



Royal Bank of Canada 2004 Annual Report

First for you



1	Financial highlights	9	Serving individual clients	22	First for you – First for our stakeholders	123	Directors and executive officers
2	Chairman's message	14	Serving business and institutional clients	23	Financial review (U.S. GAAP)	124	Corporate governance
3	Chief Executive Officer's message	18	Responding to you – Frequently asked questions	23A	Financial review (Canadian GAAP)	126	Principal subsidiaries
7	Performance compared to objectives			121	Glossary	IBC	Shareholder information
8	Client First Initiative						

Vision

Always earning the right to be our clients' first choice

Values

- > Excellent service to clients and each other
- > Working together to succeed
- > Personal responsibility for high performance
- > Diversity for growth and innovation
- > Trust through integrity in everything we do

Goals

- To be recognized as:
- > The undisputed lead provider of integrated financial services in Canada
 - > A best-in-class provider of personal and business financial services in the United States
 - > A premier provider of selected global financial services

Strategic priorities

- > Strong fundamentals
- > Superior client experience
- > Cross-enterprise leverage
- > North American expansion

Corporate profile

Royal Bank of Canada, which trades as RY on the TSX and NYSE, and its subsidiaries operate under the masterbrand RBC Financial Group and may be referred to in this text as RBC. We are Canada's largest bank as measured by market capitalization and assets, and one of North America's leading diversified financial services companies. We employ over 60,000 people who serve more than 12 million personal, business and public sector clients through offices in North America and some 30 countries around the world.

In Canada, we have strong positions in all businesses. In personal and commercial banking, we rank first or second in most retail products including mortgages and deposits. In investments, we have the leading full-service brokerage operation (by assets), the top mutual fund provider among Canadian banks and the second-largest self-directed brokerage operation (by assets). We are the largest Canadian bank-owned insurer, one of the fastest growing in Canada, and a leader in travel insurance, creditor products and individual disability insurance. In corporate and investment banking, we continue

to be the top-ranked securities underwriter and a leading mergers and acquisitions advisor. We also have by far the largest custody operations in the country. Our domestic delivery network includes 1,433 branches and other units, and 3,999 banking machines. Currently, we have 3.1 million online and 2.4 million telephone clients.

In the United States, we provide personal and commercial banking, mortgage origination, insurance, full-service brokerage and corporate and investment banking services to over two million clients through RBC Centura, RBC Mortgage, RBC Builder Finance, RBC Insurance, RBC Liberty Insurance, RBC Dain Rauscher and RBC Capital Markets.

We also have a retail network in the Caribbean and the Bahamas. Outside North America, we provide corporate and investment banking, trade finance, correspondent banking, treasury and securities custody services to business clients, and private banking services to individuals. We also have a presence in the global reinsurance market.

Financial highlights⁽¹⁾

(C\$ millions, except per share, number and percentage amounts)	Change 2004/2003	2004	2003	2002	2001	2000
Earnings						
Net interest income	2%	\$ 6,684	\$ 6,578	\$ 6,869	\$ 6,291	\$ 5,195
Non-interest income	3	10,666	10,369	10,191	9,514	7,536
Total revenues	2	17,350	16,947	17,060	15,805	12,731
Provision for credit losses	(51)	347	715	1,065	1,119	691
Insurance policyholder benefits, claims and acquisition expense	7	1,509	1,404	1,330	1,153	772
Non-interest expense	8	11,020	10,236	10,244	9,603	7,628
Business realignment charges	n.m.	192	–	–	–	–
Goodwill impairment	n.m.	130	–	–	38	–
Net income	(6)	2,839	3,036	2,898	2,435	2,208
Return on common equity (ROE) (2)	(110)bp	15.9%	17.0%	16.6%	16.6%	19.3%
Balance sheet data						
Loans (before allowance for loan losses)	10%	\$ 189,154	\$ 172,547	\$ 170,269	\$ 169,646	\$ 156,184
Assets	9	447,682	412,591	382,000	362,562	294,173
Deposits	4	271,575	260,518	245,040	235,687	206,237
Subordinated debentures	29	8,522	6,581	6,960	6,861	5,825
Common equity	1	17,562	17,304	17,240	16,215	11,296
Capital ratios (Canadian basis) (3)						
Tier 1 capital	(80)bp	8.9%	9.7%	9.3%	8.7%	8.6%
Total capital	(40)	12.4	12.8	12.7	11.8	12.0
Common equity to risk-adjusted assets	(100)	9.5	10.5	10.4	9.4	7.3
Common share information						
Shares outstanding (in thousands)						
End of year	(2)%	644,748	656,021	665,257	674,021	602,398
Average basic	(2)	646,023	662,080	672,571	641,516	606,389
Average diluted	(2)	656,047	669,625	679,153	647,216	609,865
Earnings per share (4)						
Basic	(4)	\$ 4.31	\$ 4.47	\$ 4.16	\$ 3.58	\$ 3.42
Diluted	(4)	4.25	4.42	4.12	3.55	3.40
Share price						
High (5)	1	65.90	65.00	58.89	53.25	48.88
Low (5)	9	58.04	53.26	45.05	41.60	27.25
Close	–	63.40	63.48	54.41	46.80	48.30
Dividends per share	17	2.02	1.72	1.52	1.38	1.14
Book value per share – year-end	4	27.49	26.38	25.91	24.06	18.75
Market capitalization (C\$ billions)	(2)	40.9	41.6	36.2	31.5	29.1
Number of:						
Employees (full-time equivalent)	1,754	62,566	60,812	59,549	57,568	49,232
Automated banking machines	(29)	4,372	4,401	4,486	4,548	4,517
Service delivery units						
Canada	(52)	1,245	1,297	1,311	1,317	1,333
International	51	839	788	807	724	306

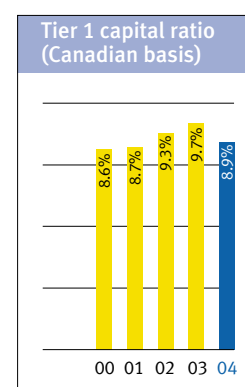
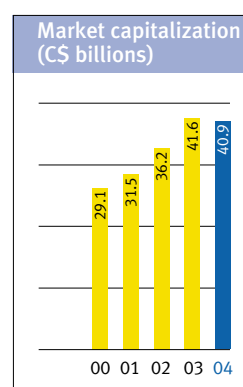
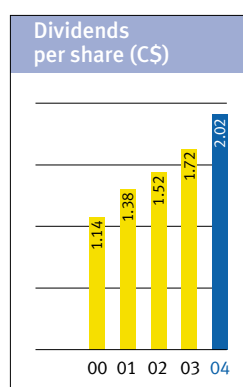
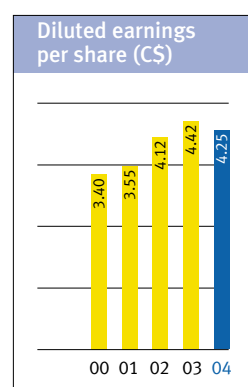
(1) Financial information is derived from U.S. GAAP consolidated financial statements, unless otherwise noted. Select definitions are available in the Glossary on pages 121 and 122.

