

RBC Structured Products

Principal Protected Notes



RBC Capital Markets®

RBC Principal Protected Notes - Overview

The Royal Bank of Canada is a major domestic and international issuer of structured products, a sub-group of which are Principal Protected Notes: # 16 global issuer*, # 9 US issuer.**

What is a Principal Protected Note?

A deposit obligation of the issuer where the initial principal invested is guaranteed by the issuer at maturity, and where the Note's return is provided by an underlying reference asset. Reference assets can be equities, commodities, currencies, etc.

How are Principal Protected Notes legally classified?

A senior, unsecured, unsubordinate deposit obligation of the issuing institution. Issuing institutions are typically banks, but can also be different levels of government.

Are Principal Protected Notes liquid securities?

RBC issued notes are tradable in a daily secondary market provided by RBC.

Who invests in Principal Protected Notes?

Investors can be grouped into the following categories:

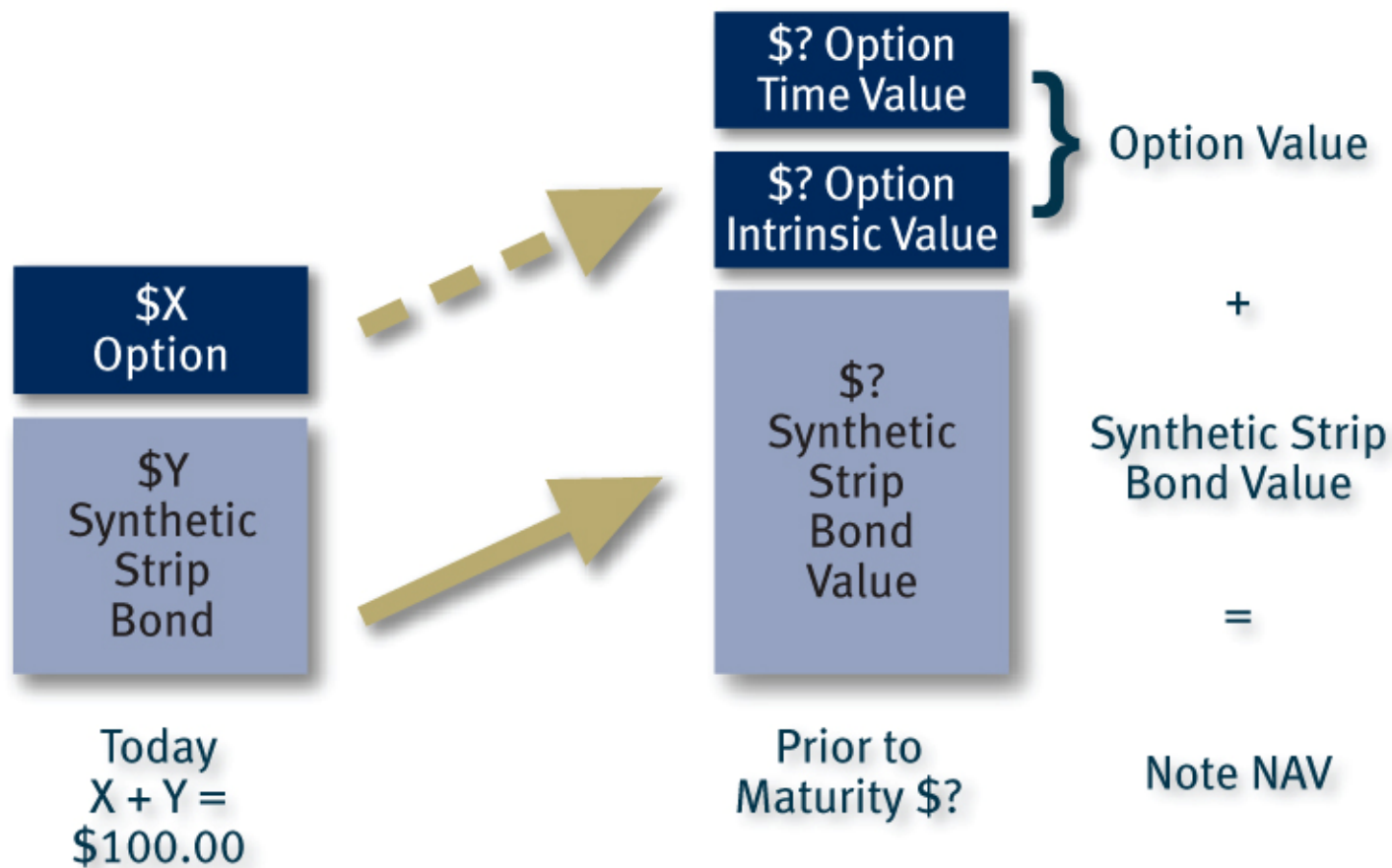
- 1. Risk Averse:** These investors are majority fixed income investors with a need for higher yield. Notes have equity or rate reference assets and are built into a portfolio strategy of fixed income.
- 2. Specific Market View:** Investors looking for market exposure unavailable outside of a customized offering. Investors can also be looking for access to a specific market or asset that is otherwise inaccessible (OTC markets). When using foreign markets or non-CAD denominated reference assets a currency hedge can be used as a part of the structure.

