



## RBC Principal Protected Interest Rate Bear Notes, Series 1

5-Year Term

100% Principal Protection  
at Maturity

Guaranteed 1% Coupon  
and exposure to  
Rising Long-Term Rates

**Issue Date**

October 24, 2012

**Maturity Date**

October 24, 2017

**Reference Index**

RBC Benchmark  
CAD 30 Year CMS Rate

**Strike Rate**

2.65%

### INVESTMENT HIGHLIGHTS

- Strategic investment to gain exposure to **rising** Canadian Long Term (30 year) interest rates (see page 2 for return profile)
- Semi-annual coupon payments equal to 1.00% per annum
- Geared** variable return based on the **increase**, if any, of the RBC Benchmark CAD 30 Year CMS Rate above the strike rate, at maturity
- 100% Principal Protection by Royal Bank of Canada (Aa3/AA-) if held to the Maturity Date

### KEY TERMS

Issuer:	Royal Bank of Canada
Credit Rating:	Moody's Aa3; S&P: AA-; DBRS: AA
Settlement Date:	October 24, 2012
Maturity Date:	October 24, 2017, for a term of 5 years
Fixed Interest:	1.00% per annum, paid semi-annually each 24th of April and October
Variable Interest:	If positive, paid at maturity: <b>Gearing * (Final Index Rate minus Strike Rate)</b>
Reference Index:	RBC Benchmark CAD 30 Year CMS Rate
Gearing:	7.0x
Strike Rate:	2.65%
Final Index Rate:	The Reference Index as observed on the fifth business day preceding the Maturity Date.

### KEY RISK FACTORS

- An investment in these notes may not be suitable for all investors. Investors should consult with their Investment Advisors before making a decision regarding an investment in the Notes.
- The amount of **variable interest** payable at maturity is uncertain and could be zero. Principal and 1% per annum coupon are guaranteed.
- RBC will undertake to make reasonable efforts to provide a secondary market for the Notes.
- These Deposit Notes are not eligible for CDIC Insurance.

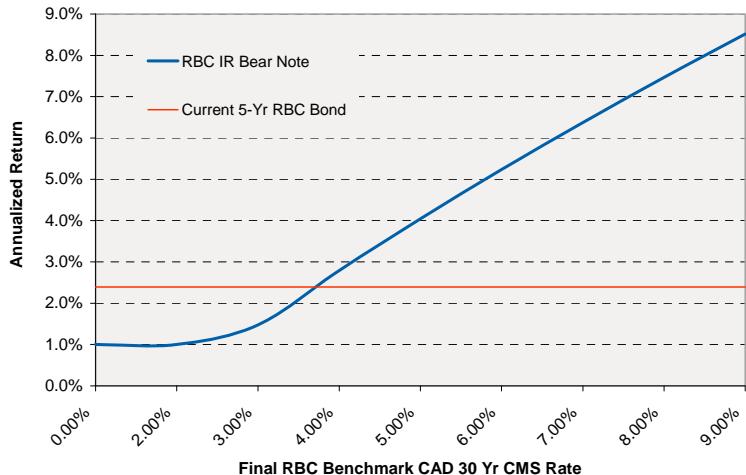
## HYPOTHETICAL NOTE RETURNS

Final Reference Index Rate	Variable Interest	Annualized Return
1.00%	\$0.00	1.002%
2.00%	\$0.00	1.002%
3.00%	\$2.45	1.479%
3.69%*	\$7.28	2.393%*
4.00%	\$9.45	2.793%
5.00%	\$16.45	4.042%
6.00%	\$23.45	5.234%
7.00%	\$30.45	6.373%
8.00%	\$37.45	7.466%
9.00%	\$44.45	8.515%

Example: If the 30 Year CMS Rate is 4.00% at maturity, then the Variable Interest is equal to  $7.0 * (4.00\% - 2.65\%) = \$9.45$

\*Investors would need the Index to be at least 3.69% at maturity in order to earn an overall Note yield similar to the highest yields currently available on other 5 year RBC bonds or GICs.

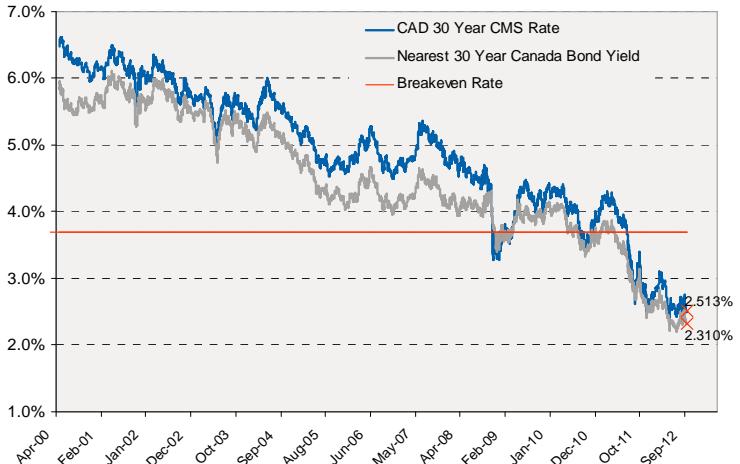
### Interest Rate Bear Note Return Profile



## RBC BENCHMARK CAD CMS RATES

- A set of CAD Constant Maturity Swap (“CMS”) interest rates for various maturities.
- RBC captures the mid-market interest rate for each maturity at 11am EST and publishes each Index to Reuters (CADCMS=RBCT) and Bloomberg (RBCL).
- Simple and effective way to take a view on Canadian Interest Rates
- The graph to the right shows that CMS Rates effectively capture the trend in interest rate levels in Canada and are a good proxy for Government of Canada bonds of the same maturity.

### The RBC Benchmark CAD 30 Year CMS Rate



Historical data for the period prior to the Index launch on September 6, 2011 are constructed using back-tested data.  
Source: RBC Capital Markets, Bloomberg

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