



Responding to you

"RY" on TSX & NYSE

Gord Nixon
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RBC Capital Markets
Canadian Financial Services CEO Conference
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Gord Nixon, President & CEO, RBC Financial Group
“Responding to you”
Presentation to analysts and institutional investors
RBC Capital Markets Canadian Financial Services CEO Conference
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[Slide 1.] Good morning, everyone. At the advice of our legal counsel, our first slide is a safe harbor statement.

Jamie has asked me to speak to you this morning about what differentiates RBC from its competitors, which I'm pleased to do. In addition, I will discuss some of the key issues investors and analysts have been raising in their discussions with us.

[Slide 2.] I'd like to begin by discussing four major competitive advantages that we believe distinguish RBC - business mix; our focus on client segmentation, sales, marketing and cross-selling; risk management; and technology.

[Slide 3.] We believe our **diversified business mix** reduces earnings volatility. This was quite apparent during the last cycle when we were able to deliver very stable earnings compared to our competitors, notwithstanding significant fall off in both the credit environment and capital markets.

About half of our earnings in 2003 came from our personal & commercial banking operations, which generated a strong 20.8% ROE. A further 14% of earnings were from our insurance and transaction processing businesses, which also generate relatively stable earnings. Our capital market-sensitive businesses (that is, corporate and investment banking and wealth management) accounted for 30% of earnings and should provide us with a nice earnings lift as capital markets continue to strengthen. As a reminder, we started to reduce the size of our corporate loan portfolio in 1998, far before the other Canadian banks, and since that time have shrunk total outstandings (which include letters of credit and guarantees) by \$27 billion or over 50% to \$25 billion now. We are also continuing to reduce single name exposures to avoid loan concentrations and are using a relationship-based approach to corporate lending.

I should emphasize that we are unique among Canadian banks in having sizeable insurance and transaction processing (largely custody) operations, with \$2.2 billion of insurance premiums and deposits last year and a 47% market share of custody in Canada. Our total custody assets under administration are \$1.1 trillion. Our global private banking business with clients in over 100 countries and revenues of over \$350 million in 2003, as well as our international bond business also differentiate us from our competitors. During the last four years, the bond business has expanded out of Canada into the United States, Europe and Asia so that it's now a major force within the international markets, employing over 250 people worldwide and underwriting over C\$70 billion of securities a year.

In each of our 5 business segments we have #1 or #2 market positions.

[Slide 4.] Our revenues and earnings are also well diversified geographically, with 27% and 13%, respectively, derived from the U.S. and 12% and 18%, respectively, from outside North America last year.

[Slide 5.] Turning now to another competitive advantage – our strong client segmentation, disciplined sales management, marketing and cross-selling focus, both cross-border and cross-enterprise. Our demonstrated expertise in customer relationship management, an aggressive sales culture supported by highly sophisticated sales and marketing technology infrastructure and applications, a successful history of cross-selling, combined with the introduction of integrated client value propositions, make us uniquely positioned to grow revenues by increasing the number of products and services used by RBC clients.

As the number of products used by a client increases, the “likelihood to recommend” increases as well, and the chances of fully or partially defecting to a competitor decreases. Through unique value propositions aimed at targeted client sub-segments, aggressive sales lead generation and the RBC Referrals program, our objective is to increase the number of products and services used by clients across RBC Financial Group. While the number of products and services used by a client varies by business and geography, in our Canadian banking platform, personal clients use 4 products and

services on average whereas high-value personal clients use nearly 7 products and services on average.

[Slide 6.] The RBC Snowbird Package, which we introduced in the fall of 2003, is a good example of an offering that draws on the products and services of more than one business segment and is designed to address the specific needs of a targeted sub-segment – wealth preservers who winter in the southern U.S. The Snowbird market of 1.5 million Canadians offers us substantial potential for growth.

[Slide 7.] Most of our clients who are Snowbirds fulfilled their U.S. banking needs through U.S. financial institutions other than RBC Centura. To better meet the needs of this sub-segment, the RBC Snowbird offering provides a unique North American package including banking, insurance and out-of-country advice for clients. We are pleased with the initial results of this new launch. As of November 30th, 2,000 Snowbird Packages had been sold and we are on track to achieve our 2004 revenue target.

[Slide 8.] We have developed 5 other value propositions, three of which were also recently rolled out. One of them targets late-retired clients in the wealth preserver segment who rely on their investment portfolio to supplement their income. Historic low interest rates combined with a downturn in the equity markets has had a significant impact on income levels for some of our retired wealth preserver clients. This reality has caused some of these clients to rely on the income earned solely from short-term GICs, negotiated at relatively high rates and consequently low profitability for us, leading to a loss in this group. To increase the profitability of this client sub-segment, we developed a value proposition designed to satisfy these clients' investment income requirements through a portfolio of RBC products and investment advice that is better suited to their needs. To date, we have not only improved retention but have also captured approximately \$60 million in new business volumes from our competitors from this value proposition.

