

Where our vision leads us

Royal Bank of Canada
2006 Annual Report



Where we are

RBC corporate profile

Royal Bank of Canada (RY on TSX and NYSE) and its subsidiaries operate under the master brand name of RBC and may be referred to in this text as RBC. We are Canada's largest bank as measured by assets and market capitalization and one of North America's leading diversified financial services companies. We provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. Our Global Technology and Operations and Global Functions teams enable business growth with expert professional advice and state-of-the-art processes and technology. We employ approximately 70,000 full- and part-time employees who serve more than 14 million personal, business, public sector and institutional clients through offices in North America and 34 countries around the world.

In Canada, we have strong market positions in all of our businesses. In personal and business banking, we rank first or second in most retail products. In wealth management, we have the leading (1) full-service brokerage operation, the top mutual fund provider among Canadian banks

and the second-largest (1) self-directed broker. We are the largest Canadian bank-owned insurer, one of the top 10 Canadian life insurance producers, and a leader in creditor products, travel insurance and individual disability insurance. In corporate and investment banking, we continue to be the top-ranked securities underwriter and the leading mergers and acquisitions (M&A) advisor. Our domestic delivery network is one of the most extensive of all Canadian financial services companies.

In the United States, we provide personal and commercial banking, insurance, full-service brokerage and corporate and investment banking services to approximately two million clients.

Outside North America, we have a banking network in the Caribbean and a significant presence in select markets. We offer investment banking, trading, correspondent banking and reinsurance to corporate, institutional, public sector and business clients. We also offer private banking and wealth management services for high net worth individuals and corporate and institutional clients.

(1) Based on assets under administration.

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This annual report contains 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 caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. Additional information about these factors can be found under "Caution regarding forward-looking statements" on page 25.

Vision

- Always earning the right to be our clients' first choice

Values

- Excellent service to clients and each other
- Working together to succeed
- Personal responsibility for high performance
- Diversity for growth and innovation
- Trust through integrity in everything we do

Strategic goals

- To be the undisputed leader in financial services in Canada
- To build on our strengths in banking, wealth management and capital markets in the United States
- To be a premier provider of selected global financial services

Financial highlights

(C\$ millions, except per share and percentage amounts)	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Operating performance					
Total revenue	\$ 20,637	\$ 19,184	\$ 17,802	\$ 1,453	8%
Provision for credit losses	429	455	346	(26)	(6)%
Non-interest expense	11,495	11,357	10,833	138	1%
Net income	4,728	3,387	2,803	1,341	40%
Return on common equity (ROE)	23.5%	18.0%	15.6%	550 bps	n.m.
Diluted earnings per share	\$ 3.59	\$ 2.57	\$ 2.11	\$ 1.02	40%

Capital	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Tier 1 capital ratio	9.6%	9.6%	8.9%	- bps	n.m.
Total capital ratio	11.9%	13.1%	12.4%	(120)bps	n.m.
Risk-adjusted assets	\$ 223,709	\$ 197,004	\$ 183,409	\$ 26,705	14%

Key drivers	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Total loans (before allowance for loan losses)	\$ 209,939	\$ 191,914	\$ 172,560	\$ 18,025	9%
Total deposits	343,523	306,860	270,959	36,663	12%
Total assets	536,780	469,521	426,222	67,259	14%
Assets under management	143,100	118,800	102,900	24,300	21%
Assets under administration ⁽¹⁾	525,800	417,100	391,000	108,700	26%

Common share information	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Share price					
High	\$ 51.49	\$ 43.34	\$ 32.95	\$ 8.15	19%
Low	41.29	30.45	29.02	10.84	36%
Close	49.80	41.67	31.70	8.13	20%
Dividends declared per share	1.44	1.18	1.01	.26	22%
Book value per share	16.52	14.89	13.57	1.63	11%
Market capitalization (\$ millions)	63,788	53,894	40,877	9,894	18%

(1) Excluding Institutional & Investor Services (IIS) assets that were contributed to the joint venture RBC Dexia Investor Services on January 2, 2006.
n.m. not meaningful

RBC Canadian Personal and Business

(C\$ millions, except percentage amounts)	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Total revenue	\$ 13,381	\$ 12,499	\$ 11,213	\$ 882	7%
Net income	2,794	2,304	2,043	490	21%
Return on equity (ROE)	31.5%	27.1%	24.7%	440 bps	n.m.
Average loans and acceptances	180,500	161,500	145,300	19,000	12%
Average deposits	145,700	138,800	133,700	6,900	5%
Assets under administration	213,200	180,300	157,300	32,900	18%
Assets under management	89,700	72,100	58,700	17,600	24%

The businesses in RBC Canadian Personal and Business continued to strengthen our leadership position in most major product categories by expanding our distribution network, enhancing our products and services, better meeting our client needs and deepening our client relationships.

RBC U.S. and International Personal and Business

(C\$ millions, except percentage amounts)	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Total revenue	\$ 2,872	\$ 2,728	\$ 2,702	\$ 144	5%
Net income	444	387	214	57	15%
Return on equity (ROE)	13.6%	11.8%	5.4%	180 bps	n.m.
(US\$ millions, except percentage amounts)	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Total revenue	\$ 2,537	\$ 2,248	\$ 2,057	\$ 289	13%
Net income	393	320	162	73	23%
Average loans and acceptances	18,300	16,900	14,400	1,400	8%
Average deposits	29,700	27,400	25,200	2,300	8%
Assets under administration	274,200	198,400	191,800	75,800	38%
Assets under management	47,500	39,500	36,300	8,000	20%

The wealth management and banking businesses in RBC U.S. and International Personal and Business continued to build scale and capabilities through a combination of organic growth initiatives and acquisitions. In 2006, we expanded our distribution network and products and services, and focused our expansion in fast-growing markets and regions.

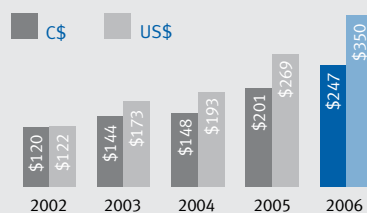
RBC Capital Markets

(C\$ millions, except percentage amounts)	2006	2005	2004	2006 vs. 2005 Increase (decrease)	
Total revenue (teb) (1)	\$ 4,693	\$ 4,062	\$ 3,933	\$ 631	16%
Net income	1,407	760	827	647	85%
Return on equity (ROE)	29.3%	18.1%	19.5%	1,120 bps	n.m.
Average loans and acceptances	23,500	17,600	18,600	5,900	34%
Average deposits	118,800	98,900	88,400	19,900	20%

By successfully executing growth plans, the businesses in RBC Capital Markets maintained our position as the undisputed leader in the Canadian market, and expanded our activities in the U.S. mid-market and our global infrastructure finance platform.

(1) Taxable equivalent basis (teb).

Total shareholder returns (TSR) ⁽¹⁾ (on a \$100 investment on November 1, 2001)



Market capitalization (millions)



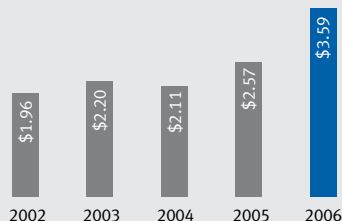
Shareholder performance

	2006 vs. 2005	5-year CAGR ⁽²⁾
TSR ⁽¹⁾		
C\$	23%	20%
US\$	30%	28%

Market capitalization

- Largest Canadian bank
- Largest Canadian company
- 7th largest North American bank

Diluted earnings per share



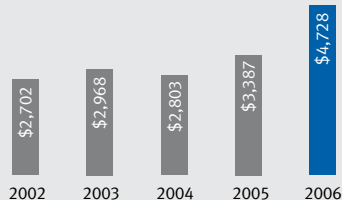
Return on common equity



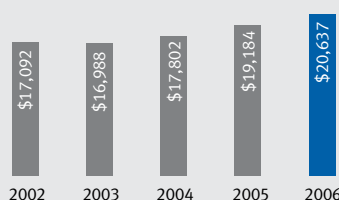
Financial performance

	2006 vs. 2005	5-year CAGR ⁽²⁾
Diluted EPS	40%	15%

Net income (millions)



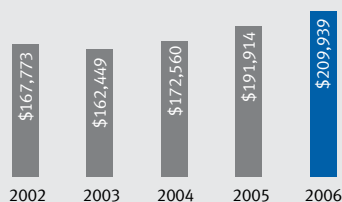
Total revenue (millions)



Financial performance

	2006 vs. 2005	5-year CAGR ⁽²⁾
Net income	40%	15%
Total revenue	8%	5%

Total loans (millions)



Total deposits (millions)



Key business drivers

	2006 vs. 2005	5-year CAGR ⁽²⁾
Total loans	9%	5%
Total deposits	12%	8%

Note: All data in Canadian dollars unless otherwise stated.

