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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 section of our Q1 2011 Report to Shareholders and our 2010 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 effect 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; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations, including tax laws; changes to and new interpretations of risk-based capital guidelines, and reporting instructions and liquidity regulatory guidance, and the Dodd-Frank Wall Street Reform and Consumer Protection Act and regulations to be issued thereunder; 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; and development and integration of our distribution networks.

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 section of our Q1 2011 Report to Shareholders and our 2010 Annual Report.

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GORDON M. NIXON, PRESIDENT & CEO

Thanks Josie and good morning everyone.

Following this call, we have our Annual Meeting and I hope you can join us for that event as well.

As you can see from our results, RBC is off to a great start in 2011. We generated record earnings of 1.84 billion dollars. These results were driven by record performances in Canadian Banking, Capital Markets and in Wealth Management. We also had a strong performance in Insurance and a significant improvement in International Banking which was slightly profitable this quarter.

Our results were impacted by a few one time items amounting to just under 60 million dollars. We grew earnings across our segments, demonstrating the strength and diversification of our businesses and the earnings power of this organization. We believe our diversified business model differentiates us today, and will set us apart from our competitors over the long term. Having the right business mix diversifies our earnings and drives strong consistent results through the cycle as we saw this quarter.

Much of this strong performance can be traced back to the groundwork we laid over the past few years in building our domestic and global businesses. We extended our leadership positions in Canada and we used this strength to build our global platforms and we are investing resources to grow market share in each of the markets we operate in.
As the global economy gained ground this quarter, we were ideally positioned to capitalize on improved investor confidence, stabilizing asset quality and stronger capital markets activity. Looking at current events, the political unrest in the Middle East is having a macro economic impact. I’d like to make a quick comment – Simply put we have minimal exposure to the impacted countries and the situation has had a minimal impact on our businesses.

In addition to sustaining momentum and building earnings capacity across our businesses, our focus remains on strengthening our balance sheet, optimizing our capital position and prudently redeploying capital in each of our businesses. Our capital position at the end of the quarter was strong with a Tier 1 capital ratio of 13.2 percent and Tier 1 Common ratio of 9.9 percent and that is after factoring in the BlueBay acquisition which was a cash purchase of $1.56 billion dollars.

Over the past few years, we have taken many steps to de-risk, strengthen and improve the liquidity of our already strong balance sheet. For example, in Capital Markets, we sold the remainder of our correlation book and we restructured the BOLI portfolio. This quarter we settled our claims with MBIA, thereby reducing accounting volatility. We continue to hold the underlying assets which we believe are appropriately provisioned, however we are taking the necessary steps to sell down these assets when opportunities arise with favourable outcomes. In International Banking, we de-risked our AFS portfolios in both the U.S. and the Caribbean. In Insurance, we have set the path to reduce our exposure to long-term U.S. annuities with the sale of Liberty Life which is scheduled to close in the second quarter.

And, we have significantly reduced our exposure to level 3 assets which currently represent 2 percent of our total assets at January 31, 2011, significantly down from the 5 percent peak at the end of 2008. Optimizing our balance sheet has always been important – And, even more so now, in light of changing capital regulations. Notwithstanding the new regulations, we believe that our strong liquid balance sheet underpins our financial strength and provides us with a high degree of flexibility and reduces risk.

Our estimated proforma Basel III Common Equity Tier 1 ratio already meets the 2019 minimum of 7% today, even without the benefit of the phase-in of capital deductions outlined in the Basel guidelines. This proforma assumes that certain internal counterparty credit risk models will be approved by the regulator. In preparation for the new rules, every business has done a tremendous amount of work to optimize capital usage and focus their efforts on products and businesses that generate higher risk-adjusted-returns. As an example, we have been preparing for the changes arising from the new market risk framework and allocating additional capital against our trading book.

