ROYAL BANK OF CANADA
FOURTH QUARTER 2010 RESULTS
CONFERENCE CALL
FRIDAY, DECEMBER 3, 2010

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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 these speaker's notes, in other filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements in these speaker's notes include, but are not limited to, statements relating to RBC and our business segment outlooks, the economic and regulatory environment and our strategic goals. The forward-looking information contained in these speaker's notes 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 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 and that our assumptions may not be correct. 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, capital and liquidity management section of 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 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 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, capital and liquidity management section of our 2010 Annual Report.

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GORDON M. NIXON, PRESIDENT & CEO

In the midst of continued and significant changes in the financial services sector, RBC executed on our long term strategy and grew our franchise both in Canada and internationally. Our progress this year illustrates once again the power of our diversified business mix and our commitment to putting customers first.

We delivered strong earnings of more than $5.2 billion, up 35% from a year ago. Of course, excluding the loss on the announced sale of Liberty Life in the current quarter and the goodwill impairment charge in 2009, earnings were $5.3 billion or 10% from the prior year.

With the exception of our U.S. bank, I am very pleased with the strong results in each of our business divisions and our earnings of $5.3 billion are in-line with our expectations.

Canadian Banking had record earnings this year and we had solid business growth in our Wealth Management and Insurance businesses. Trading results remained strong considering the unfavourable market conditions in the latter half of the year, although they were down from the strong performance a year ago. In our investment banking businesses, we had strong revenue growth and increased deal activity.

This year, we took significant steps to advance our leadership in Canada, expand globally, strengthen our competitive positions, and invest in future sources of growth, -- all while maintaining our disciplined approach to risk management.

As shown on slide 5, we delivered top quartile shareholder returns for three- and five-year time periods compared to our global peer group reflecting our strong and consistent financial performance and a strong capital base.

With respect to our dividend, we are maintaining our dividend at $0.50 in the first quarter of 2011. We ended the year with very solid capital ratios -- our Tier 1 capital ratio was 13.0% and our Tier 1 common ratio was 9.8%.

We, like everyone else, are awaiting further clarification from regulators with respect to Basel III capital regulations. Given our strong capital base we are well positioned and quite confident that we will be in excess of the new capital requirements by 2013 as they are currently specified. The expected growth in risk weighted assets and related capital requirements from the Basel III rules as well as IFRS transitional adjustments will be well supported by our current surplus capital as well as our retained earnings growth.

Our focus remains on investing capital into product and business lines that deliver the highest level of risk adjusted returns. As an example, this quarter, we announced the sale of Liberty Life in our Insurance Segment as it lacked the scale needed to build a significant presence in the U.S. and produced inferior returns in relation to our other business activities.

Over the past two years, we have also focused on selling legacy trading and credit positions on our balance sheet to reduce risk as well as free up capital. As an example, this quarter we disposed of all of the remainder of our correlation book in Capital Markets.

There has been a lot of talk about systemically important financial institutions and a lot of speculation about RBC in this context. We have received assurances from our banking regulator that all the Canadian banks will be treated equally and while the interpretation of systemically important banks is highly definitional, none of the Canadian banks, at least in my view, should be designated. At the recent G20 meeting, regulators announced the formation of a working group mandated to assess the implications of systemically important financial institutions and develop qualifying criteria. I am pleased that regulators are undertaking a full examination as a great deal of ground work is still required before definitive lines can be drawn around different types of financial institutions.

Now, turning to slide 6, let me take you through the specific performances and achievements of our businesses over the past year.

Maintaining our leadership position across all of our businesses in our domestic market is critical to our strategy. Virtually all of our Canadian lines of business have advanced their position in each market and product category. By leveraging our leading Canadian based franchises, we have been able to build strong competitive positions in our capital markets and wealth management businesses outside of Canada – both of which are significant in scale and expanding their global reach.

