

Pursuant to the decision made by the Canadian Accounting Standards Board, we will prepare our financial statements in accordance with IFRS for periods commencing November 1, 2011, with comparative financial information provided for 2011.

We managed our transition to IFRS by implementing a comprehensive enterprise-wide program that focused on the key areas of impact including financial reporting, systems and processes, as well as communications and training. Our changeover to IFRS is substantially complete and our comparative (transition) year began November 1, 2010 (Transition date).

We began our transition process in 2008 by completing a thorough organization diagnostic to assess the scope and complexity of our conversion to IFRS. This process identified the areas with significant differences between IFRS and Canadian GAAP. The key areas that we expected to have the greatest financial and capital impacts on us are included below in Principal exemptions under IFRS 1 and Critical accounting policies.

Throughout our transition, we completed activities and deliverables which support the key areas of impact. We also:

- Developed preliminary assessments regarding accounting policy elections for first-time IFRS adoption;
- Initiated multiple projects within a program framework which conducted GAAP analysis, assessed financial and economic impacts, and identified process and systems requirements to ensure a successful transition; and
- Developed a resourcing model to ensure sufficient program resources were available to meet key deliverables.

We also initiated a series of ongoing activities which include:

- Establishing frequent and recurring communications with the Board of Directors, Audit Committee, executive and senior management to ensure timely decisions on key issues and risks;
- Providing frequent updates to our internal and external auditors and OSFI on key elements of program status, program structure and assessment of accounting impacts;
- Identifying external communication requirements for the investor and analyst community; and
- Internal education seminars, business impact assessments and other readiness activities for key stakeholders in various

businesses and functional groups across RBC in terms of how our adoption and our clients' adoption of IFRS impacts our financial reporting, business activities, and risk management.

In 2010, in addition to these activities, we initiated:

- Preliminary conclusions regarding accounting policy elections for first-time IFRS adoption;
- Identifying key changes in our significant accounting policies; and
- Conducting more thorough GAAP analysis, assessing financial and economic impacts, and identifying process and systems requirements to ensure a successful transition.

In 2011, we completed the modifications to our policies, processes, and systems that we identified as critical in order to report our financial results under IFRS beginning in 2012, with 2011 comparatives. We also continued the following activities:

- Regularly updated our Board of Directors and Audit Committee regarding our transition progress, including the application of an appropriate control environment, potential transition impacts and expected ongoing financial and business impacts as well as IFRS accounting and related regulatory developments; and
- Provided education and training sessions for personnel involved in the conversion process and those who have on-going financial reporting responsibilities to address specifically identified needs.

Impact of Adopting International Financial Reporting Standards

We are required to prepare an opening IFRS Consolidated Balance Sheet as at the Transition date, which forms the starting point for our financial reporting in accordance with IFRS. Any differences between the carrying values of assets, liabilities and equity determined in accordance with Canadian GAAP and IFRS, as at the Transition date, will be recorded as an adjustment to opening Retained earnings. There are two broad categories of IFRS transition adjustments impacting the opening Consolidated Balance Sheet:

- (a) Principal exemptions under IFRS 1, First Time Adoption of IFRS (IFRS 1); and
- (b) Critical accounting policy differences between IFRS and Canadian GAAP.

The table below shows the reconciliations from Canadian GAAP to IFRS for our Consolidated Balance Sheets as at November 1, 2010.

