

# Royal Bank of Canada Investor Presentation

Summer 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.



## 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 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 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.

## Contents

### 1 RBC Overview

### 2 Business Segment Overview

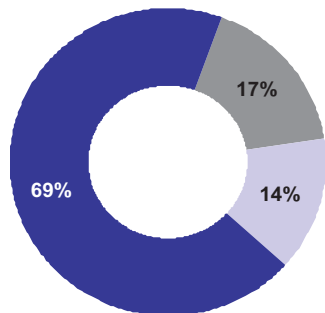
### 3 Canadian Economy and Mortgage Market



## RBC's Key Strengths

### Revenue by Geography (1)

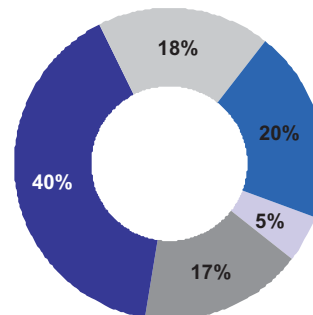
Average Q2 2011 to Q2 2012



■ Canada ■ U.S. ■ International

### Revenue by Business Segment (2)

Average Q2 2011 to Q2 2012



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

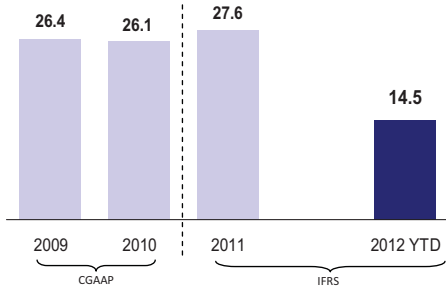
- ✓ Leveraging our leadership in Canada to build competitive businesses in select geographies
- ✓ Diversified model with the right mix of retail and wholesale businesses
- ✓ Strong capital base and highly liquid balance sheet

**Canadian leader with a select global scope**

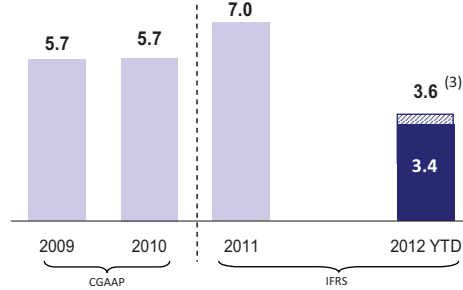


# Strong Financial Profile <sup>(1)</sup>

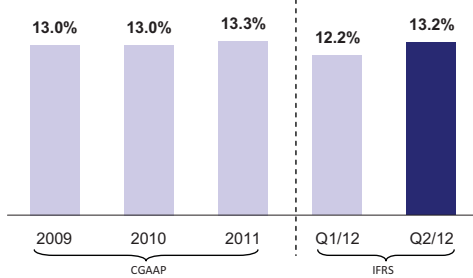
## Revenue (C\$ Billions)



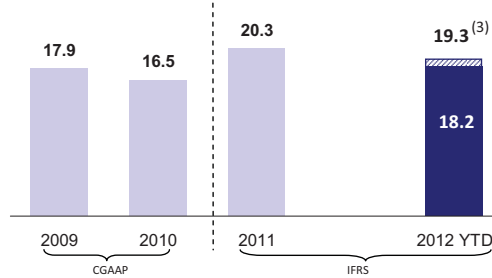
## Net Income (C\$ Billions)



## Tier 1 Capital <sup>(2)</sup> (%)



## Return on Equity (%)



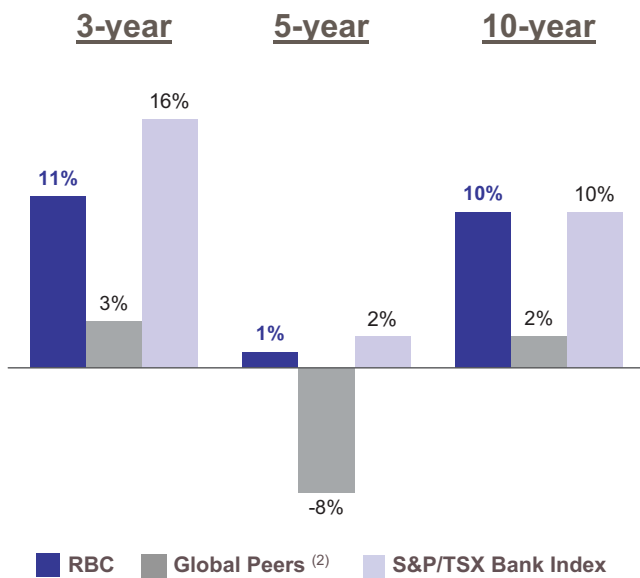
## Well positioned financially and competitively