The first group is by far the majority for principal protected notes in the current rate environment.

RBC Principal Protected Notes - Mechanics

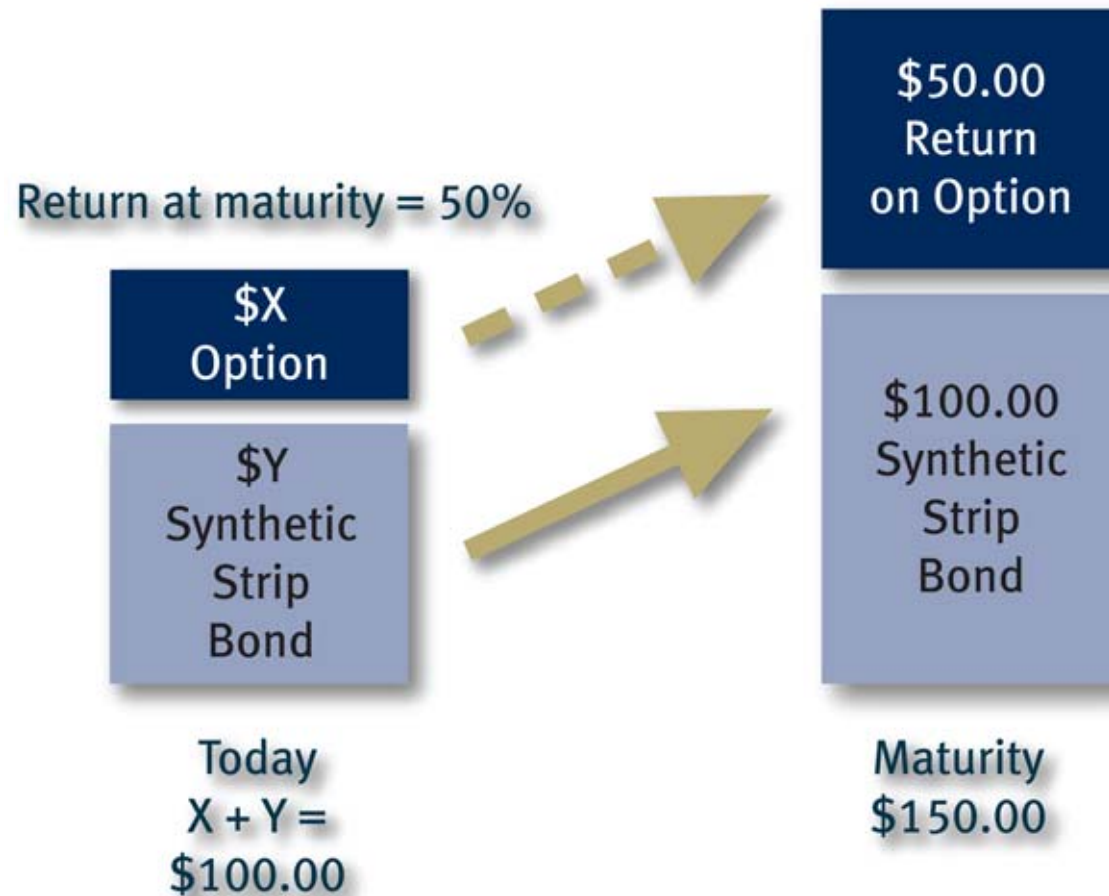
Two components:

1. Strip bond. Provides principal guarantee at maturity.
2. Option. Provides market exposure.



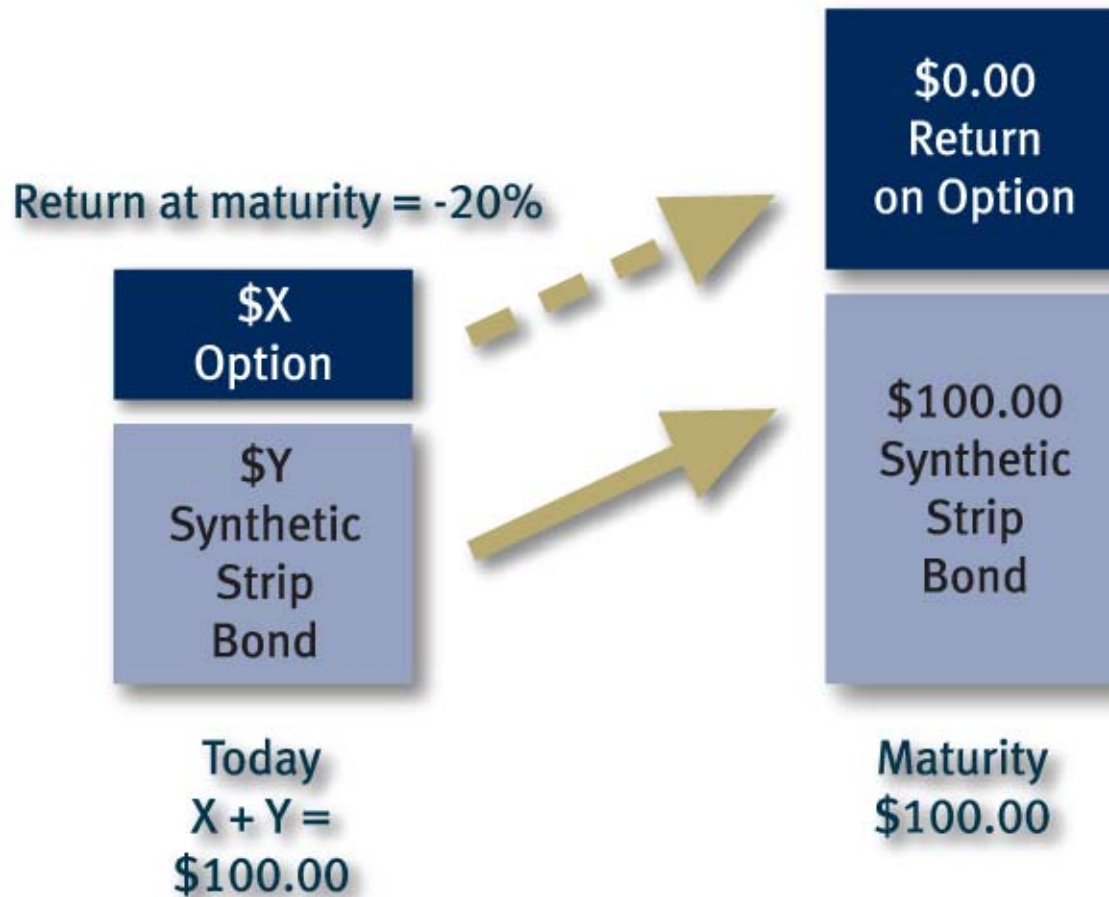
RBC Principal Protected Notes – Basic Illustration

Where the return of the reference asset is positive:



RBC Principal Protected Notes – Basic Illustration

Where the return of the reference asset is negative:



RBC Principal Protected Notes – Equity Linked Product Example # 1

RBC Equity Linked Note – Stock Basket, Annual Pay.

Term: 5 years

Principal guaranteed at maturity

Annual Variable Coupon Payments: Coupon is average price return of basket

- **Annual Maximum of 6%**
- **Annual Minimum of 1%**

Daily liquidity.

