

18 October 2010

**RECOMMENDED ACQUISITION**  
**OF**  
**BLUEBAY ASSET MANAGEMENT PLC**  
**BY**  
**ROYAL BANK OF CANADA**

**Summary of the Offer**

- The boards of Royal Bank of Canada (“**RBC**”) and BlueBay Asset Management plc (“**BlueBay**”) are pleased to announce that they have reached agreement on the terms of the recommended acquisition by RBC of the entire issued share capital of BlueBay (the “**Acquisition**”).
- Under the terms of the Acquisition, BlueBay Shareholders will be entitled to receive 485 pence in cash for each BlueBay Share, valuing the entire issued share capital of BlueBay at approximately £963 million.
- The offer price of 485 pence per BlueBay Share represents a premium of:
  - 29.1 per cent. to the closing price of a BlueBay Share of 375.70 pence on 15 October 2010, being the last business day prior to the Announcement Date; and
  - 57.7 per cent. to the average closing price of a BlueBay Share of 307.63 pence for the three months ended 15 October 2010.
- In addition, BlueBay Shareholders on the register at 5 November 2010 will be entitled to receive the proposed dividend of 7.5 pence per BlueBay Share in respect of the financial year ended 30 June 2010.
- Accordingly, the total amount per BlueBay Share receivable by BlueBay Shareholders entitled to both the offer consideration and the dividend is 492.5 pence.
- The BlueBay Directors, who have been so advised by Spencer House Partners and Credit Suisse, consider the terms of the Acquisition to be fair and reasonable to BlueBay Shareholders. In providing the BlueBay Directors with advice, Spencer House Partners and Credit Suisse have taken account of the commercial assessments of the BlueBay Directors.
- Accordingly, the BlueBay Directors unanimously recommend that BlueBay Shareholders vote in favour of the resolutions to be proposed at the BlueBay Shareholder meetings to be convened to approve the Acquisition.
- It is intended that the Acquisition will be implemented by way of a Court sanctioned scheme of arrangement under sections 895 to 899 of the Companies Act, further details of which are contained in the full text of this announcement.

- RBC has received irrevocable undertakings from all of the BlueBay Directors to vote in favour of the Scheme in respect of their entire beneficial holdings of BlueBay Shares amounting, in aggregate, to 40,655,740 BlueBay Shares representing approximately 20.5 per cent. of the entire issued share capital of BlueBay. Further details of these irrevocable undertakings are set out in Appendix 2 to this announcement.
- It is expected that the Scheme Document will be posted to BlueBay Shareholders in the first half of November 2010 and that the Scheme will become effective by the end of December 2010, subject to the satisfaction of regulatory and all other relevant conditions, including the Conditions as set out in Appendix 1 to this announcement.
- BlueBay is also releasing its Interim Management Statement for the period ended 30 September 2010 today.

Commenting on the Offer, George Lewis, Group Head of RBC Wealth Management, said:

*“This acquisition will further RBC’s strategy to leverage our position as a top 10 global wealth manager, and continue to expand our asset management solutions for the benefit of our clients around the world. BlueBay is an ideal fit with RBC’s growing asset management business and we are confident that this transaction will benefit the clients, employees and shareholders of both firms.”*

John Montalbano, CEO of RBC Global Asset Management, said:

*“Both management teams are excited by a shared vision of investment performance excellence and the exceptional growth opportunities which a combination of our two firms offers. We believe this to be a uniquely positive transaction for the clients and employees of both our organizations.”*

Hans-Jörg Rudloff, Chairman of BlueBay, said:

*“Our board is unanimously recommending this combination with RBC because of the clear benefits we see for the firm’s shareholders, clients and employees.”*

Hugh Willis, CEO of BlueBay, said:

*“RBC’s strength and stability make it an ideal partner for BlueBay; as does its ambitious and well thought out global asset management strategy. Its commitment to its clients and its high standards of business practices mirror our own and lie at the heart of the excellent cultural fit between our firms. We greatly look forward to working together in providing our clients with world class investment solutions.”*

Terms used in this summary but not defined herein shall have the meaning given to them in the full text of the announcement.

**This summary should be read in conjunction with, and is subject to, the full text of this announcement including the Appendices.**

Appendix 1 sets out the conditions and certain further terms of the Acquisition. Appendix 2 contains details relating to the irrevocable undertakings given by the BlueBay Directors. Appendix 3 contains the definitions of certain terms used in this announcement.

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***FURTHER INFORMATION***

*This announcement is not intended to, and does not, constitute or form part of an offer to sell, or otherwise dispose of, or constitute an invitation or the solicitation of an offer to purchase, subscribe for or otherwise acquire any securities or the solicitation of any vote or approval in any jurisdiction, pursuant to the Acquisition or otherwise. The Acquisition will be made solely by means of the Scheme Document, which will contain the full terms and conditions of the Acquisition (including details of how to vote in respect of the Scheme). Any vote in respect of the Scheme should be made only on the basis of the information contained in the Scheme Document. BlueBay shareholders are advised to read the formal documentation in relation to the Acquisition carefully, once it has been dispatched.*

*Please be aware that addresses, electronic addresses and certain other information provided by BlueBay Shareholders, persons with information rights and other relevant persons for the receipt of communications from BlueBay may be provided to RBC during the offer period as required under Section 4 of Appendix 4 of the Code.*

*Perella Weinberg Partners UK LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for RBC and for no one else in connection with the Acquisition and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than RBC for providing the protections afforded to clients of*

*Perella Weinberg Partners UK LLP, or for giving advice to any other person in relation to the Acquisition, the contents of this announcement or any other matter referred to herein.*

*RBC Capital Markets, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for RBC and for no one else in connection with the Acquisition and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than RBC for providing the protections afforded to clients of RBC Capital Markets, or for giving advice to any other person in relation to the Acquisition, the contents of this announcement or any other matter referred to herein.*

*Spencer House Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for BlueBay and for no one else in connection with the Acquisition and will not be responsible to any person other than BlueBay for providing the protections afforded to clients of Spencer House Partners LLP, nor for providing advice in relation to the Acquisition, the content of this announcement or any matter referred to herein. Neither Spencer House Partners LLP nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Spencer House Partners LLP in connection with this announcement, any statement contained herein or otherwise.*

*Credit Suisse Securities (Europe) Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for BlueBay and for no one else in connection with the Acquisition and will not be responsible to any person other than BlueBay for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the Acquisition, the content of this announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this announcement, any statement contained herein or otherwise.*

## **OVERSEAS JURISDICTIONS**

*The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and the availability of the Acquisition to BlueBay shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions. Therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*This announcement has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside of England.*

### **Notice to US investors in BlueBay**

*The Acquisition relates to the shares of a UK company, is subject to UK disclosure requirements (which are different from those of the US) and is proposed to be made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. Financial information included in this announcement has been prepared, unless specifically stated otherwise, in accordance with accounting standards applicable in the UK and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If RBC exercises its right to implement the Acquisition by way of an offer, the offer will be made in compliance with applicable US laws and regulations.*

*The receipt of cash pursuant to the Acquisition by a US Holder as consideration for the cancellation of its BlueBay shares pursuant to the Scheme may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as foreign and other, tax laws. Each BlueBay shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to him.*

*It may be difficult for US Holders to enforce their rights and claims arising out of United States federal securities laws, since RBC and BlueBay are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US Holders may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, RBC or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, BlueBay Shares outside of the United States, other than pursuant to the Acquisition, until the date on which the Acquisition and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.*