(2) Return on equity is defined in the Glossary on page 122.

(3) Calculated using guidelines issued by the Superintendent of Financial Institutions Canada and Canadian GAAP financial information.

(4) Basic and diluted earnings per share for 2003 have been restated to reflect a reduction of one cent per share as a result of adopting EITF 03-6 during 2004. See Note 1 on page 83 for details.

(5) Intraday high and low share prices.





Chairman's message

Accountable to you

David O'Brien, Chairman of the Board

> I am pleased to report to you for the first time as Chairman of the Board of Directors of Royal Bank of Canada. Since before I was elected as a director in 1996, your board has set an example of corporate governance best practices for global companies. I am committed to ensuring this leadership continues for the benefit of shareholders and other stakeholders.

As a group, your board is aware that effective governance is more than a matter of simple compliance with legal obligations, or even with best practices. It is also a matter of contributing to corporate performance by shaping values, refining judgments and advising management in its pursuit of long-term shareholder value.

Our task is not to manage the organization but to ensure effective management. By applying our collective experience in reviewing, counselling, coaching and challenging senior management on strategy and other major corporate decisions, the board can enhance management's ability to generate returns for shareholders.

A strong governance culture fosters the structures and relationships by which the board's influence can be effectively expressed. Your board is a team that possesses a balanced combination of skills and perspectives of members who make a significant investment of time to properly fulfill their responsibilities. The respective roles of the board and management are defined and respected, with the board's involvement focused in key areas.

Each director of the company is actively engaged in providing sound guidance to maximize the overall performance of the company. While the board is

not the principal creator of strategy, directors are management's key advisors. Informed, active, ethical and independent directors contribute from a diversity of thought, background and culture. Individually, and as a group, we take seriously our mandate of advising and supervising management, in matters ranging from financial performance to risk management, from strategic development to management evaluation and succession planning.

Your Board of Directors is proud to actively participate in the achievements of Royal Bank of Canada. As your Chairman, I commit to providing independent leadership, cultivating a team approach and keeping the board focused on its objectives. We look forward to working with management in the coming year towards our shared goal of creating long-term shareholder value.

David O'Brien
Chairman of the Board
December 20, 2004

Chief Executive Officer's message

First for you: it starts with our clients

Gordon M. Nixon, President and Chief Executive Officer



- > In 2004, we delivered solid earnings growth in four of our five businesses, improved credit quality and grew market shares in key products in Canada. We also took strong action in the fourth quarter, via the Client First Initiative, to better align our company around client groups in Canada, the United States and internationally, and to grow revenue and create long-term value for shareholders and clients.

We are committed to generating top quartile financial performance by successfully executing our strategic priorities. We are creating a more efficient organization that can move quickly to identify and act on opportunities to deliver creative solutions that increase client satisfaction.

The title of this report, *First for you*, reflects our approach to all our clients, shareholders, employees and communities. We want to continually earn their respect by acting responsibly.

I believe our Client First Initiative will be very beneficial for each of these stakeholders. By reorganizing our business segments along client and geographic lines, we expect to be more responsive to client needs and to have simpler processes, faster decision-making and quicker implementation, all leading to higher employee and client satisfaction and better revenue growth.

This business realignment, combined with integrated operations and technology capabilities and restructured functional groups, should lead to higher efficiency. We expect to be able to channel some of the

resulting savings to provide more resources to our client facing employees, which should enhance their success and, in turn, their own satisfaction. Our shareholders should benefit from improved financial performance and higher share valuation, and our communities from our continued support as we prosper.

As a result of the realignment, we now have three major business segments focused on our vision of "Always earning the right to be our clients' first choice."

Our **Canadian personal and business segment** now combines our Canadian banking, investments and global insurance businesses, including Canadian, U.S. and international insurance operations. Within Canada our goal is very straightforward – to lead in all areas of financial services. We believe we can further grow by focusing on specific high-potential personal and business segments, by offering products and services that attract new clients to RBC and by increasing the number of products and services used by our existing clients.



Royal Bank of Canada Group Executive

Our domestic banking, investments and insurance groups have been partnering for some time now in a number of areas, including client segmentation, and that teamwork is accelerating under our new structure. By bringing management of these groups together, we are improving our prospects for attracting more of our clients' business as we gain a holistic understanding of their financial needs, to the extent allowed by current regulations. Strong management of our sales and distribution networks, client segmentation strategies and product innovation should lead to higher revenue growth and market share gains. In 2004, we increased market share in key areas such as credit cards, personal loans, residential mortgages and mutual funds in Canada.

Our **U.S. and international segment** includes banking and investments in the U.S., banking and brokerage in the Caribbean, and Global Private Banking internationally.

Led by a new management team focused on strengthening financial performance, this group approaches the business on a geographic basis, recognizing that market dynamics in the U.S. are different to those in Canada. Our new structure will allow us to better leverage our capabilities and work

together to maximize returns. It will also increase accountability for performance and promote the flexibility necessary to manage our various businesses.

In the U.S., we will focus on growing banking and brokerage services. We recognize that our ability to bring our U.S. banking business to an acceptable level of profitability will be critical to re-establishing our valuation leadership among our peers. In that regard, we are seeking ways to grow U.S. revenues, including opening new branches selectively in high-growth markets and by enhancing loan and deposit volumes and mix. Concurrently, we are cutting costs in a number of areas – for example, by closing low-return branches in 2005. As a result of these actions, we are targeting improved profitability of our U.S. banking operations in 2005. The performance of RBC Dain Rauscher over the past year has been solid and we will continue to capitalize on its strengths.

In Global Private Banking, we will continue exploring growth opportunities in the Americas, Europe and Asia, with increasingly aggressive sales and marketing programs.

Our **global capital markets segment** also includes corporate banking, which serves corporate and larger commercial clients. Our strategy in Canada is to



(L to R): Martin J. Lippert, Group Head Global Technology & Operations; Barbara G. Stymiest, Chief Operating Officer; Gordon M. Nixon, President & Chief Executive Officer; W. James Westlake, Group Head Personal & Business Clients Canada; Elisabetta Bigsby, Group Head Transformation Office & Human Resources; Peter Armenio, Group Head U.S. & International; Charles M. Winograd, Group Head Global Capital Markets

deepen relationships with top-tier corporate, institutional and government clients, and to penetrate the Canadian mid market. We will also grow our mid-market investment banking and equity businesses in the U.S., and will expand our specialized global businesses such as fixed income, credit products, equity derivatives and foreign exchange.

These business groups are supported by an efficient operational and functional structure that is designed to increase innovation, speed of decision-making and lower costs of delivering products and services. Our **global technology and operations** group is responsible for the infrastructure behind all of our activities. We are also realigning our businesses' functional support to be more efficient, flexible and attentive to facilitating business growth.

The changes described are also intended to address the fact that our costs have been growing faster than our revenues. This imbalance has kept us from making larger investments in customer service and business growth initiatives. Some of the savings generated from our realignment are expected to be redeployed to areas that make us more responsive to clients' needs, which should generate higher revenue growth and value for our shareholders.