Annual Positive Example

Company Name	Symbol	Original Valuation Price	Annual Valuation Price	Percentage Change	Share Return Percentage
Sun Life Financial Inc.	SLF	28.19	39.58	40.404%	6.00%
ARC Energy Trust	AET-U	24.89	25.45	2.250%	6.00%
Barrick Gold Corporation	ABX	53.29	53.18	-0.206%	-0.21%
Canadian Natural Resources Ltd.	CNQ	41.28	42.10	1.986%	6.00%
Enbridge Inc.	ENB	57.82	58.88	1.833%	6.00%
National Bank of Canada	NA	69.82	77.18	10.541%	6.00%
Eldorado Gold Corporation	ELD	18.32	42.50	131.987%	6.00%
Teck Resources Limited	TCK/B	52.47	53.55	2.058%	6.00%
Bank of Montreal	BMO	61.22	62.10	1.437%	6.00%
Research in Motion Limited	RIM	62.83	63.13	0.477%	6.00%
Average of Share Return Percentages					5.38%
Variable Interest for Annual Period					5.38%

Annual Negative Example

Company Name	Symbol	Original Valuation Price	Annual Valuation Price	Percentage Change	Share Return Percentage
Sun Life Financial Inc.	SLF	28.19	27.10	-3.867%	-3.87%
ARC Energy Trust	AET-U	24.89	19.01	-23.624%	-23.62%
Barrick Gold Corporation	ABX	53.29	53.10	-0.357%	-0.36%
Canadian Natural Resources Ltd.	CNQ	41.28	18.24	-55.814%	-25.00%
Enbridge Inc.	ENB	57.82	53.80	-6.953%	-6.95%
National Bank of Canada	NA	69.82	68.18	-2.349%	-2.35%
Eldorado Gold Corporation	ELD	18.32	32.21	75.819%	6.00%
Teck Resources Limited	TCK/B	52.47	44.12	-15.914%	-15.91%
Bank of Montreal	BMO	61.22	51.10	-16.531%	-16.53%
Research in Motion Limited	RIM	62.83	41.11	-34.569%	-25.00%
Average of Share Return Percentages					-11.36%
Variable Interest for Annual Period					1.00%

RBC Principal Protected Notes – Equity Linked Product Example # 2

RBC Equity Linked Note – Stock Basket, Annual Pay.

Term: 4 years

Principal guaranteed at maturity

Annual Variable Coupon Payments: Coupon is average price return of basket

- **Annual Maximum of 6.15%**
- **Annual Minimum of 0%**

Daily liquidity.

Annual Positive Example

Company Name	Symbol	Original Valuation Price	Annual Valuation Price	Percentage Change	Share Return Percentage
Sun Life Financial Inc.	SLF	28.65	39.58	38.150%	6.15%
ARC Energy Trust	AET-U	21.57	25.45	17.988%	6.15%
Barrick Gold Corporation	ABX	48.82	48.79	-0.061%	-0.06%
Canadian Natural Resources Ltd.	CNQ	37.17	38.58	3.793%	6.15%
Enbridge Inc.	ENB	56.25	57.22	1.724%	6.15%
National Bank of Canada	NA	67.20	77.18	14.851%	6.15%
Thomson Reuters Corporation	TRI	38.87	42.50	9.339%	6.15%
Teck Resources Limited	TCK/B	45.56	49.58	8.824%	6.15%
Bank of Montreal	BMO	60.01	60.85	1.400%	6.15%
Research in Motion Limited	RIM	57.00	61.25	7.456%	6.15%
Average of Share Return Percentages					5.53%
Variable Interest for Annual Period					5.53%