(1) TSR – Total shareholder return is price appreciation plus dividends reinvested, annualized.

(2) Five-year compound annual growth rate (CAGR).

Where our vision leads us

Chief Executive
Officer's message



Royal Bank of Canada Group Executive (L to R): Elisabetta Bigsby, Group Head, Human Resources and Transformation; Martin J. Lippert, Group Head, Global Technology and Operations; Barbara G. Stymiest, Chief Operating Officer; Gordon M. Nixon, President and Chief Executive Officer; W. James Westlake, Group Head, RBC Canadian Personal and Business; Peter Armenio, Group Head, RBC U.S. and International Personal and Business; Charles M. Winograd, Group Head, RBC Capital Markets.

Since 2004, “Always earning the right to be our clients’ first choice” has been our vision and guiding philosophy. We strongly believe we can continually do more for our clients, which drives us to keep improving the way we work with them and each other. Our vision has led us to find the best solutions for our clients.

Our ongoing success has enabled us to keep delivering superior returns to our shareholders while funding new opportunities in our businesses. In 2006, we delivered record financial results and reached the significant milestone of earning more than \$1 billion each quarter. These results reflect the strong growth of all our businesses, our successful execution of growth initiatives, and favourable conditions in our domestic and international markets. During the year, we continued to return capital to our shareholders through dividend increases and share buybacks, delivering a total shareholder return of 23 per cent (30 per cent in U.S. dollars), for the year ended October 31. We paid a stock dividend, which had the same effect as a two-for-one split of our common shares, and made our shares accessible to more investors.

Our strategic goals drive our success

When we first articulated our Client First approach, all of us at RBC made a commitment to exceed client expectations at every opportunity and through every service channel. We believe more clients will give us more of their business if we can consistently deliver on this promise. To do this, we focus on three strategic goals:

1. To be the undisputed leader in financial services in Canada.
2. To build on our strengths in banking, wealth management and capital markets in the United States.
3. To be a premier provider of selected global financial services.

We have made progress on each of these goals through a variety of initiatives, each with the common objective of serving our clients to the best of our abilities.

In Canada, we extended our leadership in most major product categories serving retail and wholesale clients. We are the top provider of major consumer lending products as a result of our strong market shares in personal loans, credit cards and residential mortgages. Strong product offerings combined with the scale, diversity and reach of our distribution network allowed RBC to become the fastest growing mutual fund company in the country. Our capital markets leadership in Canada has been recognized by many national and international sources.

The size and diversity of our Canadian operations has also benefited our enterprise as a whole, contributing to a foundation for sustainable growth. The strength of our balance sheet supports solid credit ratings, and we were named the safest Canadian bank and fourth safest bank in North America (*Global Finance* magazine). Centralized operations and technology continue to enable economies of scale and foster the innovation required to strengthen and leverage our leadership position globally. And our brand was again recognized as the most valuable in Canada, an asset that we continually look to build upon globally.

In reviewing progress toward our second goal, I am pleased with the growth across all our businesses in the U.S.

This year, our U.S. banking operations delivered improved results, based on a clear strategy of serving businesses, business owners and professionals while investing in infrastructure that will support future growth. This year, we announced an agreement to complete two acquisitions that are excellent strategic, economic and cultural fits with our operations in the Southeast U.S. The acquisition of Flag Financial Corporation, which operates the largest community bank headquartered in Atlanta, will increase our client reach in a key growth market. Also, our November 2006 announcement to acquire 39 branches in Alabama owned by AmSouth Bancorporation will immediately make us the seventh largest financial institution in that state, as measured by deposits. Both acquisitions, expected to close in early 2007, complement our *de novo* branch openings in high-growth areas.

Close linkages across our businesses allow us to use our capital markets capabilities to better serve U.S. retail investors by providing them access to global debt origination and structured product capabilities. We continued this year to build scale and capability to serve these clients, opening 10 new wealth management offices in high-growth cities and recruiting productive and successful financial consultants from our competition. And, as a result of our acquisition of Delaware-based American Guaranty & Trust Company, we are able to more effectively provide U.S. trust solutions to high net worth clients.

Our U.S. investment banking and fixed income capabilities are expanding due to a combination of organic growth and acquisitions that have brought us closer to our goal of being a top-tier provider to U.S. middle-market companies. We were ranked among the top investment banks targeting the U.S. middle market, and through the first three calendar quarters of 2006, we ranked first for number of issues as senior manager in the

municipal finance market (*Thomson Financial*). Late in the fiscal year, we announced an agreement to acquire the broker-dealer business and certain assets of Carlin Financial Group of New York, which will provide our clients with a best-in-class North American electronic execution platform. Finally, in November 2006, we announced an agreement to acquire Daniels & Associates L.P., the most active mergers and acquisitions advisor in the U.S. to the cable, telecom and broadcast industries. Both the Carlin and Daniels transactions are expected to close in early 2007.

To achieve our third goal we invested in several global businesses where we can leverage our competitive strengths to enable us to meet our clients' increasing needs. For example, we expanded our infrastructure finance capabilities and now have a successful global infrastructure finance platform with offices in North America, Europe and Australia. We strengthened our ability to serve wealth management clients when we acquired Abacus Financial Services Group, a transaction that made RBC the top provider of international trust services in the U.K. (*Euromoney* magazine).

In 2006, we also recognized the growing importance of China to our global business and made a number of investments to help us unlock opportunities available in this important growth market. As we have done successfully in other parts of the world, we are making targeted investments in areas where we have global competitive advantages. Building on our historical presence in China, we upgraded our representative banking office in Beijing to branch status, enabling us to provide a greater range of services to institutional and individual clients. Our global capital markets depth is evident through our role as a co-lead manager of the institutional tranche for the Industrial and Commercial Bank of China's initial public offering.

A more detailed discussion of what we have achieved on these three goals and what we plan to do in 2007 and beyond are provided on pages 6 to 12.

Our record results

I am pleased that we have met our medium-term objective of delivering top quartile total shareholder returns. While we delivered a total shareholder return of 23 per cent (30 per cent in U.S. dollars), for the year ended October 31, our 5- and 10-year total shareholder returns of 20 per cent (28 per cent in U.S. dollars) and 20 per cent (22 per cent in U.S. dollars), respectively, rank among the highest of all global banks.

Our net income reached \$4.7 billion, up 40 per cent from 2005, and our return on equity was 23.5 per cent, which are impressive results for any financial institution. We met or exceeded all but one of our financial objectives for 2006. Our diluted EPS growth, ROE, revenue growth and dividend payout ratio all met the targets we set for the year, and we exceeded our portfolio quality objective, which was supported by a favourable credit environment. Our solid capital position was maintained comfortably above our objective. We raised our dividends twice in 2006 by a total of \$.26 per share, or 22 per cent. (Excluding the impact of the Enron Corp. litigation-related provision in 2005, net income and diluted EPS both increased 27 per cent.)

While we performed well against these measures, we did not meet our target for operating leverage as it was impacted by our business mix and certain factors which contributed to our earnings growth but were not appropriately captured in this measure. As noted below, and in more detail on page 32, we have adjusted our 2007 operating leverage calculation to take those factors into account to more accurately reflect the underlying performance of our businesses going forward.