Reconciliation of opening IFRS Condensed Balance Sheets to Canadian GAAP

Table 66

(C\$ millions)	As at November 1, 2010 (Unaudited)											IFRS
	IFRS 1 Elections				Other Critical Accounting Policies							
	Canadian GAAP	Classification of financial instruments (Ref. 1)	Employee benefits (Ref. 2)	Cumulative translation differences (Ref. 3)	Goodwill (Ref. 4)	Securitization (Derecognition) (Ref. 5)	Special purpose entities (Ref. 6)	Insurance contracts (Ref. 7)	Discontinued operations (Ref. 8)	Hedging and other (Ref. 9)	Total impact	
Assets												
Cash and due from banks	\$ 8,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (30)	\$ -	\$ 888	\$ -	\$ 858	\$ 9,298
Interest-bearing deposits with banks	13,254	-	-	-	-	-	-	-	(2)	-	(2)	13,252
Securities	183,519	521	-	-	-	(11,733)	1,436	-	5,200	140	(4,436)	179,083
Assets purchased under reverse repurchase agreements and securities borrowed	72,698	-	-	-	-	-	-	-	-	-	-	72,698
Loans (net of allowances for loan losses)												
Retail loans	213,770	-	-	-	-	48,311	1,920	-	6,551	(182)	56,600	270,370
Wholesale loans	59,236	(596)	-	-	-	-	(793)	-	12,172	(2)	10,781	70,017
Assets from segregated funds	-	-	-	-	-	-	-	279	(22)	-	257	257
Assets of discontinued operations	34,364	-	-	-	-	-	-	-	(28,641)	-	(28,641)	5,723
Other – Derivatives	106,155	-	-	-	-	(24)	(90)	-	68	-	(46)	106,109
– Other	34,770	(19)	(1,266)	-	(1,261)	116	(22)	977	3,786	1,484	3,795	38,565
Total assets	\$726,206	\$ (94)	\$ (1,266)	\$ -	\$ (1,261)	\$ 36,670	\$ 2,421	\$ 1,256	\$ -	\$ 1,440	\$ 39,166	\$765,372
Liabilities												
Deposits	\$414,561	\$ -	\$ -	\$ -	\$ -	\$ 42,820	\$ 2,568	\$ -	\$ 18,472	\$ (10)	\$ 63,850	\$478,411
Liabilities from segregated funds	-	-	-	-	-	-	-	279	(22)	-	257	257
Liabilities of discontinued operations	24,455	-	-	-	-	-	-	-	(19,443)	-	(19,443)	5,012
Other – Derivatives	108,908	-	-	-	-	(843)	10	-	2	-	(831)	108,077
– Other	129,667	(40)	98	-	-	(4,819)	(1,642)	977	991	1,605	(2,830)	126,837
Subordinated debentures	6,681	-	-	-	-	-	995	-	-	-	995	7,676
Trust capital securities	727	-	-	-	-	-	900	-	-	-	900	1,627
Total liabilities	\$684,999	\$ (40)	\$ 98	\$ -	\$ -	\$ 37,158	\$ 2,831	\$ 1,256	\$ -	\$ 1,595	\$ 42,898	\$727,897
Equity attributable to Shareholders												
Preferred and common shares	\$ 18,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,344
Retained earnings	22,706	(57)	(1,364)	(1,664)	(1,261)	(415)	(226)	-	-	(668)	(5,655)	17,051
Accumulated other comprehensive income (loss)	(2,099)	3	-	1,664	-	(73)	(29)	-	-	520	2,085	(14)
	38,951	(54)	(1,364)	-	(1,261)	(488)	(255)	-	-	(148)	(3,570)	35,381
Non-controlling interest in subsidiaries	2,256	-	-	-	-	-	(155)	-	-	(7)	(162)	2,094
Total equity	\$ 41,207	\$ (54)	\$ (1,364)	\$ -	\$ (1,261)	\$ (488)	\$ (410)	\$ -	\$ -	\$ (155)	\$ (3,732)	\$ 37,475
Total liabilities and equity	\$726,206	\$ (94)	\$ (1,266)	\$ -	\$ (1,261)	\$ 36,670	\$ 2,421	\$ 1,256	\$ -	\$ 1,440	\$ 39,166	\$765,372

References below in parentheses (Ref. X) refer to the corresponding column in our Consolidated Balance Sheets Reconciliation between Canadian GAAP and IFRS presented above. All estimates noted above are subject to continuing change and monitoring.

Principal exemptions under IFRS 1

IFRS 1 provides guidance to first-time adopters of IFRS on how to account for items on transition to IFRS. Generally, IFRS 1 requires an entity to retrospectively apply IFRS upon transition. However, it also offers and requires certain exceptions from retrospective application.

Our first-time adoption decisions regarding the exemptions are discussed below. Other options available under IFRS 1, which are not discussed here, are either not material or not relevant to our business.