The other value propositions we recently rolled out target small business and professional clients. They are designed to deepen relationships with existing clients and to attract new clients by providing banking services and advice through a team of business bankers who specialize in developing solutions to address the unique needs of these clients. We have 2 other value propositions that we are currently testing in-market and we expect to roll them out later this year. We are on track in attracting and growing the number of targeted high value clients and meeting our target of \$100 million in incremental revenues from our integrated value propositions in 2004.

[Slide 9.] On an ongoing basis we harvest our client database to identify clients who would benefit from using additional products and services or from changes in existing products and services used. In this regard, RBC Banking generates over 100 million leads annually, largely through its CRM capability, which identifies clients' life stage needs. Each month leads are delivered to the desktops of our personal bankers, account managers and telephone banking agents for both personal and business clients. These leads are aligned with the most appropriate channel to maximize success. However, the real strength of our marketing capability is not the absolute number of leads generated, but rather how we go about taking action on leads and closing sales. Through weekly goal setting and sales meetings, sales routines, coaching, performance tracking and incentive compensation, we ensure that leads are followed up on and generate strong results. We also aim to maximize every client contact. For example, Royal Direct telephone banking closes nearly 50% of inbound opportunities that are spotted.

[Slide 10.] Our updated referral program – RBC Referrals, launched in November 2002, is also yielding promising results. In 2003, the total number of referrals increased by 52%. We referred \$1.1 billion of business internally and, as a result, captured \$2.8 billion of new business transactions from our competitors. That's over \$2.50 of new business for every dollar of business referred internally.

[Slide 11.] A third competitive advantage is our disciplined approach to risk management. We have discussed with you before our diversified loan portfolio, stable consumer credit quality, low non-accrual ratio and the least volatile loan loss experience compared to other Canadian banks. We have demonstrated a proactive approach to risk management, which is evidenced by the early reduction of our corporate loan book and strong credit metrics during the last credit cycle. We feel our success is due to the close partnership between risk management and the businesses.

[Slide 12.] We continue to invest in our risk management systems and I want to discuss two examples with you this morning that show our “client centric” approach. Firstly, we invested approximately \$23 million over the last 2 years to improve our scoring capabilities for our consumer and small business customers by producing a risk indicator. This customer risk indicator is unique in North America but proven in the UK and Australia, and provides us with the ability to measure the cash flow stability of our clients by collecting information from their primary account. This indicator is targeted to provide us with \$180 million in PCL savings and/or revenue growth over the next five years. This investment has also resulted in more effective Management Information Systems that have enabled us to make better risk/reward decisions. Secondly, we have invested \$1.5 million in a project that provides early detection of potential bankrupts. We expect a net reduction in PCL of \$5.5 million per year as a result of this investment. This system looks at combing Visa spending patterns with payment practices, and will alert the bank to decrease lines to minimize losses, and in some cases help the client avoid bankruptcy by consolidating debts and putting them back on track.

[Slide 13.] Our fourth key competitive advantage is technology. One example of our leadership is Straight Through Processing, or STP. STP will enable us to automate our processes using Web-based delivery tools and, wherever possible, eliminate manual interventions in fulfilling client transactions and requests. Implementing STP will significantly reduce errors and costs, allow us to serve our clients in a more efficient and consistent manner across all channels, and create a superior client experience.

Over the past two years, we have spent a considerable amount of time and resources to scope, design, build and begin implementing an ambitious program of STP initiatives.

In short, we are “web-izing” our infrastructure under a single program we call “eBusiness Architecture”.

[Slide 14.] There are three components to our eBusiness Architecture program: digital imaging, a new Web-based service platform for tellers and Product STP.

Digital Imaging involves capturing a digital image of every entry going through all of our business and personal accounts, and storing the images of every cheque, deposit and voucher in a digital archive. It will reduce tracing times, enhance the client experience, reduce fraud and lower costs.

The new Web-based service platform for tellers will enable our front-line staff to provide clients with simplified and virtually error-free transaction processing at the teller wicket. Tellers will also receive detailed CRM-generated sales leads on their desktops to offer clients additional products and services.

With Product STP, our goal is to use a series of web-based tools that will substantially eliminate manual involvement in all aspects of the product life from origination to fulfillment. This will create a vastly improved customer experience through increased speed, a significant reduction in errors, and a consistent “look and feel” across channels and products. As an example, under the new mortgage STP process, documents will be delivered electronically to lawyers via a secure portal. Not only will this be faster, it will also eliminate current printing and couriering costs in our back office centres.

The timelines for the rollout and completion of these eBusiness Architecture initiatives are provided in the Appendix.

We believe that our investment in this transformational eBusiness Architecture initiative is unique to the industry due to its depth and breadth, and will provide us with a superior advantage over our competitors. We have won a number of awards for our overall technology initiatives which are shown in the Appendix.

[Slide 15.] I would now like to turn to some of the key issues of interest to you – U.S. strategy and performance, capital deployment, trading operations and growth in the mature Canadian retail banking market.

First, our U.S. strategy and performance.

