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looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, operational and liquidity and funding risks, and other risks discussed in the Risk, capital and liquidity management section of our Q3 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, including the effects of the European sovereign debt crisis; changes in accounting standards, policies and estimates, including changes in our estimates of provisions, allowances and valuations; the effects of changes in government fiscal, monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations, including tax laws, changes to and new interpretations of risk-based capital guidelines, and reporting instructions and liquidity regulatory guidance, and the Dodd-Frank Wall Street Reform and Consumer Protection Act; 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 Q3 2010 Report to Shareholders and in our 2009 Annual Report.

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Today, RBC reported earnings of $1.3 billion or $0.84 per share for the third quarter of 2010. Clearly very strong performances across most of our businesses, particularly led by Canadian Banking, Wealth Management, and Insurance, but at the same time, challenges, particularly with respect to our Capital Markets businesses. On the retail side of the business, which we strategically target to represent approximately 75% of our business mix, results continued to be strong across the board and underpin our earnings.

Net income, however, was down $285 million or 18% from a record quarter last year and that was due to a decline of $361 million in Capital Markets. Business growth, improvements in credit quality and our ongoing cost management efforts were more than offset by a decline in trading revenue. Trading revenue was certainly affected by significant industry-wide declines. Trading revenue also declined as a result of mark-to-market accounting impacts which Janice will cover in her remarks.

This quarter we are maintaining our dividend at $0.50 per common share.

Now, let me start by discussing our retail businesses which I said performed very well throughout the quarter.

Canadian Banking continued its momentum, generating earnings of $766 million, up 14% from last year. Our truly national presence characterized by our size, scale and unparalleled distribution network has allowed us to extend our leadership position and take share from our competitors while, at the same time, build efficiencies. We are making strategic investments and currently have a number of major initiatives underway. We are focused on enhancing sales and service productivity and improving processes through streamlining and automation.

We also continue to push our innovation to provide our customers with superior service and advice to help them make smart decisions. For example, we recently launched a new online banking platform that includes “myFinancetracker”, a customized financial and expense management tool for customers.

Our efforts have not gone unnoticed. Forrester ranked our website as #1 among Canadian Banking Public Websites for the second consecutive year.

We also introduced a new “Cashback” rewards Visa card, adding to our solid portfolio of products.

I’m pleased to see the progress we are making and the results we are delivering in Canadian Banking. We’re also planning an Investor Day in late October where Dave McKay and his team will walk you through this business and take a closer look at some of our major initiatives. Josie will have more information about that event in the weeks ahead.
In Wealth Management, we had earnings of $185 million. We had good momentum in our Canadian, U.S. and International businesses, though the impact of low interest rates continues to be felt in terms of lower spread income and the offering of fee waivers on money market fund assets.

We are pleased to be recognized as the 7th largest global wealth manager in an independent study by Scorpio, reflecting both our comprehensive offering of investment management solutions and our global reach.

Also, in an exciting validation of our focus on providing superior service to customers, J.D. Power and Associates announced that RBC U.S. Wealth Management has achieved the number two spot on its U.S. Full Service Investor Satisfaction list.

Our Insurance business continued to make solid contributions to our diversified earnings stream, generating earnings of over $150 million.

In International Banking, we are making progress towards restructuring our U.S. banking operations, notwithstanding the challenged U.S. banking and credit environment. We remain focused on improving the end-to-end client experience by simplifying the way we do business, and improving the productivity in our U.S. branch network.

But the story for this quarter is primarily about Capital Markets on slide 6. Earnings of $201 million were down $361 million from a year ago reflecting a decline in trading revenue from the record levels a year ago.

Our reported sales and trading revenue was down 65% from last quarter. The impact of mark-to-market accounting drove roughly half the sequential quarterly revenue decline and Janice will provide additional disclosure around that in her remarks. If you exclude the accounting volatility related to these items, our Sales and Trading revenue was down about 39% from last quarter, in line with most of the global trends.