1. Presented on a continuing operations basis unless otherwise noted. 2. 2009 – 2011 calculated using Basel II. Q1/12 calculated using Basel 2.5. 3. This is a non-GAAP measure as it excludes the previously announced loss of \$202 million after-tax related to our acquisition of RBC Dexia. See slide 21 and our Q2 2012 Report to Shareholders for further details.

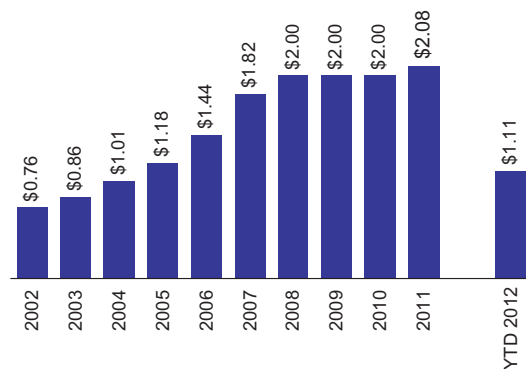


# Strong Shareholder Returns

## Total Shareholder Return <sup>(1)</sup>



## History of delivering stable and growing dividends

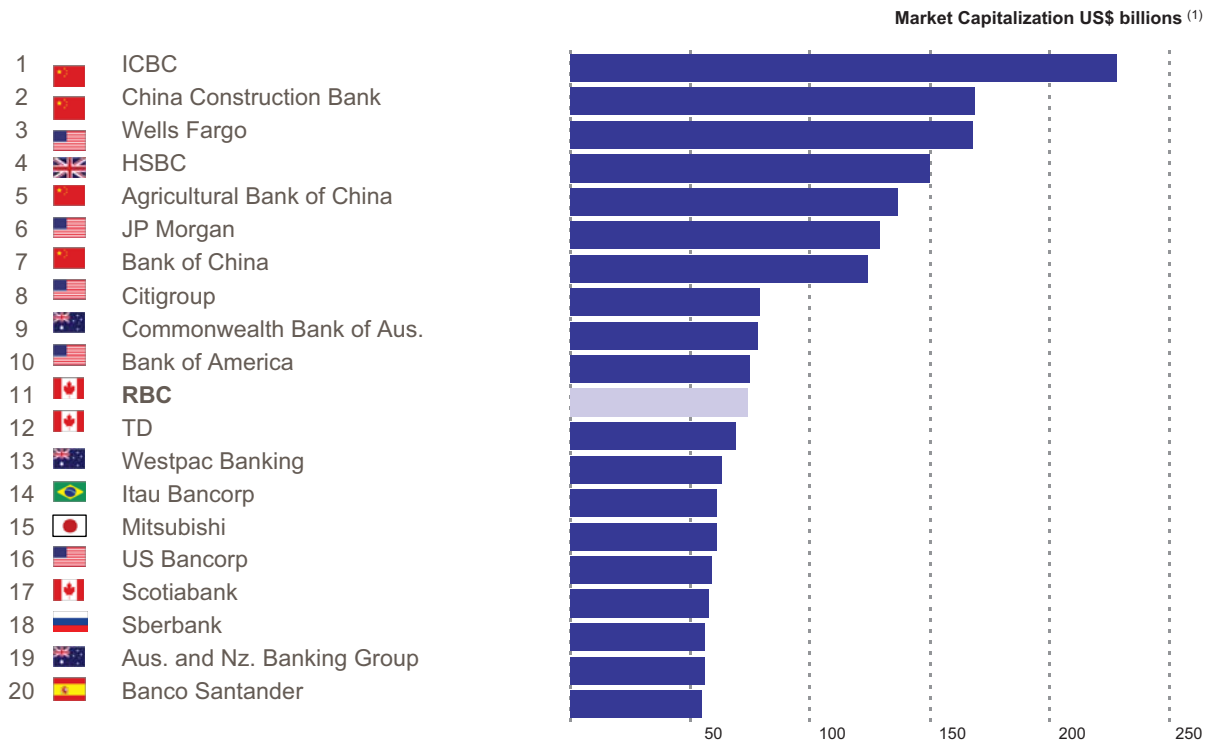


✓ Two quarterly dividend increases in the last year, totalling \$0.07 per share to \$0.57 per share.