How we will measure ourselves in 2007

Looking ahead, we remain committed to generating top quartile total shareholder returns in relation to our Canadian and U.S. peer group over the medium term.

On page 5, we show our 2007 financial objectives to meet this medium-term objective. These objectives are based on our expectation of a robust Canadian economy with continuing strong consumer spending and solid business investment. In the U.S., we expect a moderately slower economy, largely attributable to slightly weaker growth in consumer spending and a cooling housing market. We expect to continue to benefit from relatively favourable equity markets, a stable interest rate environment, and strong fiscal conditions.

Our 2007 objectives are focused on measures that we believe are required to generate strong returns for our shareholders. Our ROE, Tier 1 capital and dividend ratios remain unchanged. For 2007, our objective of growing our diluted EPS by at least 10 per cent is lower than the 2006 objective as our 2005 earnings included the impact of the provisions related to the Enron litigation and estimated net claims related to hurricanes Katrina, Rita and Wilma. Our operating leverage objective remains greater than three per cent, however, we have adjusted our operating leverage calculation to more appropriately reflect the performance of our businesses. Our revenue growth target is incorporated in our earnings per share and adjusted operating leverage objectives. In addition, we believe our portfolio quality is adequately captured in our profitability and other objectives.

Our success depends on our employees putting clients first

This has been an exciting year of growth for RBC. Our record performance in 2006 reflects the talent and commitment of all our employees. Their hard work has resulted in our clients rewarding us with more of their business and, most importantly, their trust. We remain committed to developing new and innovative ways to meet our clients' needs while achieving our strategic goals and continuing to provide superior returns for our shareholders.

I would like to sincerely thank our clients for their continued business and our employees around the world for their dedication to finding new ways to earn the right to be our clients' first choice.



Gordon M. Nixon
President and Chief Executive Officer

2006 performance review

The table below shows our 2006 performance compared to our objectives for the year.

	2006 Objectives ⁽¹⁾	2006 Performance
1. Diluted earnings per share (EPS) growth	20%+ ⁽²⁾	40% ⁽⁶⁾
2. Return on common equity (ROE)	20%+	23.5%
3. Revenue growth	6–8%	8%
4. Operating leverage	>3% ⁽³⁾	1% ⁽⁷⁾
5. Portfolio quality ⁽⁴⁾	.40–.50%	.23%
6. Capital management: Tier 1 capital ratio ⁽⁵⁾	8%+	9.6%
7. Dividend payout ratio	40–50%	40%

- (1) Our 2006 financial objectives were established late in fiscal 2005 and reflected our economic and business outlooks for 2006. We established aggressive objectives for 2006 to position us as a top quartile performer with respect to total return to shareholders relative to our Canadian and U.S. peers. At the time these objectives were established, we expected an average Canadian dollar value of US\$.817 in 2006; however, the actual dollar value was US\$.883.
- (2) Based on 2005 total reported diluted EPS of \$5.13, which has been retroactively adjusted to \$2.57 to reflect a stock dividend of one common share on each of our issued and outstanding common shares, paid on April 6, 2006.
- (3) Operating leverage is the difference between revenue growth rate and non-interest expense growth rate. Our 2006 objective is based on 2005 non-interest expenses excluding the Enron litigation provision of \$591 million recorded in Q4 2005.
- (4) Ratio of specific provisions for credit losses to average loans and acceptances.
- (5) Calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).
- (6) Excluding the impact of the Enron Corp. litigation-related provision in 2005, diluted EPS increased 27%.
- (7) We have adjusted our 2007 operating leverage calculation to incorporate certain factors in order to more appropriately reflect the performance of our businesses going forward. If this new approach was applied to our 2006 results, our adjusted operating leverage would have been 2.5%. Adjusted operating leverage is a non-GAAP financial measure. For a further discussion and reconciliation, refer to the Key financial measures (non-GAAP) section in the Management's Discussion and Analysis (MD&A).

2007 objectives

	Objectives
1. Diluted earnings per share (EPS) growth	10%+
2. Adjusted operating leverage ⁽¹⁾	>3%
3. Return on common equity (ROE)	20%+
4. Tier 1 capital ratio ⁽²⁾	8%+
5. Dividend payout ratio	40–50%

- (1) Adjusted operating leverage is the difference between revenue growth rate (as adjusted) and non-interest expense growth rate (as adjusted). Revenue is based on a taxable equivalent basis, excluding consolidated variable interest entities (VIEs), accounting adjustments related to the new Financial Instruments Standard and insurance-related revenue, while non-interest expense excludes insurance-related expense. For further details, see Key financial measures (non-GAAP) section in the MD&A.
- (2) Calculated using guidelines issued by the OSFI.

Medium-term objective

	Objective	2006 Performance
1. Total shareholder return ⁽¹⁾	Top quartile ⁽²⁾	Top quartile ⁽²⁾

- (1) Total shareholder return is calculated based on share price appreciation plus reinvested dividend income.
- (2) Versus seven large Canadian financial institutions (Manulife Financial Corporation, Bank of Nova Scotia, TD Bank Financial Group, BMO Financial Group, Sun Life Financial Inc., Canadian Imperial Bank of Commerce and National Bank of Canada) and 13 U.S. financial institutions (Bank of America, JP Morgan Chase & Co., Wells Fargo & Company, Wachovia Corporation, US Bancorp, Sun Trust Banks, Inc., The Bank of New York, BB&T Corporation, Fifth Third Bancorp, National City Corporation, The PNC Financial Services Group, KeyCorp and Northern Trust Corporation).

Where more Canadian clients put their trust for all their financial solutions



WHERE WE ARE

STRATEGIC GOAL

To be the undisputed leader in financial services in Canada

Operations in Canada

We provide personal, commercial, corporate and investment banking, wealth management and insurance to over 13 million personal, business and public sector clients across Canada. We are the premier marketer and distributor of financial products and services. We offer private banking services and expertise to individuals, corporations, institutions and internationally based high net worth clients who have family or business interests in Canada. We lead in the Canadian wholesale banking market, supporting corporate, public and institutional clients with strategic advice and financing solutions, including investment banking, research, sales and trading.

Strengths and capabilities

Canadians seek financial advice and solutions from RBC to achieve their individual goals. Our scale and diverse businesses provide the opportunity to offer competitive, flexible and innovative products and services to new and existing clients. We have one of the most recognized and most valuable brands in the country. In most parts of Canada, we hold strong market positions in all our businesses, including top rankings in personal and business banking, wealth management, wholesale banking and creditor and travel insurance.

Our clients benefit from the insight, dedication and expertise of our more than 40,000 employees, our broad suite of integrated products and services and our approach to developing strong relationships. Clients can access our

financial offerings through our leading distribution capability, which includes a network of 1,117 branches, the country's largest number of automated banking machines (ABMs), online and telephone banking, Canada's largest mortgage specialist sales force, as well as through a large number of investment advisors and a large force of third-party independent insurance distributors.

We are the only Canadian wholesale bank with a global fixed income distribution capability for issuing clients. Our clients have access to key global markets through our full suite of debt, equity, advisory and alternative asset capabilities. We continue to enhance our geographic reach and product capabilities to meet the expanding needs of our clients.

KEY HIGHLIGHTS

- Most valuable brand in Canada with a value of \$3.99 billion in the first annual Best Brands in Canada ranking (*Interbrand*).
- Largest bank-owned sales force, branch network, ABM network, full service brokerage, bank-owned insurer and stand-alone mutual fund company (by assets under management) in Canada.
- The leading wholesale bank in Canada in most of our lines of business (*Thomson Financial, Bloomberg and Financial Post*).

Achievements in 2006

Banking

- Expanded and refurbished our branch network and restructured our retail sales organization to improve distribution capabilities, client delivery and enhance client experiences.
- Redesigned our secured home equity product, RBC Homeline Plan, to better meet client needs by enhancing flexibility while improving delivery.
- Introduced the RBC No Limit Account, a high-volume transaction account providing significant savings for clients who rely upon the convenience of debit cards for everyday transactions.
- Launched our Welcome to Canada online program to attract, grow and retain clients who are new immigrants and/or part of Canada's high growth South Asian and Chinese communities.