Our operations span many countries with well over half of our Capital Markets businesses now outside of Canada. Sales and Trading revenue this quarter was affected by significant industry-wide declines in client activity and lower trading margins particularly in Europe. Our European fixed income business was severely impacted by the weak conditions, particularly given its focus on sovereign, supra sovereign, and agencies and the poor performance of this sector throughout the quarter. For the first time, we saw sovereign credit spreads widen beyond corporate levels for the entire quarter.

From a client’s perspective, we executed well as we continued to support both our investing and issuer clients through this very difficult time. And, we have been recognized for that effort. Our credit trading business in Europe received top rankings in several categories by institutional investors. In Credit magazine’s 2010 European Credit awards, we won:

- Number one Best Bank for Fixed Income e-Trading and Non-Core Currency Bonds
- Number two Best Bank for Sterling Bonds
- And, number three Best Bank for Sovereign Bonds
Our Sales and Trading business in the U.S. performed well on a relative basis this quarter, despite the drop in client activity arising from regulatory uncertainty and general market concerns. We are seeing good momentum throughout our U.S. businesses.

Looking at trading over the quarter, May was a particularly difficult month, and of course that was the heart of the sovereign debt crisis. We saw improvements over the course of June and July as markets stabilized, confidence improved and clients returned to the market. Market activity continues to improve as new issue business in debt markets has been quite active recently and this provides additional support to the trading environment.

While we certainly don’t expect to operate at the levels we did in fiscal 2009 and early this year, we believe this quarter’s trading results on an adjusted basis, to be significantly lower than our sustainable long-term objective and run rate. Market conditions today appear better than they were this past quarter.

Recognizing many of your prior questions, I would like to reiterate that the majority of our businesses are driven by client flows. Proprietary trading is not a significant portion of our overall revenue and generally represents approximately 3% of RBC’s total revenue. This quarter, our proprietary trading activity remained profitable in each of the three months.

Moving to our Investment banking business, the other main component of RBC Capital Markets. Corporate and Investment Banking revenue was actually up 26% from last quarter and 56% from last year.

Compared to last quarter we had improvement in equity origination, loan syndication and M&A activity across all geographies. The pipeline remains strong and we see good momentum across geographies and several sectors.

The strength of our franchise has been recognized this quarter. In Canada, we won a number of significant mandates including the $900 million Manulife and $800 million Rogers bond deals, M&A advisor to Potash and our recent appointment as bookrunner on the General Motors IPO.

Euromoney Magazine also named us Best Investment Bank in Canada, a title we have held for three straight years.

We continue to expand our corporate and investment banking businesses in the US and UK with a focus on growing our debt and equity origination and lending businesses to meet our clients’ global needs and to support our trading platforms.

Outside of North America, we acted as the joint bookrunner and hedge manager to the largest ever UK Gilt offering at £8 billion. This represents our largest deal in any single currency. We also acted for Resolution, a FTSE 250 insurance company, on its purchase of Axa’s UK life insurance business – one of the biggest M&A deals in Europe this year. This included acting as a bookrunner to the second largest equity financing year-to-date in the UK to fund the purchase.
While Canada remains our core market -- where we have leading positions in nearly all of our businesses -- we have made significant strides to expand our Capital Markets franchise both inside and outside of Canada. Our global expansion and the building of this franchise over the past several years provides us with the foundation to diversify our revenue streams and grow our earnings base.

While there can be volatility in this business, this is the first quarter in many years that we have had results on an adjusted basis well below our plans and we continue to believe the long-term returns in this business will be strong relative to other areas of financial services and provides us important revenue diversification.

Before closing, I have a few comments to make on the recent regulatory developments. With respect to the proposed Basel regulation, we have been voicing our opinions to regulators to ensure changes are balanced and build on the principles that keep our industry strong, vital and stable. The recent Basel amendments from the July release are encouraging and the tone has certainly improved. As I have said, I believe that our strong capital ratios, and low leverage make RBC well positioned relative to our global peers.