#### **FORWARD-LOOKING STATEMENTS**

*This announcement (including information incorporated by reference in this announcement) includes "forward-looking statements". These statements are based on the current expectations of the management of RBC and BlueBay and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained herein include statements about the expected effects of the Acquisition, the expected timing and scope of the Acquisition and are not based on historical facts. As such, they are prospective in nature. Forward-looking statements include, without limitation, statements typically containing words such as "believes", "intends", "expects", "anticipates", "targets", "estimates" and words of similar import or variations of such words and phrases or statements that certain actions, events, or results "may", "could", "should", "would", "might" or "will" be taken, occur, or be achieved. Although BlueBay and RBC believe that the expectations reflected in such forward-looking statements are reasonable, BlueBay and RBC can give no assurance that such expectations will prove to have been correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Acquisition and additional factors, such as: local and global political and economic conditions; foreign exchange rate fluctuations and interest rate fluctuations (including those from any potential credit rating decline) and legal or regulatory developments and changes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Neither BlueBay nor RBC undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.*

#### **DEALING DISCLOSURE REQUIREMENTS**

*Under Rule 8.3(a) of the Code, any person who is "interested" in 1 per cent. or more of any class of relevant securities of BlueBay must make an "Opening Position Disclosure" following the commencement of the offer period.*

*An "Opening Position Disclosure" must contain details of the person's "interests" and short positions in, and rights to subscribe for, any relevant securities of BlueBay. An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period. "Relevant persons" who deal in the "relevant securities" of BlueBay prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of BlueBay, all "dealings" in any "relevant securities" of BlueBay (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3:30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an "interest" in "relevant securities" of BlueBay, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of BlueBay by RBC or BlueBay, or by any of their respective "associates", must be disclosed by no later than 12:00 noon (London time) on the London business day following the date of the relevant transaction.*

*"Opening Position Disclosures" must also be made by BlueBay and any "Offeror", and "Dealing Disclosure" must also be made by BlueBay and by any "Offeror", and by any persons "acting in concert" with them (pursuant to Rules 8.1, 8.2 and 8.4 of the Code).*

*A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).*

*"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.*

*Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.*

### **Rule 2.10 disclosure**

*In accordance with Rule 2.10 of the Code, the current issued share capital of BlueBay comprises 198,635,000 ordinary shares of £0.001 each. The ISIN number for the ordinary shares is GB00BIG52761.*

### **Publication on websites**

*In accordance with Rule 19.11 of the Code, a copy of this announcement will be available on RBC's website ([www.rbc.com](http://www.rbc.com)) and BlueBay's website ([www.bluebayinvest.com](http://www.bluebayinvest.com)) by no later than 12 noon on 18 October 2010.*

**18 October 2010**

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OF  
BLUEBAY ASSET MANAGEMENT PLC  
BY  
ROYAL BANK OF CANADA**

**1. Introduction**

The boards of RBC and BlueBay are pleased to announce that they have reached agreement on the terms of the recommended acquisition by RBC of the entire issued share capital of BlueBay.

**2. The Acquisition**

Under the terms of the Acquisition, BlueBay Shareholders will be entitled to receive:

**for each BlueBay Share                      485 pence in cash**

The Acquisition values the entire issued share capital of BlueBay at approximately £963 million.

The offer price of 485 pence per BlueBay Share represents a premium of:

- 29.1 per cent. to the closing price of a BlueBay Share of 375.70 pence on 15 October 2010, being the last business day prior to the Announcement Date; and
- 57.7 per cent. to the average closing price of a BlueBay Share of 307.63 pence for the three months ended 15 October 2010.

In addition, BlueBay Shareholders on the register at 5 November 2010 will be entitled to receive the dividend of 7.5 pence per BlueBay Share in respect of the financial year ended 30 June 2010, proposed by the BlueBay directors in BlueBay's statement of annual results. The dividend is to be paid on 3 December 2010.

Accordingly, the total amount receivable per BlueBay Share by BlueBay Shareholders entitled to both the offer consideration and the dividend is 492.5 pence.

It is intended that the BlueBay Shares will be acquired by way of a Court sanctioned scheme of arrangement under sections 895 to 899 of the Companies Act, further details of which are contained in section 12 below.

The Acquisition will be subject to the conditions and further terms set out in Appendix 1 to this announcement and to be set out in the Scheme Document.



### **3. Background to and reasons for the Acquisition**

As one of the world's top financial institutions, with credit ratings of Aaa (Moody's) and AA- (S&P), RBC approaches the opportunity to make selective acquisitions from a position of strength and stability. A key priority for RBC is to accelerate growth in the Wealth Management division, including RBC Global Asset Management, to capitalise on favourable revenue characteristics and implicit operating leverage.

Building on a North American asset management platform, with AUM of over C\$200 billion managed on behalf of institutional, high net worth, and retail clients, as well as on the broader global wealth management, capital markets, and banking strengths of RBC, RBC Global Asset Management seeks to extend the range of investment strategies and the scope of service delivery it offers to its clients.

The Acquisition will strengthen RBC's position as a leading global wealth and asset manager in the fast growing segment of the global fixed income market and will provide benefits to the clients of both BlueBay and RBC. BlueBay's products and fixed income expertise complement RBC's existing fixed income capabilities in North America with little overlap. BlueBay is expected to benefit from accelerated growth in Europe and Asia using the strength of RBC's brand and credit ratings to reinforce BlueBay's current network. Furthermore, a partnership with RBC will present an opportunity to extend significantly BlueBay's distribution into the United States and Canada. The complementary fit between fixed income and alternative capabilities of BlueBay and RBC Global Asset Management is expected to create additional potential cross-selling opportunities.

The Acquisition is not expected to have a material impact on the earnings per share of RBC in the near term. The immediate impact of the Acquisition on RBC's Tier 1 capital ratio is expected to be approximately 55 basis points.

### **4. Background to and reasons for recommending the Acquisition**

BlueBay was founded in 2001 and listed on the main market of the London Stock Exchange in November 2006. Over that period BlueBay has grown to become one of the leading independent credit asset managers in Europe with assets under management of US\$40.0 billion as at 30 September 2010.

The BlueBay Board believes that the terms of the Acquisition, entitling BlueBay Shareholders to receive 485 pence in cash for each BlueBay Share, are attractive. The price represents a premium of 29.1 per cent. to the closing share price of 375.70 pence on 15 October 2010, being the last business day prior to the Announcement Date, and a premium of 57.7 per cent. to the average share price of 307.63 pence over the three months ended 15 October 2010. In addition, BlueBay Shareholders on the register at 5 November 2010 will also be entitled to retain a dividend of 7.5 pence per BlueBay Share proposed in respect of the financial year ended 30 June 2010.

The BlueBay Board also believes that the Acquisition is strategically the appropriate next step for BlueBay and will benefit its customers and employees. RBC provides BlueBay with a platform capable of accelerating the development of the business, whilst enabling BlueBay to retain its investment autonomy and significant operational independence. As one of the world's leading financial institutions and wealth management groups, RBC offers BlueBay the opportunity to enhance its global distribution footprint and the potential to access capital to seed new investment initiatives. The BlueBay Board also believes that the support and institutional backing from a financial institution of RBC's size and strength will prove to be a meaningful competitive advantage for BlueBay, as investors increasingly focus on the durability of their investment management

counterparties following the financial crisis. The BlueBay Board expects that the Acquisition may give rise to attractive career prospects for BlueBay employees over time, as the benefits of the combined business crystallize and further develop.