We believe the expected growth in risk weighted assets associated with the new framework will on a relative basis have less of an impact on RBC as compared to some of our peers as we have a significant portion of our book on the standardized approach for regulatory capital. Therefore, a significant amount of our market risk capital is unaffected by these changes. I will address the new regulations and capital rules further during my AGM presentation.

In short, my view is that strong banks like RBC, will adjust to the new regulations and the changing economic landscape with minimal impact. And, there will be an unprecedented range of opportunities for us to grow and invest in our businesses and continue earning superior returns.

Before I turn to our business segments I want to point out that we are maintaining our quarterly dividend at $0.50 per common share which puts us right at the low end of our payout ratio. We will monitor our earnings growth in the coming quarters and continue to review our dividend policy with our Board of Directors.
Turning to our businesses, Canadian Banking delivered record earnings, with double-digit earnings growth. These results reflect our leadership and our proven ability to outperform in the marketplace. We managed to generate solid volume growth while expanding our net interest margin in a competitive environment, resulting in strong revenue growth both on a year over year and quarter over quarter basis. Although consumer credit is expected to moderate, we are beginning to see a pickup in commercial loans as companies regain confidence and begin to invest and build their inventories.

We are making the necessary investments and changing the way we deliver products and services to better serve our customers’ changing needs. We believe, this in turn, will differentiate us in the marketplace and grow our market share further. For example, we have partnered with Microsoft to introduce their innovative surface technology in our new branches, allowing customers to improve their financial literacy by navigating through interactive advice-based applications. We also introduced the RBC mobile banking application for smart phones, which has proven to be a market leader. Within the first two months of its release, half a million clients downloaded the application and signed in over 3 million times – And, for 20% of those sign-ins, clients used this app to carry out their daily banking transactions.

Our unmatched size and scale gives us enormous potential to continue to drive efficiencies and selectively re-invest across our business to drive top line growth. We believe our leading market positions coupled with our unprecedented distribution capabilities, will allow us to stay ahead of the competition and achieve our target of 25 percent volume growth premium to the market.

In Wealth Management, we had great momentum across all of our businesses which resulted in record earnings this quarter. We were able to capitalize on the improvement in the global markets to grow fee-based client assets and generate strong transaction revenues. In our Global Asset Management business we led the Canadian market in net sales of long-term funds and are in an excellent position to continue to drive further growth in assets under management. Our fund families continue to outperform and we have been recognized for this performance. PH&N won “Best Bond Fund Family”, “Best Equity Fund Family” and “Best Overall Fund Group”, at the 2011 Lipper Awards.

Our asset management business continued to expand its capabilities and distribution beyond North America with the closing of the acquisition of Blue Bay, providing us with increased product offering and greater reach in Europe and Asia. For our geographic wealth management businesses which serve affluent and high net worth clients – taking the success and strength we have built in Canada and the U.S. and replicating that proven formula in other select markets is pivotal to our global growth strategy. Specifically, in addition to our world-class global trust capabilities, we are seeking to leverage the expanding investment solution capabilities of our Asset Management business in the UK and Emerging Markets and those of RBC Capital Markets to broaden the reach of our wealth management businesses to serve clients in these markets.

Our growing international presence is building momentum – Euromoney recently ranked RBC not only # 1 for best private banking services in Canada, the Caribbean and Barbados, but also 13th for the best private bank globally – a significant improvement from 24th spot in 2009. As a global leader in wealth and asset management, we are well positioned to leverage our strong positions and continue to grow this attractive business.

Insurance contributed another very strong quarter to our diversified earnings stream. We are growing market share by continually innovating and tailoring products to better suit our customer needs.
In International Banking, credit quality strengthened in the quarter reflecting stabilizing asset quality from the improving economic conditions. The largest factor at play in sustaining profitability in this segment is credit quality as the timing and levels of PCLs are difficult to predict and highly dependent on the pace of recovery in the U.S. and to a lesser extent, Caribbean economies. The results in this segment are encouraging and we are moving in the right direction. We are seeing some positive signs of underlying business growth in all three businesses, and we remain hopeful that the performances of these businesses will continue to improve in tandem as the economies recover. Based on these current expectations, we feel that this segment will likely sustain levels of profitability in the latter half of the year.

