



Royal Bank of Canada

Fixed Income Presentation

Fall 2012

Financial information is presented in Canadian dollars on a continuing operations basis, and is based on International Financial Reporting Standards (IFRS), unless otherwise noted. All financials prior to 2011 are based on Canadian GAAP. Information as of August 30, 2012 unless otherwise stated.



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 earnings release, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), in reports to shareholders and in other communications. Forward-looking statements include, but are not limited to, statements relating to our financial performance objectives, our future business growth and efficiencies, our vision and strategic goals and our President and Chief Executive Officer's statements in this earnings release. The forward-looking information contained in this earnings release 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 future business growth and efficiencies, our vision and strategic goals and financial performance objectives, 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 2011 Annual Report to Shareholders and our Q3 2012 Report to Shareholders; 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, economic 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 thereunder; 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 Overview of other risks sections of our 2011 Annual Report to Shareholders and the Risk management section of our Q3 2012 Report to Shareholders.

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

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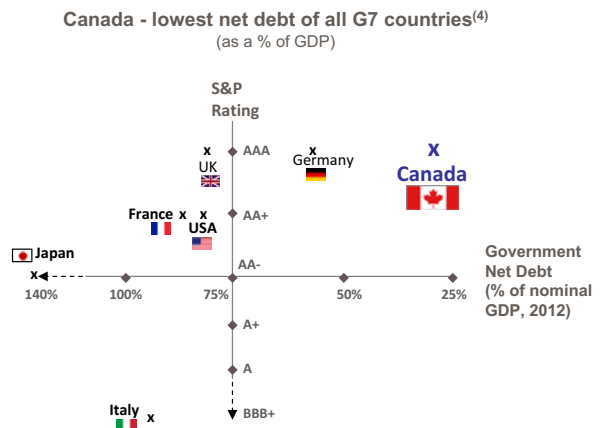
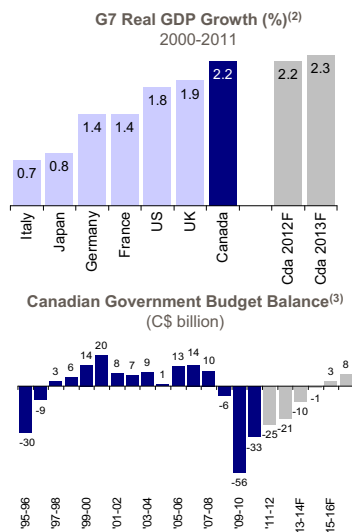
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Canada – leading AAA rating



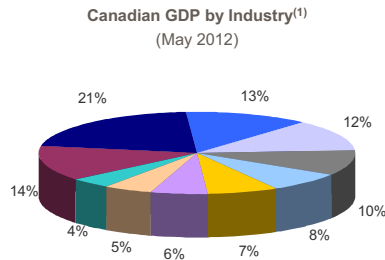
- Strong rating as a result of fiscal prudence, conservative lending practices and robust economy
- Lowest net debt to GDP ratio among G-7 peers
- Proactively responded to crisis with strong fiscal stimulus and monetary policy
- #1 for soundness of banks for the 4th consecutive year⁽¹⁾



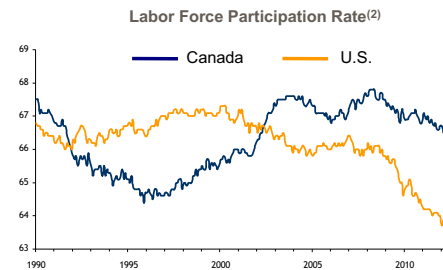
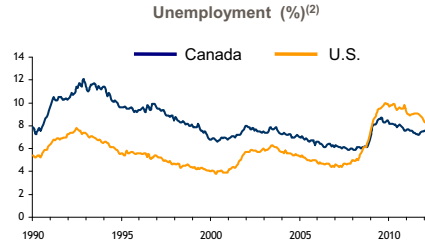
Attractive economic fundamentals support growth for Canada