## **5. Recommendation**

The BlueBay Directors, who have been so advised by Spencer House Partners and Credit Suisse, consider the terms of the Acquisition to be fair and reasonable. In providing their advice, Spencer House Partners and Credit Suisse have taken into account the commercial assessments of the BlueBay Directors.

Accordingly, the BlueBay Directors intend unanimously to recommend that BlueBay Shareholders vote in favour of the resolutions to be proposed at the Meetings, as all members of the board of directors of BlueBay have irrevocably undertaken so to do in respect of their own beneficial holdings of BlueBay Shares, representing approximately 20.5 per cent. of the issued share capital of BlueBay.

## **6. Irrevocable undertakings**

RBC has received irrevocable undertakings from all of the BlueBay Directors to vote in favour of the Acquisition in respect of their entire beneficial holdings of BlueBay Shares amounting, in aggregate, to 40,655,740 BlueBay Shares representing approximately 20.5 per cent. of the issued share capital of BlueBay.

The undertakings will remain binding if a higher competing offer for BlueBay is made. The undertakings will cease to be binding if the Acquisition lapses or is withdrawn.

Further details of the irrevocable undertakings are given in Appendix 2 to this announcement.

## **7. Information on RBC**

RBC is Canada's largest bank as measured by assets and market capitalisation, and among the largest banks in the world, based on market capitalisation. RBC is one of North America's leading diversified financial services companies, and provides personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis.

RBC is listed on the Toronto Stock Exchange and the New York Stock Exchange, and has a market capitalisation of C\$79.0 billion (£48.8 billion) as at 15 October 2010. For the financial year ended 31 October 2009, RBC reported net income of C\$3.9 billion (£2.1 billion). As at 31 July 2010, RBC employed approximately 78,000 full- and part-time employees who serve close to 18 million personal, business, public sector and institutional clients through offices in Canada, the US, and 51 other countries.

RBC Global Asset Management is part of RBC Wealth Management which directly serves affluent and high net worth clients in Canada, the US, Latin America, Europe and Asia. RBC Wealth Management provides integrated and diversified international wealth management expertise and solutions, asset management and trust services to high net worth individuals and to corporate and institutional clients. RBC Wealth Management has more than C\$500 billion (£310 billion) of assets under administration, over C\$250 billion (£155 billion) of assets under management and more than 4,500 financial consultants, advisors, private bankers and trust officers. For the financial year ended 31 October 2009, RBC Wealth Management reported net income of C\$583 million (£324 million), 15.1% of total RBC net income.

## **8. Information on BlueBay**

Founded in 2001, BlueBay provides investment management services primarily to institutions and manages a combination of long-only and alternative products across the sub-asset classes of investment grade corporate debt, high yield corporate debt, emerging market debt, convertible bonds, distressed debt and multi-strategy debt products. BlueBay also manages a number of segregated mandates on behalf of large institutional clients globally.

Based in London with offices in the US and Japan, BlueBay is one of the leading independent managers of fixed income debt funds and products in Europe with US\$40.0 billion of assets under management (as at 30 September 2010).

BlueBay's overall aim is to provide a broad range of credit products to institutional investors which offer attractive risk-adjusted returns. Listed on the London Stock Exchange in November 2006, BlueBay is a constituent of the FTSE 250.

BlueBay is also releasing its Interim Management Statement for the period ending 30 September 2010 today.

## **9. Arrangements with BlueBay Management**

RBC intends that BlueBay's existing deferred compensation arrangements with employees, including all members of BlueBay Management, will remain in place.

In addition, Hugh Willis and Mark Poole have entered into agreements with RBC under which they have each agreed to reinvest 25 per cent. of the consideration they will receive under the Acquisition (on an after tax basis) in funds operated by BlueBay. 40 per cent. of the amounts invested by each of Hugh and Mark under this arrangement will be subject to forfeiture in the event they leave employment within a three year period following completion of the Acquisition, subject to certain customary exceptions. The agreements between RBC and each of Hugh and Mark also contain customary post termination restrictive covenants for a further period of two years following termination of their employment. Hugh and Mark have also agreed to increase the proportion, from 40 per cent. to 60 per cent., of their total compensation which is subject to deferral in accordance with BlueBay's existing deferred compensation arrangements. Further details of the arrangements with Hugh and Mark will be set out in the Scheme Document. No new benefits of any kind have been given to Hugh or Mark under these arrangements.

Following the transaction, BlueBay employees will have personal holdings in excess of US\$280 million in BlueBay funds. The majority of the holdings are subject to various vesting and/or forfeiture conditions.

## **10. Employees and locations**

RBC attaches great importance to the skills and experience of the existing management and employees of BlueBay. RBC intends that, upon the Acquisition becoming effective, the existing contractual and statutory employment rights and pension rights of all employees of BlueBay will be fully safeguarded. RBC is also committed to maintaining BlueBay's established incentive and compensation policies for at least three years going forward. Further, it is not expected that there will be any job losses within BlueBay as a result of the Acquisition.

RBC's plans do not involve any material changes to the terms of employment of BlueBay employees, nor are there any current plans to change the principal locations of BlueBay's business.

## **11. BlueBay Share Plans**

The Acquisition will extend to any BlueBay Shares unconditionally allotted or issued before the Scheme Record Time (or until such earlier date as, subject to the Code, RBC may decide), including those allotted or issued as a result of the exercise of options or vesting of awards under the BlueBay Share Plans.

Appropriate proposals will be made, on or shortly after the date of the Scheme Document, to the participants in the BlueBay Share Plans.

## **12. Structure of the Acquisition**

It is intended that the Acquisition will be effected by way of a Court sanctioned scheme of arrangement under sections 895 to 899 of the Companies Act. The Scheme is an arrangement between BlueBay and the Scheme Shareholders and is subject to the approval of the Court.

The purpose of the Scheme is to provide for RBC to become the owner of the whole of the issued ordinary share capital of BlueBay. This is to be achieved by the cancellation of the Scheme Shares held by BlueBay Shareholders and the application of the reserve arising from such cancellation in paying up in full a number of new BlueBay Shares (which is equal to the number of Scheme Shares cancelled) and issuing them to RBC, in consideration for which Scheme Shareholders will receive cash on the basis set out in section 2 of this announcement.

The Scheme requires the approval of Scheme Shareholders by the passing of a resolution at the Court Meeting, expected to be held in late November 2010. The resolution must be approved by a majority in number of the Scheme Shareholders present and voting, either in person or by proxy, representing not less than 75 per cent. in value of the BlueBay Shares held by such Scheme Shareholders. Implementation of the Scheme will also require the passing of the BlueBay Resolutions (requiring the approval of BlueBay Shareholders representing at least 75 per cent. of the votes cast at the BlueBay General Meeting, which will be held immediately after the Court Meeting). In respect of the BlueBay Resolutions, the BlueBay Shareholders will be entitled to cast one vote for each BlueBay Share held.