You've expressed concerns about a potential large transaction and have been enquiring about the returns we are generating from the U.S, particularly at RBC Mortgage.

From time to time, there has been speculation that we may aggressively pursue large investments in the U.S. I've said many times, and repeat, that we believe properties in the U.S. are very highly valued and many transactions occur at price levels that negatively impact the share values of the acquirors. As we have indicated on a number of occasions before, we will not compromise our strong fundamentals – priority and accordingly we strive to consummate deals that are accretive to cash earnings in 2-3 years, based on reasonable estimates of synergies. Based on the current environment in the U.S., it is likely that our investments will be small and additive.

[Slide 16.] This slide shows that following the larger strategic acquisitions of Centura, Dain and Liberty in 2001, all our other U.S. expansion efforts since that time have been either add-on acquisitions to expand geographic reach (Eagle Bancshares in Atlanta, Admiralty in Florida, Tucker Anthony Sutro for its mostly California and Eastern U.S. presence) or they have represented new product capabilities (such as variable insurance with Business Men's Assurance Company or BMA) and network expansion through the purchase of branches and new branch openings. Since the acquisition of Tucker Anthony Sutro, for which we paid nearly US\$600 million in 2001, all of our investments have been small and focused on the left hand side of the spectrum shown in this chart. We opened 11 branches in the Southeast U.S. in 2003 and have plans to open another 17 branches in 2004 and approximately 20 in 2005. While it's a slow process and it takes about 18-24 months for a branch to break even, we have the benefit of selecting the new branch locations to build on the selective acquisitions we have made. These small deals have all been very successful with regard to their integration and overall are meeting our financial projections.

[Slide 17.] Turning to the topic of returns, you will note from this slide that earnings from our U.S. operations increased by over 80% to C\$382 million in 2003. The Capital Markets business benefited from a lower provision for credit losses and the Investments division from significant improvement in the full-service brokerage business, strong fixed income results and lower retention compensation costs. With respect to Banking, nearly 30% of the decline in its earnings was due to the currency translation impact of a stronger Canadian dollar and most of the remainder reflected lower earnings at RBC Mortgage and narrower spreads at RBC Centura.

I should mention that since we acquired RBC Centura, we have made a number of changes to its operations and balance sheet that have impacted its earnings. Like most regional U.S. banks, RBC Centura had a sizeable commercial real estate book when we acquired it. Since that time we have shifted away from real estate in order to lower our loan concentration to that sector. Furthermore, we have reduced the size of Centura's investment portfolio and shifted it into lower-risk and thus lower-yielding securities. This was a strategic decision to reduce Centura's exposure to potential changes in U.S. interest rates. In addition, Centura is now absorbing its share of RBC's functional cost "charge-outs". These factors, in addition to significant margin compression experienced by U.S. banks last year, have negatively impacted Centura's earnings. Notwithstanding these factors, Centura organically grew its retail and commercial & industrial loans by 6% and its valuable core deposits by 11% in 2003.

In light of RBC Mortgage's poor results in last year's fourth quarter, I'd like to comment on the steps they are taking to improve their performance.

[Slide 18.] RBC Mortgage is working to implement a number of measures to improve their business model, back-office processes and controls. For example, RBC Mortgage is clearing up the backlog that occurred at the end of the refinance boom, is working to reduce costs and will be using Sterling Capital Mortgage Company's loan origination technology, which is superior to its own, as well as Sterling's business model. Sterling, which we acquired last September partially for its superior business model, relies more on first-time home buyers and high-growth markets than refinancings, uses higher-margin proprietary versus third party product, and has good relationships with home builders. RBC Mortgage will also use a more efficient straight-through process than the current one which relies on frequent manual interventions.

While U.S. Banking results are not where we would like them to be, we are taking steps to improve them and build upon what we believe is a solid franchise.

The second issue you frequently raise is our capital deployment strategy.

[Slide 19.] This slide shows that with earnings of \$3 billion less dividends of 1.2 billion, we generated \$1.8 billion of capital internally in 2003, and spent about \$660 million on acquisitions and repurchased about \$850 million of our common shares.

[Slide 20.] Our philosophy on capital deployment is to maintain a good balance between dividend payout, share repurchase and reinvestment for growth.

As you know, at the end of 2002, we raised our dividend payout ratio from 30-40% of earnings to 35-45%. In 2003, we paid out 38% of earnings in dividends, which is at the mid-point of our target range. We believe that regular dividend increases is one way to reward shareholders.

Share repurchases, when appropriate, are another way. In 2003, we repurchased 14.5 million common shares, which added approximately \$.04 per share to earnings. Under the current normal course issuer bid, a total of 19.1 million common shares may be repurchased between November 1, 2003 and June 23, 2004.

In 2003, we repatriated approximately two-thirds of our earnings to shareholders through dividends and share repurchases and will continue to review this level based on re-investment opportunities.

