



Royal Bank of Canada

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Royal Bank of Canada

Tier 2A Presentation To Institutional Investors
Toronto – June 10, 2004



Caution regarding forward-looking statements

From time to time, we make written and oral forward-looking statements, included in this presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications, which are made pursuant to the “safe harbor” provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to our objectives for 2004, and the medium and long terms, and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian economy in general and the strength of the local economies within Canada in which we conduct operations; the strength of the United States economy and the economies of other nations in which we conduct significant operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the Board of Governors of the Federal Reserve System in the United States; changes in trade policy; the effects of competition in the markets in which we operate; inflation; capital market and currency market fluctuations; the timely development and introduction of new products and services in receptive markets; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); changes in tax laws; technological changes; our ability to complete strategic acquisitions and to integrate acquisitions; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism; and our anticipation of and success in managing the risks implicated by the foregoing.

We caution that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on our behalf.



Agenda

- **An overview of Royal Bank of Canada**
- **Deal structure**
- **Questions & Answers**



Corporate Focus

- **5 strong businesses:**

Current focus by Geographic Region	
Canada	➤ Retaining leadership positions
U.S.	➤ Improve performance of banking business in near term
Outside North America	➤ Selectively growing custody, private banking and trading businesses

- **Top-priority to generate strong financial and shareholder returns**



Largest and Strongest Rated Canadian Bank...

Market Cap. and Senior Debt Ratings as at June 8, 2004

	Market Cap. (in C\$ billions)	Moody's Rating/ Outlook	S&P Rating/ Outlook
RBC	38.7	AA2/ Stable	AA-/ Stable
BNS	35.9	AA3/ Stable	A+/ Positive
TD	30.3	AA3/ Stable	A+/ Stable
BMO	27.1	AA3/ Stable	AA-/ Stable
CIBC	24.6	AA3/ Stable	A+/ Stable



With Leading Canadian Franchise...

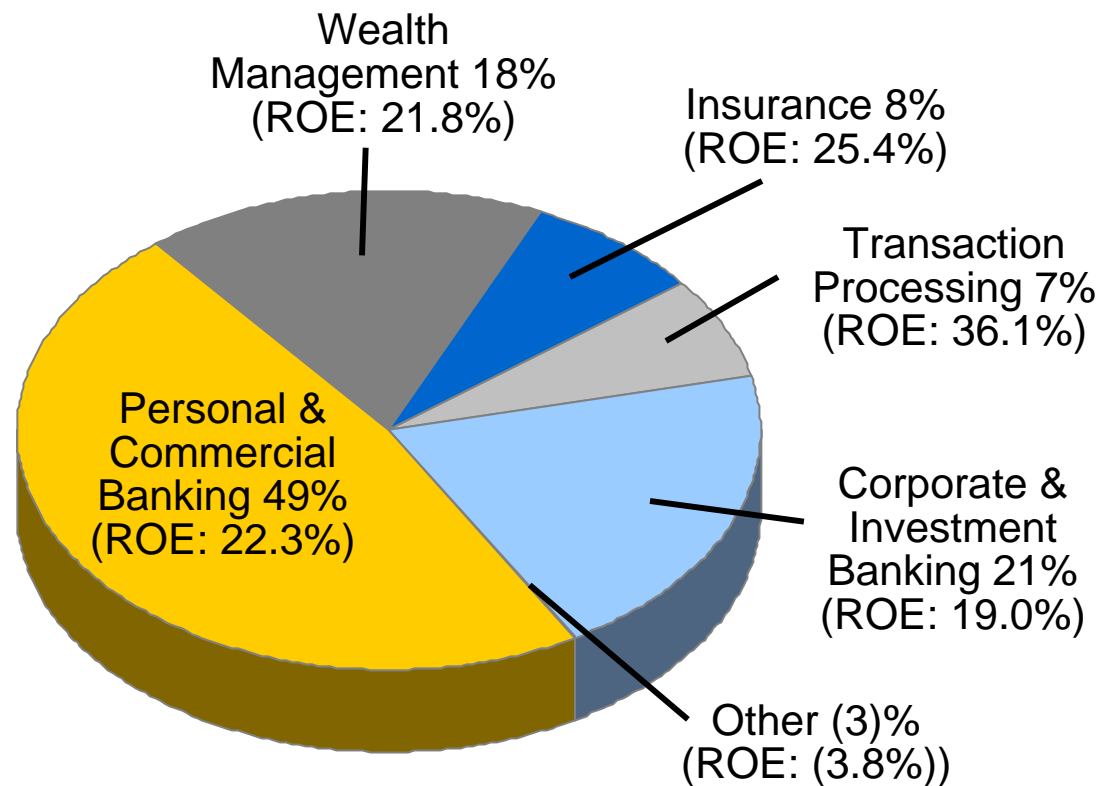
Personal & Commercial Banking	<ul style="list-style-type: none">● #1 in total deposits● #1 in residential mortgages● #2 in personal loans● #2 in credit cards
Wealth Management	<ul style="list-style-type: none">● #1 in Canada in full-service brokerage (by assets)● #1 in private banking● #1 in trust businesses● #1 in mutual funds (as at March 31, 2004)
Insurance	<ul style="list-style-type: none">● #1 Canadian bank-owned insurer● #1 in Canada in travel and creditor insurance
Corporate & Investment Banking	<ul style="list-style-type: none">● #1 in total underwriting market share● Among top M&A advisors in Canada
Global Services	<ul style="list-style-type: none">● #1 in Custody● #1 in Correspondent Banking● #1 in Payments● #1 in Trade Finance● #1 in Cash Management