Following the Meetings, the Scheme and the related reduction of BlueBay's share capital must be sanctioned by the Court and will only become effective upon delivery to the Registrar of Companies of a copy of the Scheme Court Order (sanctioning the Scheme) and of the Reduction Court Order (confirming the reduction of share capital of BlueBay forming part of the Scheme) and the registration of such order. Upon the Scheme becoming effective, it will be binding on all BlueBay Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the BlueBay General Meeting.

Further details of the Scheme will be contained in the Scheme Document which is expected to be posted to BlueBay Shareholders in the first half of November 2010. It is anticipated that the Scheme will become effective by the end of December 2010, subject to the satisfaction of regulatory and all other relevant conditions. The Scheme is subject to certain conditions and certain further terms referred to in Appendix 1 of this announcement and to be set out in the Scheme Document. Further details on the timetable for the implementation of the Scheme will be set out in the Scheme Document.

RBC reserves the right, subject to the prior consent of the Panel, to elect to implement the acquisition of the BlueBay Shares by way of a takeover offer (as such term is defined in section 979 of the Companies Act). In such event, such takeover offer will be implemented on the same terms (subject to appropriate amendments as described in Part 2 of Appendix 1), so far as applicable, as

those which would apply to the Scheme. Furthermore, if sufficient acceptances of such offer are received and/or sufficient BlueBay Shares are otherwise acquired, it is the intention of RBC to apply the provisions of section 979 of the Companies Act to acquire compulsorily any outstanding BlueBay Shares to which such offer relates.

### **13. Financing of the Acquisition**

The cash consideration payable under the Acquisition will be funded using RBC's existing cash resources.

Perella Weinberg Partners is satisfied that sufficient financial resources are available to RBC to satisfy in full the cash consideration payable under the Acquisition.

### **14. Delisting**

Upon or shortly after the Scheme becoming effective, the London Stock Exchange will be requested to cancel trading in BlueBay Shares on the London Stock Exchange's market for listed securities and the UK Listing Authority will be requested to cancel the listing of the BlueBay Shares from the Official List.

On the Scheme Effective Date, share certificates in respect of the BlueBay Shares will cease to be valid and should be destroyed. In addition, entitlements to BlueBay Shares held within the CREST system will be cancelled on the Scheme Effective Date.

### **15. Implementation Agreement**

BlueBay and RBC have entered into an Implementation Agreement which contains, amongst other things, certain obligations and commitments in relation to implementation of the Acquisition. The Implementation Agreement also contains an inducement fee arrangement and a non-solicitation undertaking. Further information regarding this agreement will be set out in the Scheme Document. A brief summary of the inducement fee arrangement and non-solicitation undertaking is set out below.

#### *Inducement fee*

In consideration of RBC making the Acquisition, BlueBay has agreed to pay to RBC an inducement fee equal to one per cent. of the value of the Acquisition (subject to any adjustment for VAT) if, after this announcement is released and prior to the Scheme lapsing or being withdrawn:

- (a) the BlueBay Directors (or any committee of the BlueBay Directors) do not unanimously and without qualification recommend the Acquisition, or if they withdraw or modify or qualify their unanimous recommendation of the Acquisition, except in either case as a result of an RBC MAC; or
- (b) the BlueBay Directors determine not to implement the Acquisition by refusing to put forward the Scheme, except as a result of an RBC MAC; or
- (c) following the resolutions proposed at the Meetings having been passed by the requisite majorities, the BlueBay Directors do not seek the Court Order at the Court Hearing, except as a result of an RBC MAC; or
- (d) an Alternative Proposal is announced (whether or not on a pre-conditional basis and whether pursuant to Rule 2.4 or Rule 2.5 of the Code) and that Alternative Proposal or any other

Alternative Proposal (which is announced pursuant to Rule 2.4 or Rule 2.5 prior to the first Alternative Proposal lapsing or being withdrawn) subsequently becomes effective or is declared wholly unconditional or is otherwise completed.

Nothing in the agreement by BlueBay to pay RBC the inducement fee referred to above obliges BlueBay to pay any amount which the Panel determines would not be permitted by Rule 21.2 of the Code.

#### *Non-solicitation*

BlueBay has undertaken that it shall not, and shall procure that each member of the BlueBay Group and its and their respective directors, management team and advisers shall not, directly or indirectly, solicit, initiate, continue, encourage or otherwise seek to procure or initiate any approach to, or offer from, any person who is not a concert party of RBC with a view to a transaction taking place which would constitute or may lead to an Alternative Proposal or is reasonably likely to preclude or restrict or delay the Acquisition.

BlueBay has agreed to notify RBC as soon as practicable if it or any of its directors, employees or advisers (a) receives any approach in relation to a possible Alternative Proposal; or (b) receives any request for information under Rule 20.2 of the Code or otherwise; or (c) provides information to a third party in connection with any proposal that could become an Alternative Proposal.

BlueBay has also agreed that, not less than 24 hours prior to the announcement under Rule 2.5 of the Code of an Alternative Proposal, it will provide RBC with the terms of such Alternative Proposal, including the value of any offer consideration.

#### **16. Disclosure of interests in BlueBay**

As at close of business on 14 October 2010, the last practicable date prior to the date of this announcement, neither RBC, nor any directors of RBC, nor, so far as RBC is aware, any person acting in concert with RBC, has any interest in or right to subscribe for any relevant BlueBay securities.

#### **17. General**

The Acquisition will be subject to the Conditions and certain further terms set out in Appendix 1 and the further terms and conditions set out in the Scheme Document when issued.

The availability of the Acquisition to persons not resident in the UK may be affected by the laws of the relevant jurisdiction. Any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements.

Certain terms used in this announcement are defined in Appendix 3.

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***FURTHER INFORMATION***

*This announcement is not intended to, and does not, constitute or form part of an offer to sell, or otherwise dispose of, or constitute an invitation or the solicitation of an offer to purchase, subscribe for or otherwise acquire any securities or the solicitation of any vote or approval in any jurisdiction, pursuant to the Acquisition or otherwise. The Acquisition will be made solely by means of the Scheme Document, which will contain the full terms and conditions of the Acquisition (including details of how to vote in respect of the Scheme). Any vote in respect of the Scheme should be made only on the basis of the information contained in the Scheme Document. BlueBay shareholders are advised to read the formal documentation in relation to the Acquisition carefully, once it has been dispatched.*

*Please be aware that addresses, electronic addresses and certain other information provided by BlueBay Shareholders, persons with information rights and other relevant persons for the receipt of communications from BlueBay may be provided to RBC during the offer period as required under Section 4 of Appendix 4 of the Code.*

*Perella Weinberg Partners UK LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for RBC and for no one else in connection with the Acquisition and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than RBC for providing the protections afforded to clients of*



*Perella Weinberg Partners UK LLP, or for giving advice to any other person in relation to the Acquisition, the contents of this announcement or any other matter referred to herein.*

*RBC Capital Markets, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for RBC and for no one else in connection with the Acquisition and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than RBC for providing the protections afforded to clients of RBC Capital Markets, or for giving advice to any other person in relation to the Acquisition, the contents of this announcement or any other matter referred to herein.*

*Spencer House Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for BlueBay and for no one else in connection with the Acquisition and will not be responsible to any person other than BlueBay for providing the protections afforded to clients of Spencer House Partners LLP, nor for providing advice in relation to the Acquisition, the content of this announcement or any matter referred to herein. Neither Spencer House Partners LLP nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Spencer House Partners LLP in connection with this announcement, any statement contained herein or otherwise.*