- Diversified economy lays groundwork for balanced economic growth
- Stable inflation remaining in target range of 1-3%
- Canada's unemployment rates are trending favorably and have shown less volatility to global shocks



- Finance, Insurance and Real Estate
- Manufacturing
- Wholesale and Retail Trade
- Scientific, Technical and Education Services
- Public Administration, Utilities
- Health Care
- Construction
- Mining, Oil & Gas extraction
- Transportation and Warehousing
- Other

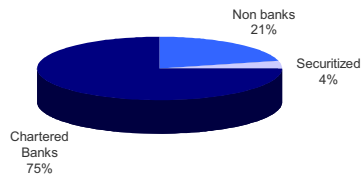


(1) Statistics Canada. Other includes information & cultural industries, other services, accommodation & food services, administration and support services and entertainment industries. (2) Statistics Canada, U.S. Bureau of Labour Statistics, RBC Economics Research as at July 2012.

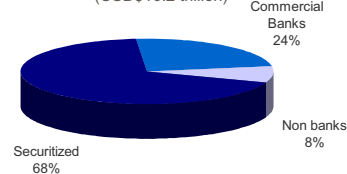
Risk mitigating legislation and conservative lending practices have kept Canada's housing market on safe footing



Canadian Residential Mortgage Market⁽¹⁾
(C\$1.1 trillion)



U.S. Residential Mortgage Market⁽²⁾
(USD\$10.2 trillion)



	Canada	U.S.
Regulation	<ul style="list-style-type: none"> • Fully insured if LTV is <u>over</u> 80% • Insurance is government-backed, on homes <\$1 million • Re-financing cap of 80% on non-insured mortgages • Down-payment > 20% on non-owner occupied properties • Must meet 5-year fixed rate mortgage standards 	<ul style="list-style-type: none"> • Insured only if conforming and LTV <u>under</u> 80% • No regulatory LTV limit – can be over 100% • Not government-backed if private insurer defaults
Consumer Behaviour	<ul style="list-style-type: none"> • Mortgage interest not tax deductible • More incentive to pay off mortgage 	<ul style="list-style-type: none"> • Mortgage interest is tax deductible • Less incentive to pay down mortgage
Lender Behaviour	<ul style="list-style-type: none"> • Strong underwriting discipline; extensive documentation • Most mortgages are held on balance sheet • Conservative lending policies have led to low delinquency rates 	<ul style="list-style-type: none"> • Wide range of underwriting and documentation requirements • Most mortgages securitized and sold
Lenders Recourse	<ul style="list-style-type: none"> • Easy to foreclose on non-performing mortgages, with no stay periods • Full recourse against borrowers 	<ul style="list-style-type: none"> • Stay period of up to 90 days to foreclose on non-performing mortgages • Limited recourse against borrowers in key states

(1) Bank of Canada, Q2 2012, RBC Economics Research.
(2) U.S. Federal Reserve Board, Q2 2012, RBC Economics Research.

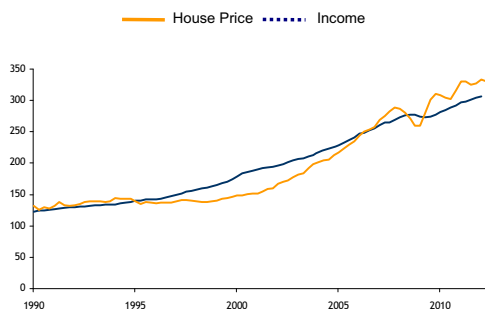


Canadian housing market fundamentals remain sound

- The annual national housing price appreciation is well within the long-term range⁽¹⁾ and is overall in line with labour income appreciation
- Overall, housing affordability remains at reasonable levels and supply and demand remain in balance
- Tighter policy measures surrounding mortgages have promoted a healthy housing market