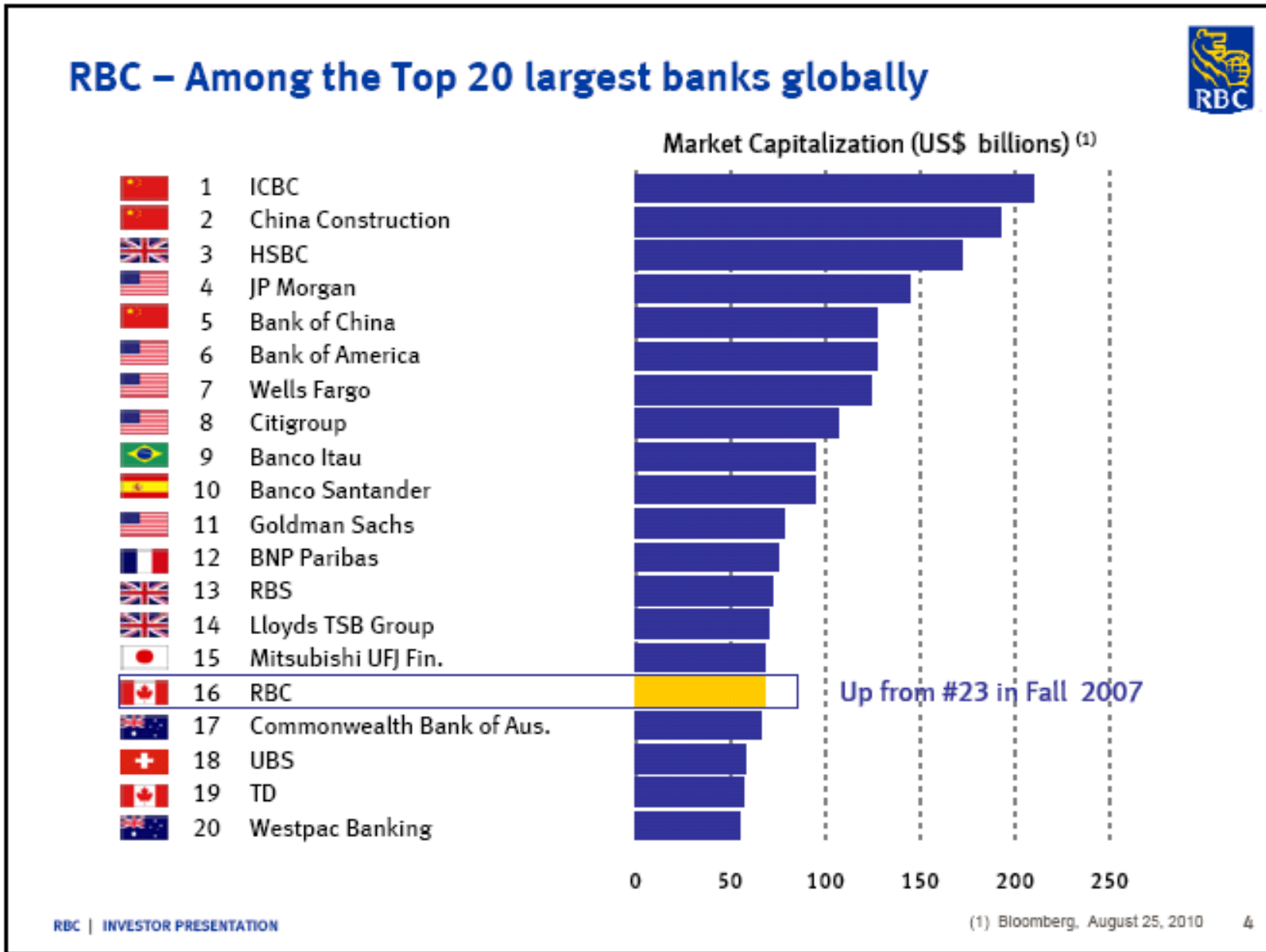
Annual Negative Example

Company Name	Symbol	Original Valuation Price	Annual Valuation Price	Percentage Change	Share Return Percentage
Sun Life Financial Inc.	SLF	28.65	20.85	-27.225%	-25.00%
ARC Energy Trust	AET-U	21.57	19.01	-11.868%	-11.87%
Barrick Gold Corporation	ABX	48.82	42.12	-13.724%	-13.72%
Canadian Natural Resources Ltd.	CNQ	37.17	18.24	-50.928%	-25.00%
Enbridge Inc.	ENB	56.25	53.80	-4.356%	-4.36%
National Bank of Canada	NA	67.20	68.18	1.458%	6.15%
Thomson Reuters Corporation	TRI	38.87	32.21	-17.134%	-17.13%
Teck Resources Limited	TCK/B	45.56	35.15	-22.849%	-22.85%
Bank of Montreal	BMO	60.01	41.45	-30.928%	-25.00%
Research in Motion Limited	RIM	57.00	38.20	-32.982%	-25.00%
Average of Share Return Percentages					-16.40%
Variable Interest for Annual Period					0.00%

The Royal Bank of Canada & RBC Capital Markets



RBC Capital Markets®





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