS derivative amounts with master netting agreements cannot be offset and the gross derivative assets and liabilities are reported on balance sheet.

History of delivering value to our shareholders

Total shareholder return (TSR)[1]		
	RBC	Peer Avg.
3 Year	11%	9%
5 Year	15%	11%
10 Year	14%	6%

Dividend

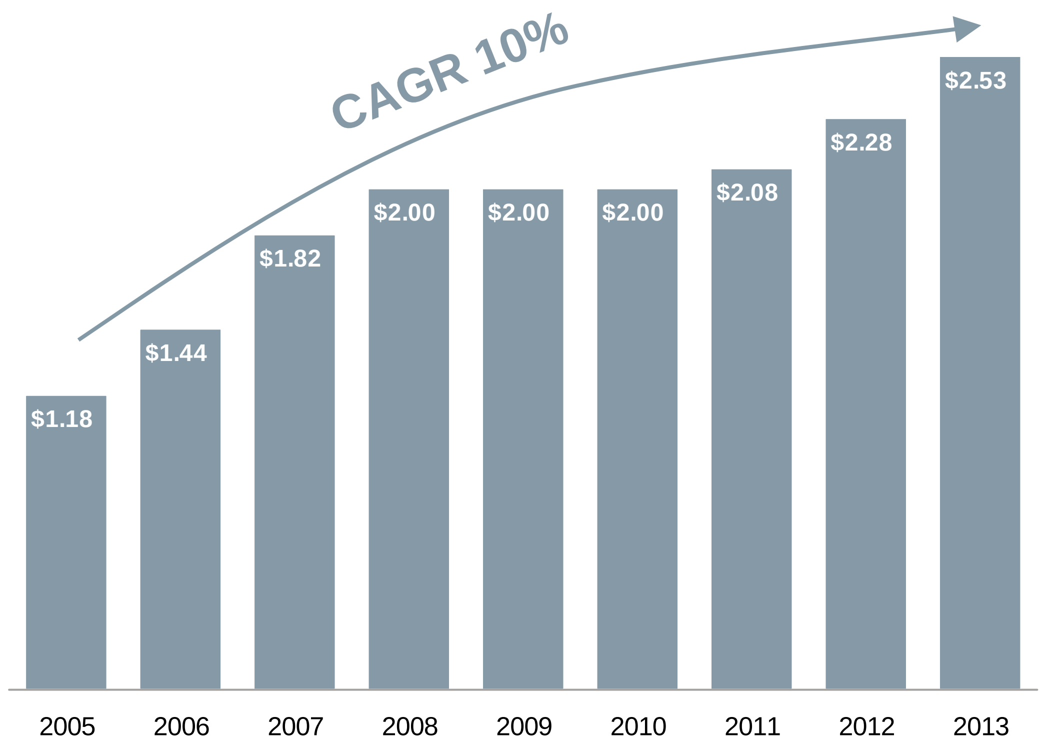
- Current quarterly dividend: $0.71
- Q2/2014 payout ratio of 48%, in line with our target of 40-50%

Share buybacks

- 2014 normal course issuer bid to repurchase up to 30 million common shares
- Repurchased 1.4 million in shares in Q2/2014

Annual dividend history*
($ per share)

- RBC has increased its dividend 6 times since May 2011[2]



** Dividends declared per common share.*

Our goal is to maximize shareholder returns by achieving top quartile TSR

(1) Annualized TSR as at May 20, 2014. Based on the global peer group approved by our Board of Directors. For the list of peers, refer to our 2013 Annual Report.
(2) Includes a 6% dividend increase ($0.04/share) declared in February 2014, which is not included in the chart.

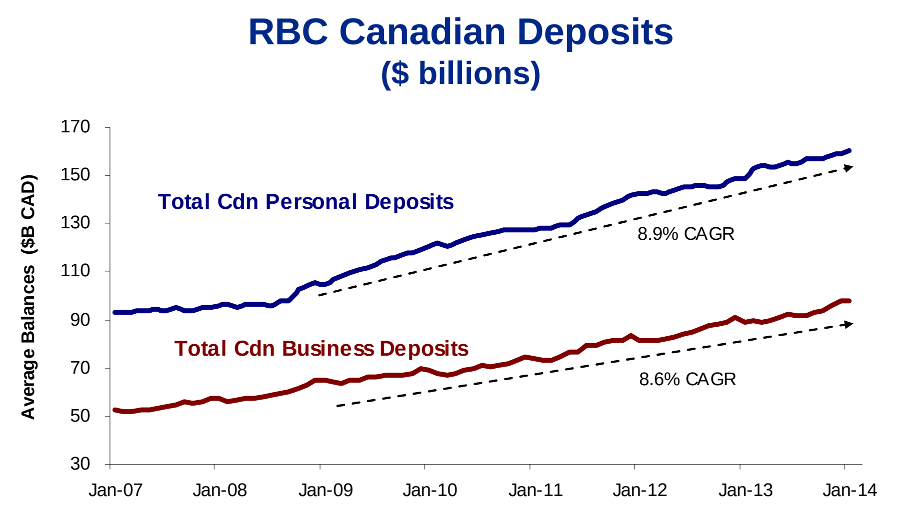
Global Funding Strategy

SECTION III

Strong deposit growth

Gaining Canadian market share

- Initiated successful strategies to grow relationship deposit base
- Between October 2010 and January 2014, our share of the Canadian personal deposit market has grown from 18.7% to 20.1%[(1)]
- Leveraging our Wealth Management network with targeted strategies and product development
- Canadian relationship business deposits continue to grow at faster pace than the market