Canadian Banking, of course, underpinned our results with record performance this year, earning over 3 billion. We had strong revenue growth in all businesses driven by strong home equity and personal deposit volume growth, increased credit card transaction volumes, and improved mutual fund distribution fees. Accompanying the revenue growth, we made significant strides to manage costs and reinvest those savings to drive growth in market share, and to better serve our customers' needs. We made investments in our distribution network to deliver high quality advice faster, cheaper, and more effectively. We were the first Canadian issuer of both Visa and MasterCard and we launched our new retail store concept, which transforms the branch experience into an interactive learning and shopping opportunity for both existing and prospective customers. We will continue to leverage our size and scale to drive revenues and further efficiencies, which we believe will fuel superior earnings growth as the Canadian economy continues to recover.

In Wealth Management, we had strong earnings growth of 15% from the prior year driven by higher average fee-based client assets and higher transaction volumes as market conditions improved and investor confidence returned. During the year, we announced a number of transformational changes to better align our operating structure with our goals and to accelerate our growth strategy. We are extending our leadership position in Canada, leveraging our position in the U.S. as the sixth largest full-service wealth manager and expanding our presence in targeted international markets to solidify our position as a global leader in wealth and asset management. We announced our intention to acquire U.K. based BlueBay Asset Management, which will expand our Global Asset Management business and aligns with our global expansion objectives. We also acquired the wealth management business of Fortis Wealth Management Hong Kong Ltd. reaffirming our intent to significantly expand our operations throughout Asia. Our focus of advancing our global leadership in Wealth Management will be a key driver of RBC's long term growth as favourable demographic trends have the potential to generate attractive returns in this business.

Our Insurance business continued to make solid contributions to our diversified earnings stream. It compliments our retail product offering by providing a full suite of products to better serve our Canadian Banking and Wealth Management clients. As I mentioned earlier, we announced the sale of Liberty Life in the fourth quarter which reduced earnings. Throughout the year we improved profitability, streamlined processes, deepened our client relationships and continued to refine and improve efficiencies. We also expanded our retail insurance network to 52 branches, providing customers with more access to insurance services. Looking forward, we plan to increase client attraction and loyalty, as well as efficiency and employee engagement through more cross platform collaboration.

Overall, we are certainly disappointed with the results of our International Banking segment which comprises our U.S. and Caribbean retail bank as well as RBC Dexia Investor Services. Our U.S. retail bank drove the losses in this segment over the year and as you know, it has been severely impacted by weak U.S. economic and credit conditions. Asset quality in the U.S. is stabilizing and we are encouraged by this positive sign. We certainly feel that the worst of the credit cycle is behind us and credit quality will continue to improve. We continue to be proactive in the management of our loan portfolio and we are focusing our efforts to restructure our operations and improve our operational efficiency. We believe we are taking the necessary steps to restore profitability in this segment this coming year.

Our Caribbean bank and RBC Dexia made positive contributions despite the challenging operating environment. In the Caribbean, we made solid progress in implementing new technology and leveraging the capabilities of the broader RBC network to enhance the client experience.

And RBC Dexia Investor Services, our global custody and investor services joint venture, remains a top 10 global custodian and was awarded Top-Rated status across three major categories in 2010 Agent Banks according to Global Custodian magazine.

Moving to Capital Markets, we had solid results in 2010 with earnings of over $1.6 billion, down 7% from 2009, as trading revenues were impacted in the latter half of the year by lower client volumes and tighter credit spreads. Although trading results were down from strong levels in the prior year, our investment banking businesses delivered strong results across all products and geographies reflecting a significant pickup in this business in deal activity.

The run rate of both our trading and investment banking businesses continues to improve. However, given the ongoing issues in Europe, our European debt trading business is operating in a difficult market. We are taking the necessary steps to minimize adverse financial impacts by actively managing our inventory within proper levels and minimizing our direct exposure to certain European Sovereign credits and banks that have come under financial pressure over the past several weeks. As a result, trading profits improved this quarter and we have very little direct exposure to countries the likes of Ireland, Portugal, Spain and Greece.