And reinvesting for growth - both organic growth and growth via acquisition -- in a profitable and disciplined manner is another important way we can reward shareholders over the long term. We have grown our franchise through investments and small acquisitions, particularly in the U.S., adding new talent, new customers and new products and markets to our organization over the past three years. We are also making substantial investments in our infrastructure and client service such as our eBusiness Architecture project, which I discussed earlier, and investments in initiatives designed to improve client retention, such as our problem resolution centre.

It is our intention to continue to manage our capital around investment opportunities, share buybacks and dividends to ensure capital efficiency.

Another topic of great interest to investors these days is our trading operations.

Our trading revenues have grown at a compound annual rate of 19% between 1995 and 2003 and represented approximately 12% of our total revenues in 2003. Given this growth, some of you have expressed interest in how we are managing the risk associated with our trading book.

[Slide 21.] Bear in mind that we have a fairly low Value at Risk. It averaged \$13 million in 2003, up only slightly from \$11 million in 2002 and 2001.

[Slide 22.] Trading revenues as a percentage of risk-adjusted trading assets provides a good measure of return for risk. We've consistently shown the highest percentage among the five major Canadian banks.

[Slide 23.] Another measure of return for risk is daily trading revenues as a percentage of average daily Value at Risk. Once again, it shows us with the highest percentage among North American banks.

[Slide 24.] Furthermore, relative to our Canadian bank peers, we have the lowest number of trading days with losses and, on days with losses, the lowest average daily loss and the lowest volatility of trading revenues.

[Slide 25.] This partially reflects the nature of our trading business, which is well diversified. The majority of the revenue comes from flow business where we earn narrow spread on a large volume of activity and close most positions out by the end of the day. This flow business involves a very low level of market risk. We have some relatively low-risk arbitrage business (particularly on the equity side) with a high turnover and have been expanding into some of the higher-margin structured transactions such as credit derivatives. We have some proprietary business which is also well diversified across a wide variety of markets and businesses and in which we don't take large directional bets.

[Slide 26.] We employ state of the art systems to monitor and manage both credit and market risk. In 2002 we introduced a second generation Global Market Risk Management System that ensures that the bank meets or exceeds industry and regulatory standards for trading operations. This system provides us with daily transaction level information from across the globe. This allows us to identify and monitor our total market risk in trading operations. Furthermore, we are able to quickly identify risk pockets under both normal and stress scenarios. We have developed similar capabilities in terms of managing the credit risks involved in our trading operations. We have counterparty level credit information from around the globe that is updated and evaluated on a daily basis.

Our risk appetite is governed by an extensive set of limits that ultimately flow from the Board of Directors. Our governance structure includes independent risk oversight by our Group Risk Management function. This is reinforced by Independent Middle Office oversight functions located in each of our trading centers with strict segregation of duties in regards to trading and processing of transactions.

[Slide 27.] We are frequently questioned about the prospects for growth in the mature and highly competitive Canadian retail banking market.

We are working harder than ever at growing our banking business in a profitable manner. We are doing this through a number of initiatives including developing and delivering differentiated integrated client value propositions targeting high profit/high potential clients, deepening client relationships, improving overall client experience and client retention. Let me assure you that our focus is on profitable growth. In serving our clients, we pay close attention to aligning our service offering with their current and future value. Our goal is to continue to build profitable relationships with every client. To achieve this goal, we are focused on reducing costs associated with serving our less profitable clients, and working towards moving clients to higher levels of profitability. We are continuing our efforts to increase profitability across all client segments by increasing our share of our clients' business and the number of products and services per client. As I previously discussed, we are using our CRM capability to identify underserved client sub-segments and we have developed a number of new value propositions designed to grow revenues and better meet these clients needs.

We are also directing considerable attention to client retention, with a particular emphasis on improving the retention of high profit/high potential clients. Getting this right can substantially improve our revenues and profitability.

[Slide 28.] This slide highlights some of the initiatives we have adopted to improve client retention. For example, we recently completed the roll-out of client care centres at our Royal Direct client call centres across Canada to improve client problem resolution.

[Slide 29.] As I'm sure you already know, we have strong distribution capabilities in Canada and this slide provides you with an overview of these capabilities. Over the past year we have continued to reinvest in our frontline sales teams and delivery channels to grow revenues while working towards becoming more efficient in our back office operations.

We've strengthened our financial advisor ability. We now have nearly 1,000 in-branch financial planners who are offering banking, planning and investments to 360,000 of our highest-value clients. We're expanding our product offering, and we'll soon be launching third-party mutual funds.

We've increased the number of specialized mobile sales teams. We have nearly 800 mobile mortgage specialists who now account for approximately 65% of all our new mortgage origination volume, and we have 550 mobile investment retirement planners. These folks are also accredited financial planners, and they originate nearly \$5 billion in new investments for us each year.

As many of you also already know, we added 450 personal bankers and account managers into our branch network over the past year, and we're continuing to upgrade and add new branches. We have 23 new branches planned over the next three years, and we're continuing to look at opportunities in high-growth areas.

