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DAVID MCKAY, GROUP HEAD, CANADIAN BANKING

Good afternoon everyone.

We are going to talk about Canadian Banking, its role within the larger RBC enterprise, its significant contribution to RBC's overall results and, very importantly, why we believe we have been successful and how we are building on that success going forward. A part of that is a concerted effort to responding to core customer needs and we define those core customer needs to be fourfold - advice, service, convenience and value for money. These are the strengths that we lever and how we go after the Canadian marketplace and differentiate ourselves from our peers

Turning to slide 2, let me remind you that my comments may contain forward-looking statements which have inherent risks and uncertainties.

Turning to slides 3-5, I will make some brief comments overall about Canada and RBC and spend the rest of time on the Canadian Banking segment.

As you can see we are the 5th largest bank in North America and 11th largest in the world, as measured by market capitalization. Our standing among global banks has moved significantly higher since September 2007 which we believe reflects both the solid fundamentals underpinning Canada's financial system and RBC's consistent financial strength, earnings power and discipline in managing risk.

We earned over \$4.5 billion in fiscal 2008 and over \$1 billion in our first quarter of 2009. We are conservatively capitalized with a Tier 1 capital ratio of 10.6%.

Canada is our core market. We are a leader in all of our key businesses – banking, wealth management and capital markets and we are continuing to extend that leadership and I will speak about this in the context of our Canadian Banking operations. Our relative strength allows us to continue to invest in our businesses for long-term growth.

Canadian Banking contributes over 58% of overall earnings as you can see on slide 7. One of the things that really differentiates us from our Canadian peers is our distribution power. We have the largest and most integrated advice-based distribution network in the country. We have the largest number of branches, largest ATM network, largest mobile mortgage specialist network, and largest dedicated IRP network. This has allowed us to be enormously successful from coast to coast with a diversified geographic portfolio and with strength as clients get smart financial advice where and when they need it.

We have significant momentum, we have a disciplined approach to balancing revenue and cost and our success allows us to continue to invest for the future in our platform.

Turning to slide 8. We are profitably growing market share. As you can see we are number one or number 2 in every single market that we compete in, whether its consumer lending, deposits, business lending, investments, business deposits and what is more important to us is that that we have momentum in market share growth in every single one of our businesses.

We're taking market share and we are widening the gap over the competition and this is the result of focusing on those core customer needs and leveraging our brand strength, our people and our physical assets.

What's key to us and a measure we continuously monitor is Canadians are voting RBC with their wallets and that's the most important thing to us.

Most recently, during this economic turmoil, we are finding new customers are more willing to shop RBC than they were before as we are a beacon of strength and stability in an otherwise chaotic environment and that consistent strength and stability is really working to our advantage.

Market share growth is not the only focus that we have. It has to be profitable market share growth and we focus on that with all our metrics and incentive systems with our sales force.

As you can see on slide 9, we have captured a disproportionate share of the revenue growth in the country so we have translated that volume and market share growth into revenue growth outpacing the competition.

We are focused on the revenue and volume side of the business and the results show for themselves.

What I find is very important, before you can invest in the future, you really have to understand fundamentally why you are currently successful and we spend a lot of time thinking about this and talking about it internally. In order to be a one-stop, full service financial service company in Canada you have to meet all four core customer needs - service, advice, convenience, and value for money and we do this better than any other institution in the country by leveraging our people, our brand and our physical assets.

When you look at why you need to do all four, and it's not two, it's not three, if you want to capture both the asset and liability side - savings, investments, deposits and loans of your customers, you have to compete on all four dimensions. For example, the deposit and everyday banking market is really a market for service and convenience of paramount importance - you have to deliver excellent customer service, and you have to have branches and ATMs available for those customers to transact on a day-to-day basis.

However, those same two ingredients, while successful in everyday banking are quite different when you look at the mortgage and investment market. So what does it take to be successful in mortgages? You really have to focus on advice and value for money and convenience defined in a very different way because the mortgage market has moved to the point of sale. If you wait for customers to walk into your store, you are not going to see them.

The mortgage battle is being fought with the realtors at the point of sale so you need a dedicated mortgage team out there 24/7 canvassing for customers - not waiting for them to walk into your store. That's why convenience is defined completely differently in this business than it is in the everyday banking business. And that's why we feel we have those core strengths because customers start in one channel and finish off in another and it's the integration of those channels and how you work together that really differentiates yourself.

I often receive the question so why isn't RBC in the broker market. What happens on a Saturday morning is the customer calls your call centre or walks into your branch and they

are shopping for a house that weekend and they want to know what your interest rates are, they want to get pre-approval for a spending limit and they leave your store and go shopping and then they deal with the realtor and the realtor has connections. The realtor may refer that person to a mortgage broker or mortgage specialist – they may never walk into your store again. So what we do, is when someone calls our call centre or walks into a branch, we give them access to a 24/7 mobile mortgage specialist that is dedicated to RBC. They'll go to that point of sale, they go to their house, they'll meet them on Sunday night after they have been shopping, they'll meet them on Saturday night, and they will cater to those customer needs at the point of sale.