Looking at our global businesses over the course of the year, we have advanced our position in each of the respective markets we operate in. In Canada, we continue to be the leader and have distinguished ourselves as Canada's only truly global investment bank, which is a distinct competitive advantage for us.

By leveraging our strong Canadian franchise we continue to build our global capital markets platform in all geographies. We significantly deepened our U.S. franchise and increased market share by winning key mandates from both mid and large cap companies and we expanded our trading floors. In Europe, we grew our investment banking, equity and research businesses and now have primary dealer status in France and Germany, in addition to the U.S., Canada, the U.K. and Australia. In the U.K., we extended our capabilities in fixed income and currencies and are a top five Gilt-edged market maker. Our credit trading businesses in Europe received top rankings from institutional investors in several categories, including the Best Bank for Fixed Income e-Trading and Non-Core Currency Bonds by Credit Magazine. We continue to make strategic hires and just last month, we opened our new trading floor in Hong Kong - a key focus of our global expansion. Capital Markets is growing its business in this region by partnering with Wealth Management and we intend to dramatically expand our distribution capability of products across this region.

Looking forward, we believe our success in Capital Markets will come from maintaining our leading position in Canada and growing client relationships in the U.S. and Europe through an enhanced product suite, investment banking coverage and prudent use of our balance sheet.

As I have said previously, we continue to manage our retail banking to retain our leading market positions and deliver top market share performance. Looking ahead, the recovery of economies will take time and the global banking industry will undergo significant changes in response to both the economic climate and changing regulations. An extended period of slower economic growth in a low interest rate environment will make revenue growth more challenging and equally important are the global shocks that can potentially result from the situations like the ones we are currently experiencing in Europe.

Given the global span of our businesses across several markets, client segments and products, we feel we are well positioned for the ongoing turbulence in these various markets. While we certainly hope for effective resolution of these issues, we are managing our businesses prudently and have the ability to invoke plans to mitigate any potential impact. Increased regulation of financial institutions' capital and liquidity requirements will add more complexity and raise operating costs, making business mix and capital deployment an increasingly important driver of future success. In my view, many financial institutions around the world will be forced to change their strategic and business priorities, while well-capitalized, stable financial institutions like RBC will be positioned to take advantage of emerging opportunities and differentiate ourselves in the marketplace.

In the face of increasingly scarce capital, long-term business building, our commitment to disciplined capital deployment and generating efficiencies will be essential. Despite our track record of success, we are certainly not complacent. We will continue to help our clients reach their goals by staying committed to finding new ways to innovate and by being proactive in adapting to clients' changing needs with service at the highest levels of operational excellence.

Our strength and stature provides us with a wide range of strategic opportunities in the coming years. As a result of changes in the financial services industry over the past few years and the growth opportunities they present both in Canada and globally, we have refined our strategic goals. Our aspiration is to be a top performing diversified financial institution that delivers sustainable, profitable growth and top quartile returns for our shareholders.

Turning to slide 7.

Our new strategic goals are: Firstly, in Canada, to be the undisputed leader in financial services; globally, to be a leading provider of capital markets and wealth management solutions; and in targeted segments, to be a leading provider of select financial services complementary to our core strengths.

In closing, RBC is well positioned to drive long-term growth and success. There is no doubt that the environment we operate in will continue to be challenging. However, guided by a clear long term strategy, the strength of our leading franchise, and a strong financial position, I believe it puts us in a better position to weather the economic challenges and navigate the changing industry as we continue to strategically invest to grow our businesses throughout these times. With that, I'll turn it over to Morten.

MORTEN FRIIS, CHIEF RISK OFFICER

Overall, credit quality improved significantly compared to last year, and was stable compared to last quarter.

Turning to slides 10 to 12, specific provision for credit losses was relatively flat from last quarter and we incurred a very small general provision related to our U.S. banking business this quarter.

Looking at credit performance in our business segments -- in Canadian Banking, specific provisions were essentially flat to last quarter. Provisions in our personal portfolios were up marginally but this was partially offset by improved performance in our commercial and card portfolios. Credit card specific provisions as a percentage of average loans improved to 364 basis points from 407 basis points last quarter, driven by portfolio growth and improved asset quality.

