ROYAL BANK OF CANADA
SECOND QUARTER 2010 RESULTS
CONFERENCE CALL
THURSDAY, MAY 27, 2010

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From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in these speaker’s notes, in other filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements include, but are not limited to, statements relating to RBC and our business segment outlooks and the economic and regulatory environment in these speaker’s notes. The forward-looking information contained in these speaker’s notes is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could”, or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate and that our assumptions may not be correct. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-
looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, operational liquidity and funding risks, and other risks discussed in the Risk, capital and liquidity management section of our Q2 2010 Report to Shareholders and in our 2009 Annual Report; general business, economic and financial market conditions in Canada, the United States and certain other countries in which we conduct business; changes in accounting standards, policies and estimates, including changes in our estimates of provisions, allowances and valuations; the effects of changes in government fiscal, monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations, including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; our ability to successfully execute our strategies and to complete and integrate strategic acquisitions and joint ventures successfully; and development and integration of our distribution networks.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk, capital and liquidity management section of our Q2 2010 Report to Shareholders and in our 2009 Annual Report.

Information contained in or otherwise accessible through the websites mentioned does not form part of these speaker’s notes. All references in these speaker’s notes to websites are inactive textual references and are for your information only.
I am pleased to announce that RBC earned $1.33 billion in the second quarter of 2010.
Excluding the 2009 goodwill charge of $1 billion, earnings were up 40% over last year\(^{(1)}\).

Our results reflect strong operating performances across our businesses, continued stabilization of credit quality, effective cost management and a general improvement in market and economic conditions when compared to last year.

The strengthening of the Canadian dollar did have significant impact on our financial results over last year, reducing revenue by $534 million, net income by $82 million and earnings per share by $.06.

As you can see on slide 5, earnings were reduced by a total of $.11 after factoring in foreign currency translation, along with items in the quarter such as an accounting impact in our Wealth Management segment, which is just timing that Janice will describe, and the general provision.

Turning to slide 6, when you look at our reported revenue growth of 3%, it's important to keep in mind the 2010 items that I just mentioned and those items that affected our results last year, which included market environment losses, higher than normal securitization gains and accounting volatility on securities hedging our funding activities.

When we exclude these items, our revenue growth was strong -- up 7% from last year\(^{(1)}\), reflecting robust volume growth in Canadian Banking, Wealth Management and Insurance as we continue doing more business with our existing clients as well as attract new customers.

There is no question that we are in a period of significant uncertainty and change that will potentially affect the financial services industry going forward.

While Canada has demonstrated its resiliency through the downturn and is recovering faster than anticipated and faster than most other economies, the emerging global recovery is fragile -- and vulnerable -- to economic and market shock as we have seen recently with the European sovereign debt crisis.

We have always taken a disciplined approach to our business dealings both inside and outside of Canada and our business practices have not changed. Our direct exposure to these European countries is minimal, however we will watch the impacts that these will have on overall economic growth and market conditions.

In addition to Europe, there continues to be significant uncertainty regarding regulatory changes governing banks. The problem we face today is a number of constituents including banks, regulators, and politicians each have very different interests and views on regulation.
Canada stands out as an exception to that with relatively good alignment on these very important issues. But, at a time when the world needs strong cooperation by all parties, the complete opposite appears to be occurring. Various jurisdictions are creating their own rules which is destabilizing to Global Markets and could hinder the global economic recovery.

As I have said on numerous occasions, I believe it’s important that we get back to simpler, less complex regulations that deal with the heart of the issue – that banks have sufficient liquidity, appropriate leverage, the right amount of capital and that capital accurately underpins risk.

Of course we are all watching for signs of progress and clarity for regulatory reform following the G8 and G20 meetings next month and we will continue to be proactive in mitigating any potential impacts and exploring alternatives in our businesses.

Despite the pending changes in our operating and regulatory environments, I am proud of our unrelenting focus on executing against our long-term strategies. We are building our franchise and remain focused on areas of core capabilities where we have demonstrated strength and success.