In Royal Direct telephone banking, we have increased the number of telephone agents and added more specialized teams to deal with, for example, personal and business needs of clients in just one call.

[Slide 30.] In conclusion, we have a number of competitive advantages that ensure relatively stable performance and position us well for future revenue growth and efficiency improvement. We are also taking action to address the issues at RBC Mortgage, grow the US franchise in a prudent manner, deploy our capital effectively, grow our trading business and carefully manage its risk, and increase our business with customers in Canadian retail banking.

Thank you, and I'll now take your questions.



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.

1



Our competitive advantages

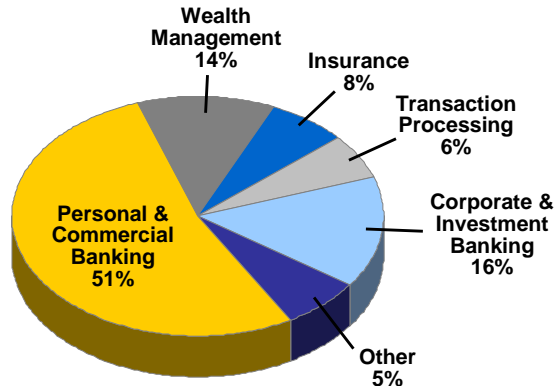
- **Diversified business mix**
- **Focus on client segmentation, sales, marketing and cross-selling**
- **Disciplined risk management**
- **Leading technology**

2



A diversified business mix

2003 net income contribution

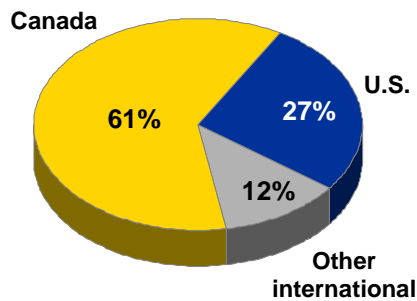


- Since 1998, reduced total outstandings of our corporate loan portfolio (including L/Cs and guarantees) by 52%

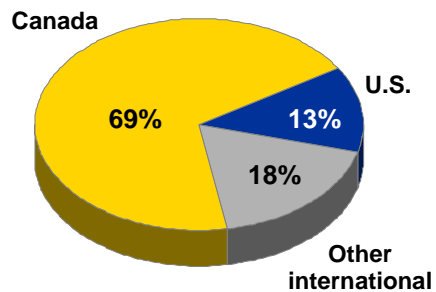


Geographic diversification

Revenue as % of total (2003)



Net income as % of total (2003)





Advantage – Strong client segmentation and sales focus
Strong client segmentation, sales, marketing and cross-selling focus

- Expertise in CRM¹
- Aggressive sales culture
 - sophisticated sales and marketing technology infrastructure and applications
 - successful history of cross-selling (cross-border and cross-enterprise)
 - integrated client value propositions
- Goal to increase number of products and services used by RBC clients

¹ Customer Relationship Management

5



Advantage – Strong client segmentation and sales focus
Integrated value proposition example – Canadian Snowbirds

Snowbird Profile

Market Potential

- 1.5 million Canadians go south for the winter and stay for a minimum of 2 months
- over 800,000 go to Florida
- 56% own property in Florida
- want easy access to funds and single point of contact



Snowbird Sub-segment

- # of clients: 176,000
- average age: 66
- # of products per top-decile client: 6.4
- profitability per top-decile client: 13.5X

6



Responding to Snowbird needs

- **Introduced RBC Snowbird package in October 2003:**
 - addresses banking, insurance and other needs of clients
 - sold 2,000 packages by November 30th
 - on track to achieve 2004 revenue target



Other integrated client value propositions

- **Recently introduced 3 other value propositions generating encouraging results:**
 - wealth preservers living on fixed income
 - small business clients
 - professional clients
- **2 other value propositions expected to be rolled out later this year**
- **On track to meet \$100 million incremental revenue targeted for 2004**

Advantage – Strong client segmentation and sales focus



RBC Banking's sophisticated sales leads generation and management

- **Leverage CRM to identify life stage needs**
- **Proactive sales leads delivered to employee desktops**
 - tailored to type of sales force
 - aligned with most appropriate channel
- **Focus on taking action on leads and closing sales**
 - example - telephone banking closes nearly 50% of inbound opportunities spotted

9

Advantage – Strong client segmentation and sales focus



Strong results from enhanced referral program

- **For 2003:**
 - total number of referrals increased by 52% compared to 2002
 - \$1.1 billion referred internally
 - captured \$2.8 billion of new business transactions from our competitors
 - over \$2.50 of new externally generated sales for \$1 of business referred internally

10



Advantage – Disciplined approach to risk management

Disciplined approach to risk management

- **Diversified loan portfolio**
- **Credit quality in Canadian consumer loan portfolio remains stable**
- **Non-accrual loans ratio remains low**
- **Least volatile loan loss experience of the Canadian banks**

11



Advantage – Disciplined approach to risk management

Risk management – examples of recent initiatives

Scored portfolios (Consumer and Small Business)