Wealth management

- Launched a charitable gift program to provide a tax-efficient and convenient way for individuals to create a lasting legacy.
- Introduced a new commission rate structure for self-directed investors, including lower fees for active traders as part of an aggressive strategy to provide self-directed investors with more compelling value and convenience.
- Introduced specialized products to support the retiring boomer market in Canada, including RBC Cash Flow Portfolios and RBC Managed Portfolios.

Insurance

- Continued to provide clients with easier access to and more choice of products and services by launching the first nationwide online quote and purchase capability for home and auto insurance in Canada.
- Named Favourite Travel Insurance Provider by Canadian travel agents for fourth consecutive year (*Canadian Travel Press*).

Capital markets

- Named Dealmaker of the Year (*Financial Post*), remained the market leader in M&A and fixed income and held the leading market share of the fast-growing Maple market, where foreign institutions issue Canadian dollar bonds (*Thomson Financial and Bloomberg*).
- Played key roles in Canada's largest transactions, including the initial public offering of Tim Hortons, the acquisitions of Inco Limited by Companhia Vale do Rio Doce and Dofasco Inc. by Arcelor S.A.

WHERE WE ARE GOING

2007 and beyond

- Continue to attract new personal and business clients and deepen existing relationships.
- Emphasize profitable growth in high value retail markets.
- Focus on delivering advice and service excellence to our personal and business clients, enhance our productivity and local market competitiveness.
- Build upon our traditional strengths in distribution, product breadth, client relationship management, integration and risk management to enable the success of our personal and business clients.
- Create new and stronger relationships with Canada's middle-market companies.
- Continue to be a leader in providing corporate and institutional clients with the full breadth of RBC Capital Markets' global capabilities.

Where a growing number of U.S. clients succeed using our focused and increasingly integrated strengths



WHERE WE ARE

STRATEGIC GOAL

To build on our strengths in banking, wealth management and capital markets in the United States

Operations in the U.S.

We are focused on serving an increasing number of individual and commercial clients in banking and wealth management and on becoming a significant wholesale bank to the U.S. mid market.

We provide personal and business banking solutions to individuals, businesses, business owners and professionals through our regional banking network in the Southeast. Our 1,680 financial consultants offer full-service wealth management expertise and customized financial services to 310,000 households in 40 states. We provide clearing and execution services to independent broker-dealers and institutions and also offer insurance protection and asset accumulation solutions nationwide.

We offer emerging and middle-market companies a full suite

of capital markets services across seven industry sectors in major cities throughout the U.S. Corporate, public and institutional clients of all sizes have access to our global debt origination and distribution capabilities as well as public and infrastructure finance.

Strengths and capabilities

All our U.S. clients benefit from the global resources of RBC, while drawing upon the knowledge and expertise of our employees who are dedicated to consistently deliver quality financial solutions and services. Importantly, strong and complementary linkages between our U.S. capital markets businesses and our retail operations allow us to leverage our extensive retail network to effectively distribute fixed income and structured products.

Our individual and business clients benefit from our

targeted approach. Our U.S. bank focuses on serving businesses, business owners and professionals. We take the time to know our clients and differentiate ourselves, in a highly competitive marketplace, by tailoring financial products and services to meet their specific needs. Individual investors and businesses are well-served by our ability to tailor wealth management solutions developed through long-lasting relationships with experienced financial consultants.

Our U.S. middle-market corporate and institutional clients have access to a full suite of products and services focused on supporting their growth and financing strategies. We have established strength in municipal finance, and our global capabilities in securitization, infrastructure finance and public finance are helping to build our presence in this key market.

KEY HIGHLIGHTS

- Ranked eighth largest full-service securities firm in the U.S. as measured by number of financial consultants.
- Opened 10 *de novo* banking branches to expand our presence and client reach in fast-growing southeastern markets.
- Ranked among top investment banks targeting the middle-market – 16th in initial public offerings and 14th in the equity league tables (*Dealogic*).
- Ranked number one for Senior Manager: Small Issues in the first three quarters of calendar 2006 for municipal finance (*Thomson Financial*).

Achievements in 2006

Banking

- Announced agreements to acquire Atlanta-based Flag Financial Corporation (Flag) along with its 17 branches and, in November 2006, 39 branches in Alabama owned by AmSouth Bank, providing us with a total of 338 branches in the Southeast once the transactions close. The transactions are subject to regulatory approvals and other customary conditions and are expected to close in the first quarter and second quarter of 2007, respectively.
- Increased new personal accounts by 37 per cent and new business accounts by 20 per cent following the launch, in the first quarter of 2006, of a new streamlined suite of personal and business chequing accounts with unique features to better meet our clients' needs.

Wealth management

- Achieved a record US\$132 billion in assets under administration, up 14 per cent over 2005, by recruiting

experienced financial consultants and executing our strategy to become the primary advisor to more of our retail investor clients by better understanding and meeting their needs.

- Achieved strong growth in our clearing and execution services business with 160 correspondent firms generating total assets under administration of US\$34 billion, up 27 per cent from 2005.
- Acquired American Guaranty & Trust Company, a Delaware-based trust business, enabling us to provide U.S. trust solutions to high net worth clients.

Insurance

- Achieved record sales in U.S. term life insurance business: 63 per cent year-over-year growth.
- Expanded proprietary sales distribution in Florida to increase sales capability within our retail banking footprint.

Capital markets

- Selected to advise on one of the first Florida public/private partnerships.
- Tripled distribution of structured notes through our wealth management network.
- Announced agreement to acquire the broker-dealer business and certain other assets of Carlin Financial Group, based in New York, providing a best-in-class North American electronic execution platform. In addition, in November 2006, we announced an agreement to acquire Daniels & Associates L.P., the most active mergers and acquisitions advisor in the U.S. to cable, telecom and broadcast industries. Both transactions are subject to regulatory approvals and other customary conditions and are expected to close in the first quarter of 2007.

WHERE WE ARE GOING

2007 and beyond

- Continue to focus on becoming the bank for businesses, business owners and professionals in the Southeast by expanding our products and services to meet the needs of this growing business segment.
- Become the wealth management advisor of first choice to more clients by demonstrating overall strength in credit and lending, trust services and delivery of structured products and alternative investments.
- Continue to expand our U.S. insurance capabilities through enhanced products and services.
- Increase our investment banking client base by leveraging our broad product platform, advisory capabilities and global debt distribution.
- Continue to expand relationships in the municipal finance market and establish ourselves as a key player in infrastructure finance.

Where clients around the world obtain specialized products and trusted services



WHERE WE ARE

STRATEGIC GOAL

To be a premier provider of selected global financial services

Operations around the world

We provide investment banking, advisory and trading services, trade finance and reinsurance to corporate and institutional clients through offices worldwide. Our global debt business provides issuers with origination, securitization, structured products, infrastructure and project finance capabilities globally. Our wealth management offering is focused on providing expertise to high net worth individuals, and corporate and institutional clients in 33 offices in 21 countries. We also provide banking solutions to individuals and businesses in the Caribbean. Our joint venture, RBC Dexia Investor Services (IS), offers a complete range of investor services, such as custody and fund administration, to institutions worldwide.

Strengths and capabilities

Clients around the world seek sophisticated financial solutions and advice from us in selected global financial services markets. We leverage our regional and corporate strengths globally to keep pace with the expanding needs of our corporate and institutional clients and to support our strategic goals. We are recognized as a world leader in Canadian dollar trading and in Canadian dollar debt issuance and investor services. We provide global debt distribution and global capabilities in the mining and energy sectors, structured products, syndicated and infrastructure finance, and foreign exchange.

Our global private bank ranks in the top 20 private banks worldwide based on market leadership by region and areas of service. Our financial professionals consistently deliver high quality wealth management solutions and advice to our clients.