Designation of previously recognized financial instruments (Ref. 1)

On adoption of IFRS, an entity is required to retrospectively apply International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*, and classify its financial instruments as of the date that the financial instrument was originally

acquired. Alternatively, an entity is permitted to designate a previously recognized financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss (FVTPL) or a financial asset as AFS at the Transition date. Differences

between the fair value and carrying value will be recorded in opening Retained earnings. We will apply this election and designate the following financial assets and financial liabilities at transition.

Financial instrument designation changes from previous Canadian GAAP

Table 67

(C\$ millions)	Fair value at transition date	Classification as previously reported	Carrying value as previously reported
Financial liabilities designated at fair value through profit or loss	\$ 128	Non-trading liabilities	\$ 138
Financial assets designated as available-for-sale	564	Loans and receivables	629
Financial assets designated as available-for-sale	3,232	Held-for-trading using fair value option	3,232
Financial assets designated as available-for-sale	7,297	Held-for-trading	7,297

Employee benefits (Ref. 2)

IFRS 1 provides the option to recognize cumulative actuarial gains and losses on employee benefit plans that are deferred under Canadian GAAP in opening Retained earnings at the Transition date. We have elected this option for our employee defined pension benefit plans and other post-retirement benefits plans at the Transition date which will result in a decrease to our opening Retained earnings of approximately \$1.4 billion. Although this election significantly impacts our opening IFRS balance sheet and reduces our opening Retained earnings, the impacts of previously-deferred actuarial losses at the Transition date will not affect the net income of future periods. Our cumulative actuarial gains and losses is the sum of our unrecognized net actuarial loss, transitional (asset) obligation and prior service cost.

Cumulative translation differences (Ref. 3)

IFRS 1 provides the option to reset the cumulative translation gains and losses recorded in OCI related to foreign subsidiaries to zero at Transition date. We have elected this option and will reset all the cumulative foreign currency translation gains and losses arising from translation of our foreign operations to zero at the Transition date, with the impact recognized as a decrease to our opening Retained earnings of approximately \$1.6 billion.

Business combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations* (IFRS 3), from any date up to and including the Transition date. Applying IFRS 3 from a date prior to the Transition date would require restatement of all business combinations that occurred between that date and the Transition date. We have elected to apply IFRS 3 prospectively from the Transition date; accordingly, business combinations completed prior to the Transition date will not be restated. This election has no impact on our opening Retained earnings.

Insurance contracts

IFRS 1 provides the option to apply the transitional provisions in IFRS 4, *Insurance Contracts* (IFRS 4), which restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter of IFRS. We have decided to apply the transitional provisions in IFRS 4 which allow us to follow our existing accounting policies related to our insurance-related activities. This election has no impact on our opening Retained earnings.

Critical Accounting Policies

We expect that substantially all of our significant accounting policies under IFRS will be the same as our current policies under Canadian GAAP. A summary of the key areas that cause the most significant transition impacts is presented below.

Item	Canadian GAAP	IFRS	Impact on Transition
Goodwill (Ref. 4)	<p>Goodwill is allocated to reporting units (RUs) that are expected to benefit from the synergies of the business combination from which it arose. An RU is defined as an identified operating segment or one level below an identified operating segment. We currently have 8 RUs under Canadian GAAP.</p> <p>For impairment testing purposes, goodwill is assessed first by comparing a RU's carrying value to its fair value. If the carrying value of a RU exceeds its fair value, the fair value of the RU's goodwill is imputed by determining the fair value of the assets and liabilities of the RU and allocating the residual fair value to goodwill. An impairment loss is recorded to the extent that the carrying value of a RU's goodwill exceeds its imputed fair value. There is no reversal of an impairment loss.</p>	<p>Goodwill is allocated to cash generating units or groups of cash generating units (CGUs) that are expected to benefit from the synergies of the business combination from which it arose. We expect to have 10 CGUs under IFRS.</p> <p>Goodwill is impaired when the carrying value of a CGU exceeds its recoverable amount. Impairment cannot be reversed. An impairment test must be performed as at the date of transition to IFRS.</p>	<p>Our current goodwill allocation, which is presented in Note 10 to our 2011 Annual Consolidated Financial Statements, will be realigned to the new CGUs we have identified. Our International Banking reporting unit will reside in two CGUs, U.S. Banking and Caribbean Banking. Our Global Asset Management reporting unit will also reside in two CGUs: Canadian Wealth Management and Global Asset Management.</p> <p>We performed our impairment test as at the Transition date on the basis of the CGUs identified. The results indicated that the goodwill of our U.S. Banking CGU was impaired and accordingly was written down to zero. This will reduce our opening Retained earnings by approximately \$1.26 billion.</p>