As shown on slide 7, we’ve ended the quarter with a Tier 1 ratio of approximately 13%, amongst the strongest globally, and a Tier 1 common ratio of 9.6%.

We expect to have more clarity on the regulations and how they will impact us following the November G20 meetings in Korea. In the meantime, we remain focused on proactively pursuing opportunities to mitigate any potential impacts and continue to explore alternatives in our businesses.

I will conclude my formal comments by saying we had solid earnings this quarter notwithstanding the challenging quarter for some of our capital markets businesses. RBC’s results reflect the continued success of all of our businesses and the commitment of our employees to provide our clients with expert service and advice they need.

As I look ahead, I am confident that our longstanding strategy, diversified business model, strong balance sheet, and leading market positions will continue to drive our performance as we extend our leadership position both in Canada and globally.

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

MORTEN FRIIS, CHIEF RISK OFFICER

Overall, credit quality has generally improved from the last quarter. The Canadian and U.S. economies have continued to show signs of strength in recent months, with solid growth in GDP in the U.S. and improvement in the labour markets in Canada.

As I said last quarter, the level of provision for credit losses for the remainder of 2010 will continue to be dependent upon further improvements in economic conditions and unemployment levels.
Turning to slides 15 to 17, overall provision for credit losses decreased $72 million over last quarter.

Specific provision for credit losses was down $40 million from last quarter, primarily driven by lower provisions in Capital Markets and Canadian Banking, partially offset by small a increase in provisions in International Banking, related to U.S. banking.

During the current quarter, the general provision was a credit of $5 million as compared to an addition of $27 million in the prior quarter.

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

In Canadian Banking, provisions were down $18 million from last quarter reflecting lower write-offs in our credit card portfolio, and lower provisions in our unsecured personal and residential mortgage portfolios, partially offset by increased provisions in our business lending portfolio.

Credit card specific provisions as a percentage of average loans improved to 407 bps from 494 bps last quarter, driven by portfolio growth and improved asset quality.

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 less than 1 basis point; this is consistent with our historical performance.

In Capital Markets, we had a recovery of $9 million, comprised of recoveries on a few large accounts that more than offset specific PCL in the current quarter. This compared to specific provisions of $21 million in the prior quarter.

Specific PCL in International Banking increased $7 million largely attributable to higher commercial provisions in U.S. banking.

Our US banking portfolio remains under pressure primarily as a result of our historical business mix which was weighted towards commercial, commercial real estate, and residential builder finance. Also our footprint in the US southeast encompasses some of the hardest hit areas in the recent economic downturn, including Georgia and Florida. As I have mentioned in the past we are not a distressed seller of assets as we believe our strategy of working out problem loans over time will result in a better economic outcome.

Partially offsetting the increase in the U.S were lower provisions in our Caribbean portfolio during the quarter. Our commercial and corporate portfolio in the Caribbean will continue to be impacted by the weak economic environment in that region.

Now turning to market risk. The significant volatility in equity, credit and foreign exchange markets led to 20 days with net trading losses although only one day exceeded value at risk, and this was primarily due to a month-end credit valuation adjustment on MBIA.
As Gord mentioned our European fixed income business was negatively impacted reflecting our greater focus on sovereign, supra sovereign and agencies and the poor performance in this sector. May was a particularly challenging month and contributed to over half of the trading day losses while we saw improvement over the course of June and July.

I will now turn the presentation over to Janice Fukakusa.

JANICE FUKAKUSA, CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

As Gord mentioned, we reported third quarter net income of $1.3 billion reflecting strong results from Canadian Banking, Wealth Management and Insurance.

Earnings were down $285 million from a record quarter last year primarily reflecting a $361 million decline in our Capital Markets earnings as trading revenues were impacted by the challenging global capital markets conditions.