So why is that different? Well if you are a broker based institution if you pass that lead to a broker, you may never see that broker again. That broker may place it with a competitor; there is no guarantee that you will see that business back. The integration of your mobile mortgage channel with the rest of your channel creates an enormously powerful distribution model that caters to changing customer needs and as you go through each one of your businesses. You can see why you have to be strong in integrate all four of those core customer needs. That's why looking forward we are going to invest and use our financial strength to invest against each four of those customer pillars.

Turning to slide 11, we have been able to grow our lending business profitably and prudently as the result of focus on robust credit adjudication and monitoring. We have a very strong risk culture. I would like to walk you through 3 points that really describe the risk culture that we have.

The first point is, in 2001 we rebuilt, re-engineered and enhanced our existing what was at the time product centric scoring system, to a customer cash flow centric model. We have been working with that system for the past 7 years and every month, we score all our customers on a cash flow basis. It allows us to have a much greater insight into the strength and needs of those customers when we have a rich relationship versus when we have a weak single product relationship. We really use that to differentiate a credit strategy across the board. Every month, we link those behavior scores into our origination line increase, decrease and collection strategy in a very dynamic fashion. We've got a very dynamic, sensitive, customer focused scoring system that we feel is unique in the market place. And we've got enormous experience running over the past 7 years.

The other thing that is really important is managing behaviors through the appropriate incentives. We focus on volume and we focus on revenue growth, both those are core metrics with our sales force, but risk management is the core pillar within our compensation system in our front line sales force. So incenting the right behavior and the right risk behavior is very important to our employees.

We are turning now to slide 12. In this environment obviously with everything that is going on around us, managing cost is certainly a key priority and if you think about managing cost and managing operating leverage in the short term, we are very cautious of balancing a long term growth of this organization in investing strategically in those four core pillars. In our model internally, a crisis is an opportunity not to be wasted. We really feel that this market disruption whether to our traditional or non traditional competitor presents significant opportunity for RBC to grow businesses and position businesses for long term success.

Having said that, focus on bottom line cost and operating leverage is very important to us. We are certainly targeting to improve the efficiency ratios through a number of ways. One, we

still have significant opportunity to improve our back office processes. We have very long dated, traditional manually intensive back office processes that can benefit from automation from end-to-end analysis of the value chain and taking out the complexity of the front end, which drives the enormous cost and complexity at the back-end. Attempts to do this in a back-end centric focus only results in marginal improvement. You really have to tackle the entire end-to-end process to take out the complexity in cost, which we've done.

We spoke initially on the mortgage business, re-engineering our mortgage businesses, and as a broad example, our mortgage business has 22 manual touches from adjudication through the funding. The re-engineered process through the use of automation of the technology and our process design has anywhere from 4 to 5 so you have a significant ability to rationalize your cost structure at the back-end if you really focus on the end-to-end analysis.

The other significant opportunity and large cost to our business is the cost of running the largest network of sales professionals. The productivity of the sales group has certain opportunities for us to look at. We are certainly focused on areas where we may have added capacity that aren't productive that we can redeploy to more active areas. We are certainly focused on the overall productivity of our network, with a goal to really enhance the effectiveness in overall returns of that network and that presents short to mid-term opportunities. Managing our cost is certainly a key priority for us.

On slide 13, you can see a trajectory here on how we have been able to effectively manage our cost and drive efficiencies across our businesses and at the same time reinvest in our network through new branches opening as you heard about, extending our hours of businesses when customers want to shop and new mobile specialists and more call centre staffs. So we are certainly investing and continue to invest in areas we see growth and cutting back in those areas and rationalizing where we are not seeing the growth and we are very focused on that.

In first quarter of 2009, we achieved positive operating leverage, adding 5 new branches and increased the number of branches offering extended hours to more than 600 nationally, something that we really haven't promoted that extensively.

To conclude, on slide 14, our goal continues to be the undisputed leader in financial services in Canada. To do that, we focus on 3 core strategic priorities.

Continue to improve the client experience, and we define the client experience to be meeting the needs across the four dimensions that we have talked about, service, advice convenience and value for money.

We have to continue to simplify the way we do business and I discussed the end-to-end, re-engineering of our value chain to really simplify for ourselves and to our customers.

We need to continue to take advantage of the opportunities in front of us to add new clients as a source of strength in this difficult time and grow share of wallet from our existing customers.

These strategic priorities are supported by our differentiated client value proposition across the four dimensions that I talked about, and really how we put it together in a collaborative environment. I can't under emphasize it, it feels like a simple overused word out there but for me, it is how we work together as a team on behalf of a client truly differentiate

ourselves from our competition and our customers notice that day in and day out. If they see you working in the files, if they see you fighting over profitability of a customer, customers sense that you are not acting in their best interest.

In our view, a referral is a sale, and as we pass customers from one channel to another seamlessly, and we support each other, the customers feel that they have the power of the RBC brand and organization behind them. They are much more comfortable dealing with us and we lever that day in and day out. We hire for those behaviors and we coach for those behaviors that we work seamless across channels. We structure our compensation systems and align our delivery systems to support that. It seems like a simple concept but it's hard to execute and we feel that truly differentiates ourselves in the market.

I would like to thank you for your time and I am certainly open to take any questions.

Thank you.