*Credit Suisse Securities (Europe) Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for BlueBay and for no one else in connection with the Acquisition and will not be responsible to any person other than BlueBay for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the Acquisition, the content of this announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this announcement, any statement contained herein or otherwise.*

## **OVERSEAS JURISDICTIONS**

*The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and the availability of the Acquisition to BlueBay shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions. Therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*This announcement has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside of England.*

### **Notice to US investors in BlueBay**

*The Acquisition relates to the shares of a UK company, is subject to UK disclosure requirements (which are different from those of the US) and is proposed to be made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. Financial information included in this announcement has been prepared, unless specifically stated otherwise, in accordance with accounting standards applicable in the UK and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If RBC exercises its right to implement the Acquisition by way of an offer, the offer will be made in compliance with applicable US laws and regulations.*

*The receipt of cash pursuant to the Acquisition by a US Holder as consideration for the cancellation of its BlueBay shares pursuant to the Scheme may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as foreign and other, tax laws. Each BlueBay shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to him.*

*It may be difficult for US Holders to enforce their rights and claims arising out of United States federal securities laws, since RBC and BlueBay are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US Holders may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, RBC or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, BlueBay Shares outside of the United States, other than pursuant to the Acquisition, until the date on which the Acquisition and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.*

#### **FORWARD-LOOKING STATEMENTS**

*This announcement (including information incorporated by reference in this announcement) includes "forward-looking statements". These statements are based on the current expectations of the management of RBC and BlueBay and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained herein include statements about the expected effects of the Acquisition, the expected timing and scope of the Acquisition and are not based on historical facts. As such, they are prospective in nature. Forward-looking statements include, without limitation, statements typically containing words such as "believes", "intends", "expects", "anticipates", "targets", "estimates" and words of similar import or variations of such words and phrases or statements that certain actions, events, or results "may", "could", "should", "would", "might" or "will" be taken, occur, or be achieved.. Although BlueBay and RBC believe that the expectations reflected in such forward-looking statements are reasonable, BlueBay and RBC can give no assurance that such expectations will prove to have been correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Acquisition and additional factors, such as: local and global political and economic conditions; foreign exchange rate fluctuations and interest rate fluctuations (including those from any potential credit rating decline) and legal or regulatory developments and changes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Neither BlueBay nor RBC undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.*

#### **DEALING DISCLOSURE REQUIREMENTS**

*Under Rule 8.3(a) of the Code, any person who is "interested" in 1 per cent. or more of any class of relevant securities of BlueBay must make an "Opening Position Disclosure" following the commencement of the offer period.*

*An "Opening Position Disclosure" must contain details of the person's "interests" and short positions in, and rights to subscribe for, any relevant securities of BlueBay. An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period. "Relevant persons" who deal in the "relevant securities" of BlueBay prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of BlueBay, all "dealings" in any "relevant securities" of BlueBay (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3:30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an "interest" in "relevant securities" of BlueBay, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of BlueBay by RBC or BlueBay, or by any of their respective "associates", must be disclosed by no later than 12:00 noon (London time) on the London business day following the date of the relevant transaction.*

*"Opening Position Disclosures" must also be made by BlueBay and any "Offeror", and "Dealing Disclosure" must also be made by BlueBay and by any "Offeror", and by any persons "acting in concert" with them (pursuant to Rules 8.1, 8.2 and 8.4 of the Code).*

*A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).*

*"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.*

*Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.*

### **Rule 2.10 disclosure**

*In accordance with Rule 2.10 of the Code, the current issued share capital of BlueBay comprises 198,635,000 ordinary shares of £0.001 each. The ISIN number for the ordinary shares is GB00BIG52761.*

### **Publication on websites**

*In accordance with Rule 19.11 of the Code, a copy of this announcement will be available on RBC's website ([www.rbc.com](http://www.rbc.com)) and BlueBay's website ([www.bluebayinvest.com](http://www.bluebayinvest.com)) by no later than 12 noon on 18 October 2010.*

## APPENDIX 1

### CONDITIONS AND CERTAIN FURTHER TERMS OF THE ACQUISITION

#### PART 1

#### CONDITIONS OF THE ACQUISITION

1. The Acquisition will be conditional upon the Scheme becoming unconditional and becoming effective subject to the Code, by no later than 31 March 2011 or such later date (if any) as RBC and BlueBay may, with the consent of the Panel, agree and (if required) the Court may allow.
2. The Scheme will be conditional upon:
  - (a) its approval by a majority in number representing not less than three-fourths in value of the Scheme Shareholders (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
  - (b) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majority or majorities at the BlueBay General Meeting or at any adjournment of the BlueBay General Meeting; and
  - (c) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to RBC), the confirmation of the Reduction of Capital by the Court, the delivery of a copy of the Scheme Court Order and the Reduction Court Order and of the minute confirming the Reduction of Capital to the Registrar of Companies in England and Wales and the registration of the Reduction Court Order by the Registrar of Companies in England and Wales.
3. In addition, RBC and BlueBay have agreed that the Acquisition will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:
  - (a) either:
    - (i) the FSA having approved, in terms reasonably satisfactory to RBC, the acquisition by RBC of control over each UK authorised person in the Wider BlueBay Group within the meaning of Part XII of the Financial Services and Markets Act 2000 (“FSMA”) read with (if applicable) article 4 of the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009, which would take place as a result of the Acquisition or its implementation; or
    - (ii) the FSA being treated, under section 189(6) of FSMA, as having approved the acquisition by RBC of control over each UK authorised person in the Wider BlueBay Group, such approval remaining effective at the time when any other Condition remains to be satisfied.

For the purposes of this Condition, “control” shall have the meaning given to it in Part XII of FSMA;

- (b) to the extent that the proposed acquisition falls within the scope of Council Regulation (EC) No. 139/2004 (the **Regulation**):
  - (i) the European Commission notifying RBC, in terms satisfactory to RBC, that it will not initiate proceedings under Article 6(1)(c) of the Regulation in relation to the proposed

acquisition of BlueBay by RBC or any matter arising from or relating to that proposed acquisition (or any aspect of the proposed acquisition that has not been referred under sub-clause (ii) below); and

- (ii) if the European Commission makes a referral in whole or in part under Article 9 of the Regulation to:
  - (A) the competent authorities of the United Kingdom, the conditions in sub-clauses (c)(i) and (c)(ii) below being satisfied; and/or
  - (B) the competent authorities of one or more other EEA Member States, clearance being obtained from the merger control authorities of such State or States on terms satisfactory to RBC; and
- (iii) it being established, in terms satisfactory to RBC, that the competent authorities of no EEA Member State will invoke Article 21(4) of the Regulation;
- (c) to the extent that the proposed acquisition does not fall within the scope of the Regulation:
  - (i) it being established, in terms satisfactory to RBC, that neither the proposed acquisition nor any matter arising from or relating to that proposed acquisition will be referred to the Competition Commission for investigation; and
  - (ii) the relevant four week period within which an application for review of any decision not to refer the proposed acquisition to the Competition Commission may be made to the Competition Appeal Tribunal (the "CAT") having expired without such an application having been made or, where any such application or applications has or have been made, that application or all those applications having been dismissed by the CAT and it being established in terms satisfactory to RBC that no further appeal has been or will be made against any relevant ruling of the CAT; and
  - (iii) it being established, in terms satisfactory to RBC, that no request has been made to the European Commission by the competent authorities of one or more Member States under Article 22(1) of the Regulation for the European Commission to examine the proposed acquisition or any matter arising from or relating to that proposed acquisition;
- (d) to the extent that RBC's acquisition of BlueBay gives rise to a filing obligation under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act") or any applicable federal or state antitrust Law, the notifications of RBC and BlueBay pursuant to the HSR Act or applicable federal or state antitrust law having been made and the applicable waiting period and any extensions thereof having expired or been terminated;
- (e) no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction (each a **Relevant Authority**) having decided to take, instituted or threatened any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed and there not continuing to be outstanding any statute, regulation, order or decision that would or might be reasonably expected to:
  - (i) make the Acquisition or its implementation or the acquisition or the proposed acquisition of any shares in, or control of, BlueBay by RBC or any member of the Wider RBC Group void, unenforceable or illegal or directly or indirectly prohibit or otherwise materially restrict, delay or interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise challenge, the Acquisition or its implementation or

the acquisition or the proposed acquisition of any shares in, or control of, BlueBay by RBC or any member of the Wider RBC Group;