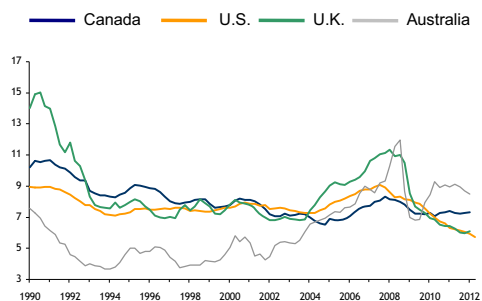
Canadian House Price & Labour Income⁽²⁾

(Indexed 1990=100)



Household Debt Service Costs⁽³⁾

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



(1) Teranet, up 5.41% year-over-year as at June 2012

(2) Canadian Real Estate Association, Statistics Canada, RBC Economics Research as at June 2012

(3) Statistics Canada, Bureau of Economic Analysis, Australian Bureau of Statistics, Office for National Statistics, RBC Economics Research as at March 2012

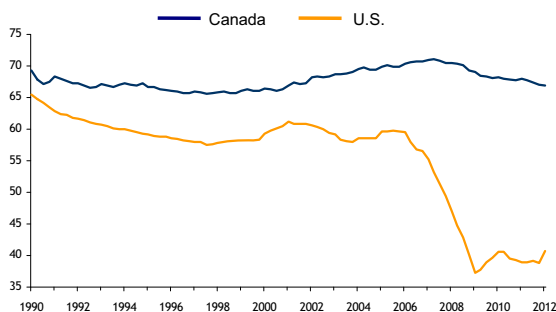


Canadians have well-managed real estate investments

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

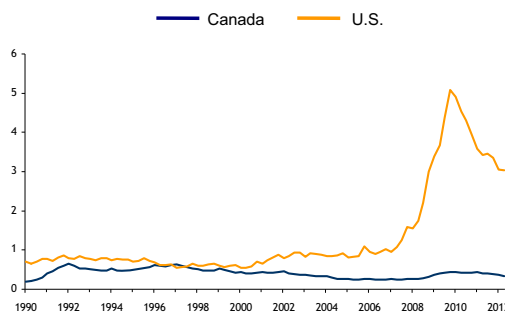
Homeowners' Equity as % of Total Value of Real Estate Assets⁽²⁾

Owner's equity as a % of residential real estate assets



Mortgage Delinquencies⁽³⁾ (90+ days)

Mortgages 90+ days in arrears as a % of total



(1) Statistics Canada Census and U.S. Census Bureau

(2) Statistics Canada, Federal Reserve Board, RBC Economics Research as at March 2012

(3) Canadian Bankers' Association, Mortgage Bankers' Association, RBC Economics Research as at June 2012

The Toronto and Vancouver condo markets

- The market is in transition, driven by land constraints and favourable demographics
- Undeveloped land surrounding Toronto & Vancouver downtown cores is limited, causing shift to centralized condo housing
 - ‘Green belt’ surrounding Toronto has limited urban sprawl which increases demand for condo’s in the core
 - Vancouver is similarly 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⁾
 - Nearly 20% of Canada’s population is foreign born (6,186,950), the highest proportion in 75 years⁽²⁾
 - 68% of all new immigrants to Canada move to the Montreal, Toronto or Vancouver⁽²⁾

“Green belt” surrounding Greater Toronto area limits sprawl



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



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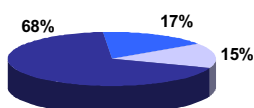
RBC – A universal bank with financial strength

- Largest Canadian bank⁽¹⁾ and one of North America's leading diversified financial companies with a select global focus
 - Diversified business model, with the right mix of retail and wholesale
 - Leading market positions in Retail and Commercial Banking, Wealth Management, Capital Markets and Insurance
 - Canada is our core market where we generate two-thirds of our revenue
 - Leveraging our leadership in Canada to build competitive businesses in select geographies
- Senior debt ratings amongst the highest globally

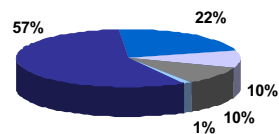
Senior debt ratings

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

Revenue by Geography⁽²⁾
Average of the trailing 4 quarters



Earnings by Business Segment⁽²⁾
Average of the trailing 4 quarters



■ Canada
■ U.S.
■ International
■ Canadian Banking
■ International Banking
■ Capital Markets
■ Wealth Management
■ Insurance