That is well diversified by business lines...

6 month 2004 net income contribution

- **Consumer = 75%**
(Banking, Investments, Insurance)
- **Institutional + other = 25%**

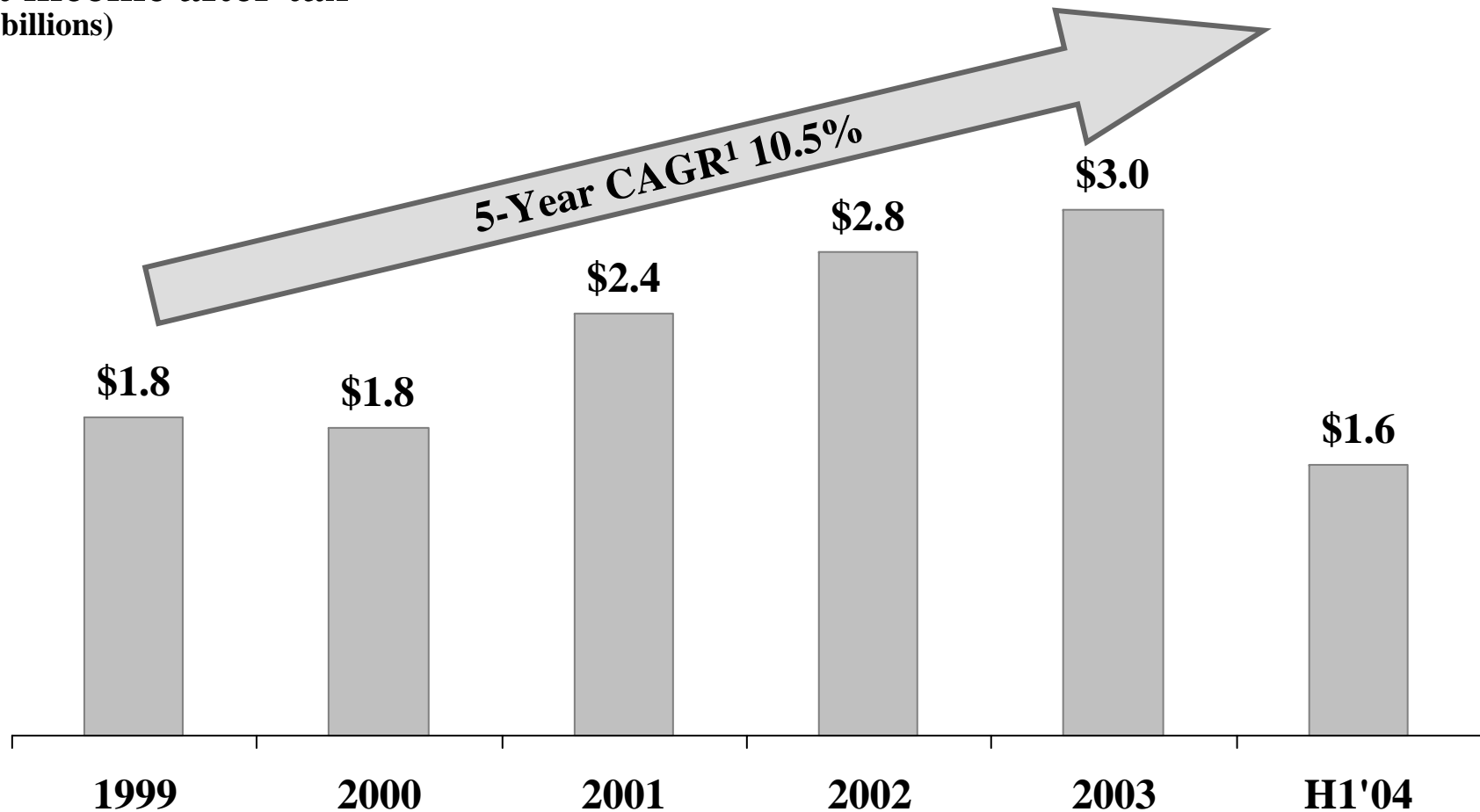