In Capital Markets, we had a recovery of $22 million, comprised of recoveries on a few large accounts that more than offset new provision for credit losses in the quarter. This compared to a recovery of credit losses of $9 million in the prior quarter.

The specific PCL in International Banking was flat due to lower provisions, primarily in our U.S. residential builder finance and commercial portfolios, offset by higher provisions in the Caribbean commercial portfolio. We see signs of asset quality stabilization in the U.S. resulting in improved PCL this quarter. The economy remains under pressure and ongoing declines in the real estate market have contributed to continuing losses on foreclosed assets in commercial banking. Continued weak conditions in the Caribbean economies have resulted in reduced banking volumes and contributed to higher PCL this quarter. We expect the economic conditions in our Caribbean business to remain challenging until we see some improvement in the economic environment. While asset quality metrics reflect the challenging conditions, there are signs of stabilization in the overall portfolio.

Now turning to market risk. This quarter improvements in global capital markets led to lower volatility in equity and fixed income markets and, as a result, we had 6 days with net trading losses compared to 20 days last quarter. We had one trading day in the quarter with a net loss that exceeded value at risk reflecting the loss related to the fair value adjustment on RBC debt due to tightening in RBC's credit default swap spreads.

We are coming off a year in which overall provisions for credit losses declined significantly reflecting the high levels they were at one year ago and the general improvement in the global economic environment. Looking to 2011, improvements in credit quality will continue to be driven by the economic conditions of the regions in which we operate including, any future gains in employment levels.

In Canada, we expect slower growth reflecting moderate consumer and business spending. While labour markets are expected to strengthen, the improvement will be gradual which may limit the pace of additional improvements in credit quality.

In the U.S., moderate consumer and business spending, additional fiscal stimulus, and low interest rates are expected to provide support for the economy and we expect to see improving trends in PCL in U.S. Banking through 2011, although the level of impaired loans will likely remain high.

Further detail on our economic and market outlook can be found in our 2010 Annual Report. With that, I'll turn the presentation over to Janice.

JANICE FUKAKUSA, CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

oving to slide 14, we reported net income for the fourth quarter of $1.1 billion, down 9% from last year, and down 12% from the prior quarter. Excluding the $116 million loss on Liberty Life, earnings were flat compared to the prior year, and down 3% from the prior quarter.

Year over year, our earnings reflect solid volume growth in Canadian Banking, favourable actuarial adjustments in Insurance, and higher fee-based client assets in Wealth Management. This quarter we saw improvement in our Sales and Trading revenue compared to last quarter; although they were lower compared to a strong period last year. And as Morten mentioned, credit quality improvements resulted in lower PCL compared to last year, in line with levels we had last quarter.

Non-interest expense increased on a year over year basis primarily in our Canadian Banking business. Compared to last quarter, non-interest expense increased $440 million. About half of the increase relates to variable compensation in our capital markets and wealth management businesses related to stronger business performance. Of the remainder, one third related to certain one-time year-end adjustments and the balance relates to investments we are making in efficiency and effectiveness. Our ongoing focus on cost management has generated significant cost savings which are being re-invested into new initiatives and infrastructure to support business expansion and drive further efficiency. While we may see expense levels fluctuating quarter to quarter as these re-investments are made, we are committed to making the optimal decisions necessary to support our objectives.

With regard to the impact of IFRS adoption, we've identified the areas that we think will have the most significant impact in our MD&A beginning on page 60. For these areas, our preliminary estimate is a reduction of our Tier 1 capital of something less than 1%, and since we are still in the process of quantifying this, this impact could change. The decrease will mainly arise from the treatment of employee benefits, as unrecognized benefit costs are deducted from retained earnings. Other key areas of impact relate to securitization and special purpose entities. Securitization income previously recognized will be deducted from retained earnings, with earnings being recognized in the future on an accrual basis. With respect to special purpose entities, certain entities will be consolidated on our balance sheet with the full impact dependant on the entities' level of assets and liabilities.