We have deep historical and community roots as a leading provider of a broad range of banking products and services in the Caribbean for more than 100 years.

One of the world's top 10 global custodians, RBC Dexia IS offers institutional investors worldwide an integrated suite of products, including global custody, fund and pension administration, securities lending, shareholder services, investment analytics and other related services.

KEY HIGHLIGHTS

- Ranked as the top foreign exchange bank globally in Canadian dollar trading (*Euromoney* magazine).
- Added more than 110 client facing employees around the world in wealth management.
- Recognized as one of the top 20 private banks in the world (*Euromoney* magazine).
- Ranked in the top three in deposit market share in most of our Caribbean banking markets.
- Completed the creation of RBC Dexia IS, resulting in a top-tier global custodian with approximately \$1.9 trillion in client assets under administration.

Achievements in 2006

Capital markets

- Awarded Nomad status on the Alternative Investment Market, enabling us to bring junior mining and energy companies to the international market.
- Established a global infrastructure finance platform, with offices in Canada, U.S., Europe and Australia with marquee transactions, including lead advisor on a €1.2 billion new rail project in France.

Wealth management

- Acquired Abacus Financial Services Group, adding 49 client facing professionals, expanding our client base and wealth management services in the U.K. and Channel Islands, and increasing assets under administration by US\$41 billion.
- Expanded lending solutions to meet the needs of our high net worth clients, increasing credit by 25 per cent. Also, launched a Canadian real estate investment fund to allow international investors to participate in the Canadian commercial real estate sector.

Banking

- Enhanced sales management practices, improved client satisfaction and opened two new offices in The Bahamas, contributing to strong revenue growth across the Caribbean.

Investments in China

- Built on our historical presence in China when we upgraded our representative banking office to branch status and made targeted investments in businesses where we have global competitive advantages including fund management, global debt markets, global financial institutions and private banking.
- Co-lead managed the institutional tranche for the Industrial and Commercial Bank of China's initial public offering.

WHERE WE ARE GOING

2007 and beyond

- Enhance our global capabilities in U.S. dollars and euros to complement our leading positions in Canadian dollars, British pounds, and New Zealand and Australian dollar origination.
- Leverage our global distribution platform to sell structured products in key Asian markets.
- Expand our infrastructure finance expertise further into the U.S., Europe and Australia.
- Expand market share among high net worth individuals by strengthening and building relationships with centres of influence who understand our value proposition and appreciate our commitment to delivering high-quality, customized solutions.
- Build on our current strong position in Caribbean banking through organic growth and operational improvements.
- Continue to expand opportunistically in China where we have demonstrated global competitive advantages.

Where we support business growth, client focus and strong corporate governance



Global Technology and Operations and Global Functions

Team profile

More than 18,000 employees in Global Technology and Operations (GTO) and Global Functions apply leading practices to support RBC's delivery of innovative ways to meet the changing needs and expectations of our clients, employees and other stakeholders. In addition, GTO and Global Functions help RBC realize cost savings, allocate resources and strengthen governance.

GTO provides the operational and technological foundation required for effective delivery of products and services to our clients. In partnership with the businesses and through its processing and call centres, GTO provides contact management, product fulfillment, sales, service, technology and operational support

solutions that provide value to our clients.

Global Functions is a team of specialized professionals that provides sound governance, thought leadership and an enterprise perspective on strategic issues, challenges and opportunities facing RBC and its businesses. It supports business growth by providing insight and governance in the areas of risk and controls, compliance, law, finance, tax, communications and brand. As well, it prudently manages the capital, liquidity and funding positions of the enterprise to ensure RBC meets regulatory requirements while ensuring effective cost management and capital allocation.

Achievements in 2006

- Global Functions contributed to RBC's financial performance and achievement of a number of objectives by effectively managing capital, supporting the businesses in maintaining

strong credit quality and lowering our effective income tax rate.

- Global Functions supported enterprise M&A activity by conducting comprehensive due diligence, negotiations and stakeholder relations in all major transactions, including the formation of RBC Dexia IS, the acquisitions of Abacus Financial Services Group Ltd., American Guaranty & Trust Company and the announced agreements to acquire Flag and the AmSouth branches.
- GTO worked with its business partners to handle more than 100 million client calls, 330 million ABM transactions, 105 million online banking transactions, 2.3 billion point-of-sale transactions, and 100 million equity transactions.
- RBC was named among the best companies globally for technology and organizational excellence for the seventh time in the past 10 years (*CIO* magazine).

2007 and beyond

- GTO will focus on driving innovative process and technology improvements that simultaneously deliver a differentiated client experience and increased operating leverage.
- Global Functions will focus on contributing to our financial performance by continuing to maintain a solid balance sheet, strong credit quality and capital ratios, and effectively managing RBC's tax position.
- Global Functions will focus on contributing to business growth through maintaining a strong governance regime, an effective brand strategy, strategic enterprise planning, proactive enterprise compliance, and solid relationships with investors, credit rating agencies, regulators and other stakeholders.
- Global Functions and GTO will continue to partner with our businesses to improve and simplify processes that impact clients and employees.

Where a foundation of good governance guides us



Chairman's message

As stewards of the organization, we believe the foremost purpose of the Board of Directors is to create an environment for management that demands integrity while promoting long-term shareholder value. Good governance, which enables the creation and enhancement of shareholder value, is as important to the success of RBC as the operational achievements of the company.

We are committed to the continuous improvement of our leading corporate governance practices. My goal as Chairman is to provide leadership to the board so it can continue to provide management with sound and independent advice. In 2006, our approach to corporate governance continued to receive recognition from our peers. In an annual ranking by chief executive officers of Canada's major companies, RBC was again named

Most Respected Canadian Corporation, placing first in the category of Corporate Governance for the fourth consecutive year.

We are key advisors to management in the development of strategy. Every board meeting over the past year included presentations on aspects of RBC's strategy, taking into account the opportunities and risks of the businesses. We participated with management in an annual session dedicated to strategic planning and approved the enterprise strategy. In supervising management's implementation of strategy, we approved major transactions and capital expenditures that were aligned with the strategic plan and regularly reviewed corporate performance against objectives.

Our ability to contribute from a diversity of thought and backgrounds enhances the value we provide to RBC management and shareholders. The

Corporate Governance and Public Policy Committee regularly reviews and assesses the board's existing strengths and the evolving needs of the organization. We are pleased to welcome our newest directors whose experience will add an important dimension to the board. Timothy Hearn, Alice Laberge and Michael McCain are all well-recognized in their respective fields, and we are already benefiting from the contributions they are making to our discussions based on their experience in the Canadian and international business markets.

To fulfill our responsibilities to you, our shareholders, we must have the expertise to make knowledgeable decisions concerning RBC's global businesses in a rapidly evolving regulatory and business environment. As part of our ongoing director education program, we participated over the past year in sessions on specialized and

complex aspects of RBC's business operations, the implications of the Basel II Capital Accord for RBC's capital management framework, methodologies used in assessing risk, and the impact of new standards on financial statements and disclosure controls and certifications.

I am pleased that the board has been able to contribute to the success of RBC in 2006. Further details of the governance principles and practices of the Board of Directors and RBC are available in the following pages and on our website at rbc.com/governance.

On behalf of the Board of Directors, I extend appreciation to management and all 69,480 employees around the world for their contribution to RBC's strong performance over the past year and their commitment to meeting our clients' highest expectations.

David O'Brien
Chairman of the Board

“Good governance, which enables the creation and enhancement of shareholder value, is as important to the success of RBC as the operational achievements of the company.”

David O'Brien, Chairman of the Board

Corporate governance

Beyond compliance

Our practices and policies fully comply with guidelines established by Canadian securities regulators as well as applicable provisions of the U.S. *Sarbanes-Oxley Act of 2002* and requirements adopted by the New York Stock Exchange and the U.S. Securities and Exchange Commission. Strategically, our governance approach is to look beyond regulatory compliance with a view to building on our strong governance fundamentals by implementing best practices in support of the goals of the organization.