- (ii) require, prevent or materially delay the divestiture (or alter the terms of any proposed divestiture) by any member of the Wider RBC Group or the Wider BlueBay Group of all or any substantial part of their respective businesses, assets or properties or impose any material limitation on their ability to conduct all or any part of their respective businesses and to own any of their respective assets or properties in each case to an extent which is material in the context of the Wider RBC Group taken as a whole or, as the case may be, the Wider BlueBay Group taken as a whole;
- (iii) impose any material limitation on, or result in any material delay in, the ability of any member of the Wider RBC Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider BlueBay Group or on the ability of any member of the Wider BlueBay Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Wider BlueBay Group in each case to an extent which is material in the context of the Wider RBC Group taken as a whole or, as the case may be, the Wider BlueBay Group taken as a whole;
- (iv) require any member of the Wider RBC Group or of the Wider BlueBay Group to acquire or offer to acquire any shares or other securities (or the equivalent) in any member of the Wider BlueBay Group or any member of the Wider RBC Group where such acquisition would be material in the context of the Wider RBC Group taken as a whole or, as the case may be, the Wider BlueBay Group taken as a whole;
- (v) impose any material limitation on the ability of any member of the Wider RBC Group or the Wider BlueBay Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider RBC Group and/or the Wider BlueBay Group in each case in a manner which would be material in the context of the Wider RBC Group taken as a whole or, as the case may be, the Wider BlueBay Group taken as a whole; or
- (vi) otherwise materially and adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider RBC Group or of the Wider BlueBay Group to an extent which is material in the context of the Wider BlueBay Group taken as a whole or, as the case may be, the Wider RBC Group taken as a whole,

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;

- (f) all necessary filings having been made and all appropriate waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated in each case in respect of the Acquisition or its implementation or the acquisition or the proposed acquisition of any shares in, or control of, BlueBay by RBC and all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals (**authorisations**) necessary or appropriate in any jurisdiction for or in respect of the Acquisition or its implementation or the acquisition or the proposed acquisition of any shares in, or control of, BlueBay by RBC being obtained in terms and in a form reasonably satisfactory to RBC from appropriate Relevant Authorities or from any persons or bodies with whom any member of the Wider RBC Group or the Wider BlueBay Group has entered into contractual arrangements (in each case where the absence of such authorisation would have a material adverse effect on the Wider

BlueBay Group taken as a whole) and such authorisations together with all authorisations necessary or appropriate for any member of the Wider BlueBay Group to carry on its business (where such business is material in the context of the Wider BlueBay Group taken as a whole) remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

- (g) save as fairly disclosed to RBC in writing before the Announcement Date, there being no provision of any agreement, arrangement, licence or other instrument to which any member of the Wider BlueBay Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the Acquisition or its implementation or the acquisition or proposed acquisition by RBC or any member of the Wider RBC Group of any shares in, or change in the control or management of, BlueBay or otherwise, would or might (to an extent which is materially adverse in the context of the Wider BlueBay Group taken as a whole) reasonably be expected to result in:
- (i) any material amount of monies borrowed by or any other material indebtedness (actual or contingent) of any such member of the Wider BlueBay Group becoming repayable or capable of being declared repayable immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any material indebtedness being withdrawn or inhibited;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any substantial part of the business, property or assets of any such member of the Wider BlueBay Group or any such security interest (whenever arising or having arisen) becoming enforceable;
  - (iii) any material assets or interest of any such member of the Wider BlueBay Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged, other than in the ordinary course of trading;
  - (iv) the rights, liabilities, obligations, interests or business of any such member of the Wider BlueBay Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or materially and adversely affected;
  - (v) any such member of the Wider BlueBay Group ceasing to be able to carry on business under any name under which it presently does so, where such a result would be material in the context of the Wider BlueBay Group taken as a whole;
  - (vi) the value of any such member of the Wider BlueBay Group or its financial or trading position or prospects being prejudiced or materially and adversely affected;
  - (vii) any such agreement, arrangement, licence or other instrument being terminated or materially and adversely modified or any onerous obligation arising or any material adverse action being taken or arising thereunder; or
  - (viii) the creation of any material liabilities (actual or contingent) by any such member;

and no event having occurred which, under any provision of any agreement, arrangement, licence or other instrument to which any member of the Wider BlueBay Group is a party or by or to which any such member or any of its assets may be bound or be subject, could result in any events or

circumstances as are referred to in subparagraphs (i) to (viii) of this paragraph (g) in any case where such result would be material in the context of the Wider BlueBay Group taken as a whole;

- (h) except as disclosed in the Annual Report and Accounts or as publicly announced to a Regulatory Information Service by or on behalf of BlueBay or as otherwise fairly disclosed in writing to RBC before the Announcement Date, no member of the Wider BlueBay Group having since 30 June, 2010:
- (i) issued or agreed to issue or authorised the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury save as between BlueBay and wholly-owned subsidiaries of BlueBay prior to the Announcement Date or upon the exercise of rights to subscribe for BlueBay Shares pursuant to options granted under any BlueBay Share Plans prior to the Announcement Date or the granting of awards under the BlueBay Group share scheme in the ordinary course of business in a manner consistent with past practice;
  - (ii) recommended, declared, paid or made any bonus, dividend (other than the final dividend of 7.5 pence per BlueBay Share announced by BlueBay on 16 September 2010) or other distribution, whether payable in cash or otherwise, other than a distribution by any wholly-owned subsidiary of BlueBay;
  - (iii) implemented or authorised any merger or demerger or acquired or disposed of or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset which in any case is material;
  - (iv) implemented or authorised any reconstruction, amalgamation, scheme or other similar transaction or arrangement (other than in the ordinary course of business);
  - (v) purchased, redeemed or repaid any of its own shares or other securities or reduced or made or authorised any other change in its share capital, otherwise than upon the exercise of rights to subscribe for BlueBay Shares pursuant to options granted under any BlueBay Share Plans prior to the Announcement Date or the granting of awards under the BlueBay Group share scheme in the ordinary course of business in a manner consistent with past practice;
  - (vi) made or authorised any change in its loan capital or issued or authorised the issue of any debentures or (other than in the ordinary course of business and save as between BlueBay and wholly-owned subsidiaries of BlueBay) incurred or increased any indebtedness or contingent liability of any aggregate amount which is material;
  - (vii) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves an obligation of a nature or magnitude which is material;
  - (viii) entered into any contract, commitment or arrangement which would be restrictive on the business of any member of the Wider BlueBay Group or the Wider RBC Group (other than to a nature and extent which is normal in the context of the business concerned) where such restriction is material;
  - (ix) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of



its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;