2004 performance review

Our performance in 2004, compared to our objectives for the year, is shown on page 7. We performed well in the areas of portfolio quality and capital ratios and met our dividend payout ratio objective. However, our revenue, expense, earnings growth and return on equity (ROE) objectives were not met. Revenue grew 2 per cent (despite a stronger Canadian dollar relative to the U.S. dollar, which reduced revenues by \$500 million or 3 per cent) primarily reflecting weaker results from our U.S. banking operations. The 8 per cent expense increase for the year, which occurred despite a reduction in expenses of \$345 million due to the stronger Canadian dollar, largely reflected higher benefit costs and higher variable compensation costs (driven by an increase in revenues), and costs of the Rabobank settlement in the first quarter. The above-mentioned factors, together with the fourth quarter's business realignment charges and goodwill impairment charge, led to far lower earnings growth and ROE than we had targeted for this year. Also, our valuation as measured by our share price performance did not meet our objectives.

“Our solid operational foundation combined with the efficiencies and opportunities for revenue growth that we expect to arise from our business realignment have prompted us to set more aggressive financial objectives for 2005 in the areas of revenue growth, expense control, earnings growth and ROE.”

2005 objectives and medium-term goals

Our new approach, founded on our corporate vision, gives us great confidence that we can regain a leading position in financial performance. Our solid operational foundation combined with the efficiencies and opportunities for revenue growth that we expect to arise from our business realignment have prompted us to set more aggressive financial objectives for 2005 in the areas of revenue growth, expense control, earnings growth and ROE. We have also established specific capital ratio objectives for 2005, similar to our medium-term goals. These objectives are outlined in the table on page 7.

We have made three changes to our medium-term goals this year. We have raised the earnings per share growth goal to 15+ per cent from 10 to 15 per cent, introduced a new goal for expense control, which is to grow expenses at no more than half the rate of revenue growth, and raised the portfolio quality goal in light of a more meaningful method of measuring it.

Top priorities for 2005

Our top priorities for 2005 are to achieve these strong financial objectives, continue to successfully roll out the various initiatives that are a part of our business realignment and significantly re-profile our U.S. operations and increase their returns.

By doing so, we seek to achieve superior financial performance and returns for our shareholders.

Corporate responsibility and governance

At RBC, success is founded on ethical leadership, teamwork and a commitment to providing value for all stakeholders. Corporate governance at RBC starts at the top, with a non-executive Chairman leading a board composed of experienced and well-informed directors, whose major concerns include strategic planning, ensuring that group-wide standards exist to promote ethical behaviour and seeking constant improvement in board practices. I am the only member of management who sits on our board.

Our system of governance is described in detail on pages 124 to 125. Our ongoing objective is to ensure that our proactive governance culture is evident throughout the organization, and throughout each business platform and subsidiary of our global network. Our employees understand that the integrity of our organization and the trust of our stakeholders are cornerstones of our ongoing success.

Our employees

I would like to acknowledge the contribution of our people throughout the past year and their dedication to serving our clients to the best of their abilities, making us one of North America's finest companies.



Gordon M. Nixon
President and Chief Executive Officer
December 20, 2004

Performance compared to objectives

	2004 objectives	2004 performance	2005 objectives	Medium-term goals (3–5 year)
1 Valuation Maintain top quartile valuation levels:				
• Share price/book value:	1st quartile of S&P/TSX Composite Banks Index	3rd quartile of S&P/TSX Composite Banks Index (1)	1st quartile of S&P/TSX Composite Banks Index	N/A
• Share price/earnings:	1st quartile of S&P/TSX Composite Banks Index	3rd quartile of S&P/TSX Composite Banks Index (2)	1st quartile of S&P/TSX Composite Banks Index	
Share price growth:	Above S&P/TSX Composite Banks Index	Below S&P/TSX Composite Banks Index	Above S&P/TSX Composite Banks Index	
2 Earnings growth Grow diluted earnings per share by:	10–15%	(4)% (3)	20%+	15%+
3 Return on common equity (ROE) Achieve an ROE of:	17–19%	15.9% (4)	18–20%	20%+
4 Revenue growth Achieve revenue growth of:	5–8%	2%	6–8% (5)	8–10%
5 Non-interest expense control Non-interest expense versus revenue:	Expense growth less than revenue growth	Expense growth 8% and revenue growth 2%	Expense growth of less than 3% (5)	No more than half of revenue growth
6 Portfolio quality Achieve a ratio of specific provisions for credit losses to average loans, acceptances and reverse repurchase agreements:	.35–.45%	.22%	N/A	N/A
Achieve a ratio of specific provisions for credit losses to average loans and acceptances:	N/A	.27%	.35–.45%	.40–.50%
7 Capital management Capital ratios (6):	Maintain strong capital ratios	8.9% Tier 1 capital ratio 12.4% Total capital ratio	8–8.5% Tier 1 capital ratio 11–12% Total capital ratio	8–8.5% Tier 1 capital ratio 11–12% Total capital ratio
8 Dividend payout ratio (7)	40–50% (8)	47%	40–50%	40–50%

(1) Computed by us on October 31, 2004, based on book values at July 31, 2004.

(2) Computed by us on October 31, 2004, based on analysts' average diluted earnings per share estimates for 2005.

(3) Including 429 and 447 basis point reductions due to business realignment and goodwill impairment charges, respectively.

(4) Including 70 and 73 basis point reductions due to business realignment and goodwill impairment charges, respectively.

(5) Based on our expectation of an average Canadian dollar value of US\$.80 in 2005.

(6) Calculated based on guidelines issued by the Superintendent of Financial Institutions Canada.

(7) Common dividends as a percentage of net income after preferred dividends.

(8) Raised from 35–45% at the end of the first quarter of 2004.

Client First Initiative

We are applying our leading resources and expertise to enable our clients to meet their financial goals

We believe that the potential of the whole organization to meet our clients' needs is much greater than the sum of its parts. Our clients are clients of RBC Financial Group – not just of a single business line or location. That is why we have been working to ensure that our businesses work together to serve our clients better.

In the middle of 2004, we began an intensive process to examine all our operations and structures to better realize our vision of “Always earning the right to be our clients' first choice” for financial services. Our thorough review focused on our client-oriented activities, our functional support units and our technology and operations areas. We found significant opportunities to increase our focus towards client service and revenue growth and to streamline our organization.

We have successfully established our position as a market leader in Canada and we have a growing and attractive U.S. client base. Our new structure is designed to ensure that RBC is built to anticipate and efficiently serve the distinct needs of key client groups. We believe we can deliver superior long-term revenue growth for our shareholders by better satisfying our clients, earning their continued business, attracting new clients and by delivering our services and products more efficiently.

Effective November 1, 2004, our five prior business segments were realigned into three segments structured around holistic client needs and geographic locations:

- A Canadian personal and business segment, which combines our Canadian banking, investments and global insurance businesses, including Canadian, U.S. and international insurance operations. This business is led by Jim Westlake.
- A U.S. and international segment, which includes banking and investments in the U.S., banking and brokerage in the Caribbean, and Global Private Banking internationally. This business is led by Peter Armenio.
- A global capital markets segment that includes corporate banking, which serves corporate and larger commercial clients. This business is led by Chuck Winograd.