In these pages we summarize some of the steps taken in recent years to achieve leading standards of corporate governance. A more complete description of RBC's corporate governance practices may be found in our Management Proxy Circular and on our website at rbc.com/governance.

Building on our tradition of excellence

Over the past few years, RBC has adopted many significant leading governance practices, including:

- New rules requiring directors to tender their resignations following the Annual Meeting if they fail to receive majority shareholder support
- Increased minimum share ownership guideline for directors to \$500,000 from the previous level of \$300,000, to strengthen alignment of their interests with those of shareholders
- Increased minimum share ownership requirements for top executives, with the CEO's minimum threshold rising from six times to seven times average base salary, to further align management and shareholder interests
- A requirement for senior executives to retain for at least one year Royal Bank common shares with a value equal to the after-tax gain realized on the exercise of options, so as to increase the alignment of their interests with those of shareholders
- A Performance Deferred Share Program to strengthen the alignment of the interests of management with shareholders by tying senior management's rewards to the performance of RBC relative to a peer group of competing North American financial institutions
- Diminished share dilution resulting from the reduction of the number of stock option grants awarded to management by approximately 70 per cent since 2003.

In addition:

- Our comprehensive Director Independence Policy has continued to evolve in response to best practices and regulatory refinements. Under this policy, 14 of the 17 currently serving directors are independent
- Meetings of independent directors are held regularly
- All members of the board's Audit Committee, Human Resources Committee, and Corporate Governance and Public Policy Committee are independent, and a majority of members of the Conduct Review and Risk Policy Committee are independent
- For the Audit Committee, more stringent independence criteria have been implemented, a financial expert has been designated, financial literacy requirements have been defined and a policy limiting the service of our Audit Committee members on the audit committees of other companies has been approved
- The Audit, Human Resources and Corporate Governance and Public Policy committees have sole authority to retain and approve the fees of independent, external advisors. The Human Resources Committee retains an independent compensation consultant
- Board and director evaluation procedures have been enhanced, with written peer reviews added to complement the established peer assessment practice of one-on-one interviews with the Chairman
- The process of selecting individuals for nomination as directors has been formalized to ensure that the strengths of potential candidates are weighed against the competencies and skills that the board as a whole should possess.

Demonstrating leadership

These measures build on our previous governance initiatives, which include, among many others:

- Ensuring independent leadership of the Board of Directors by being first among our peer companies to separate the positions of Chairman and Chief Executive Officer in 2001
- Adopting a policy limiting interlocking directorships of board members
- Discontinuing grants under the Director Stock Option Plan in 2002
- Being among the first major Canadian companies to expense stock options in financial statements, which we have done since 2003
- Providing continuous educational material, presentations and programs to directors so they remain knowledgeable and informed about the ever-changing business and regulatory environment and the specialized and complex aspects of finance and our business operations.

Enhancing our disclosure

In keeping with our goals of continuously improving governance and providing greater transparency and simplicity in our communications, in recent years we have enhanced disclosure in our Management Proxy Circular, including:

- More detail on the compensation paid to individual directors and their share ownership
- Greater clarity on senior officers' compensation relative to fiscal year performance
- Three-year, easy-to-read overviews of senior officers' compensation
- Total aggregate compensation of the top management team as a percentage of market capitalization and a percentage of net income after tax
- Increased disclosure regarding executive pensions, including the impact of changes in interest rates, annual service cost, accrued obligation and value of retirement plans for top executives.

Important information about our governance practices

The following additional information on our governance practices is available at rbc.com/governance:

- Our Statement of Corporate Governance Practices and Guidelines
- Our Code of Conduct
- The charters of our Board of Directors and each of its committees
- Our Director Independence Policy
- Position descriptions for the Chairman of the Board, the chairs of committees of the board, and the President and Chief Executive Officer
- A summary of significant differences between the NYSE rules and our governance practices
- Our Corporate Responsibility Report.

2007 Annual Meeting

Shareholders are invited to attend our Annual Meeting at 9 a.m. (Eastern Standard Time) on Friday, March 2, 2007, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, Toronto, or to listen to a webcast of the event. Further details will be made available on our investor relations website at rbc.com/investorrelations/conference.

Where we make an impact



Corporate responsibility

At RBC, we define corporate responsibility as operating with integrity at all times and sustaining our long-term viability while contributing to the present and future well-being of our stakeholders.

This means that we strive to take active responsibility for the daily choices that we face, especially in regard to ethical business practices, our economic impact, as well as our practices in the workplace, the environment and the community.

Sustainability reporting

Increasingly, companies are being asked to report on their social, environmental and ethical performance, which is sometimes called sustainability reporting. While there are many stakeholders asking for such information, there is little agreement about what and how much companies should disclose, as well as the appropriate manner of disclosure.

RBC has adopted a multi-pronged approach to sustainability reporting. We provide tailored reporting geared to various stakeholders, with an appropriate level of detail in each. Additional information can be found on our website at rbc.com/responsibility.

Corporate responsibility principles	Business practices <ul style="list-style-type: none"> • Comply with laws and regulations • Manage under strong governance • Operate with ethical business practices • Provide products and access to banking services responsibly • Protect and educate consumers 	Economic impact <ul style="list-style-type: none"> • Provide strong returns to shareholders • Pay fair share of taxes • Support small business and community economic development • Foster innovation and entrepreneurship • Purchase goods and services responsibly
Workplace and employment <ul style="list-style-type: none"> • Respect diversity • Foster a culture of employee engagement • Provide competitive compensation and total rewards • Provide opportunities for training and development 	Environment <ul style="list-style-type: none"> • Lend responsibly • Leverage “green” business opportunities • Reduce operational footprint 	Community <ul style="list-style-type: none"> • Provide donations with a lasting social impact • Sponsor key community initiatives • Enable employees to contribute

Ethical business practices

At RBC, one of our key values is to operate with trust through integrity in everything we do. We have enterprise-wide compliance policies and processes to support the assessment and management of risks, and have formal policies to address issues such as:

- Economic sanctions
- Lending to political parties
- Financing military material
- Money laundering
- Terrorist financing
- Conflicts of interest including outside activities and external directorships of employees
- Insider trading, information barriers and employee trading
- Environmental risk
- Outsourcing risk
- Structured transactions and complex credits
- Auditor independence.

Policies and controls are reviewed regularly to ensure continued effectiveness.

Code of Conduct

All RBC employees worldwide are governed by our Code of Conduct, which was established more than 20 years ago and is updated regularly. Our Code of Conduct e-learning program ensures all our employees (from the CEO down) know and understand the Code’s principles and compliance elements. This e-learning program includes both an online course and a test. All employees must complete the program and test within three months of joining RBC and at least once every two years thereafter.

Client due diligence (Know Your Client and Suitability)

RBC must perform due diligence on new and existing clients both to comply with applicable anti-money laundering, anti-terrorism and economic sanctions legislation and also so we can understand our clients’ needs in offering suitable products and services. To address the various anti-money laundering and anti-terrorism rules, RBC has implemented appropriate scrutiny and monitoring measures in line with regulatory requirements. This client due diligence helps us to monitor trade suitability within

our securities businesses, and more broadly, helps us to ensure we are providing clients with an appropriate range of products and services.

Anti-money laundering policy

RBC is committed to preventing the use of its financial services for money laundering or terrorist financing purposes. Our Global Anti-Money Laundering Compliance Group is dedicated to the continuous development and maintenance of policies, guidelines, training and risk assessment tools and models to help our employees deal with ever-evolving money laundering and terrorism financing risks.

Anti-terrorism policy

RBC and our directors, officers, and employees will not knowingly enter into transactions with, or provide or assist in providing, directly or indirectly, financial services to, or for the benefit of, states, entities, organizations and individuals targeted by applicable anti-terrorism measures. To effectively meet these requirements, automated systems scan client names against various terrorist and control lists daily, including scanning of payments against the

For more information on RBC’s business integrity, visit rbc.com/responsibility/business

RBC's business continuity planning encompasses our response to a wide variety of disruption and crisis scenarios affecting the well-being of our employees, clients, business operations and our communities.