## Strong earnings generation and long-term shareholder value



# RBC – Among the Top 20 Largest Banks Globally



**Well-positioned competitively**



# Our Strategy



**Extending our lead in Canada and growing globally**

## Contents

### 1 RBC Overview

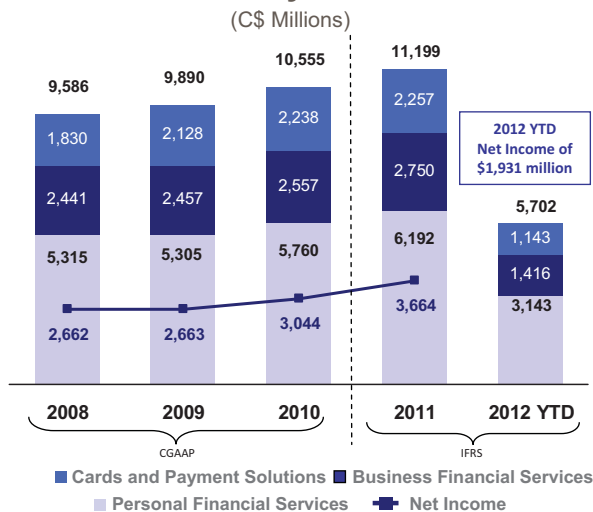
### 2 Business Segment Overview

### 3 Canadian Economy and Mortgage Market



## Canadian Banking

### Revenue by Business



### Q2 2012 Domestic Market Share and Rankings <sup>(1)</sup>

Product	Market Share	Rank
Consumer Lending	23.6%	# 2
Personal Core Deposits	21.4%	# 2
Personal Investments	15.1%	# 1
Business Loans	25.7%	# 1
Business Deposits & Investments	25.8%	# 1

- ✓ Building on leading market positions
- ✓ Extending sales power
- ✓ Eliminating costs and reinvesting for the future

**Profitably gaining market share**



## ✓ Building on leading market positions

- 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

## ✓ Extending sales power

- Winning top line revenue growth despite being constrained by the low growth and low interest rate environment
- 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
- Offering value-added products to all our clients through partnerships with great brands such as Shopper's Drugmart, Travelocity and WestJet

## ✓ Eliminating costs and reinvesting for the future

- Executing on key programs and dynamically managing our portfolio of initiatives to lower costs and drive efficiency, Q2 2012 efficiency ratio 45.3%
- Increasing efficiency and simplification in order to continue to compete more effectively in an increasingly competitive market, where pricing is becoming a more important lever
- Evolving the branch channel moving from a transaction service and sales environment into a multi channel advice center through deployment of the retail store of the future, tele-presence and integrated contact centre capability

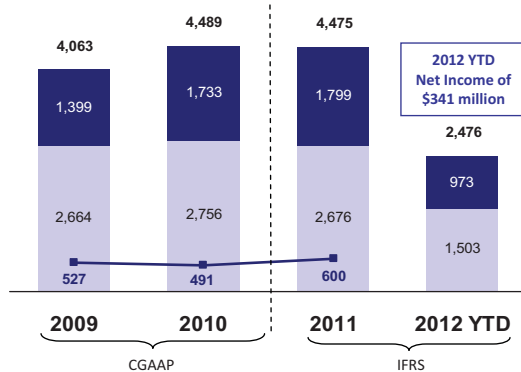
### Track record of industry leading performance

- Named "Best Retail Bank in North America" (Retail Banker International)
- First Canadian bank to reach one million mobile app downloads in under a year, setting a new Canadian bank record
- Six Synovate awards for Telephone Banking and ATM Banking Excellence
- #1 in Forrester's 2012 North American Credit Card Online Sales Rankings
- #1 Online Banking and #1 Canadian Bank Secure Web Site Ranking (Forrester)
- #1 in the 2011 Report Card on Banks and Credit Unions (published by Investment Executive)
- #1 Private Bank (Euromoney); #1 Direct Investing Service (Dalbar)