Leveraging our international reach

- Acquired the remaining 50% of RBC Investor Services deposits
- U.S. retail bank operates as a deposit gatherer
- Supporting deposit growth in Channel Islands and other offshore wealth management centres

RBC Relationship Deposits
($ billions)

	Oct 2010	April 2014
HISA[(2)]	$ 18	$ 27
Advisory Channel Deposits[(3)]	$ 13	$ 31
Other Personal Deposits	$ 131	$ 145
Business Deposits	$ 131	$ 176
Total Deposits	**$ 293**	**$ 375**

Leveraging the strength of our distribution

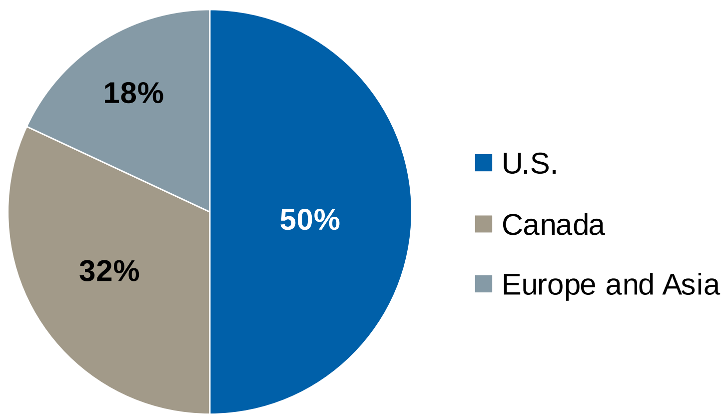
(1) Canadian deposit market is based on Canadian Banking personal deposits and Wealth Management advisory channel deposits. Source: OSFI (M4 report).
(2) High Interest Savings Account; Includes CAD and USD deposits.
(3) Sourced largely from RBC Wealth Management network.

Wholesale funding strategy

- Well diversified across products, currencies, investor segments and geographic regions
- Raise majority of funding in international markets to preserve significant domestic capacity which can be tapped in stressed market conditions
- Regular issuance in all major markets to promote investor engagement and secondary market liquidity
- Well balanced maturity profile that is reflective of the maturity profile of our asset base

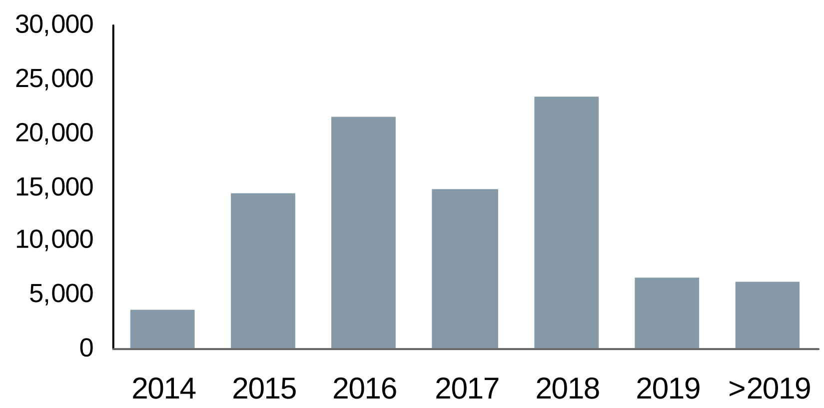
Diversified by Geography (1)

April 30, 2014



Well Balanced Maturity Profile (1)

April 30, 2014



Large retail deposit base complemented by well diversified wholesale funding mix

(1) RBC term unsecured and covered bonds.