We believe these changes set the foundation for revenue growth and enhanced efficiency. Focusing our insights around the unmet needs of various client groups will accelerate our product and service model innovation. We will have simpler and faster processes for everything from product development to credit

approval, from how we resolve problems to how we execute client instructions.

We are streamlining our corporate functions, technology and operations area without compromising service quality and risk control. We expect that these streamlined areas will improve our cost structure and provide an enhanced quality of service to help our businesses reach their sales and client service goals. By more closely aligning functional and operational support to our businesses, we expect to lower delivery costs and increase quality and flexibility, while supporting business growth. Critical changes to our corporate infrastructure include:

- Consolidating responsibility and accountability for strategy, and all corporate functions, including risk management and finance, under Barbara G. Stymiest in the newly created role of chief operating officer reporting to the president and chief executive officer.
- Creating a global technology and operations group led by Marty Lippert to integrate all our operating and systems capabilities. This will allow us to develop technology solutions more effectively and process client and business services more efficiently. This group has global responsibility and accountability for our combined operations and technology and will look to optimize economies of scale, IT platforms and best practices through the establishment of centres of expertise to align common activities across RBC.

We are focused on rolling out elements of our Client First Initiative as quickly as possible. In the fourth quarter, we eliminated a number of executive and senior management positions, commenced streamlining resources, and took actions to close redundant premises. We expect the majority of the remaining staff and occupancy cost reductions to be completed during 2005. The more complex technology initiatives will likely yield results in 2006 and 2007.

Our new structure is intended to result in an efficient head office that can support distribution networks and motivated sales forces with better products and greater innovation. We believe that as a result of the realignment, we will record better revenue growth performance and expense control in Canada and the United States and have accordingly established more aggressive financial objectives for 2005, set out on page 7.

Understanding important moments in life

All figures, except percentage amounts, in Canadian dollars unless otherwise noted.

> Serving individual clients

Our Canadian personal and business segment includes Canadian banking, investments and global insurance businesses including Canadian, U.S. and international insurance operations. Our U.S. and international segment now includes banking and investments in the U.S., banking and brokerage in the Caribbean and Global Private Banking internationally. Throughout 2004, we took steps to provide new solutions and better service to our clients and earned more of their business as described below.

Our focus is to establish ongoing relationships with clients by providing them with innovative and timely products and services that meet their needs.

For example, the sale of mortgage products frequently leads to opportunities for us to develop stronger relationships and increase product holdings with our clients, such as providing other financing or investment products.

We strengthened our position in home mortgage financing in Canada in 2004. Overall, our residential mortgage market share increased to 15.12 per cent as at August 31, 2004, a 62 basis point lead over the next strongest competitor and a 24 basis point improvement over 2003, reinforcing our leadership position in Canada.

In 2004, we exceeded \$90 billion in home financing to Canadians delivered through our mobile specialized mortgage sales force and our branch network. Several product innovations contributed to this growth, including *RBC Homeline Plan*, launched in April. This product provides clients a home equity borrowing solution that combines a credit line and one or more mortgage tiers. As clients pay down their mortgage, their available credit increases, giving them access to additional credit at favourable rates without

having to re-apply. Also introduced was Canada's first vacation home mortgage, providing clients up to 90 per cent financing. We also launched the *RBC No Down Payment Mortgage*, allowing homebuyers with steady cash flow and good credit to obtain financing without the required minimum 5 per cent down payment.

Product and service innovations are critical to our ability to continually enhance our offering to clients. In July, we became the first major Canadian bank to give clients the ability to view cheques online through *RBC Online Banking*. Additional innovative features to RBC Online Banking introduced in 2004 include online stop payments, enhanced capability to receive and pay bills electronically, secure e-mail communication to our staff and *Interac** Email Money Transfers to other individuals that have a bank account at any Canadian bank.

At present, we are the only major Canadian financial institution to offer its clients the ability to view online their accounts held at other North American financial institutions. In addition, in October, we became the first major Canadian financial institution

* Registered trademark of *Interac* Inc. Used under licence.



> Helping with first steps

Students would rather spend time on their educational pursuits than worrying about their finances. We offer financial solutions to assist students with their financial needs – from registered education savings plans to student financing, from credit cards to car loans and insurance, from tenant insurance to budgeting tools. When the first of life’s independent decisions are made, we are pleased to be there to help our clients succeed.

	Market share	Market share ranking*
Residential mortgages	15.12%	#1
Personal loans and credit cards	13.95%	#2
Personal deposits	15.03%	#1**
Mutual funds	9.44%	

* Market share ranking among all financial institutions in Canada as at August 31, 2004
 ** Market share ranking on a combined basis

to offer our clients the ability to use their debit cards to access their primary Canadian chequing account for purchases at over a million retailers in the U.S.

Overall, the number of clients enrolled in RBC Online Banking and Investing continues to grow; with over a quarter of our clients enrolled at the end of 2004, an 18 per cent increase over a year ago.

New product enhancements and effective marketing resulted in credit card sales volume and balance growth of 16 per cent and 14 per cent, respectively, in 2004. The introduction of the *RBC Rewards Visa Classic* card, with no annual fee, gives clients the ability to earn points towards travel, merchandise and gift certificates, and contributions to registered retirement

savings plans and registered education savings plans. Our premium *RBC Royal Bank Visa Platinum Avion* card realized strong growth attributable to effective direct promotion to clients, selective credit limit increases, balance transfer programs and the marketing of its competitive strengths, such as no travel blackouts or reward seat capacity restrictions.

In 2004, we ranked number one in the Canadian mutual fund industry in total and long-term net sales and increased our mutual funds market share by 13 basis points for total market share of 9.54 per cent as at October 31, 2004. We crafted a strategy for clients seeking to maximize retirement income by helping clients optimize their deposit and investment mix and cash flow in the face of low interest rates, which contributed to profitable growth of our investment business while reinforcing client loyalty.

Clients recognize the value of our fee-based wealth management services relative to traditional transactional relationships as it helps to ensure alignment of the advisors’ interests with their wealth management objectives. We maintained our leadership position in fee-based assets among full-service brokerages in Canada with \$26.43 billion in fee-based assets under administration.



> Bringing our experience to life's big decisions

Whether buying a first house, creating a financial plan or determining insurance needs, we have been helping clients achieve their dreams for more than 130 years. Across North America and internationally our clients receive personalized advice, superior service, flexible choices and customized solutions to help reach their financing, insurance and investment goals.

In 2004, we continued to expand our insurance operations in Canada and the U.S., both through acquisition and organic growth. In May 2004, we completed the acquisition of the Canadian operations of Provident Life and Accident Insurance Company (UnumProvident), a wholly owned subsidiary of UnumProvident Corporation. Based on 2003 in-force premiums, this acquisition makes RBC Insurance the leading provider in Canada of individual critical illness, disability and long-term care insurance products – also known as living benefits products. The UnumProvident deal also provided us with a considerable position in group long-term disability insurance.