## Revenue by Business

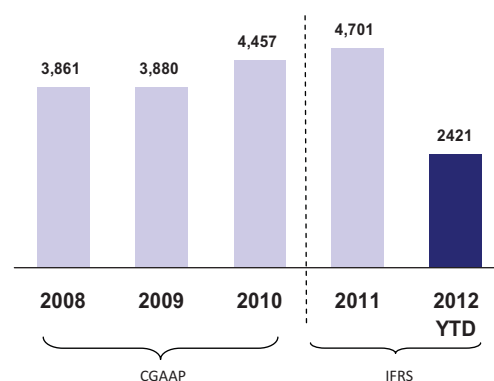
(C\$ Millions)



■ Canadian Insurance ■ International & Other Insurance ■ Net Income

## Premiums & Deposits

(C\$ Millions)



✓ Canadian market leader in living benefits and travel insurance with a superior breadth of products

✓ Excellent distribution channels and deepening client relationships

✓ Pursuing select international growth opportunities in reinsurance

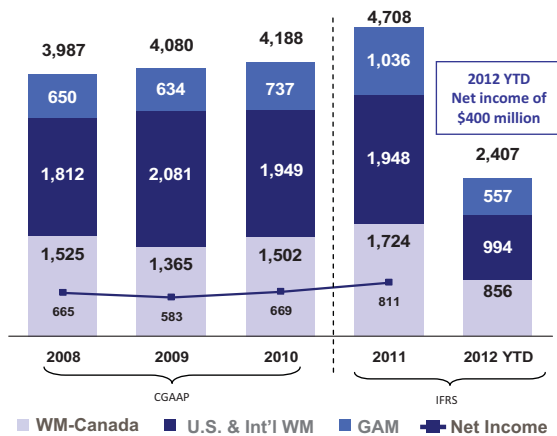
Enhancing our comprehensive suite of products and services



## Wealth Management

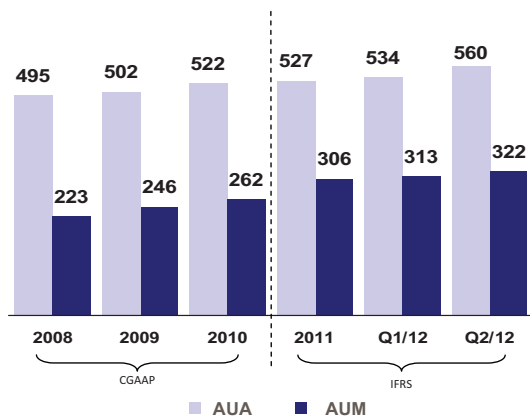
### Revenue by Business

(C\$ Millions)



### Consistent Growth in Assets

(C\$ Billions)



- ✓ Building a global high-performing asset manager
- ✓ Expanding High Net Worth and Ultra High Net Worth market share
- ✓ Leveraging RBC and RBC Wealth Management strengths and capabilities

## Building a leading global wealth and asset manager



## Wealth Management

- ✓ Building a global high-performing asset manager
  - 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
  - Leveraging BlueBay (U.K.) acquisition to expand global solutions and capabilities to North American clients
- ✓ Expanding High Net Worth and Ultra High Net Worth market share
  - Largest and most comprehensive full-service wealth manager in Canada with 22%<sup>(2)</sup> 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
- ✓ Leveraging RBC and RBC Wealth Management
  - Improving productivity and efficiency in the U.S. where we are the 7th largest full-service broker by Financial Advisors, with USD \$184B in AUA and close to 2,000 Financial Advisors in 42 states<sup>(3)</sup>
  - Building on our global leadership in international trust solutions to grow the Global Trust business
  - Expanding U.K. presence by leveraging Global Trust, Global Asset Management and RBC Capital Markets
  - Leveraging the strength, stability and brand of RBC