Canadian leader with a select global scope and strong credit ratings



What we are doing to outpace the competition

Canadian Banking – Profitably gaining market share

- Capitalizing on our size and scale to continue at a 25% volume growth premium to the market
- Leveraging our unparalleled distribution network and wide depth and breadth of products
- Eliminating costs and reinvesting for the future

Insurance – Enhancing our comprehensive suite of products and services

- Excellent distribution channels and deepening client relationships
- Pursuing select international growth opportunities in reinsurance

Wealth Management – Building a leading global wealth and asset manager

- Leading Canadian institutional manager and dedicated and growing service to U.S. institutional clients
- Expanding High Net Worth and Ultra High Net Worth market share
- Leveraging RBC and RBC Wealth Management strengths and capabilities

Capital Markets – A premier Canadian investment bank with select global reach

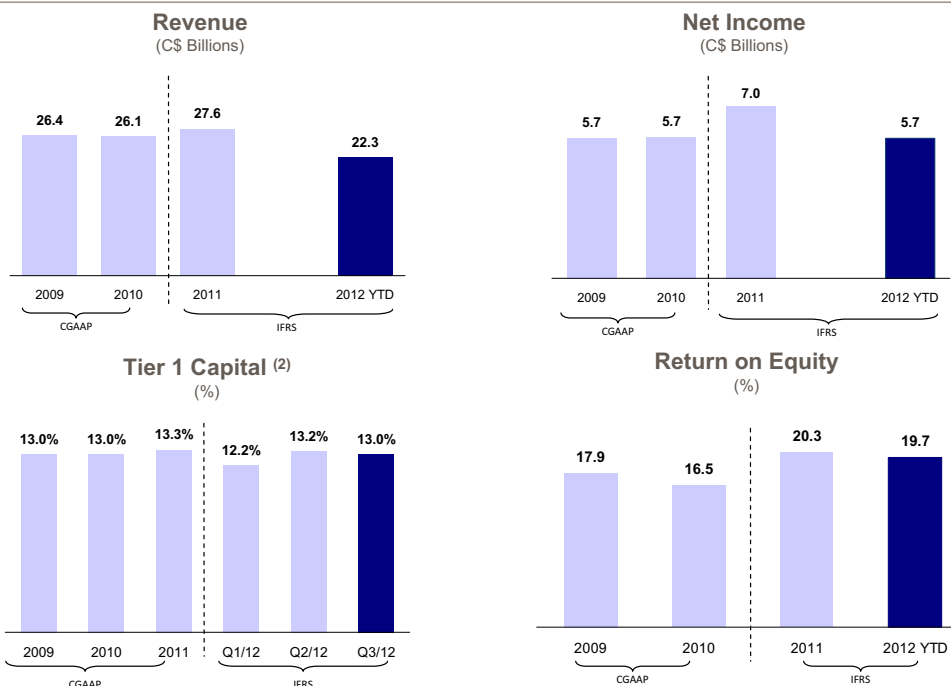
- The premier Canadian investment bank offering significant global product and service capabilities to our Canadian clients
- Expanding and strengthening client relationships in the U.S.
- Building on our core strengths and capabilities in Europe and Asia-Pacific

International Banking – A diverse global portfolio serving clients in over 100 countries

- RBC Investor Services: Broadening suite of product offerings to further cement a high-touch approach while delivering a globally integrated client experience
- RBC Caribbean: Integrating operations while building a strong franchise in the Caribbean
- U.S. Cross-border: Developing multiple products to serve targeted market segments