As a result of our acquisition of UnumProvident, our life and living benefits distribution network has expanded, with insurance products and services now distributed through more than 17,000 independent brokers, up from 7,000 distributors prior to the transaction. Integration of the UnumProvident business is completed and we have launched regional resource centres in Vancouver, Montreal and Toronto to serve this business. These centres include 75 insurance professionals and are focused on providing distributors with superior sales support and service across the group, life and living benefits product lines.

In Canada, we launched a new life insurance product, *Foundational Life*, in January. This product offers clients the security of permanent life insurance with the benefits of flexible investment options. Clients are given an economical option for purchasing permanent life insurance protection in a variety of amounts that are lower than most traditional universal life insurance policies.

We have also introduced two new products to meet the insurance needs of U.S. clients. *RBC LevelTERM*, an enhancement of the *RBC DirectTERM* product, has four available term periods and continues to offer extremely competitive rates for tobacco users. This product is offered through Internet quoting services as well as the RBC Insurance website (rbcterminsurance.com) and leading term insurance aggregators. We also introduced *Clarity 2+2 Variable Annuity*, a versatile retirement planning vehicle that combines the tax benefits of variable annuities with unique features designed to satisfy short- and long-term financial needs.

In 2004, our home and auto insurance business continued to grow as we expanded our group insurance program, enhanced our online quoting capabilities and further improved our levels of client service. We also enhanced the travel insurance



> Making it easier to do business

Our clients must balance work and family responsibilities, with a variety of interests and goals. We strive to make it easier to do business with us. Specialized services, personalized advice and tailored financial solutions are available at a client's convenience – in person, on the phone or online. Innovations to client service include mobile sales specialists, cross-border banking, North American debit card access and effective problem resolution.

product and service options we offer to better meet the needs of travellers, launched new travel insurance technology solutions such as an eTool website for travel agents, and integrated our travel insurance products into Softvoyage's SAX web-booking engine, a technology solution for tour operators, travel agencies and consolidators. In addition, we extended our travel insurance distribution capabilities to channels outside of our traditional network of travel agencies to include brokers, online distributors and the RBC Insurance career sales force.

We are leveraging our Canadian leadership in travel insurance to serve U.S. clients. We are now licensed to offer travel insurance products in 48 states as well as the District of Columbia. In addition, we signed agreements with key travel agency organizations to become their preferred travel insurance provider and in summer 2004, we were added to the Amadeus Travel Assistance and Worldspan systems. Through these agreements, our travel insurance products and services are now available to U.S. travel agents through all major global distribution systems.

RBC Centura expanded its reach in the Southeast U.S. through the opening of 21 branches and three commercial banking centres in 2004. A significant proportion of the growth occurred in the fast-growing

regions of Atlanta and Florida – markets where significant numbers of Canadians who are familiar with our RBC brand live permanently or for part of the year. One of the new branches includes a bilingual (English- and French-speaking) banking location in Hollywood, Florida, which opened in February 2004. We plan to further optimize our branch network by continuing to open new branches selectively in high-growth markets and also by closing 10 low-return branches in 2005. A significant number of "Snowbirds" (including vacationers from Quebec) spend the winters in the Hollywood area. Each of RBC Centura's Florida branches now has a "cross-border" focused specialist with expertise to meet the banking, mortgage and other borrowing needs of our Canadian clients.

Supplementing this branch network, we launched a proprietary North American Online Banking platform, leveraging our Canadian Online Banking technology. This provides clients who bank at both RBC Centura and RBC Royal Bank access to all their accounts at the same time with a single sign-on, as well as the ability to instantly transfer funds cross-border. This is the first time in North America that this type of cross-border banking has been offered by any institution.

From an operational perspective, we have almost completed restructuring our technology infrastructure



> Meeting unique and challenging needs

We recognize that our clients' needs change as they go through life. From flexible borrowing options and plans, to a wide range of insurance solutions, to strategic personalized investment advice – our goal is to offer our clients advice and tailored solutions to help them make informed decisions.

in the U.S. to extend our client reach and capability, standardize operations and realize greater efficiencies.

RBC Builder Finance, focused on residential builder and construction financing, has also expanded its network, opening three new loan production offices in Florida and Ohio in 2004. Its 35 loan production offices now serve over 90 markets across the U.S.

Voyageur Asset Management, our U.S.-based asset management company, formed through the strategic combination of businesses from our Dain Rauscher Corporation, Centura Banks, Inc. and Business Men's Assurance Company of America acquisitions, achieved a record US\$25.4 billion in assets under management at the end of fiscal 2004.

Across the U.S., RBC Dain Rauscher continues to broaden its wealth management focus, with an emphasis on managed money programs, new product development and enhanced training. Wealth management is a comprehensive financial approach that anticipates and adapts to clients' ongoing needs through proactive planning. During 2004, RBC Dain Rauscher provided managed money programs to more than 3,786 new households, adding 9,692 accounts and US\$2.9 billion in assets under administration. RBC Dain Rauscher ranks as the eighth-largest U.S. wealth management firm by number of advisors.

We sought better ways to make our services accessible to clients. We co-located RBC Centura and RBC Dain Rauscher employees into our Global Private Banking Miami office, providing enhanced brokerage capability and domestic banking services for international clients who have U.S. connections. The move also strengthens our ties to the Latin American community in Southern Florida – further leveraging our 100-year history in the Caribbean and Latin American markets.

Joint marketing of term lending between Global Private Banking and RBC Dain Rauscher for high net worth clients since the second quarter resulted in approximately US\$100 million in new loans being booked during 2004.

Increasingly, clients with international financial needs view Canada and member companies of RBC Financial Group as a safe and stable place for the management of their wealth.

In 2004, Global Private Banking opened new offices in Madrid and Istanbul. We also recruited 10 new investment advisors to cover new markets in Latin America – bringing the total number of international Global Private Banking investment advisors to 70, including private bankers and business developers in the Middle East and onshore U.K. markets.

Delivering solutions to help businesses succeed

All figures, except percentage amounts, in Canadian dollars unless otherwise noted.

As a result of our organizational changes described on page 8, most Canadian businesses became part of the new Canadian personal and business segment while most U.S. businesses became part of the new U.S. and international segment. Larger commercial clients are served by our new global capital markets segment.

> Serving business and institutional clients

We now have a more integrated wholesale and commercial financial services business. In 2004, we sought to enhance all our business clients' experiences by delivering more focused products and solutions. As the following highlights of our 2004 activities demonstrate, we are motivated to help businesses and institutions successfully compete locally or globally.

Our business strategy is founded on building strong and lasting relationships with our clients. In 2004, we advanced this principle on several fronts with our business and institutional clients, including small and medium enterprises and commercial markets clients. Moreover, the ongoing dialogue that comes with a strong relationship enables us to anticipate client needs and structure solutions accordingly.

To more effectively meet the financing needs of our targeted mid-market clients, we invested in the development of a new *Financial Analysis Certification* program and introduced the designation of *Financing Specialists* for employees who complete the training.