Capital Markets also delivered record earnings and generated a return on equity of over 25 percent. With a strong franchise in Canada, the U.S., the U.K. and select global markets, we are winning more mandates as deal flows pick up and origination levels improve. During the quarter, we extended our Canadian leadership and were involved in a number of key U.S. and international mandates – we acted as: joint bookrunner on the combined 22 billion U.S. dollar common and convertible offering for General Motors – the largest equity offering in U.S. history; we were financial advisor to both Borealis and the Ontario Teachers’ Pension Plan on their joint contract to purchase High Speed 1 from the U.K. Government for 2.1 billion pounds; joint bookrunner and lead manager of financing for General Growth Properties 2 billion U.S. dollar IPO – the largest REIT equity offering on record; and, joint bookrunner on the syndication of the U.K. Government's 3.25 billion pound index-linked inflation protected bond which is due in 2055.

Also near the end of the quarter a few large deals came through the pipeline: we were joint bookrunner on the World Bank’s – 5 billion U.S. dollar, 5-year global fixed rate note – their largest ever 5-year offering; and, the province of Ontario’s successful 3.5 billion dollar 3-year global fixed-rate note, which had strong international interest. Our league table standings continue to portray our clear leadership in Canada as we ranked # 1, in debt, equity and M&A in 2010. In the U.S. and internationally we are seeing excellent market share gains and continue to move up the league tables. In 2010, we ranked 12th in Global M&A, up from 15th in 2009; 9th in U.S. IPOs, up from 12th in 2009; and, we ranked 20th in EMEA equity and equity-related, up from 48th in 2009.

Along with the growth in our investment banking businesses, our trading businesses were up substantially from last quarter, although down slightly from the robust levels of the early part of last year. Our trading businesses this quarter benefitted from increased new issue mandates especially in Canada and the U.S., and strong client volumes and spreads, primarily in our U.S. and European fixed income and equity businesses in the latter part of the quarter. You have heard me speak about our desire to increase our investment banking component of earnings, this quarter’s results are a testament to the strides we have made.

Over the cycle, we target balanced contributions from both our trading and investment banking businesses and broad geographical coverage in order to produce strong consistent returns. As our investment banking and lending coverage grows, this increased client business benefits both our trading and investment banking results. In the appendix of this presentation, you’ll find additional information comparing our wholesale business to our Canadian peers. No doubt when you look at RBC’s capital markets business on an absolute basis, we are the largest wholesale business. However, looking at our capital markets business in the context of the rest of RBC, the relative size of this business falls somewhere in the middle compared to the relative size of the wholesale businesses of our Canadian peers. And, our trading revenue as a percentage of Investment Banking revenues are also close to the average.
Our Capital Markets strategy is premised on diversification and maintaining a highly liquid balance sheet – both at the segment level and in each of our individual businesses, which we believe is important and differentiates our performance. We focus on all key services - trading, investment banking and corporate lending. Simply put – we are more diversified than our peers. As Canada’s most diversified and only truly global investment bank, we believe we have the right mix to deliver strong, consistent earnings.

In Conclusion, the majority of our businesses had strong results this quarter demonstrating the earnings power and diversification of the organization. Our longstanding strategy and business model continues to serve us well as we extend our leadership position in Canada and invest and grow our global platforms.

With that, I’ll turn it over to Morten Friis.

MORTEN FRIIS, CHIEF RISK OFFICER

Thanks, Gord.

Turning to credit on slides 7 to 9, overall provisions for credit losses decreased 98 million dollars over last quarter, as economic conditions improved and asset quality stabilized. Over the quarter, the Canadian economy continued to show signs of strength as the unemployment picture improved. Additionally, while the unemployment rate in the U.S. remained elevated, it reflected a slight improvement from the prior quarter.