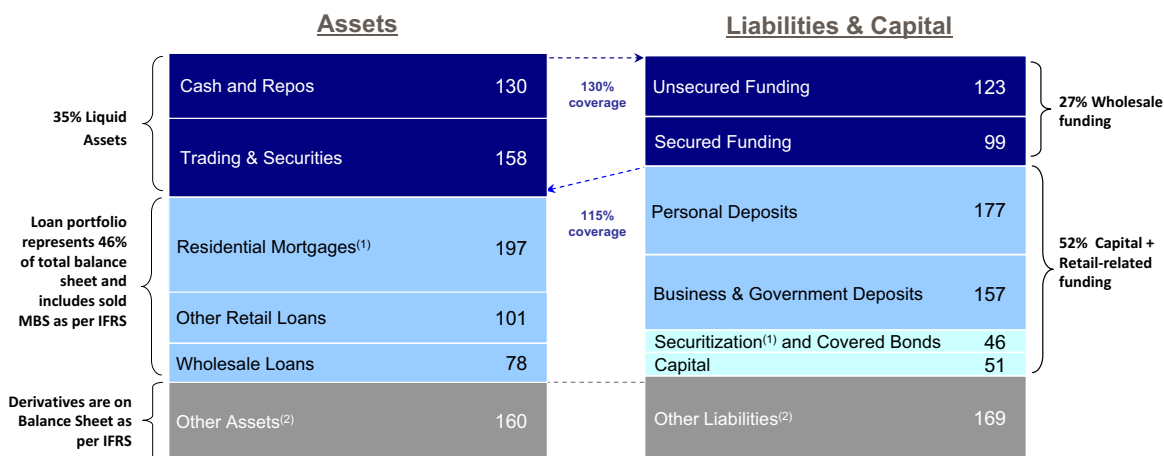


RBC's strong financial profile⁽¹⁾...



...backed by the strength of a high quality liquid balance sheet

\$824 billion
(as at July 31, 2012)



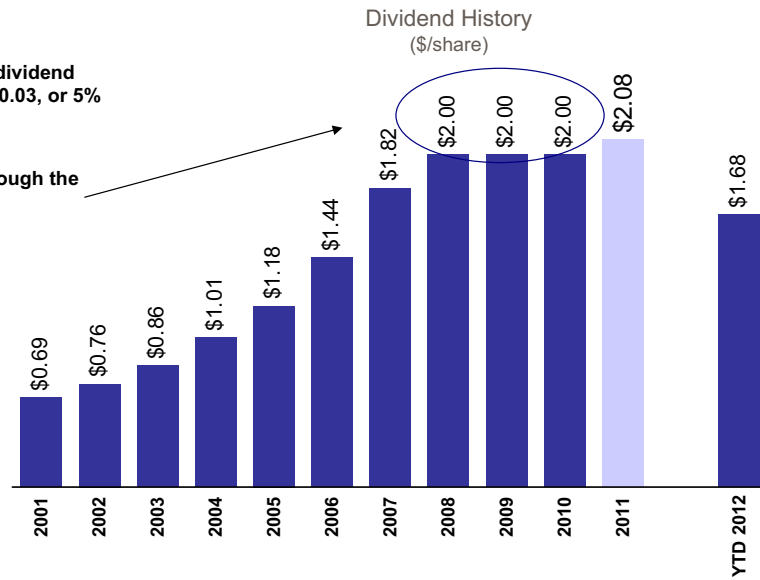
(1) Securitized agency MBS are on balance sheet as per IFRS.

(2) Other assets include \$103B of derivatives related 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 stable and growing dividends

- ✓ Announced a quarterly dividend increase in Q4 2012 of \$0.03, or 5% to \$0.60 per share
- ✓ Maintained dividend through the economic downturn