### Track record of industry-leading performance

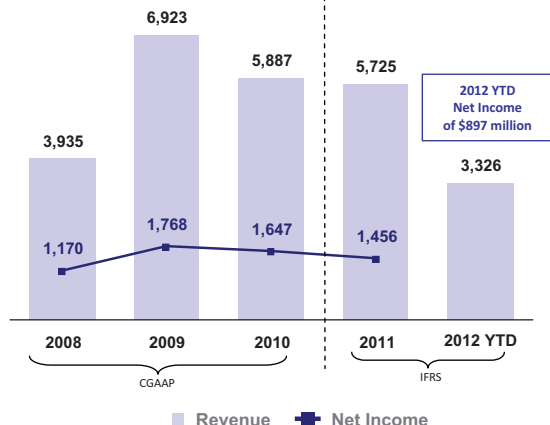
- 6<sup>th</sup> largest global wealth manager by assets<sup>(4)</sup>
- #1 Bank-Owned Investment Dealer, #1 Overall Score, #1 Advisor Overall Rating of their Firm in Canada<sup>(5)</sup>
- Best Private Banking Services Overall in Canada and the Caribbean<sup>(7)</sup>
- Institutional Trust Team of the Year and UK Offshore Trust Company of the Year<sup>(8)</sup>
- Emerging Markets Manager of the Year<sup>(9)</sup>

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; 3. Sourced from company websites and excludes Correspondent & Advisor Services and International; 4. Scorpio Partnership, 2011; 5. Lipper, 2012; 6. Investment Executive 2012 Brokerage Report Card; 7. Euromoney, 2012; 8. Society of Trust and Estate Practitioners, 2011 and Private Client Practitioner, 2011; 9. BlueBay Asset Management, 2012 UK Pension Awards \* Reflects published dates.



## Financial Results

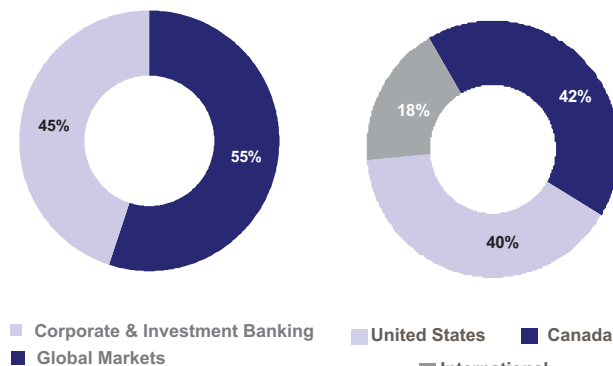
(C\$ Millions)



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

Average of the trailing 4 quarters

Average of the trailing 4 quarters



- ✓ Increasing our leadership position in Canada
- ✓ Significant presence in the U.S. with deepening client relationships
- ✓ Building on our core strengths and capabilities in Europe and Asia-Pacific

**A premier Canadian investment bank with select global reach**



- ✓ **Increasing our leadership position in Canada**
  - ❑ Leading market share in all businesses including: debt and equity origination, M&A advisory, research, and sales & trading
  - ❑ The premier Canadian investment bank offering significant global product and service capabilities to our Canadian clients
- ✓ **Significant presence in the U.S. with deepening client relationships**
  - ❑ Full service investment bank focusing on U.S. dollar origination in 16 industry sectors, along with strong research and equity and fixed income sales & trading platforms
  - ❑ A U.S. primary dealer building client relationships and a global distribution network
- ✓ **Building on our core strengths and capabilities in Europe and Asia-Pacific**
  - ❑ Significant fixed income and FX sales & trading capabilities, with research and equity and debt origination in Sterling and Euro across nine industry sectors
  - ❑ Hong Kong-based fixed income distribution and FX sales & trading; M&A advisory and select origination capability in Australian dollar debt and equity markets

### Track record of industry-leading performance

- ❑ 11<sup>th</sup> largest investment bank globally by fees in 2011 (Thompson Financial)
- ❑ Best Investment Bank in Canada (Euromoney, 2011) across Equity, Debt and M&A for 4<sup>th</sup> consecutive year
- ❑ #1 in Fixed Income e-Trading and #1 in Non-Core Bonds for the 3<sup>rd</sup> consecutive year<sup>(1)</sup>
- ❑ Most Impressive SSA Sterling House and SSA Australian Dollar House, Best SSA non-core Currency House and Best Bank Team in other non-core Currencies<sup>(2)</sup>