This investment in the new program is paying dividends in the form of higher client satisfaction. The number of mid-market business clients who say they are very satisfied with our financial advice has increased 50 per cent over the past three years. Furthermore, when Canadian mid-market companies were asked in the latest Maritz Research Market Survey to name their main financial institution, more companies continued to name RBC Financial Group than any other institution.

In 2004, we trained and placed specialized relationship managers in key markets focused on the needs of specific client segments such as Canadian manufacturers who exhibit high growth and professionals. Loyalty scores for clients managed by these specialists are 25 to 50 per cent higher than the overall segment.

In Canada, we continued in a lead market share position in both business deposits and business financing in 2004, with a business deposit market share of 20.20 per cent among banks and a business financing market share of 11.30 per cent among all financial institutions, both as at August 31, 2004.

We are seeking to build on this success with new service and product enhancements. For example, we have the capability to consolidate the financial services of a commercial account on both sides of the Canada-U.S. border, including the provision of credit facilities, operating accounts and a complete suite of electronic services in both countries. From the client's perspective, this opportunity to have its North American banking needs managed by one financial institution greatly simplifies the management of its banking arrangements and clearly sets us apart from the competition.

Business owners are also taking advantage of today's low interest rate environment to acquire or refinance the premises housing their operations. In Canada, this trend has led to strong growth in the volume of commercial mortgage activity, and we originated over \$1.4 billion in commercial mortgages in 2004. Volume of term financing of real estate assets by small and medium enterprise businesses and sales of our *Bricks and Mortar* mortgage product, tailored to the needs of small business owners, grew at double-digit rates in 2004.



> Fostering enduring relationships

Each small business owner has distinct goals and we take a specialized approach to help meet them.

For example, health care professionals have changing needs through their lives – from student to practitioner to retiree. We offer tailored advice and financial solutions. A team of specialists serving professionals provides integrated solutions for personal and business banking, wealth management and insurance.

In parallel with providing individual clients the ability to view cheques online through *RBC Online Banking* in July, we successfully provided the same feature to our business clients. Throughout 2004, additional innovative features were added to enhance the online client experience for all business and individual clients. In particular, business clients were also provided with the ability to view business deposit slips online.

Our commitment to creating a superior client experience drove a number of initiatives that came to fruition in 2004. For example, in February, we completed the integration of our U.S. capital markets businesses within a common operating platform, RBC Capital Markets Corporation. This resulted in significant streamlining and brought increased efficiency to our U.S. equity research sales and trading activities.

A vibrant and active capital markets environment contributed to a strong year for our Global Capital Markets division. In Canada, where we are the recognized leader for combined debt and equity underwriting as measured by Thomson Financial, we were selected by the Government of Canada to lead the underwriting syndicate that raised \$3.2 billion in a secondary offering of common shares for Petro-Canada in September 2004. This was the largest ever transaction of its kind in the history of the Canadian capital markets and, on a global scale, ranked as the fifth-largest privatization add-on in the past 10 years. The transaction, which enjoyed strong retail and

institutional demand, underscored our ability to generate strong institutional orders on a North American basis. Our business strategy for RBC Capital Markets is driven by the belief that we can only achieve our goals by forging strong, deep and lasting relationships with our clients. The Petro-Canada transaction exemplifies this. We were lead underwriter for the Canadian government's initial public offering of Petro-Canada shares in 1991. Since that time we have acted as the company's lead advisor with respect to numerous financings and mergers and acquisitions transactions and have consistently provided clients research coverage, as well as being the number one trader in its shares.

Earlier in 2004, we acted as co-lead and joint book-runner for the \$1.5 billion offering of trust units for Yellow Pages Income Trust, the largest ever bought deal in Canadian history.

In October 2004, RBC Capital Markets led the first offering of Enhanced Income Securities, an innovative structure in the U.S., analogous to Canadian Income Trusts and Real Estate Investment Trusts. We were the sole structuring advisor to B&G Foods Holdings Corp. and book-running manager for the initial public offering that raised US\$300 million for the client.

Our *Global Financial Products* division also raised the bar on the fixed income side of the business. In Canada, for example, it led a \$5.5 billion issue for Canada Mortgage and Housing Corporation – the largest single



> Providing valuable advice

Our account managers, who specialize by industry, are delivering real value to our business and commercial clients and realizing success in attracting new clients. In manufacturing sectors experiencing high growth, account managers are providing practical advice on how to finance growth, reduce operating expenses and develop export markets. Industry expertise, sound financial advice and comprehensive product solutions make us a true leader in helping businesses succeed.

tranche offering in Canadian history – and co-led a highly successful \$US2.25 billion issue for Alcan Inc. In Europe, our international bond group, based in London, jointly led three inaugural bond issues, for a total of US\$10 billion, for Network Rail Infrastructure Limited, the state-sponsored company that runs the British Rail network. This marquee transaction demonstrated the strength of our world-class global placement capabilities.

RBC Capital Markets also initiated the sale and acted as the sole advisor to BreitBurn Energy Company LLC in the purchase of the company by Provident Energy Trust for \$139 million. This acquisition represents the first U.S. energy company to be purchased by a Canadian oil and gas income trust.

At the end of the fiscal year we announced plans to combine the fixed income activities of RBC Dain Rauscher and RBC Capital Markets. The resultant business is expected to have nearly 1,200 employees in 48 locations in the U.S., Canada, Europe and Asia, serving 10,000 clients. Importantly, it will more sharply focus our ability to originate and distribute a broader range of fixed income products to our global client base.

We completed 44 municipal derivatives transactions in 2004, a significant reflection of our ability to serve the financing needs of U.S. municipal government clients. Our largest transaction in the sector was completed with a major city in the Midwest and had a notional amount of US\$200 million. In July, we

completed our first municipal derivatives transaction with a Florida municipal entity. This high-profile client was brought to RBC Dain Rauscher's *Fixed Income Group* through our February 2004 acquisition of William R. Hough & Co., exemplifying the value that deal provides.

With a growing move of institutional investors into hedge funds, our *Hedge Funds Service Group* leveraged our existing Canada-based business by expanding prime brokerage services into the U.S. market. This service provides our U.S.-based hedge fund clients with integrated, custom-tailored prime brokerage products and solutions, including centralized custody, trading flexibility, securities lending, an interactive web-based portfolio management system and other services designed to provide increased transparency into hedge funds' balance sheets. In developing this service, our *U.S. Prime Brokerage* group partnered with our *Institutional Equity* group and our *Alternative Asset* group to cross-market U.S. prime brokerage facilities.

Further evidence of new value-added services to our clients includes the expansion of the *Global Currency Strategy* group. This team, headquartered in London with staff in Toronto, New York and Sydney, provides clients with top-ranked currency strategy, market research and intelligence. Our *Global Treasury Services* division has also expanded its presence in the precious metals markets through the acquisition



> Applying our resources to deliver comprehensive solutions

Organizations require customized solutions to meet their specialized business and investment needs. The unique perspective of our professionals can help our clients select the right options to increase investment returns, maximize operational efficiency, mitigate risk, raise capital or undertake strategic acquisitions. Around the clock and around the world, we deliver comprehensive financial solutions for our clients.

of a team in September 2004, based in London, that provides world-class global bullion products and services to central banks, institutional investors, mining companies and hedge funds.