Item	Canadian GAAP	IFRS	Impact on Transition
Securitization (Derecognition) (Ref. 5)	Derecognition of financial assets is primarily based on the legal form of the transaction and an analysis of whether the seller retains control of the assets and whether the assets are legally isolated from the seller and its creditors, even in the event of a bankruptcy.	Derecognition is based on transfer of risks and rewards; control is only considered when substantially all risks and rewards have been neither transferred nor retained.	Most assets transferred in our securitization transactions will not qualify for derecognition. As a result, the assets and associated liabilities will be recognized on our Consolidated Balance Sheets. The gains previously recognized will be recorded as a transition adjustment which will decrease our opening Retained earnings by approximately \$400 million. Although this policy change significantly impacts our opening IFRS balance sheets and reduces our opening Retained earnings, we will recognize the net income generated by the assets over their remaining lives. Information regarding our securitization activities as at October 31, 2011 is presented in Note 5 to our 2011 Annual Consolidated Financial Statements.
Consolidation of Special Purpose Entities (Ref. 6)	Consolidation is based on a controlling financial interest model. For variable interest entities (VIEs), consolidation is assessed based on an analysis of economic risks and rewards, and is consolidated by the party that absorbs a majority of the entity's expected losses or has the right to receive a majority of the expected residual returns.	Special Purpose Entities (SPEs) created to accomplish a narrow and well-defined objective are consolidated based on a control model, which is broader than the concepts applied under Canadian GAAP. Control encompasses both decision making ability and the economic consequence of those abilities (i.e. benefits and risks). IFRS does not have a concept of VIEs.	Certain entities which we previously did not consolidate will be consolidated and others which we consolidated will be deconsolidated. The associated assets and liabilities will be adjusted in our Consolidated Balance Sheets and the profits (losses) previously recognized or unrecognized will be included as a transition adjustment which will decrease our opening Retained earnings by approximately \$200 million.
Insurance (Ref. 7)	Financial statements of an insurance company must exclude the assets, liabilities, revenues and expenses of segregated funds, but include the fee income earned and the cost of any guarantees or other contract holder benefits borne by the insurer from the administration of those accounts. Life and health insurance providers are required to net reinsurance premiums, reinsurance paid claims and reinsurance recoverable against the premium incomes, paid claims and actuarial liabilities.	Investments held in segregated funds are recognized as assets of the insurance company as they are legally owned and are kept in a separate account. The insurance company also has a liability to the policy holders to sell the underlying assets and repay the policyholders when they redeem the segregated accounts. Insurers should not offset reinsurance assets against the related insurance liabilities, and similarly, should not offset income/expense from reinsurance against the expense/income from related insurance contracts.	Investments held in segregated funds, which are currently not recognized under Canadian GAAP, will be recorded on our Consolidated Balance Sheets with a corresponding liability to the policy holders. Reinsurance recoverable and the related policy benefit liabilities, which are currently offset under Canadian GAAP, will be presented separately as assets and liabilities, respectively, on our Consolidated Balance Sheets. These policy changes affect the presentation of assets and liabilities on our Consolidated Balance Sheets but do not impact our opening Retained earnings.
Discontinued Operations (Ref. 8)	The results of discontinued operations are reported as a separate component of income or loss for both current and prior periods. The assets and liabilities of a disposal group classified as held for sale or that has been sold, are presented separately in the asset and liability sections, respectively, of the balance sheet for the current and all comparative periods.	Restatement of prior period balance sheets as a result of discontinued operations is not permitted. Balance sheet adjustments related to discontinued operations are made prospectively from the date of classification as discontinued operations. The results of discontinued operations are reported as a separate component of income or loss for both current and all comparative periods.	In order to reconcile our opening IFRS Consolidated Balance Sheets to Canadian GAAP as at November 1, 2010, we have reversed the impact of discontinued operations related to the sale of our US Retail Banking operations announced during the third quarter of 2011 for which prior period results were adjusted in accordance with Canadian GAAP at the time of the sale. Under IFRS, the classification of our US Retail Banking operations as discontinued operations will be reflected in our Consolidated Balance Sheets beginning in the quarter ending July 31, 2011. The sale of Liberty Life Insurance Company announced in October 2010 and reflected as discontinued operations for Canadian GAAP beginning in Q4 2011, will be reflected as discontinued operations under IFRS from the Transition date.