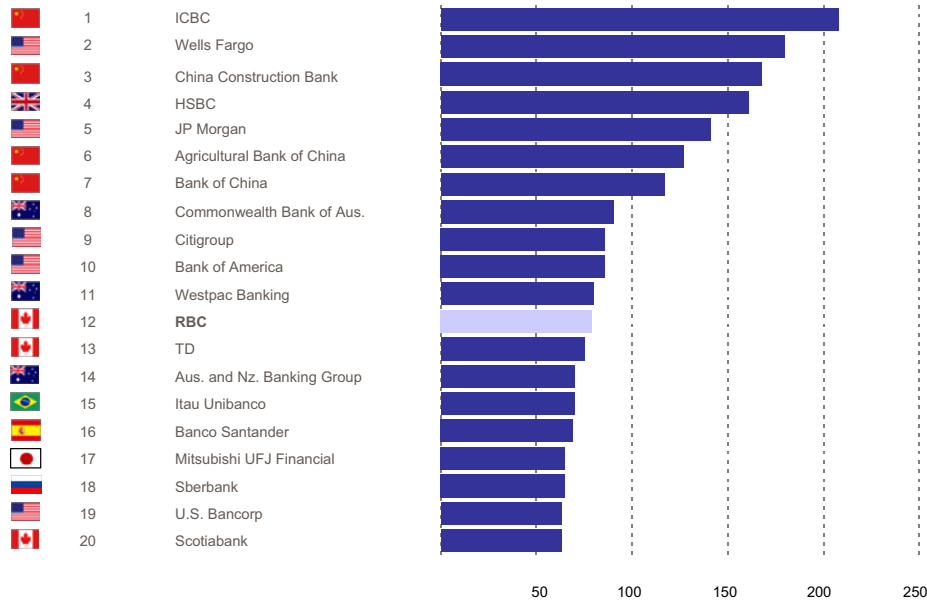


RBC has delivered stable returns for all stakeholders



RBC – Among the Top 20 Largest Banks Globally

Market Capitalization U.S.\$ billions ⁽¹⁾



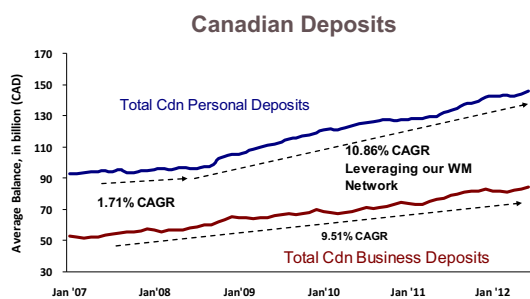
Well-positioned competitively

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3

Strong deposit growth – leveraging strength of distribution



Gaining Canadian market share

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

- Between Jun 2008 to Jun 2012, our share of the Canadian personal deposit market has grown from 17.18% to 19.72%
- Leveraging our Wealth Management network; the largest amongst Canadian peers
- Canadian relationship business deposits continue to grow at faster pace than the market

Enterprise Deposits

	July 2011	July 2012
HISA	\$ 16b	\$ 20b
Advisory Channel Deposits*	\$ 22b	\$ 27b
Other Personal Deposits	\$123b	\$130b
Business Deposits	\$ 125b	\$157b
Total Deposits	\$286Bn	\$334Bn

*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.

International deposit initiatives

Several initiatives in place including:

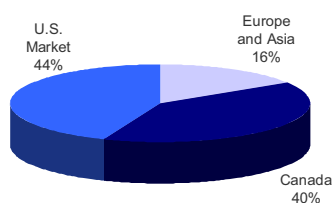
- Acquired the remaining 50% of RBC Dexia's deposits
- U.S. retail bank operates as a deposit gatherer
- Supporting deposit growth in Channel Islands and other offshore wealth management centres

RBC funding strategy – large retail deposit base complemented by well diversified wholesale funding mix

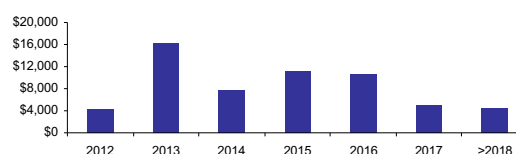


- **Strong deposit base**
 - Reduced reliance on wholesale funding due to retail deposit growth
 - Shifted funding mix to self-funded securitization sources such as CMB, MBS, Golden securitization and covered bonds for greater diversification and cost effectiveness
- **Diversified wholesale funding**
 - Well diversified across products, currencies, investor segments and geographic regions
 - Well balanced maturity profile that is reflective of the maturity profile of our asset base
 - Raise majority of funding in 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⁽¹⁾
(April 30, 2012)



Well Balanced Maturity Profile⁽¹⁾
(April 30, 2012)