The businesses making up our Global Services operations continued to leverage a solid and innovative product line and high standards of client service while generating a 26 per cent increase in net income over the previous year.

During 2004, we added more services to our Internet-based cash management delivery channel, *RBC Express*. The channel allows business clients of all sizes to access cash management services more easily and efficiently through a single and secure website. With the growing number of services available, we are well positioned to offer business clients a choice of online cash management products.

For the fifth year in a row, Stewart and Associates' 2004 Survey of Bank Fees rated us first overall for quality of service in cash management in Canada. According to the 2004 Maritz: Thompson Lightstone Cash Management and Electronic Business Banking Study, we are perceived as the leader in technology and in cash management expertise in Canada. According to the survey, we continue to enjoy a substantial lead in market share. And, for the second consecutive year, *Global Finance* magazine named RBC Global Services "Best Trade Finance Bank in Canada."

In August, we introduced *RBC Online Global Trade Services*, building on our strategy to move to web-based technology for the delivery of cash management and trade products. This Internet-based service provides clients an easy and efficient way to manage global trade activities.

With our launch of the new *Automated Securities Lending Exchange*, we introduced the first fully automated global lending service in Canada. This new product provides institutional clients with continuous broadcasts of RBC Global Services' equity and fixed income inventory, the ability for borrowers to locate single or multiple lines of securities in an instant, automated order execution for single or multiple lines of securities and electronic settlement of transactions as part of a single process. During 2004, RBC Global Services' Securities Lending program achieved a significant milestone by reaching over \$55 billion in outstanding securities loans. This represents significant growth, up from an average of \$32 billion in 2003, and demonstrates the overall strength of our Securities Lending program.

In 2004, we were named the best overall global custodian in *Global Investor* magazine's 2004 Global Custody Survey, measured by overall client service and value for money. We also ranked number one for Best Global Custody Service in the R&M Consultants annual global custodian survey.

Responding to you

> Frequently asked questions

During 2004, investors and analysts frequently asked the following questions about RBC and our business environment. Here are the answers we provided.

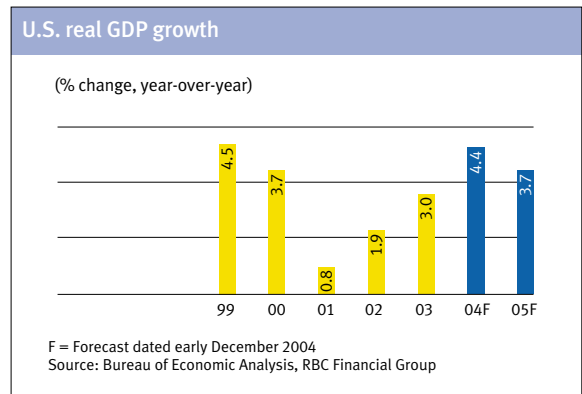
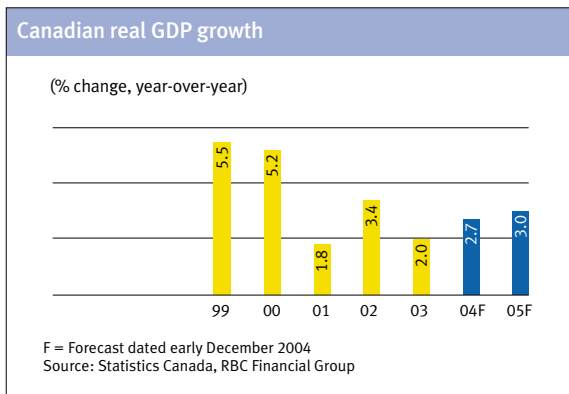
What is your economic outlook for North America in 2005?

The global economy has entered a period of slower, more sustainable growth following robust expansion. This behaviour is typical for economies as they moderate under the weight of rising interest rates and a less supportive fiscal environment. Not only is this typical, it is also desirable because such a moderation in growth keeps any backup in inflation – and therefore interest rates – relatively muted. Overall planning assumptions for much of 2005 should be consistent with an environment of sustainable economic growth alongside steady interest rates in Canada, rising interest rates in the U.S. and a still-competitive pricing environment overall.

After an impressive estimated 4.4 per cent pace in 2004, we look for economic growth in the United States to ease to an estimated 3.7 per cent in 2005. The moderation is expected to be broadly based with most sectors of the economy experiencing a slowdown, led by the consumer sector, which is likely

to ease following a number of surprisingly strong years. Another area expected to put a brake on growth will be the government sector, as the unsustainably large U.S. fiscal deficit is put on a more stable footing. One area expected to provide a lift to growth is the inventory component as inventories are rebuilt to levels consistent with overall sales. Although we expect to see the rate of growth ease somewhat, the U.S. Federal Reserve will continue to adjust rates up to levels more consistent with an expanding economy.

The Canadian economy has weathered the rapid appreciation of the Canadian dollar relative to the U.S. dollar and the recent deceleration in growth of the world economy with surprising resilience, registering real growth of approximately 2.7 per cent in 2004. A slight acceleration to an estimated 3 per cent is expected in 2005. Unlike the apparently tapped out U.S. consumer, the Canadian consumer seems better positioned for further spending in the period ahead given firm job markets and rising incomes. The government sector in Canada also appears to be in good shape to support overall economic activity



given a solid fiscal position. These two sectors, combined with firm business investment, add up to decent growth in the coming year. However, with inflation risks low and an uncertain outlook for Canada's trade sector, the Bank of Canada is likely to hold interest rates steady through much of 2005.

Our base case forecast is for a Canadian dollar ending 2005 around the 80 U.S. cent mark. However, there are risks that the U.S. dollar could weaken further due to ongoing concerns about the large and growing fiscal deficit and the widening current account deficit.

With your already sizeable market shares in Canada, how will you generate earnings growth?

With 10 to 20 per cent market share in our key business and product areas such as residential mortgages, total personal deposits and mutual funds, business deposits and business financing, we do not believe our growth is capped; it is a great base to build upon. As discussed earlier, as part of our Client First Initiative, we intend to grow earnings by accelerating revenue growth and exercising tighter control over expenses.

Our overall strategy for our personal and business clients in Canada is to be either the market leader or close to it in each of our key businesses within banking, investments and insurance. This will entail leveraging our core strengths in product design, sales and relationship management, and client insight and knowledge to truly earn the right to be our clients' first choice.

We will focus on a number of key initiatives to meet the needs of our clients at every stage of their lives and will build on integrated product and distribution capabilities to extend relationships with our existing client base. We have the highest household penetration among Canadian financial institutions and intend to leverage these relationships by delivering benefit to our clients through our strong capabilities in financial planning and advice. In addition, with our north-south capabilities, we feel we are well positioned to serve the unique needs of our cross-border clients.