Hedging and Other (Ref. 9)	In a qualifying hedge relationship, all or a portion of a recognized asset or liability can be designated as the hedged item. A portion of the hedge item is defined as either (a) a percentage of the entire recognized asset or liability, (b) all or a percentage of one or more selected cash flows, or (c) an embedded derivative that is not accounted for separately.	A portion of the cash flows of a financial asset or liability can be designated as the hedged item only if the selected cash flows are less than the total cash flows of the asset or liability. For liabilities whose effective interest rate is below the benchmark interest rate, we are not permitted to select benchmark-based cash flows as the hedged item because these cash flows would be greater than the total cash flows of the liability.	Hedge accounting has been applied only to hedging relationships that satisfy the hedge accounting criteria in IAS 39 at the Transition date. Certain cash flow hedges which qualify for hedge accounting under Canadian GAAP do not qualify under IFRS because the hedged items are portions of deposit liabilities whose cash flows are below the benchmark interest rate. The amounts accumulated in OCI relating to these hedges have been reduced to zero with the impact recognized as a reduction to our opening Retained earnings of approximately \$350 million. Although this policy change significantly impacts our opening IFRS balance sheet and reduces our opening Retained earnings, the amortization of losses previously deferred in OCI will no longer be recognized in net income in future periods.
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We will continue to monitor changes in IFRS to determine the implications on our current accounting policies as well as our business and capital position.

Impact to Tier 1 capital

Regulatory capital reporting under IFRS commences with our conversion to IFRS on November 1, 2011. Per OSFI's Capital Adequacy Guidelines, financial institutions may elect a phase-in of the impact of the conversion to IFRS on their regulatory capital reporting. We expect to make use of this election and phase-in the IFRS conversion impact over a five quarter period starting with Q1 2012. This phase-in

amount is based on the impact to Retained earnings of our IFRS conversion as at November 1, 2011, and is recognized on a straight-line basis. Our estimate of the Retained earnings impact as at November 1, 2011 is not complete but the phase-in is expected to reduce the IFRS conversion impact on our Tier 1 capital by approximately \$2 billion, from \$2.5 billion to \$500 million in Q1 2012.

The following table gives our current estimate of the impact on Shareholders' equity and regulatory capital for the major differences between IFRS and Canadian GAAP. The table also shows the impact to Tier 1 capital over the phase-in period.

Estimated Impact on Tier 1 capital impact over the permitted phase-in period

Table 68

(C\$ millions)	Reduction to Shareholders' Equity (1)	Proforma Reduction Tier 1 Capital (2)	Estimated Tier 1 capital Impact with Phase-in (subject to change) (3)				
			As at				
			January 31 2012	April 30 2012	July 31 2012	October 31 2012	January 31 2013
Employee Benefits	\$ 1,400	\$ 1,400	\$ 250	\$ 550	\$ 800	\$ 1,100	\$ 1,400
Securitization	500	400	100	150	250	300	400
Special Purpose Entities	250	200	40	80	120	160	200
Goodwill	1,260	-	-	-	-	-	-
All other transition impacts	160	500	110	220	330	440	500
Total	\$ 3,570	\$ 2,500	\$ 500	\$ 1,000	\$ 1,500	\$ 2,000	\$ 2,500

- (1) Under IFRS, Total Equity is comprised of Equity attributable to shareholders and Non-controlling interest in subsidiaries. The impact reflected in this column relates to the reduction to Equity attributable to shareholders.
- (2) The one-time phase-in calculation will be based on the IFRS – Canadian GAAP differences in effect at November 1, 2011, which are not completed at this time, adjusted for known differences, and are subject to change.
- (3) All Tier 1 capital amounts shown are under Basel II. We anticipate that the January 31, 2013 impact will be determined under Basel III which, as indicated in the Regulatory environment section, is still being formulated.

All estimates noted above are subject to continuing change and monitoring.