- **\$23mm invested to improve Scoring capabilities by developing a Customer Risk Indicator (a measurement that determines the cash flow stability of our clients)**
 - **\$180mm in PCL savings and/or revenue growth expected over 5 years**
- **\$1.5mm invested in systems for early detection of potential bankrupts**
 - **targeting net PCL reduction of \$5.5mm per year**

12



Our technological advantage

- **Benefits of Straight Through Processing (STP) or infrastructure “Web-izing”:**
 - significant reduction in errors and costs
 - faster service delivery time
 - creates a superior and consistent client experience across all channels
- **eBusiness Architecture - ambitious program of STP initiatives**



Components of eBusiness Architecture¹

- **Digital Imaging**
 - searchable/retrievable archive of digital images of all account entries
- **New Web-based service platform for tellers**
 - single access point to all client information
 - CRM-generated sales leads delivered to desktops
- **Product STP**
 - use of Web-based tools to substantially eliminate manual interventions in the product life cycle, from origination to fulfillment

¹ Appendix 1 provides the timeline for rollout and completion of each initiative



Key issues

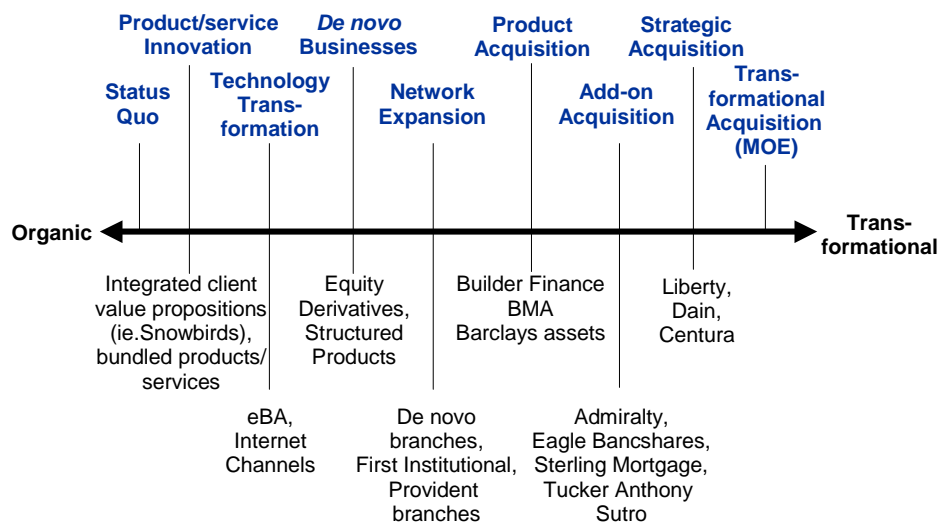
- 1 U.S. strategy and performance
- 2 Excess capital deployment
- 3 Trading operations
- 4 Growth in mature Canadian retail banking market

15



Key issue –U.S. strategy & performance

Avenues for growth¹



¹ refer to Appendix 3 for principal U.S. acquisitions made since 2000

16



Stronger contributions from U.S. operations

(C\$ millions)	Net income	
	2003	2002
Banking	\$141	\$206
Insurance	27	35
Investments	88	(1)
Capital Markets	122	(36)
Global Services	7	9
Other	(3)	(3)
Total U.S. operations	\$382	\$210



RBC Mortgage action plan

- Clearing backlog and working to reduce costs
- Will adopt Sterling's loan origination technology
- Will also adopt Sterling's business model:
 - relies more on first-time home buyers and high-growth markets than on refinancings
 - higher-margin proprietary vs. 3rd-party product
 - relationships with home builders
- Will use a more efficient straight-through process



Capital deployment in 2003 & 2002

(C\$ millions, except share amounts)

	2003	2002
Net income	\$3,036	\$2,898
Preferred dividends	(68)	(98)
Common dividends	<u>(1,137)</u>	<u>(1,022)</u>
Internal capital generation	\$1,831	\$1,779
Acquisitions	US\$460 ¹ (C\$665)	US\$269 ² (C\$416)
Shares repurchased - \$MM	\$852	\$764
- # of shares (MM)	14.5	14.3

- Renewed normal course issuer bid in June '03
 - allows repurchase of up to 25 million shares (approximately 3.8% of outstanding shares)

¹ Admiralty Bancorp, Business Men's Assurance Co. and Sterling Capital Mortgage Corporation

² Eagle Bancshares & Barclays Americas private banking



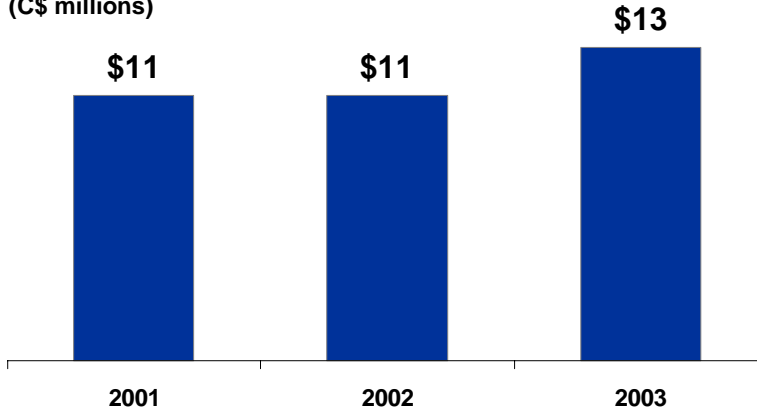
Options for deployment of excess capital