Our focus on distinct groups of clients has improved our understanding of their unmet needs and our ability to deliver a better solution. For example, our *RBC Plan for Medical & Dental Students* provides financial solutions designed to meet the unique needs of this client group. In the past year, we have significantly increased our market share of the medical and dental student population in Canada.

We plan to continue strengthening our product lines to accelerate revenue growth. For example, in the area of credit cards, we introduced our no fee RBC Rewards Visa Classic card in 2004 and have expanded our mortgage product offerings with the introduction of RBC Homeline Plan, RBC Vacation Home Mortgage, and RBC No Down Payment Mortgage. Our strategy is to explore all opportunities to further integrate insurance products, where permitted, with those of other RBC business segments. We intend to build on our distribution strengths, which include enterprise networks, franchise and product-specific

“Our new structure, which has placed our U.S. and international segment under one leadership, will allow us to leverage our capabilities and work together to maximize returns. It will also increase accountability and flexibility to manage our various businesses.”

teams, career sales forces and third-party distribution to reach as many of our clients as possible through the channels that best meet their needs.

On the institutional side, our strategy is to deepen our relationships with top-tier corporate, institutional and government clients. We also plan to further penetrate the Canadian mid market and continue to improve the quality of our research. As always, we will focus on developing new product, channel and market opportunities and creating differentiated value-added solutions to address the unique needs of our clients. To this end, we continue to integrate our Canadian dollar correspondent banking business with our Canadian sub-custody operation to present a single face to foreign financial institutions, facilitating further cross-enterprise revenue opportunities through a single relationship management channel. Moreover, the unique combination of strengths embodied in our Hedge Fund Services group will position us to capitalize on the trend toward alternative investment strategies.

We plan to manage our costs better by eliminating duplication and low-value activities, streamlining the layers within the company's structure and centralizing all our operations and technology. Our Client First Initiative has made cost management one of our key objectives. We intend to continue to rigorously focus on the management of credit, operational and compliance risk, including fraud management initiatives and strengthened credit-scoring capabilities.

How will you enhance the performance of your U.S. banking operations?

The performance of our U.S. banking operations at RBC Centura and RBC Mortgage did not meet our expectations in 2004. We are taking measures that we believe will result in better performance and expect that the positive impact of these changes will be realized in 2005. Our overall objective is to generate much stronger financial returns for our shareholders.

Our new structure, which has placed our U.S. and international segment under one leadership, will allow us to leverage our capabilities and work together to maximize returns. It will also increase accountability and flexibility to manage our various businesses.

Plans to enhance performance at RBC Centura are already underway. In 2005, we are reducing our costs in support areas and closing 10 low-return branches from our network of 275 branches. Meanwhile, we are continuing to open new branches selectively in high-growth markets and enhancing loan and deposit volumes and mix. We believe that these changes will result in a significant improvement in profitability in 2005 at RBC Centura.

We are taking a number of actions to improve RBC Mortgage's performance. We are consolidating the Chicago headquarters into our Houston office, which we acquired through our acquisition of Sterling Capital Mortgage Company (Sterling) in September 2003, and closing 38 of our less profitable branches. At this point,

“Several of our businesses have successful, profitable operations outside of North America and we plan to continue our pursuit of opportunities in key high-growth markets and sectors.”

a further nine branches are expected to close later in 2005. These steps will not only generate cost savings, but will also improve the effectiveness and control as the dual head office is closed. We have also taken steps to reduce earnings volatility by migrating sales of adjustable rate mortgages to a flow basis from bulk delivery, meaning that the loans are sold as they close, and the hedging risk transferred to the investor. And we have completed the rollout of Sterling’s loan origination technology, which will lead to better control and management of loan pricing.

What is your strategy for expansion outside of North America?

Several of our businesses have successful, profitable operations outside of North America and we plan to continue our pursuit of opportunities in key high-growth markets and sectors.

On the consumer side, Global Private Banking intends to continue exploring growth opportunities in the Americas, Europe and Asia with increasingly aggressive sales and marketing programs. The addition of our Open Architecture approach to money management in 2004 and the adoption of RBC Capital Markets’ structured product expertise in design and marketing new solutions for private clients, is expected to accelerate revenue growth in the future.

On the institutional side, our businesses focus on areas where our market insight and professional capabilities differentiate us and contribute to profitable growth. In London, our bond business and structured products/credit derivatives business have delivered growth in global revenues of over 260 per cent (\$57.4 million to \$209.4 million) over the past five years as a result of effective delivery to our clients. Our custody business, which was named the best overall global custodian in *Global Investor* magazine’s 2004 Global Custody Survey, plans to continue leveraging its leadership position in the Canadian market to expand internationally, with a focus on serving fund managers, financial institutions and private banks. We expect to grow fee-based revenue streams in our custody operations by selling newly developed products and services to existing clients and expanding our client offerings in Europe and Asia. We will also explore alliance and acquisition opportunities as well as look to take advantage of the growing outsourcing trend among fund companies.

First for you

> First for our stakeholders

Corporate Responsibility embodies the overall relationship of a corporation with its clients, shareholders, employees and communities. Behaving in a responsible manner while producing sound and sustainable financial results is an essential part of our relationships and a strategic investment in the future prosperity of our society.

Our clients

We are committed to providing a superior experience to all our clients. This is our prime focus in building strong, enduring relationships. We strive to meet our clients' financial needs by providing integrated financial service offerings with top-quality, innovative products. We deliver our services through a variety of channels to ensure ease of client access. An integral part of providing a superior client experience is prompt, efficient attention to complaints. The Office of the Ombudsman provides an impartial appeal avenue for concerns not resolved through our established complaint management process.

Our shareholders

We are focused on maximizing long-term shareholder value through strong financial performance and returns and disciplined and profitable expansion. We are committed to providing excellent service and disclosure to our shareholders and ensuring the highest standards of corporate governance. Over the past 10 years, an investment in our common shares has provided shareholders with a compound annual total return of 19.6 per cent. Shareholder information is available at rbc.com/investorrelations.

Our employees

Our employees are fundamental to RBC Financial Group's successful relationships with clients and communities. Our employees are guided by our vision of "Always earning the right to be our clients' first choice" and our clients tell us that our employees are knowledgeable, professional and act consistently in clients' best interests. We attract, engage and retain a world-class workforce through *Total Rewards* that encompass the whole employment experience. Employees tell us RBC Financial Group provides motivating work, extensive opportunities for learning and career development, competitive pay and benefits, and a positive and flexible environment where diversity is valued. Ensuring our employees continue to successfully meet the needs of our clients remains our goal.

Our community

We are considered a leader in corporate responsibility, and we consider "responsibility" to include the way we do business, how we treat our employees and clients, as well as our commitment to communities. This year, we invested more than \$59 million in communities worldwide, including \$39 million in donations, to causes such as after-school programs, health care initiatives and economic development; and over \$20 million in the sponsorship of amateur athletics, the arts and local events. Our employees contributed countless volunteer hours, also sharing skills and knowledge to help enrich our communities. For more, see our 2004 Corporate Responsibility Report, or visit rbc.com/community.