Specific provision for credit losses was down 86 million dollars from last quarter, reflecting lower provisions in our Caribbean, U.S. and Canadian wholesale portfolios. During the quarter, the general provision was a credit of 8 million dollars compared to a provision of 4 million dollars in the prior quarter.

Now let’s look at credit performance in our business segments. In Canadian Banking, specific provisions were down 30 million dollars from last quarter, mainly due to lower provisions in our business lending portfolio. Credit card specific provisions as a percentage of average net loans and acceptances improved to 345 basis points from 364 basis points last quarter.

Specific PCL in International Banking decreased by 60 million dollars over the quarter largely due to lower provisions in our Caribbean and U.S. commercial portfolios.

In Capital Markets, we had a recovery in PCL of 27 million dollars, comprised of recoveries in a few large accounts. This compared to a recovery of 22 million in the prior quarter.

Now turning to market risk. During the quarter, we had a total of three days with net trading losses, one day of which exceeded VaR. This loss was largely due to a month-end credit valuation adjustment on the MBIA exposure. The largest gain this quarter was related to our legal settlement with MBIA.

As Gord said, we have settled all claims against MBIA and eliminated our exposure. We continue to hold the underlying assets in our trading book and we are in the process of reducing our holdings and selling positions when favourable opportunities arise. These assets have been previously written down and we feel they are appropriately provisioned to reflect their realization value.
Effective this quarter, in addition to VaR calculated using the Internal Model-Based Approach, we have disclosed Management VaR which includes additional products under the standardized approach. We have provided these additional details to better align external disclosure with internal management measures. Average Management VaR decreased by 2 million dollars quarter over quarter, largely driven by a decrease in interest rate risk reflecting the continued runoff of volatile 2008 scenarios from the VaR model.

With that I will turn the presentation over to Janice.

JANICE FUKAKUSA, CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

Thanks Morten and good morning everyone.

Turning to slide 11. As Gord mentioned, we started the year with record first quarter earnings of 1.84 billion dollars reflecting strong performances across our segments and record results in our largest businesses -- Canadian Banking, Capital Markets and Wealth Management.

Comparing these results with prior periods, earnings grew 23 percent over last year and 64 percent over last quarter. It is quite clear that although we did benefit from a decline in PCLs, as economic conditions improved this quarter, the majority of earnings growth was driven by solid top line growth across our businesses.

Slide 12 outlines in detail a number of small items that benefitted earnings this quarter totaling approximately 60 million dollars that Gord spoke about earlier. On a reported basis revenues increased about 1 percent over last year and 3 percent over last quarter. However if you factor out the impact of the fair value changes on investments backing our life and health policyholder liabilities which is largely offset in PBCAE, revenue on an adjusted basis grew by 7 percent over last year and 13 percent over last quarter.

Our businesses were well positioned and benefitted from improving economic conditions and the rebound in global financial markets this quarter. We continued to have solid volume growth in Canadian Banking, higher fee-based revenue and transaction volumes in Wealth Management and strong origination activity in Capital Markets.

Turning to expenses, the year over year rise in non-interest expenses corresponds to the growth in revenue and the associated costs of ongoing business growth, expansion initiatives and the related staffing and compensation costs. Compared to last quarter, expenses were up 3 percent, largely due to higher HR related expenses primarily reflecting higher variable compensation commensurate with improved revenues, and increased pension costs. Counteracting these increases we had reductions across all other expense categories in the quarter.

A number of projects are underway in each of our businesses to drive our cost base down and improve efficiencies. Realized savings from these projects will in turn be reinvested into new initiatives and infrastructure spend to support business growth along with initiatives aimed at achieving greater efficiency gains.
Before moving to our segments, I’ll point out that this quarter, we realigned our Capital Markets disclosure to better reflect how we manage these businesses. As you can see on slide 23, we have created two main business lines, “Global Markets” and “Corporate and Investment Banking”. Our legacy businesses are contained in “Other”. More details about these lines of business can be found on page 7 of our Q1 report to shareholders.

