

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

5-Year Term

100% Principal Protection
at MaturityGuaranteed 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: Gearing * (Final Index Rate minus Strike Rate)
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.

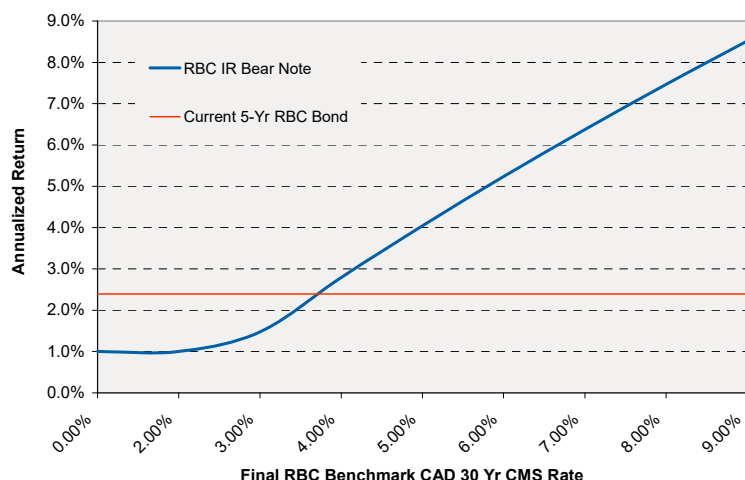
HYPOTHETICAL NOTE RETURNS

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.

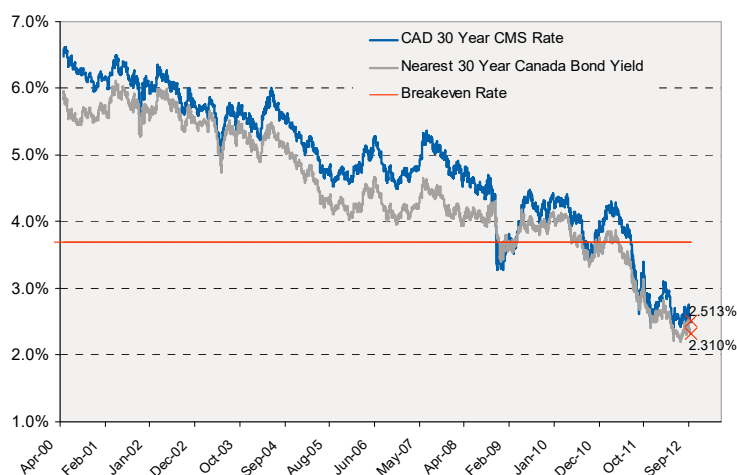
Interest Rate Bear Note Return Profile



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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