- **Since 1998, corporate loan portfolio has been reduced by 52%**



With a track record of growing the bottom line...

Net income after tax
(C\$ billions)

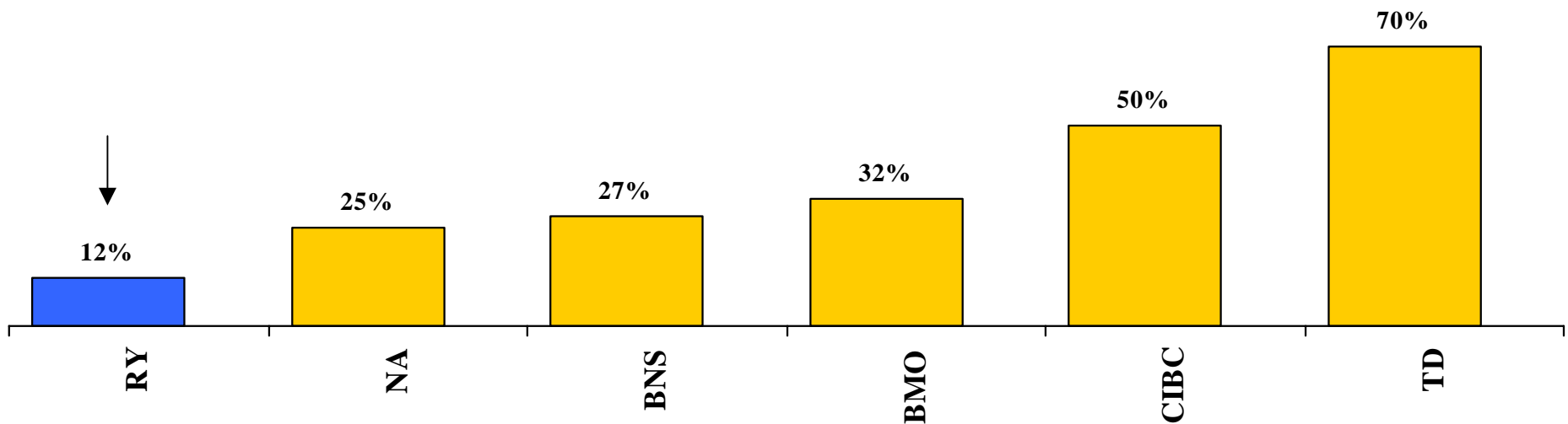


¹ 5-year CAGR is from 1999 to 2003 year end.