Now let’s look at our segments starting with Canadian Banking. Canadian Banking had record net income of 882 million dollars up 14 percent from last year, largely driven by solid volume growth across all businesses and lower PCL, partially offset by increased staff costs and higher pension expenses due to the impact of lower interest rates. Compared to last quarter, we also saw seasonally higher credit card transaction volumes, higher mutual fund trailer fees as equity markets improved, and a pick up in business lending volumes.

Looking at slide 15, net interest margin expanded over last quarter reflecting improved deposit spreads. Expenses were up 8 percent from last year, with approximately half of this growth related to higher pension costs and the impact of the harmonized sales tax. The other half relates to costs associated with business growth, and includes higher staff and operating costs related to expanded branch hours and days of business. One of our key priorities remains the prudent management of costs and re-investing cost savings into our businesses to drive further efficiencies and top line growth.

Our efficiency ratio this quarter stood at 46.7 percent – one of the lowest levels over the last two years despite the headwind of increased pension and HST costs. Factoring out the increase in pension costs, our efficiency ratio drops 130 basis points to 45.4%. We remain committed to driving this ratio down to the low 40’s over the medium term.

Turning to Wealth Management, net income was 221 million dollars, relatively flat over last year. Compared to last quarter earnings were up 46 million dollars or 26%. The strong underlying year over year earnings growth in this segment is clouded by a small number of one-time items in the current and prior year period. For instance, this quarter included a positive cumulative accounting impact of 11 million dollars after-tax, related to our deferred compensation liability, whereas last year included a favourable accounting impact and a favourable income tax adjustment which together, improved the prior year’s earnings by 64 million dollars. Factoring out these items, earnings increased by 35 percent over last year which provides some clarity to the run rate of this business. As a result of stronger market activity, fee-based revenues were higher and transactional volumes increased.

Moving to Insurance, net income was 145 million dollars, up 27 million dollars over last year, primarily reflecting lower claims costs. Net income increased 118 million dollars from last quarter largely due to the loss on Liberty Life recorded in the prior quarter.

International Banking net income of 24 million dollars compared to a net loss of 57 million dollars in the prior year due to losses on Available-For-Sale securities in the prior year and lower PCL in the current quarter as credit quality improved. Both of our retail businesses within this segment experienced some underlying business growth this quarter and we had improved spreads and higher fee based assets in RBC Dexia. As Gord indicated generating profitable results in this segment hinges on a sustained improvement in credit quality and we believe the performances of these businesses will continue to improve as economic conditions improve.
In Capital Markets, net income was 613 million dollars, up 7 percent from the prior year due to strong growth in our origination business, particularly debt origination, driven by stronger new issue activity, and higher loan syndication fees. Compared to last quarter, net income was up 240 million dollars largely driven by substantially higher trading revenue and growth in our investment banking businesses, mainly in the U.S. and Canada. Marginally lower trading revenue included a gain of $102 million related to MBIA, which was partially offset by an impairment of $50 million dollars on U.S. student loan auction rate securities.

We had a strong origination quarter and as Gord outlined, we booked a number of large deals at the tail end of the quarter. Over the prior quarter, our trading businesses significantly benefitted from improved client volumes and spreads. In particular, we saw substantial improvements in our U.S. based trading and investment banking revenues. Expenses were higher over last year and last quarter due to higher costs in support of business growth as well as higher variable compensation reflecting higher earnings.

In conclusion, our businesses had strong performances this quarter as we saw solid business growth in Canadian Banking, Wealth Management and Capital Markets, as economic conditions and global markets strengthened and confidence returned to the markets. We also had strong performance in Insurance and an improvement in International Banking, which returned to profitability this quarter. Continued success will come from growing our market share in Canada, the U.S. and in select markets, by expanding our strong client relationships and by prudently deploying our balance sheet.

At this point, I’ll turn the call over to the operator to begin the question and answer session. Please limit yourselves to one question, and then re-queue so everyone has an opportunity to participate.