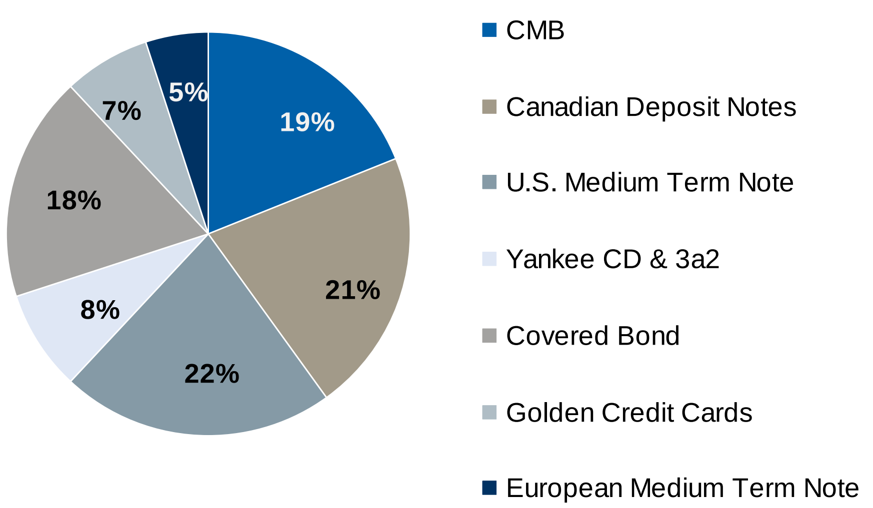
Well diversified wholesale funding platform

- Variety of programs allows for greater diversification and cost effectiveness

Canada	U.S.	Europe and Asia
▪ Canadian Shelf (C$15 billion) ▪ Securitizations (Cdn mortgage bonds, NHA MBS[1] and credit cards)	▪ SEC Registered Shelf (US$25 billion) ▪ SEC Registered Covered Bonds (US$12 billion)	▪ European Debt Issuance Program (US$40 billion) ▪ Covered Bond Program (Euro 23 billion) ▪ Japanese Issuance Programs (JPY 1 trillion)

Well Diversified by Product

April 30, 2014



Recent deals

- US$1.65BN 5-year unsecured notes at Libor+53bps
- C$1.75BN 7-year unsecured notes at Libor+56bps
- EUR 700MM 5-year unsecured FRN at Libor+52bps (Euribor+45bps)
- US$1BN 3-year/5-year credit card securitization at Libor+24bps / Libor+38bps
- CHF250MM 5-year unsecured notes at Libor+53bps
- C$300MM 5-year unsecured FRN at Libor+41bps

(1) National Housing Act Mortgage Backed Securities.

RBC Covered Bond Program

Globally Active

- Active program in five different currencies: EUR, CAD, USD, CHF and AUD
  - C$22 billion currently outstanding
- Five benchmark transactions since July 2013:

EUR 1.5 billion 5-year	US$2 billion 5-year
US$1.75 billion 3-year	EUR 2 billion 7-year
AUD 1.25 billion 3-year	

Strong Issuer

- Largest Canadian bank by market capitalization
- Strong credit ratings; Aa3/AA-/AA/AA[(1)]
- Well capitalized and consistent profitability
- Well diversified business mix

Canadian Legislative Changes

- New Canadian legislation protects claims of covered bond investors and overrides any other conflicting law related to bankruptcy and insolvency
  - Extensive regulatory oversight and pool audit requirements
  - Mandatory property value indexation beginning June 2014

U.S. Registration

- U.S. covered bond program is SEC registered
  - Issued US$7.75 billion across four deals since September 2012
  - Index eligible and Trace eligible

(1) Ratings by Moody's, S&P, Fitch and DBRS, respectively .

Appendix – Legislation and Policies

SECTION IV

Legislation and policies – promoting a healthy housing market

April 2014

- CMHC discontinued offering mortgage insurance on second homes and to self-employed individuals without 3rd party income validation

July 2012

- Maximum amortization on government-backed insured mortgages reduced to 25 years from 30 years
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 80% from 85%
- CMHC insurance availability is limited to homes with a purchase price of <$1 million lowered from $3.5 million
- Set the borrower's maximum gross debt service ratio at 39% and maximum total debt service ratio at 44%

March 2011

- Maximum amortization on government-backed insured mortgages reduced to 30 years from 35 years
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 85% from 90%

February 2010

- Borrowers must meet the standards for a five-year fixed rate mortgage
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 90% from 95%
- Minimum down payment of 20% is required in order to qualify for government-backed mortgage insurance on non-owner-occupied properties

July 2008

- Maximum amortization on government-backed insured mortgages reduced to 35 years from 40 years
- A minimum 5% down payment is required in order to qualify for government-backed insured mortgages
- Additional – minimum credit score requirements, new loan documentation standards, setting a maximum of 45% on borrowers total debt service ratio

Note to users

We use a variety of financial measures to evaluate our performance. In addition to generally accepted accounting principles (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 earnings and revenue excluding Corporate Support and results excluding the loss related to the sale of RBC Jamaica as previously announced on January 29, 2014 and provisions related to post-employment benefits and restructuring charges in the Caribbean do not have any standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other financial institutions.

Additional information about our non-GAAP measures can be found under the “Key performance and non-GAAP measures” section of our Q2 2014 Report to Shareholders and our 2013 Annual report.

Definitions can be found under the “Glossary” sections in our Q2 2014 Supplementary Financial Information and our 2013 Annual Report.

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