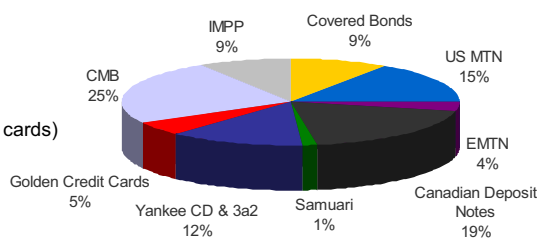
Low cost global funding mix



- **Well established in all 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 (Cdn mortgage bonds, NHA MBS⁽¹⁾, credit cards)
- Samurai and Uridashi debt program (¥ 1 trillion)

Well Diversified by Product
(April 30, 2012)



- **Recent deals in 2012**

- C\$1.0 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 1m Libor+70bps

- **Globally active covered bond program using uninsured mortgages**

- Launched in 2007 - C\$9.5 billion equivalent is currently outstanding (EUR, CAD, USD and CHF)
- Only 4.2% of RBC's covered pool (% of notional exposure) consists of Vancouver and Toronto Condos as at April 30, 2012 (includes Toronto, Vancouver and surrounding municipalities of both cities)
- The SEC has recently approved the registration of RBC's covered bonds program in the U.S.

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RBC Covered Bond Program Update



Canadian Legislative Changes

- New Canadian legislation introduced that will protect covered bond investors from claims on collateral from depositors and unsecured debt holders
- Only uninsured residential mortgages will be permitted as collateral

U.S. Registration

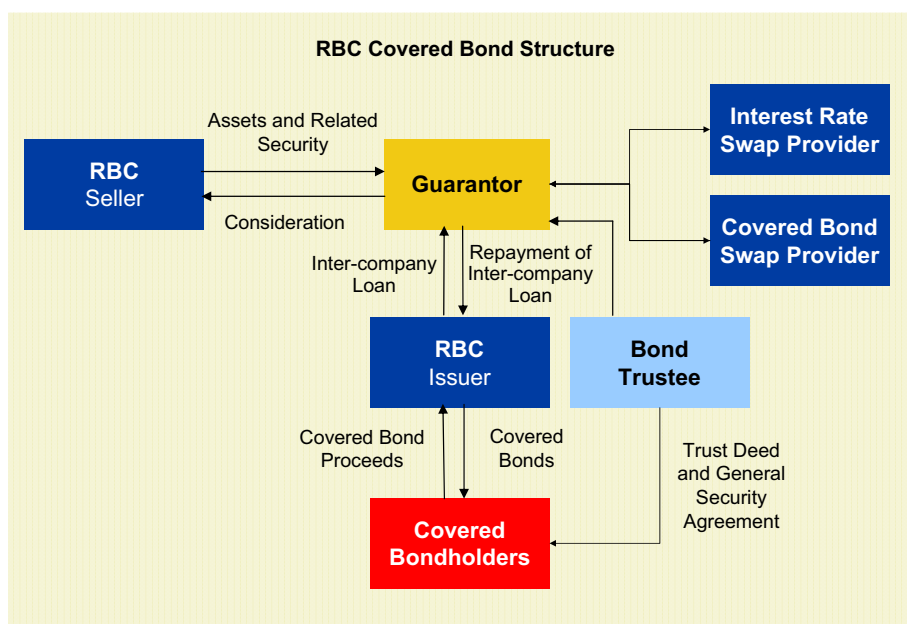
- The SEC has recently approved the registration of RBC's covered bonds program

Cover Pool Asset Percentage

- In June 2012, we lowered the maximum asset percentage from 97% to 93%; we currently operate at 91.1%

RBC is the first bank to have its covered bonds program meet SEC registration requirements

RBC obligation backed by an irrevocable guarantee



Legislation and policies – promoting a healthy housing market

OSFI, our regulator and CMHC, the Canadian Housing Insurance Company of the Department of Finance has implemented various measures over the past few years to reduce risk in Canada's housing market

- **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%
 - Limited the availability of CMHC insurance to homes with a purchase price of less than \$1 million 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



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