Now let's move to slides 15 and 16. Starting with Canadian Banking, net income was $765 million, up 7% from last year driven by revenue growth across all businesses and lower PCL, partly offset by higher costs in support of business growth. We had solid growth in personal deposits, home equity products, higher credit card transaction volumes and mutual fund balances.

Moving to slide 17, net interest margin increased 5 basis points from the prior quarter reflecting higher short-term rates on core deposits and Prime/BA expansion.

NIE was up 8% from last year and 6% from the prior quarter driven by higher initiative spend, higher marketing and staff costs as well as the full impact of HST. In the quarter, we had higher operating costs as we extended hours of business and increased spend on special marketing campaigns which combined, drove an increase to sales results and higher performance related compensation. There were also a number of non-discretionary costs this quarter related to increased pension costs due to the lower discount rate on our actuarial valuation as well as the sales tax impact mentioned earlier. To counteract this rise in these ongoing non-discretionary costs we will continue to drive efficiencies and reduce costs. We remain focused on lowering our efficiency ratio into the low 40's and reinvesting savings back into the business to drive further growth by improving and adding new products and services and channels of distribution.

Moving on to Wealth Management, net income of $175 million increased 9% over last year reflecting higher average fee based client assets, partially offset by the impact of a stronger Canadian dollar. This quarter was impacted by higher money market fee waivers largely in our U.S. Wealth business and we foresee continued fee waivers in 2011 as the low interest rate environment continues. Net income was down 5% compared to the prior quarter, as last quarter benefited from an accounting impact and income tax adjustments. We had higher transaction volumes and average fee based client assets this quarter reflecting improved market conditions and investor confidence.

Turning to Insurance, net income was $27 million, down $77 million from last year. Excluding the loss on Liberty Life, net income was $143 million or up 38% from last year, reflecting favourable actuarial adjustments. We also experienced volume growth across all businesses and higher investment gains.

International Banking's net loss of $157 million compares to a net loss of $125 million last year and a net loss of $76 million last quarter. As Gord mentioned, our U.S. retail bank continues to be challenged by the weak economic and credit conditions. Although credit quality and PCL have stabilized, both revenue and earnings were impacted by higher losses in foreclosed assets in commercial real estate. We also had higher costs in compensation and increased infrastructure investments in the Caribbean as we continue to build out and integrate our platform. Improving the operating performance of this business segment remains a key focus for us.

Capital Markets net income was $373 million, down $188 million from last year's strong results. This was primarily due to lower trading results, partially offset by lower provision for credit losses and growth in our investment banking businesses. The strengthening Canadian dollar also contributed to the decrease. Compared to last quarter, earnings were up $172 million. Looking at Slide 18, Sales and Trading revenue was $889 million, reflecting higher fixed income and U.S. based equity trading results. We also had gains relating to MBIA and BOLI this quarter. As mentioned last quarter, the valuation of these portfolios can fluctuate from a quarter to quarter basis, however if you look at the full year impact, it is quite minimal. Further details on these and other market and credit related items, along with historical comparatives, can be found in our financial supplementary on page 8. In Corporate and Investment Banking, we had another strong quarter, with revenues of $604 million, reflecting growth in most of our businesses, particularly in debt origination and M&A activity. During the quarter, we also had recoveries of credit losses reflecting improved credit quality. Expenses were up $107 million from last year and $259 million from the prior quarter. Over the year, we had increased costs in support of business growth and new regulatory requirements. There was also a year-end adjustment last year which lowered the prior year's variable compensation expense. Over the sequential quarter, we had higher variable compensation reflecting stronger results and higher costs supporting business growth as we expand our platform in all major geographies and continue to make strategic hires.

At this point, I'll turn the call over to the operator to begin the Q&A session. Please limit yourselves to one question, and then re-queue so that everyone has an opportunity to participate. Thank you.