Lower earnings volatility than Canadian peers...

Net income volatility¹
(%)

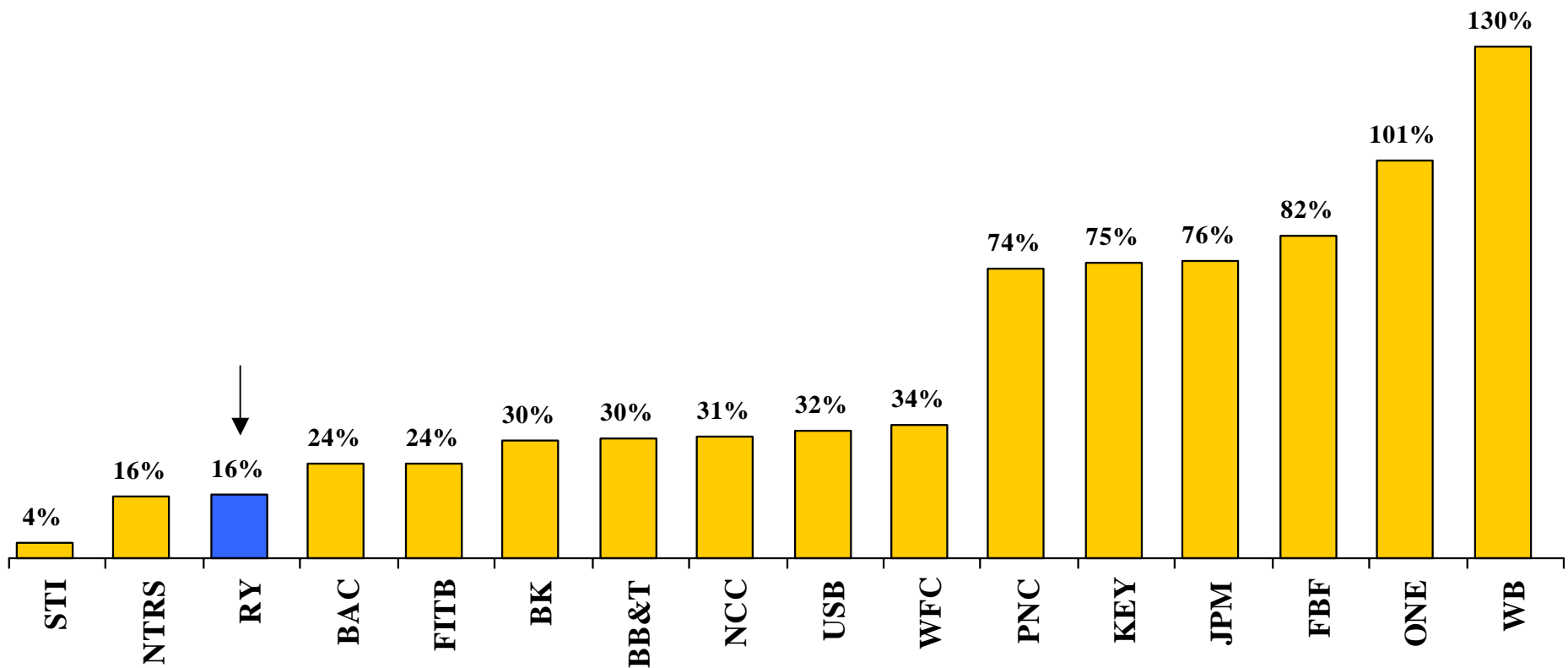


(1) Percent standard deviation from mean Net Income over 16 quarters ended April, 2004.
Source of Net Income figures: Bloomberg.



And all but two of our American peers...