- (x) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise;
- (xi) taken any corporate action or had any legal proceedings started or threatened against it or any documents filed or faxed in court for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues or had notice given of the intention to appoint any of the foregoing to it;
- (xii) waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Wider BlueBay Group which together or separately is material;
- (xiii) made any alteration to its articles of association;
- (xiv) entered into or varied the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director or senior executive (including, without limitation, BlueBay Management) of any member of the Wider BlueBay Group;
- (xv) agreed to provide, or agreed to modify the terms of, any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by any member of the Wider BlueBay Group; or
- (xvi) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this condition;

and for the purpose of this condition "material" shall mean material in the context of the Wider BlueBay Group taken as a whole;

- (i) since 30 June, 2010 (except as disclosed in the Annual Report and Accounts or as publicly announced to a Regulatory Information Service by or on behalf of BlueBay before the Announcement Date or fairly disclosed to RBC in writing prior to the Announcement Date):
  - (i) no adverse change having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider BlueBay Group which is material in the context of the BlueBay Group taken as a whole;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings in any jurisdiction having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider BlueBay Group or to which any member of the Wider BlueBay Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Relevant Authority or other investigative body against or in respect of any member of the Wider BlueBay Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider BlueBay

Group which would or might reasonably be expected materially and adversely to affect the Wider BlueBay Group taken as a whole; and

- (iii) no contingent or other liability having arisen which would or might reasonably be expected materially and adversely to affect any member of the Wider BlueBay Group taken as a whole;
- (j) RBC not having discovered (except to the extent otherwise disclosed in the Annual Report and Accounts or as publicly announced to a Regulatory Information Service by or on behalf of BlueBay before the Announcement Date or fairly disclosed to RBC in writing prior to the Announcement Date):
  - (i) that any financial, business or other information disclosed at any time by any member of the Wider BlueBay Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading which in any case is material and adverse to the financial or trading position of the Wider BlueBay Group taken as a whole;
  - (ii) that any member of the Wider BlueBay Group is subject to any liability, contingent or otherwise, which is not disclosed in the Annual Report and Accounts, and which is material in the context of the Wider BlueBay Group taken as a whole;
  - (iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider BlueBay Group and which is material in the context of the Wider BlueBay Group taken as a whole;
  - (iv) that any past or present member of the Wider BlueBay Group has failed to comply with any applicable legislation or regulations of any jurisdiction or any notice or requirement of any Relevant Authority with regard to the storage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous or harmful substance or any substance likely to impair the environment or harm human or animal health or otherwise relating to environmental matters or that there has otherwise been any such storage, disposal, discharge, spillage, release, leak or emission (whether or not the same constituted non-compliance by any person with any such legislation or regulation, and whenever the same may have taken place), any of which non-compliance would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider BlueBay Group and which is material in the context of the Wider BlueBay Group taken as a whole; or
  - (v) there is or is likely to be any obligation or liability (whether actual or contingent) to make good, repair, re-instate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider BlueBay Group under any environmental legislation, regulation, notice, circular or order of any Relevant Authority in any jurisdiction and which is material in the context of the Wider BlueBay Group taken as a whole.

Conditions 3(a) to (j) inclusive must be fulfilled, be determined by RBC to be or remain satisfied or (if capable of waiver) be waived by RBC by 11.59 p.m. on the date immediately preceding the Scheme Court Hearing, failing which the Scheme shall lapse.

To the extent permitted by law and subject to the requirements of the Panel, RBC reserves the right to waive all or any of Conditions 3(a) to (j) inclusive, in whole or in part. RBC shall be under no obligation to waive or treat as fulfilled any of conditions 3(a) to (j) inclusive by a date earlier than the date specified above in condition 1 for the fulfilment thereof notwithstanding that the other conditions of the Acquisition may at

such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

If RBC is required by the Panel to make an offer or offers for any BlueBay Shares under Rule 9 of the Code, RBC may make such alterations to the above conditions as are necessary to comply with that Rule.

The Scheme will lapse if, before the Court Meeting or the BlueBay General Meeting (whichever is the later), the proposed acquisition of BlueBay by RBC or any matter arising from or relating to that proposed acquisition is referred to the Competition Commission or the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or, following a referral by the European Commission to a competent authority in the United Kingdom under Article 9(1) of the Regulation, the proposed acquisition of BlueBay by RBC or any matter arising from or relating to that proposed acquisition is referred to the Competition Commission.

## **PART 2**

### **CERTAIN FURTHER TERMS OF THE ACQUISITION**

1. RBC reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a takeover offer (as defined in Part 28 of the 2006 Act) as it may determine in its absolute discretion. In such event, such offer will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, which may include changing the consideration structure under the terms of the Acquisition and (without limitation and subject to the consent of the Panel) an acceptance condition set at 75 per cent. (or such lesser percentage, being more than 50 per cent., as RBC may decide): (i) in nominal value of the shares to which such offer relates; (ii) of the voting rights attached to those shares; and (iii) of the voting rights normally exercisable at a general meeting of BlueBay, including, for this purpose, any such voting rights attaching to BlueBay Shares that are unconditionally allotted or issued before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.
2. The BlueBay Shares will be acquired by RBC free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto including the right to receive in full all dividends and other distributions declared, paid or made on or after 18 October 2010 excluding the dividend of 7.5 pence per BlueBay Share announced by BlueBay on 16 September 2010.
3. The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
4. The Acquisition will be governed by English law and be subject to the jurisdiction of the English courts and to the conditions set out in this document and in the formal Scheme Documentation. The Acquisition will comply with the applicable rules and regulations of the Financial Services Authority and the London Stock Exchange and the Code.

## APPENDIX 2

### IRREVOCABLE UNDERTAKINGS

The following holders of BlueBay Shares have given irrevocable undertakings: (i) to vote in favour of the Scheme and the resolutions to be proposed at the Court Meeting and the General Meeting; and (ii) if the Acquisition is subsequently structured as a takeover offer, to accept any such offer made by RBC:

NAME	NUMBER OF SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL OF BLUEBAY
<b>Executive directors</b>		
Hugh Willis	16,880,000	8.5%
Mark Poole	16,880,000	8.5%
Nick Williams	2,544,589	1.3%
Alex Khein	4,005,151	2.0%
<b>Non-executive directors</b>		
Hans-Jörg Rudloff	286,667	0.1%
Terrence Eccles	16,000	<0.1%
Tom Cross Brown	33,333	<0.1%
Alan Gibbins	10,000	<0.1%
<b>Total</b>	<b>40,655,740</b>	<b>20.5%</b>

The undertakings will remain binding if a higher competing offer for BlueBay is made. The undertakings will cease to be binding if the Acquisition lapses or is withdrawn.

## APPENDIX 3

### DEFINITIONS

The following definitions apply throughout this announcement, unless otherwise stated or the context requires otherwise.