At the same time, we are managing our risks and our balance sheet very conservatively which we believe is the appropriate way to in the current environment. As shown on slide 7, we’ve ended the quarter with a Tier 1 ratio of 13.4%, amongst the strongest globally, and a Tier 1 common ratio of 9.7%. At this time, we are maintaining our quarterly dividend at $0.50 per common share.

Turning to our businesses, Canadian Banking had strong results with earnings up 27% from last year, driven by the combination of our unparalleled distribution network and the sustained strength of our brand equity. And, we continued to increase market share and widened the gap between our competitors, as you can see on slide 11.

This quarter, strong revenue growth of 9% over last year combined with our focus on cost management drove solid operating leverage of 4%. The size and scale of our Canadian Banking franchise allows us to pull multiple levers at one time and we have been able to contain costs and reinvest in our business while generating solid revenue growth.

We continued to provide Canadians with new and innovative products -- such as the WestJet RBC MasterCard, which meets individual needs and provides access to credit while increasing our penetration in the very competitive credit card market.

We also continued to see growth in our deposit accounts as a result of our unique cross-product offering that expands our highly successful RBC Reward credit card points program to other banking products and services.

Our leading market position, the momentum in volume growth, combined with our deep customer base should position us well as interest rates rise in the near term.

In Wealth Management, we had earnings of $90 million which was down 29% but after adjusting for the accounting impact that Janice will talk about, that we incurred in the quarter and for the strengthening of the dollar, results were up $37 million or 29% year-over-year (1). Our businesses benefited from improved transactional volumes and market appreciation.
Our Canadian Wealth Management and Global Asset Management businesses experienced strong revenue and earnings growth fuelled by higher average fee-based client assets and volumes.

We continued to remain a clear leader in the Canadian wealth and asset management industry.

For the fourth consecutive year, according to *Investment Executive’s 2010 Brokerage Report Card*, RBC Dominion Securities ranked #1 among bank-owned investment dealers, both in the overall score and the Advisors’ overall rating of their firm.

As well, we continued to lead the industry in long-term mutual fund net sales this quarter as investors allocated money market assets to long-term investment strategies. We also saw inflows from money market funds into other higher yielding products, such as the RBC Investment Savings Account.

We had good momentum in our US and International Wealth Management business, though results were muted by the impact of foreign currency translation and spread compression especially in our International Wealth Management business from the continued low interest rate environment.

With the combination of more client assets in our care, a comprehensive offering of products and services, and the addition of more client-facing professionals, I believe our wealth management businesses are well positioned to benefit from the economic recovery and the accompanying increase in short-term interest rates.

Insurance continues to solidly contribute to our consolidated results generating over $100 million in earnings this quarter. This success lies in our unique offering of a full suite of products and services which allows us to deepen relationships with our customers.

In International Banking, we are continuing to make progress towards restructuring our U.S. retail franchise and we are starting to see early signs of an economic recovery and a corresponding stabilization of credit quality. Our focus remains on improving the end-to-end client experience, right-sizing our footprint and developing a common platform with improved productivity in our branch network.

In Capital Markets, our diversified business model and prudent approach to allocating capital enabled us to deliver another very strong quarter. We generated a ROE of 26%, although results were down compared to a strong first quarter largely reflecting tighter spreads and lower activity as the European sovereign debt crisis put pressure on global capital markets.

This quarter we continued to grow our business, adding key talent and remaining focused on solidifying the market share gains and momentum we achieved over the past two years.

For example, we were very active in the UK gilt issuance market, leveraging our position as a Top Tier Gilt Edged Market Maker to win key mandates, including acting as joint bookrunner on an £11.5 billion offering.
May 27, 2010 / 8:00AM EST, RBC Second Quarter 2010 Results Conference Call

We also advised on a number of high profile, multi-billion dollar U.S. M&A transactions and were awarded the related financing mandates. These deals are testament to the success we have achieved in strengthening our U.S. origination capabilities in key sectors, such as Consumer Products.

Looking forward, our investment banking businesses should benefit from our focused coverage and strong client relationships as the economy improves. We expect our trading businesses will reflect the overall activity and conditions of global markets and, of course, generally be lower than the elevated levels seen in 2009. However, we will continue to generate high quality earnings from these client-driven businesses with the proper balance of risk and returns.