Net income volatility¹ (%)



(1) Percent standard deviation from mean Net Income over 16 quarters ended March 31, 2004.
Source of Net Income figures: Bloomberg.



A strong credit culture...

Low gross impaired loan ratio¹

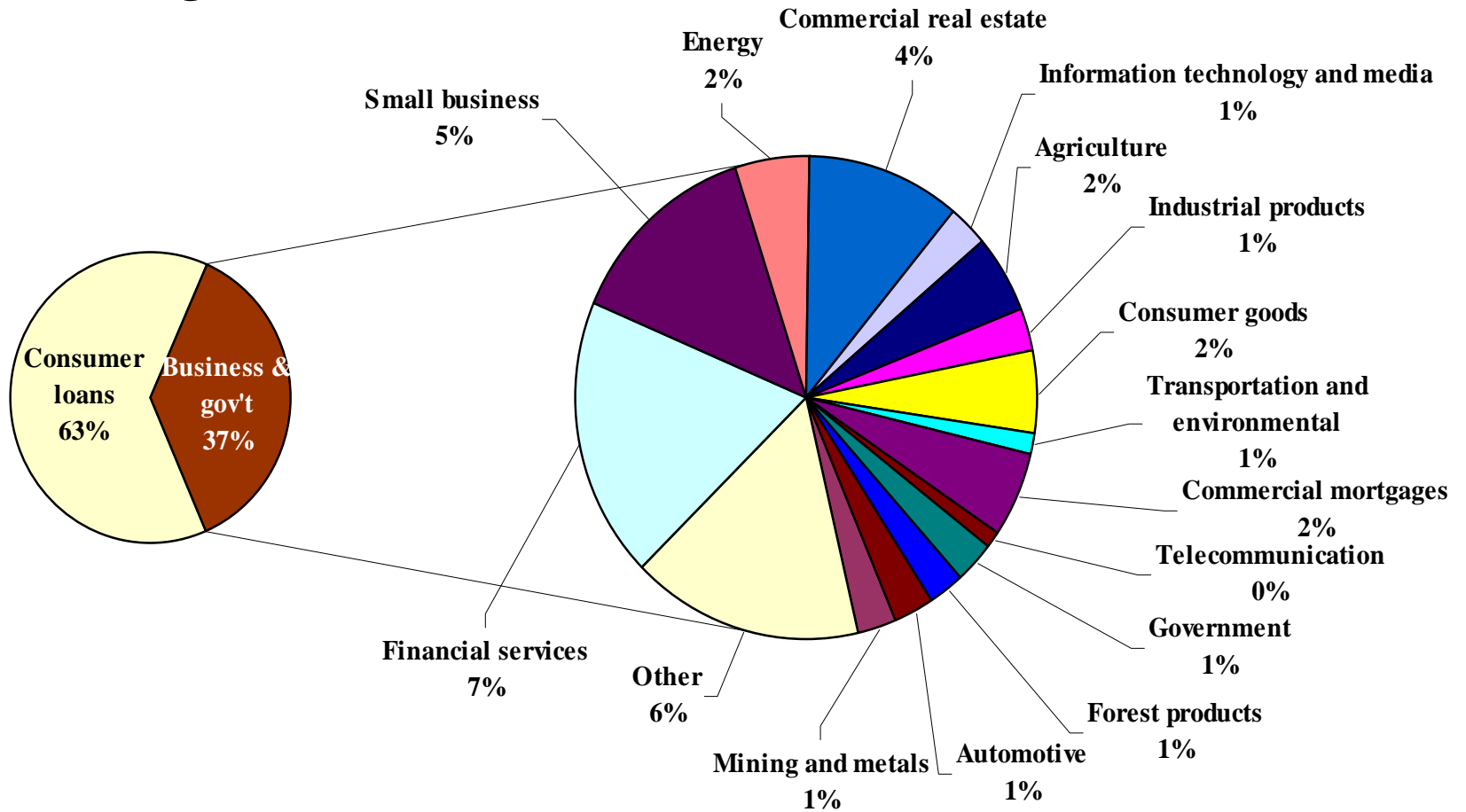
	<u>Q2/04 (%)</u>	<u>Q4/99 (%)</u>	<u>Change (bp)</u>
● TD	0.59	0.58	1
● RBC	0.73	0.98	-25
● CIBC	0.75	1.01	-35
● BMO	0.95	0.75	20
● BNS	1.75	1.53	22

(1) Gross impaired loans as a percentage of total gross loans and bankers' acceptances.