The RBC Business Emergency Information Line is set up to advise our employees in the event of an RBC-wide crisis or external situation affecting our ability to access RBC offices or serve our clients.

The RBC Reporting Hotline enables employees and third parties around the world to confidentially report questionable internal accounting or auditing matters directly to RBC's Ombudsman. For more information, visit rbc.com/governance.

Office of the Superintendent of Financial Institutions, the Office of Foreign Assets Control and other control lists, as per terrorist financing regulations.

Economic sanctions policy

RBC businesses, directors, officers and employees will not knowingly conduct business with states, entities, organizations and individuals targeted by the economic sanctions of the jurisdictions where they are located or where they operate, or those jurisdictions otherwise applicable to them.

Privacy and information security

The Internet and other information technologies have revolutionized the way we do business, enabling us to interact and do business with clients, employees, and other third parties from the convenience of the home or office. At the same time, it also brings legitimate concerns about privacy and security.

At RBC, we are dedicated to safeguarding the privacy and confidentiality of personal, business, financial, and other information. In fact, it is one of our highest priorities and remains a cornerstone of our

commitment to our clients, employees, and other third parties. We have had a formal Privacy Code since 1991, overseen by our Chief Privacy Officer, and we use vigorous security safeguards and internal controls to ensure the privacy and security of information entrusted to us.

Fraud prevention

RBC places a high priority on protecting clients against potential losses from financial fraud. We work closely with other financial institutions, industry associations and law enforcement authorities globally to combat financial crime. We also have a website on fraud, credit and debit card safety for clients globally, and a publication, *Straight Talk*, about financial fraud, available through our branch network and online.

Voluntary codes of conduct

The Canadian banking industry has developed a number of voluntary commitments and codes to protect consumers to which RBC has committed. These are listed at rbc.com/voluntary-codes-public-commitments, including:

- Canadian Code of Practice for Consumer Debit Card Services
- Canadian Bankers Association Code of Conduct for authorized insurance activities
- Model Code of Conduct for Bank Relations with Small- and Medium-Sized Businesses
- Principles of Consumer Protection for Electronic Commerce: A Canadian Framework
- Visa Zero Liability Policy
- Visa E-Promise.

Crisis management

RBC's Crisis Management teams, made up of senior executives across the organization, are responsible for the overall identification, isolation and management of major crises, and are activated when crises emerge that are both within and outside RBC's control. We have enterprise-wide business continuity management processes and undergo periodic simulations and exercises to help prepare for possible crises, while testing our contingent strategies and tactics and the capabilities of crisis response teams.



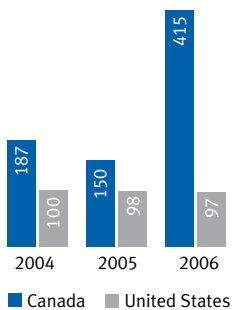
Socially responsible investing

Investors who wish to express their values through ethical investments are increasingly turning to research firms for solid, third-party analysis of which companies have a positive or negative effect on society and the environment. RBC is included on a number of significant indices that recognize financial, social and environmental leaders.

Client care

RBC's vision is "Always earning the right to be our clients' first choice." The entire company is focused on that vision, from soliciting and acting on client feedback to maintaining vigilant consumer protection measures to ensuring access to financial services.

Responding to feedback
Clients surveyed (thousands)



Every year, RBC businesses track client satisfaction and use feedback to make improvements. For instance, in 2006, in Canada, we:

- Enhanced our online investing site to help investors make more informed decisions
- Improved our Interactive Voice Response (IVR) for easier navigation, information and representative access
- Significantly reduced our personal account opening process time
- Launched a new unlimited transactions account for only \$11.95 per month.

In 2006, in the U.S., we:

- Introduced online cheque imaging
- Decreased loan turnaround time for small business clients.

Fraud prevention

RBC has stringent security policies and practices, backed up by around-the-clock resources to prevent and detect potential fraud. In 2006, we introduced guarantees for online banking and self-directed brokerage clients,

offering 100 per cent reimbursement for funds lost through unauthorized transactions in their accounts.

We have developed a number of fraud-education initiatives including up-to-date tips and alerts, brochures and client presentations. In 2006, we published a new *Guide to Security and Privacy* and undertook a client education campaign on fraud prevention fraud and identity protection.

A resolve to make it right

Our formal process for handling client concerns is outlined on our website and *Straight Talk* brochures. Customers whose issues are unresolved following this process may appeal to RBC's Office of the Ombudsman, which examines decisions made by RBC companies and reviews their compliance with proper business procedures. The Office ensures customers get a fair and impartial hearing and are treated with consideration and respect. We also respect the dignity and privacy of all parties involved in the proceedings.

Responsible development of products and services

RBC follows a defined, rigorous review process before launching any new product or significantly changing an existing one. We evaluate products for a range of risks and ensure they align with our Code of Conduct, with legislation, and with any voluntary consumer protection codes that we have signed. Approval levels within RBC correspond to the level of risk identified for a particular product or service.

A cornerstone of investor and client protection is the Know Your Client rule. Our employees are required to make all necessary efforts to understand their clients' situation and financial and personal objectives before making recommendations.

RBC is also committed to providing banking access to a host of previously underserved groups through customized products and services. For information, see our Corporate Responsibility Report and Public Accountability Statement at rbc.com.

Economic impact

(\$ millions)	2006	2005	2004
Employee compensation and benefits ⁽¹⁾	\$ 7,340	\$ 6,736	\$ 6,701
Dividend payments to common and preferred shareholders	1,907	1,554	1,334
Income and other taxes (all jurisdictions) ⁽¹⁾	2,083	2,021	1,989
Goods and services purchased from suppliers of all sizes	3,900	3,700	3,700
Community investments including donations, sponsorships	83	65	59

(1) Based on continuing operations.

Economic impact

Companies both large and small can help shape the economies of the communities and countries in which they do business, simply through their day-to-day business decisions and actions. At RBC, we have an economic impact as an employer and taxpayer through our activities as a financial services company and as a purchaser of goods and services.

Economic development

RBC invests in sustainable economic development, and we are committed to contributing to the success of people and businesses in the communities where we operate. We support:

- Programs that address basic needs, such as food banks and shelters
- Economic growth in communities where we do business
- Initiatives that help build wealth and capacity in Aboriginal communities
- Resources to promote economic self-sufficiency
- Financial literacy programs.

RBC also promotes economic growth through industry partnerships. For example, we are a member of the Canadian American Business Council, raising awareness of the value of the Canada-U.S. trade relationship and enhancing the overall competitiveness of North American economies.

Small business

Small business is an important engine driving economic growth. RBC is the marketplace leader in Canada with almost 600,000 small- and medium-sized enterprise clients, while

RBC Centura serves almost 60,000 small business clients in the Southeast U.S.

Financing is essential for many small businesses to start, operate or grow, and RBC offers a host of credit solutions tailored to meet the needs of diverse businesses at various stages. We also strive to provide the best possible products, advice and expertise to help this sector prosper.

Innovation

RBC takes a leadership role in supporting innovation and the commercialization of research, and we support projects and organizations that promote learning, innovation and entrepreneurship, such as:

- The Medical and Related Sciences (MaRS) project, facilitating research and development, and its commercialization
- The Canadian Institute for Advanced Research, helping fuel Canada's knowledge base by bringing together the most distinguished thinkers from across Canada and around the world.

We have made direct investments in a number of promising early-stage ventures across North America through RBC Technology Ventures and its

partner funds. Our Strategic Technology Fund has brought investment dollars and our vast knowledge and expertise to budding technology companies in the financial services sector.

Purchasing

In 2006, we spent \$3.9 billion on goods and services from international, national, regional and local suppliers of all sizes.

Our procurement group is responsible for sourcing products and services. Our procurement policies are inclusive and aim to promote sustainable business practices and economic development where possible and appropriate. In maintaining the highest standards, our purchasing policies are reviewed annually.