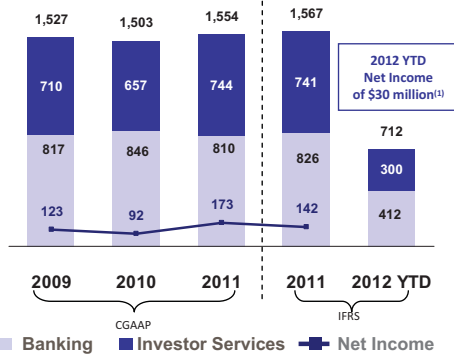




# International Banking

## Revenue by Business

(C\$ Millions)



(1) 2012 YTD net income excludes the previously announced loss of \$202MM after-tax related to our acquisition of RBC Dexia.

## RBC Dexia Investor Services

### ✓ Top 10 global custodian with C\$2.8 trillion in client AUA

- On April 3, 2012, RBC announced the acquisition of the remaining 50% of the joint venture
- Full ownership provides significant strategic value, leveraging RBC's strong reputation, brand, and financial strength to win business and drive growth

## RBC Caribbean

### ✓ 2<sup>nd</sup> largest bank by assets in the English Caribbean

- Providing products and solutions through 123 branches in 19 countries and territories

## U.S. Cross-border banking

- ✓ Launched in March 2012 to serve 160K cross-border clients in the U.S.

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

**A diverse, global portfolio serving clients in over 100 countries**

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### 3 Canadian Economy and Mortgage Market

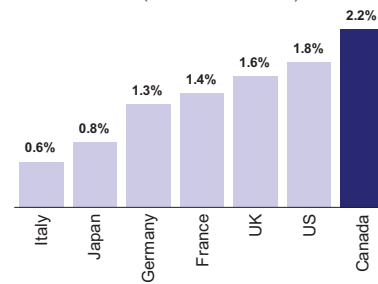


# Canadian Economy

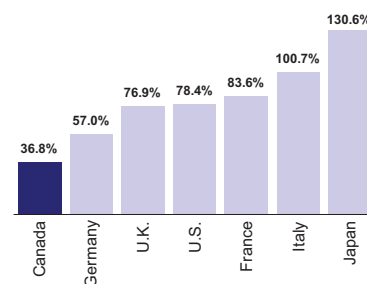
## ✓ Strong economic fundamentals (1)

- ❑ Fiscal surpluses for 11 straight years, pre-crisis
- ❑ Highest annual GDP growth rate from 1999 to 2011 among G7 peers
- ❑ Lowest net debt-to-GDP ratio among the G-7
- ❑ Proactively responded to financial crisis with strong fiscal stimulus and monetary policy
- ❑ Stable inflation that has remained within the target range of 1-3%
- ❑ #1 for soundness of banks for the 4th consecutive year (World Economic Forum, 2011)

**G7 Real GDP Growth (2)**  
(% 1999 – 2011)



**Government Net Debt (2)**  
(% of nominal GDP, 2012)



## Canada has benefited from prudent fiscal policy

1. Statistics Canada, RBC Economics Research; 2. IMF World Economic Output Database, September 2011. Data from 2010 onward are IMF estimates.



# Mortgage Market Comparison

	Canada	U.S.
<b>Regulation</b>	<ul style="list-style-type: none"> <li>• Fully insured if LTV <u>over</u> 80%; government-backed</li> <li>• Must meet 5-year fixed rate mortgage standards</li> <li>• Down-payment &gt; 20% on non-owner occupied</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 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 securitized and sold</li> <li>• Significant sub-prime origination</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>• 1 - 5yr terms typical, max 35 year amortization</li> <li>• Prepayment penalties; limited use of “teasers”</li> </ul>	<ul style="list-style-type: none"> <li>• Typically 30-year terms with matching amortization</li> <li>• “Teasers” (low initial rate which increases) are common</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>
<b>RBC Portfolio</b>	<ul style="list-style-type: none"> <li>• Originated through our proprietary channels</li> <li>• Strong underwriting practices with disciplined credit origination</li> <li>• 36% of residential mortgage balances are insured</li> <li>• Strong historical performance of our portfolio</li> </ul>	



## Note to users

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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[www.rbc.com/investorrelations](http://www.rbc.com/investorrelations)