We saw strong momentum in our retail businesses with volume growth in Canadian Banking and Insurance and continued growth in client assets in Wealth Management. Our investment banking businesses performed well, and as Morten mentioned credit quality continued to improve, with provisions down 44% from last year.

NIE was down 10% from last year reflecting lower variable compensation, the favourable impact of the stronger Canadian dollar and our continued focus on cost management. We continue to drive on cost management initiatives while re-investing cost savings and increasing initiative spend to support business growth and to drive further efficiencies by simplifying and automating processes.

For example, we have been investing in technology to streamline and automate processes in Canadian Banking and continue to build out financial and risk infrastructure in Capital Markets to support our expansion efforts.

Let’s move to slide 19 for a closer look at the performance of our business segments.

Starting with Canadian Banking, net income of $766 million was up 14% from last year mainly driven by volume growth across most businesses and lower provision for credit losses. Year to date, our efficiency ratio stands at 46.9%, which is an improvement of 120 bps from the same period last year as we focus on managing costs and reinvesting for business growth. We continue to target an efficiency ratio in the low 40’s over the medium-term.

Turning to slide 20, you can see that we continued to experience margin compression over the quarter. The tightening of the Prime BA spread, and competitive pricing on credit cards and mortgages more than offset the benefit that the increase in short term interest rates had on our deposit balances.
Wealth Management net income was $185 million, up $17 million or 10% from last year, primarily due to a favourable accounting impact of $24 million after-tax, related to the foreign currency translation on certain AFS securities, and a favourable tax adjustment. The favourable accounting impact this quarter largely reverses the negative year to date impact. This was offset by the impact of spread compression on client cash balances and the impact of the stronger Canadian dollar on foreign earnings. We also continued to benefit from increased fee-based client assets.

Insurance net income was $153 million, down $14 million over last year mainly due to unfavourable life policyholder experience and higher claims costs, which was partially offset by the solid volume growth as I mentioned earlier. Compared to last quarter, earnings were up $46 million, primarily driven by higher investment gains and a new U.K. annuity reinsurance arrangement.

International Banking net loss of $76 million improved from a net loss of $95 million last year, mainly due to lower provision for credit losses in U.S. banking. We continue to make progress on restructuring our U.S. franchise and our cost management initiatives are well under way to reduce complexity, drive efficiencies and improve productivity.

Capital Markets net income of $201 million was down $361 million from a record quarter last year.

As Gord discussed Sales and Trading revenue was impacted by the significant industry-wide declines in client activity and lower trading margins primarily in Europe. Capital Markets Sales & Trading revenue of $415 million, was also impacted by losses on MBIA and BOLI compared to gains in the prior quarter.

The valuation of MBIA is dependent on market spreads and can fluctuate from quarter to quarter. Year to date we have had a small net gain of $38 million. We believe that, in a realization scenario, we are more than adequately provisioned.

With respect to BOLI, this quarter’s loss represents the mark-to-market changes on this forward contract. Since restructuring this exposure in Q4 2009, the cumulative year to date impact is a net gain of $9 million.

We typically look at items that are impacted by market conditions and in the past we refer to these as market environment related items together, in assessing their impact on revenue and earnings. Last quarter, the impact of these items collectively was not significant compare to total trading revenues. This quarter, we’re highlighting MBIA and BOLI as they drove roughly half of the sequential quarter difference in trading revenues.

Excluding the impact of the accounting volatility related to MBIA and BOLI, our adjusted Capital Markets Sales & Trading revenue was $588 million.

We had a strong quarter in Corporate and Investment Banking on increased revenue from equity origination, loan syndication and M&A activity across all geographies.

Before we move on to answer your questions I just wanted to point out some changes to our “Other income” disclosure.
We provided slide 21, which provides a further breakdown of the other-other income line. As you may recall last quarter we had losses on bonds related to funding activities recorded in trading revenue, which were largely offset in other-other income. This quarter, we reclassified losses on the bonds from trading revenue to other-other income to provide a clearer view of the balances in these accounts.