We promote fair purchasing practices and strive to support, whenever possible, the communities in which we operate. We are a founding member of the Canadian Aboriginal and Minority Supplier Council (CAMSC). RBC has been a member of the CAMSC's U.S. affiliate, the National Minority Supplier Development Council, since 2002.

For more information on RBC's economic impact, visit rbc.com/responsibility/economic

Outside the workplace, RBC employees around the world participate in numerous community activities like the 2006 Juvenile Diabetes Research Foundation (JDRF) Ride for Diabetes Research.



Workplace

Attracting and retaining a talented and highly motivated workforce is a crucial part of our ongoing success. Consistently ranked as one of the top employers in Canada, we strive to strengthen our reputation as an employer in all countries in which we do business.

Understanding what employees value and need enables us to leverage a flexible and competitive Total Rewards program to support the mutual success of employees and RBC. This comprehensive approach includes compensation, benefits, a positive work environment, along with career and learning opportunities that reward people for skills and contribution. Flexibility within the work environment includes the opportunity for flexible working hours, modified work schedules and telework.

Employee savings and share ownership plans are part of RBC Rewards program and promote a sense of ownership that helps align employee,

investor and company objectives. The vast majority of employees are RBC shareholders through these programs.

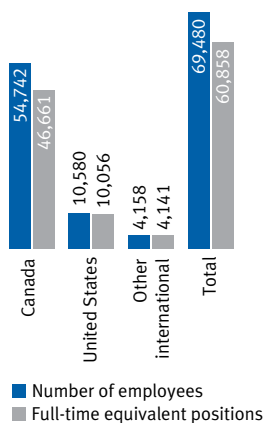
Continuous employee growth and development helps ensure we meet current and future client needs. Employees have access to the training resources and opportunities they need to learn and grow as professionals, including global access to RBC Campus, our web-based learning platform, and Career Advisor, a comprehensive career management resource. Hiring practices focus on identifying and selecting talented people who share our passion for putting clients first.

Diversity is one of RBC's core values and we have become a recognized leader in Canada for promoting diversity. Leveraging diversity for growth and innovation is both a sound business imperative and the right thing to do for our employees, clients and the communities we serve.

Keeping employees informed helps ensure alignment with company goals. RBC's senior management team regularly meets with employees to discuss the company's goals, strategies and progress. Employees have access to company information via intranet sites, electronic news magazines, e-mail bulletins, and other communication channels, and are encouraged to provide feedback and comments in a variety of ways.

Listening and responding to employee feedback is part of the RBC culture and we have conducted employee opinion surveys since 1981. High levels of employee engagement and a strong commitment to putting clients first are achieved through understanding employee views and taking action consistent with employee needs and RBC priorities.

Employment worldwide (as at October 31, 2006)



For more information on RBC's workplace, visit rbc.com/responsibility/workplace



RBC is actively working to minimize our risks and pursue opportunities presented by environmental issues.

Environment

RBC recognizes that our long-term economic success is dependent on a sound environment and healthy communities. That is why we strive to conduct our business and operational activities in a manner that minimizes environmental risk and recognizes environmental market opportunities for the benefit of our shareholders, clients and employees.

Environmental policy

RBC's Corporate Environmental Policy was originally developed in 1991 and supplements the environmental section of our Code of Conduct. The Policy's objective is to guide RBC's business and operational activities in a manner that respects the principles of sustainable development. The Policy is currently under review and a revised version, addressing emerging environmental issues, will be released in 2007.

Responsible lending

RBC considers potential environmental and social consequences of our lending using our Credit and Project Finance Environmental Risk Management Policy suite. This collection of policies

provides the basis upon which we review transactions for environmental issues. These policies require that, where warranted, transactions are reviewed by environmental specialists to proactively identify and manage our environmental risks.

In 2006, RBC recommitted to the revised Equator Principles, a set of voluntary guidelines developed in 2003 to address environmental and social risks associated with project finance. Since our original adoption of the Equator Principles in 2003, we have reviewed 14 projects which qualified for review under our Equator Principles policy.

Issues and stakeholder engagement

In 2006, we worked with external stakeholders to help identify issues relevant to our business activities and operations, including climate change, forestry, biodiversity and the rights of indigenous peoples. We believe that by engaging stakeholders, we deepen our understanding of these issues and are better able to achieve a sustainable balance between environmental stewardship and economic prosperity.

Performance and initiatives

We are actively working to minimize our risks and pursue opportunities presented by environmental issues. For example, RBC Technology Ventures is a lead investor in the GEF Clean Technology Fund, and we are committed to this through 2007. We are seeking opportunities to further expand our underwriting, arranging and advisory services for alternative energy financing.

We are also focusing on finding more ways to reduce our operational impacts through our SOFT (sourcing, operations, facilities and travel) Footprint program. We commit to reporting our ongoing progress on our Environment website on rbc.com in 2007.

For more information, see the Risk management section of the Management's Discussion and Analysis and our 2006 Corporate Responsibility Report.

For more information on RBC's business integrity, visit rbc.com/responsibility/environment

In 2006, RBC provided more than \$2 million in funding so that community-based organizations could offer after-school programs across Canada, such as this program held at the Braeburn Junior School in Toronto.

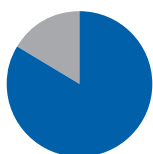


Community

In 2006, RBC contributed more than \$83 million to community causes worldwide through donations of more than \$42 million and an additional \$41 million in the sponsorship of community events and national organizations.

RBC believes in building prosperity by supporting a broad range of community causes. Our employees and pensioners also make an enormous contribution as volunteers, sharing their financial and business knowledge, time and enthusiasm with thousands of community groups worldwide.

2006 Worldwide RBC donations by geography (C\$)



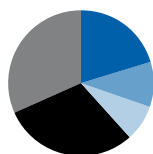
■ Canada	\$ 35,471,617
■ International	\$ 6,928,653
Total	\$ 42,400,270

Donations

Donations are a cornerstone of our community programs, with a tradition of philanthropy dating back to our roots. In fact, we have donations on record as far back as 1891. We are one of Canada's largest corporate donors, and contribute to communities across North America and around the world. We are committed to making a lasting social impact through inspired, responsible giving and by building strong partnerships with the charitable sector. Our priority areas for funding include programs that:

- Help keep kids in school
- Support emerging artists
- Encourage employee involvement
- Help seniors lead healthy and independent lives.

2006 RBC donations in Canada by cause



■ Social services	20.3%
■ Arts and culture	10%
■ Civic	8.3%
■ Health	29.9%
■ Education	31.5%

Employee contributions

RBC's Employee Volunteer Grants Program was launched in 1999 to support and encourage community involvement. Employees and pensioners who volunteer a minimum of 40 hours a year to a registered charity are eligible for a \$500 grant to the organization in their honour.

Since 1999, RBC has made over 10,700 grants and donated more than \$5.35 million to celebrate our employees' volunteer efforts.

Sponsorships

Sponsorships are an integral part of RBC's marketing and promotional activities, and are selected to promote our brand, image and reputation. Sponsorships often include an assortment of benefits such as consumer promotions, on-site and media brand and product exposure, as well as client hosting and staff volunteer opportunities.

Our community sponsorships are focused on:

- **Amateur sport:** We support the development of amateur athletes by sponsoring grassroots events in local communities to national sport associations. We are the longest-standing supporter of Canada's Olympic team, dating back to 1947, a premier national partner of the Vancouver 2010 Olympic and Paralympic Winter Games and a proud sponsor of the Canadian Olympic and Paralympic Teams through 2012. RBC also sponsors hockey, snowboarding, freestyle skiing, athletics and Special Olympics.
- **Arts:** We believe that healthy vibrant communities are a direct result of investing in creative vision and artistic talent. Our portfolio of interests in this area includes the RBC Canadian Painting Competition, celebrating Canadian visual artists early in their career. We also support community events such as art exhibitions, as well as theatre and orchestra performances.

For more information on RBC's business integrity, visit rbc.com/responsibility/community