With a well-diversified loan portfolio¹ across asset classes and industry sectors...

Loans outstanding mix (%)

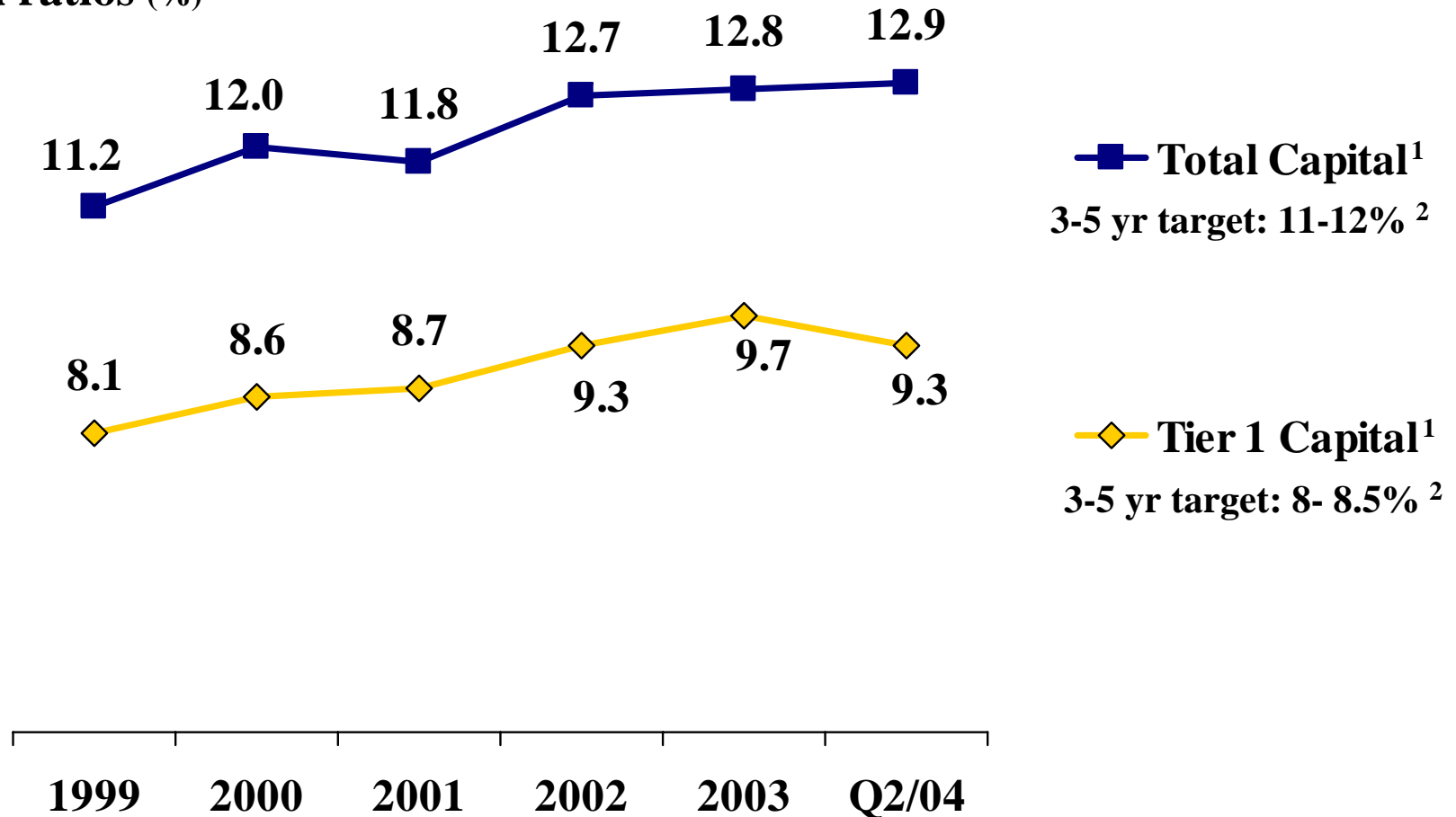


(1) Diversification of loan portfolio based on percentage of total loan outstandings as at April 30, 2004.



And strong capital ratios.....

Capital ratios (%)



(1) Capital as a percentage of total risk adjusted assets as defined by OSFI (Canadian regulator).

(2) RBC medium term targets.



Rationale for Tier 2A issuance

- **To support continued balance sheet growth**
- **To optimize the capital structure**
 - Tier 2A is currently an underutilized form of capital
 - Tier 2A is more cost effective than available Tier 1 structures
 - Allows RBC to maintain flexibility to issue conventional sub-debt when necessary
- **To mitigate potential balance sheet impact of changing accounting rules**



Comparison of Bank Capital Instruments

	Traditional Sub Debentures	Series 2014-1 Reset Sub Debentures	TruCS Series 2013
Issuer:	Royal Bank of Canada	Royal Bank of Canada	RBC Capital Trust II
Rating: DBRS	A (high)	A (high)	A
Moody's	Aa3	Aa3	A1
S&P	A+	A	A
Legal Maturity:	15 years (10 + 5)	99 years (10 + 5 + 5...)	None
Initial Par			
Redemption Date:	10 years	10 years	10 years
If Not Redeemed After 10 Years:	Interest rate resets to BAs plus 100 bps	Coupon resets every 5 years at: <ul style="list-style-type: none"> • Initial credit spread • <u>Minus</u> Initial 10-yr swap spread • <u>Plus</u> Initial 5-yr swap spread • <u>Plus</u> 100 bps • <u>Plus</u> Prevailing 5-yr GoC bond yield 	Investor option to exchange for common shares