With economies in flux and uncertainty surrounding regulatory reform, RBC’s performance has remained strong due to the continued success of our businesses and the commitment of our employees.

Going forward the strength of our diversified business mix, strong Balance Sheet and leading market positions puts us in a better position than ever to weather these changes, to take advantage of opportunities in the future and I believe to emerge stronger than many of our global competitors.

MORTEN FRIIS, CHIEF RISK OFFICER

Credit quality has generally improved from the prior year and was unchanged from last quarter reflecting stabilizing asset quality.

The Canadian and U.S. economies have both shown signs of strength in recent months, characterized by strong growth in GDP and recent improvements in the labour markets and Canadian personal bankruptcy rate numbers. In the U.S., the unemployment rate remains high as discouraged workers return to the labour force offsetting the impact of job gains.

The level of provision for credit losses for the remainder of 2010 will continue to be dependent on further improvements in economic conditions and unemployment levels.

Turning to credit on slides 15 to 17, the specific provision for credit losses was down $16 million from last quarter, primarily driven by lower provisions in Canadian Banking and Capital Markets. These factors were partially offset by higher provisions in International Banking, related to the Caribbean.

Overall provision for credit losses increased $11 million over last quarter, primarily reflecting the addition to the general provision of $27 million relating to our US banking operations.

Let’s look at credit performance in our business segments.

In Canadian Banking, provisions were down $16 million from last quarter reflecting lower provisions in our business and unsecured portfolios, partially offset by slightly higher loss rates in our credit card portfolio resulting from seasonal factors.
Credit card write-offs are typically higher in Q2 versus Q1 as higher spending patterns from the December holiday period translate into increased write-offs about six months after their occurrence. Notwithstanding the seasonal factors our credit card business remains strong and continues to deliver an appropriate balance of risk and reward.

Our Canadian residential mortgage portfolio which makes up 56% of total Canadian Banking average loans and acceptances continues to perform well with specific provisions as percentage of average loans of 1 basis point, consistent with our historical performance.

Capital Markets specific provisions of $21 million was down $9 million from the prior quarter, mainly as a result of lower provisions and reversals due to recoveries during the current quarter.

Specific provisions in International Banking increased $10 million largely attributable to a specific commercial client in the Caribbean. This was one of the loans identified for monitoring in the due diligence from the RBTT acquisition. On the whole, we have completed integrating this portfolio and performance in the remainder of the Caribbean commercial portfolio is performing as expected.

Partially offsetting the increase in the Caribbean were lower provisions in our U.S. commercial portfolio during the quarter. Despite the lower provisions credit conditions in our U.S. commercial and residential builder finance portfolios remain challenging.

Turning to market risk, this quarter, we had one day of small net trading losses that was well within the value-at-risk. There was one large profit day at the end of the quarter which arose primarily from credit valuation adjustments.

As Gord mentioned, we reported second quarter net income of $1.33 billion. Excluding the 2009 goodwill impairment charge of $1 billion, earnings were up $379 million or 40% (1). As shown on slide 19, results were significantly impacted by the strengthening of the Canadian dollar in relation to the other currencies over the past year, particularly in our Capital Markets and Wealth Management segments.

There were a couple items that impacted our earnings this quarter. We had an unfavourable accounting impact of $61 million after-tax in Wealth Management related to the foreign currency translation on certain available-for-sale securities. In the prior quarter, we had a favourable accounting impact of $34 million after-tax, bringing the year-to-date net loss on this item to $27 million. These securities were recently sold and therefore we expect to see this loss largely reverse next quarter.

Also, as Morten discussed we had an addition to the general provision this quarter which reduced net income by $18 million. Last year, the general provision reduced net income by $146 million.
Given the volatility from quarter to quarter and your follow-up questions, I’d like to briefly discuss Other Revenue which amounted to $278 million. Other revenue includes small amounts of fee income from each of our business segments that don’t fit into the main income categories, and typically amount to approximately $100 million per quarter.

This quarter, this account included gains on derivatives used to economically hedge certain bond positions in Corporate Support which were largely offset by losses on bonds recorded in trading revenue.