- Increased dividend payout ratio in late 2002
 - target payout range of 35-45%
 - payout of 38% in 2003
- Share buyback program
 - \$.04 of EPS growth in 2003 from buybacks
 - 19.1 million common shares can be repurchased between Nov. 1, 2003 and June 23, 2004
- Reinvesting for growth:
 - organic growth
 - growth through disciplined acquisitions



VAR¹ stable over last 3 years

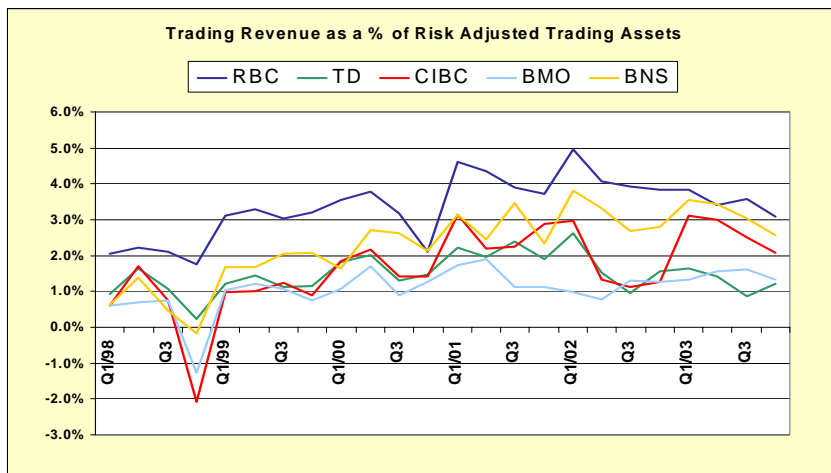
Average global Value at Risk¹
(C\$ millions)



¹ VAR measure is an estimate of the maximum potential daily trading loss calculated within a 99% confidence level.



Highest return for trading risk

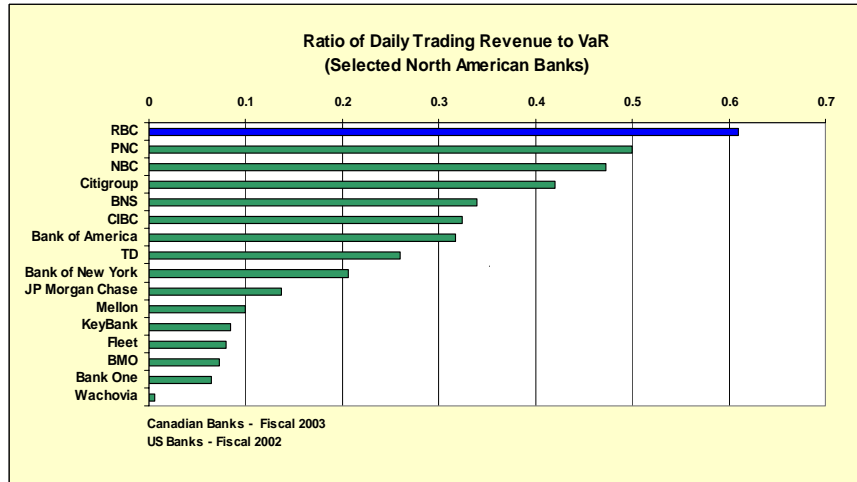


Note: Risk-adjusted trading assets include risk adjusted assets for market risk and risk adjusted assets for counterparty credit risk on derivatives.



A leader in trading revenues relative to risk

Effectiveness Ratio: trading-related revenues / average VAR



23



Managing trading book risk

- Relative to the Canadian bank peers, RBC has the:
 - ➔ lowest number of trading days with losses¹
 - ➔ lowest average daily loss¹
 - ➔ lowest volatility of trading revenues

¹ refer to Appendix 4 for summary of select trading risk statistics

24



Diversified trading revenues

- **Well-diversified trading operations**
- **Sources of revenue:**
 - High-volume, low-margin client-driven flow trading
 - Relatively low-risk, high-turnover arbitrage activities
 - Sophisticated structured transactions such as credit derivatives
 - Proprietary trading diversified across a variety of markets with few large directional bets



Strong trading risk management

- **State of the art enterprise market risk monitoring system (2003 CIPA Award of Excellence)**
 - daily transaction level information from across the globe
 - ability to quickly identify risk pockets under normal and stress scenarios
- **Daily monitoring and evaluation of credit exposure to all trading counterparties**
- **Independent risk oversight located in each trading center with strict segregation of trading and transaction processing duties**