<b>"Acquisition"</b>	the proposed acquisition by RBC of the entire issued and to be issued share capital of BlueBay, on the terms and subject to the conditions set out in this announcement and to be set out in the Scheme Document (and, where the context so requires, any subsequent revision, variation, extension or renewal of such acquisition);
<b>"Alternative Proposal"</b>	means a proposed offer, scheme of arrangement, merger, acquisition, recapitalisation or other business combination relating to any direct or indirect acquisition of thirty per cent. or more of the BlueBay Shares or all or a substantial part of the business or assets of the BlueBay Group proposed by any third party which is not a concert party of RBC, whether in one transaction or a series of transactions;
<b>"Announcement Date"</b>	18 October 2010;
<b>"Annual Report and Accounts"</b>	the annual audited report and accounts of BlueBay for the year ended 30 June 2010;
<b>"authorisations"</b>	all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals;
<b>"BlueBay"</b>	BlueBay Asset Management plc, a company incorporated in England and Wales (with registered number 03262598) with its registered office at 77 Grosvenor Street, London W1K 3JR;
<b>"BlueBay Directors"</b>	the directors of BlueBay;
<b>"BlueBay General Meeting"</b>	the general meeting of BlueBay to be convened in connection with the Acquisition, and any adjournment thereof;
<b>"BlueBay Group"</b>	BlueBay, its subsidiaries and subsidiary undertakings;
<b>"BlueBay Management"</b>	Hugh Willis, Mark Poole, Nick Williams and Alex Khein;
<b>"BlueBay Resolutions"</b>	the special resolutions to approve, amongst other things, the cancellation of the entire issued share capital of BlueBay and such other matters as may be necessary to implement the Scheme in the form set out in the Scheme Document;
<b>"BlueBay Shareholders"</b>	the holders of BlueBay Shares, from time to time;
<b>"BlueBay Shares"</b>	ordinary shares of £0.001 each in the capital of BlueBay;
<b>"BlueBay Share Plans"</b>	the BlueBay Unapproved Share Option Plan and the BlueBay Share Incentive Plan;
<b>"business day"</b>	a day on which the London Stock Exchange is open for the transaction of business;

<b>"Code"</b>	the City Code on Takeovers and Mergers of the United Kingdom (as amended);
<b>"Companies Act"</b>	the Companies Act 2006 (as amended);
<b>"Conditions"</b>	the conditions to the Acquisition which are set out in Part 1 of Appendix 1 to this announcement;
<b>"Court"</b>	the High Court of Justice of England and Wales;
<b>"Court Meeting"</b>	the meeting of Scheme Shareholders to be convened pursuant to an order of the Court pursuant to Part 26 of the 2006 Act for the purpose of considering and, if thought fit, approving the Scheme (with or without modification), and any adjournment thereof;
<b>"Credit Suisse"</b>	Credit Suisse Securities (Europe) Limited;
<b>"FSA"</b>	the United Kingdom Financial Services Authority;
<b>"FSMA"</b>	the Financial Services and Markets Act 2000;
<b>"Implementation Agreement"</b>	means the implementation agreement between RBC and BlueBay dated 18 October 2010;
<b>"Listing Rules"</b>	the rules and regulations made by the FSA in its capacity as the UK Listing Authority under FSMA, and contained in the UK Listing Authority's publication of the same name;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Meetings"</b>	the Court Meeting and/or the BlueBay General Meeting as the case may be;
<b>"Member State"</b>	Member state of the European Union;
<b>"Official List"</b>	the official list of the London Stock Exchange;
<b>"Panel"</b>	the Panel on Takeovers and Mergers;
<b>"Perella Weinberg Partners"</b>	Perella Weinberg Partners UK LLP;
<b>"Reduction Court Order"</b>	the order of the Court confirming the Reduction of Capital under section 641 of the Companies Act;
<b>"Reduction of Capital"</b>	the reduction of BlueBay's share capital by the cancellation and extinguishing of the Scheme Shares provided for by the Scheme pursuant to section 641 of the Companies Act;
<b>"Regulation"</b>	Article 22(1) of Council Regulation (EC) No. 139/2004;
<b>"Regulatory Information Service"</b>	any of the services set out in Appendix 3 to the Listing Rules;
<b>"Relevant Authority"</b>	government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction;

<b>"RBC"</b>	Royal Bank of Canada;
<b>"RBC Group"</b>	RBC, its subsidiaries and subsidiary undertakings;
<b>"RBC MAC"</b>	for the purposes of the Implementation Agreement, a material adverse change having occurred in the business or financial position of the RBC Group which would (i) prevent RBC from implementing the Acquisition or (ii) materially adversely affect the BlueBay Group to such an extent following the Acquisition that the BlueBay Directors have determined (acting in good faith and following receipt of appropriate advice from their legal and financial advisers) that their fiduciary duties require them to take any of the actions set out in subparagraphs (a), (b) or (c) of section 15 of this announcement (Implementation Agreement);
<b>"Scheme"</b>	the proposed scheme of arrangement under Part 26 of the Companies Act between BlueBay and Scheme Shareholders, with or subject to any modification, addition or condition thereto approved or imposed by the Court and agreed to by RBC;
<b>"Scheme Court Hearing"</b>	the hearing at which the Scheme Court Order is sought;
<b>"Scheme Court Order"</b>	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act;
<b>"Scheme Document"</b>	the document to be despatched to BlueBay Shareholders following the date of this announcement containing, amongst other things, the terms and conditions of the Scheme and the notices of the Meetings;
<b>"Scheme Effective Date"</b>	the date on which the Scheme becomes effective;
<b>"Scheme Record Time"</b>	6.00 p.m. on the Business Day immediately preceding the date on which the Scheme becomes effective pursuant to its terms;
<b>"Scheme Shareholders"</b>	the holders of Scheme Shares;
<b>"Scheme Shares"</b>	all BlueBay Shares: <ul style="list-style-type: none"> <li>(i) in issue at the date of the Scheme Document; and</li> <li>(ii) (if any) issued after the date of the Scheme Document and before the Voting Record Time; and</li> <li>(iii) (if any) issued at or after the Voting Record Time but on or before the Scheme Record Time either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof have agreed in writing to be bound by the Scheme,</li> </ul> but excluding any BlueBay Shares beneficially owned by any member of the RBC Group;
<b>"Spencer House Partners"</b>	Spencer House Partners LLP;
<b>"subsidiary", "subsidiary undertaking", "undertaking" and "associated undertaking"</b>	have the meanings given by the Companies Act, other than paragraph 20(1)(b) of Schedule 4A to that Act which shall be excluded for this purpose, and "substantial interest" means a direct or indirect interest in 10 per cent. or more of the equity share capital (as defined in that Act) of any undertaking;
<b>"United Kingdom" or</b>	the United Kingdom of Great Britain and Northern Ireland;



**"UK"**

**"United States" or "US"** the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction;

**"UK Listing Authority"** the Financial Services Authority in its capacity as the competent authority under the Financial Services and Markets Act 2000;

**"US Holders"** the holders of BlueBay Shares who are resident in the United States;

**"Voting Record Time"** the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined, expected to be 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned Court Meeting;

**"Wider BlueBay Group"** BlueBay and its subsidiary undertakings, associated undertakings and any other undertakings in which BlueBay and such undertakings (aggregating their interests) have a substantial interest; and

**"Wider RBC Group"** RBC and its subsidiary undertakings, associated undertakings and any other undertakings in which RBC and such undertakings (aggregating their interests) have a substantial interest.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

All times referred to in this announcement are London times.