As a side note and following up on questions on the composition of trading revenue, we've added additional disclosure which I'll talk about a bit later.

The large positive swing in other revenue account over last year was primarily caused by items impacted by the widening of spreads last year resulting from the market environment, such as negative adjustments on RBC debt which we disclosed.

With respect to non-interest expense, it was flat from the prior year. Although the strengthening of the Canadian dollar reduced expenses, we continued to prudently manage our costs while investing in new initiatives. For example, we have been enhancing technology to streamline and automate processes in Canadian Banking and building out financial and risk infrastructure in Capital Markets to support ongoing business growth and changes in the regulatory environment.

Let's move now to slides 20 and 21 for a closer look at the performance of our business segments.

Starting with Canadian Banking, net income of $736 million was up 27% from last year mainly driven by volume growth across most businesses and lower provision for credit losses.

We had strong revenue growth of 9% over last year and continued to actively manage expense growth, as demonstrated by the 180 basis points decline in our efficiency ratio year over year. Our efficiency ratio now stands at 47.6%. We continue to target an efficiency ratio in the low 40’s over the medium-term and have specific initiatives underway to achieve this goal. Our non-interest expense has grown slightly over the quarter. This reflects both the ongoing reinvestments we are making in support of business growth and our commitment to eliminating redundancies while enhancing the client experience.

Turning to slide 22, you can see that we experienced margin compression over the prior year and quarter. Although this quarter incorporates the full benefit of the repricing of our personal unsecured loan book, the benefits were more than offset by the ongoing pressure from the lower interest rate environment and the tightening of the Prime BA spread in the current quarter.

Moving on to Wealth Management on slide 23, net income was $90 million, down $36 million or 29%, primarily due to the unfavourable accounting impact mentioned earlier that reduced earnings by $61 million. The impact of a stronger Canadian dollar relative to the U.S. dollar also affected our results, reducing earnings by $12 million.
Adjusting for both these items, earnings were $163 million, up $37 million or 29% over last year and we had strong revenue growth (1). When you look at our pre-tax margins on this same basis, you will see the momentum of our businesses as the margin improved considerably over last year.

These results reflect higher fee based revenue and increased transaction volumes, partially offset by spread compression. One point worth noting is that spread compression has a direct bottom line impact as it does not reduce variable compensation. To reduce this drag, we continue to emphasize cost containment.

Insurance net income was $107 million, down $6 million over last year mainly due to unfavourable life policyholder experience and higher claims costs. These factors were partially offset by solid volume growth, largely in our International and Other business and favourable actuarial adjustments.

International Banking net loss of $27 million improved from a net loss of $1.1 billion last year, primarily due to the goodwill impairment charge of $1 billion. The improved results also reflected lower PCL and our ongoing cost management efforts.

Net income for Capital Markets was $502 million, up 20% from a year ago as our prior year included market environment-related losses. We also had lower PCL and higher results in our underwriting and advisory businesses which were partially offset by lower trading revenue in the current period. The negative impact of the stronger Canadian dollar reduced net income by $76 million.

Slide 24 illustrates our Capital Markets’ trading revenue of approximately $1 billion. As I referred to earlier, a break out of Capital Markets trading revenue was added to our Q2 disclosure on Page 7 of the supplementary financial package. The difference between Capital Markets trading and Total trading revenue relates to losses on bond positions in Corporate Support, which were largely offset in Other revenue as I previously discussed.

Compared to last quarter, we had lower trading revenue in fixed income, money markets and equities, notably in the U.S., which was partially offset by improved results in foreign exchange and commodities. Overall trading revenues this quarter were negatively impacted by the European sovereign debt crisis which put pressure on volumes and created uncertainty across most global capital markets.

We continue to selectively allocate capital to our trading businesses to generate solid returns in support of client flows, while prudently managing our balance sheet and operating within pre-established risk measures.

(1) Net income and EPS excluding these items are non-GAAP financial measures, and we believe provide useful information to investors regarding our results of operations. Readers are cautioned that non-GAAP measures do not have any standardized meanings prescribed by Canadian GAAP and, therefore, are unlikely to be comparable to similar measures disclosed by other companies.