RBC highlights

RBC had another strong fiscal year ending October 31, 2012, despite challenging global and domestic economic conditions. Overall net income from continuing operations grew to CA$7,590 million, a 9% increase. The growth was led by higher fixed income trading and corporate and investment banking results, which were reflective of improved market conditions and overall strengthening of the domestic banking division. Strong business growth was also seen in wealth management and insurance. Net income in the year was favourably impacted by the release of tax uncertainty provisions (CA$128 million), interest income from a tax refund (CA$53 million after tax) and change in estimate of mortgage prepayment interest. Positive results were negated by the effects of increased support costs, PCL and lower transaction volumes in Wealth Management. On March 2, 2012, RBC completed the disposition of its US regional retail banking operations to PNC Financial Services Group, Inc. and accordingly up to the date of disposition, a net loss of CA$51 million was recognized from discontinued operations - a decrease of 90% from 2011.

RBC announced on October 23, 2012 that it has entered into an agreement to acquire the Canadian auto finance and deposit business of Ally Financial Inc., subject to regulatory approvals. RBC also acquired the remaining 50% stake in RBC Dexia (subsequently rebranded RBC Investor Services) from Banque Internationale à Luxembourg S.A. on July 27, 2012. The acquisition triggered a loss of CA$224 million. On May 31, 2012, RBC completed its acquisition of the wealth division of Latin American, Caribbean and African Private Banking Business of Coutts.

The Personal and Commercial Banking operations, formerly referred to as the Canadian Banking segment, now includes operations in the Caribbean and the US. It saw revenues of CA$12,643 million, an increase of 5%, driven by strong volume growth in personal deposits, residential mortgages, business deposits and loans, personal loans and mortgage prepayment adjustment. The mortgage prepayment adjustment is a one-time adjustment to an accounting estimate surrounding the recognition of prepayment interest (cumulatively increased net interest income by CA$125 million). Net interest margin remained flat as a result of the low interest rate environment; PCL saw an increase of 2% largely due to higher provisions in the Caribbean portfolio; and Canadian lending saw a decrease in provisions for the Canadian credit card portfolio. Non-interest expense experienced a 4% increase due to higher support costs.

RBC's wealth management division is composed of the Canadian Wealth Management, US & International Wealth Management and Global Asset Management. Total revenues amounted to CA$4,835 million, an increase of 3% from 2011, driven by higher average fee-based client assets, volume growth in loans and deposits and increase in US share based compensation plans, offset by decreased transaction volumes. Non-interest expense saw a 6% increase largely due to higher staff levels, infrastructure investments, unfavourable impact of regulatory and legal matters, a weaker Canadian dollar and favourable adjustment in 2011 related to the deferred compensation plan.

RBC's Insurance segment continued to be impacted by the low interest rate environment and underwent changes in the regulatory environment; however, the segment has managed to weather these challenging conditions and continued to see earnings growth. Total revenues amounted to CA$4,897 million, an increase of 9%, driven by growth in reinsurance, life and home and auto products and fair value changes in underlying investments offset by insurance policyholder benefits, claims and acquisition expense (PBCAE). Non-interest expense increased 3% due to support costs, offset by cost management.