Comparison of Bank Capital Instruments

	Traditional Sub Debentures	Series 2014-1 Reset Sub Debentures	TruCS Series 2013
Interest/ Yield Deferral:	N/A	<u>May</u> defer if: <ul style="list-style-type: none"> • Negative L4Q net income, <u>and</u> • Not paying any dividends 	<u>Must</u> defer if: <ul style="list-style-type: none"> • No dividends paid on preferred shares
Yield:	Cumulative (with compounding)	Cumulative (without compounding)	Non-cumulative
Automatic Conversion:	N/A	Exchanged into preferred shares if: <ul style="list-style-type: none"> • Bank being wound up • Superintendent takes control of the Bank 	Exchanged into soft-retractable preferred shares if: <ul style="list-style-type: none"> • Bank being wound up • Superintendent takes control of the Bank • Bank fails to increase capital upon request of OSFI • Tier 1 Capital Ratio < 5.0% • Total Capital Ratio < 8.0%



Risk of Any Interest Deferral is Low

- **Royal Bank has paid dividends every year since 1870**
- **Since 1870, Royal Bank has had positive net income every year except:**
 - 1885
 - 1987*

**Loss in 1987 due to \$800 million LDC loan loss provision*



Relative Value Comparison

	5.45% Sub Debentures due Nov. 4, 2013/18	Series 2014-1 Reset Sub Debentures	TruCS Series 2013
Issue Date:	October 2003	June 2004	July 2003
Amount:	\$1,000MM	\$600MM	\$900MM
Rating:			
DBRS	A (high)	A (high)	A
Moody's	Aa3	Aa3	A1
S&P	A+	A	A
Current Spread (bps):	65	•	85



Questions & Answers