RBC Banking Canada – avenues for growth in a mature, competitive market

- **Deliver differentiated integrated client value propositions targeting high-profit / high-potential clients**
- **Deepen client relationships**
 - increase number of products/services per client
 - increase share of wallet
- **Improve overall client experience and client retention**
- **Increase profitability across all client segments**



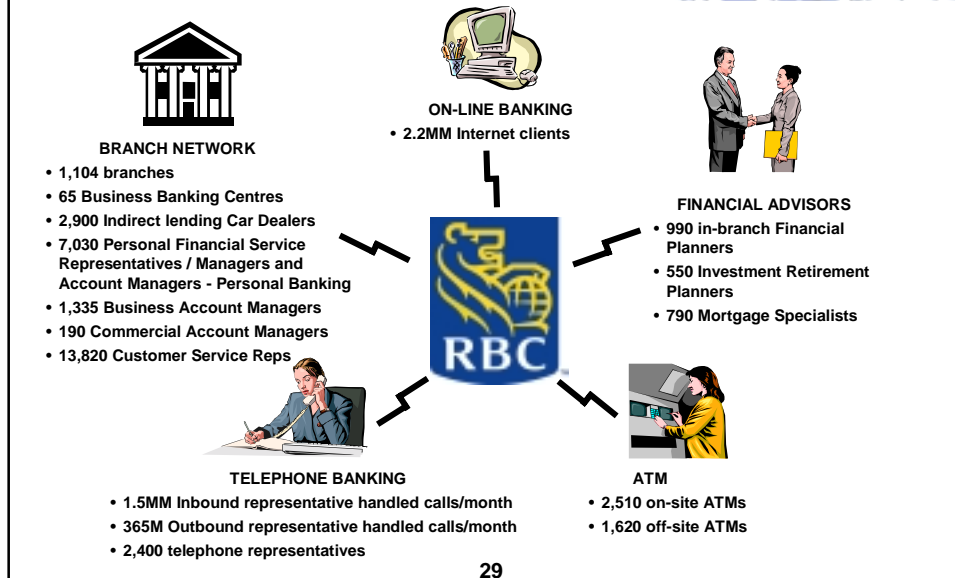
Examples of client retention efforts underway

- **Better retention of high profit/high potential clients can provide substantial revenue lift**
- **Improving client retention by:**
 - utilizing differentiated call routing in contact centres
 - improving problem resolution through client care centres
 - providing differentiated service based on client needs and value
 - delivering an easier credit experience through faster credit application turnaround
 - providing clients with the same treatment across all channels and platforms

Key issue – Revenue growth in Canadian banking



Continuing to invest in our Canadian distribution channels



29



Conclusion

- **Our competitive advantages:**
 - ensure relatively stable performance
 - position us well for future revenue growth and efficiency improvement
- **Taking action to:**
 - address issues at RBC Mortgage
 - grow the U.S. franchise in prudent manner
 - deploy our capital effectively
 - grow our trading business and manage its risk
 - increase our business with Canadian retail banking clients

30



Appendix 1 - Timeline for eBusiness Architecture initiatives

Appendix

	Launch	Commence Rollout	Completion
Digital Imaging	Service Centres Branches Royal Direct	August 2003	December 2003
	Online Clients	Spring 2004	Spring 2004
Service Platform	Hardware	August 2003	August 2004
	High Speed Lines	~2000	April 2004
	Software	January 2004	December 2004
Product STP	Clients	Q4 2004	2007

31



Appendix 2 – Summary of select technology awards

Appendix

Canadian Information Productivity Awards

...acknowledged RBC in 2003 with an Award of Excellence in the Business Transformation category for its Global Market Risk Management System. The solution gives RBC the ability to monitor and measure risk across the organization in real time using a centralized data warehouse that can be drilled down to the transaction level. In 2001, RBC received awards of excellence for its Enterprise-Wide Fraud Detection solution and its online brokerage solution, ClientSource. In 2000 RBC received awards for its *Enterprise-Wide Customer Relationship Management* strategy and for *RBC Insurance WorldProtect(tm)*, easy Internet access to travel insurance products.

CIO Magazine

... ranked RBC FINANCIAL GROUP in its 2003 top 100 worldwide companies for resourcefulness. RBC was lauded for its approach to meeting personnel needs, building internal and external relationships to deliver new projects or services, and maximizing the use of IT assets, time and resources. RBC has been ranked in the CIO Top 100 for the last 4 years.

Gartner CIO Choice Award

...recognized RBC Financial Group for Information Technology Best Practices leadership. In 2002 RBC was honoured for its excellence in using business intelligence in customer relationships and service, reducing fraud and creating an online mode for real-time data updates.

Wharton Infosys Business Transformation Award

...chose RBC Financial Group from over 200 entrants as one of two finalists in the organization-wide business transformation category for 2002. The award recognizes global organizations and leading visionaries for revolutionizing business or industry through creative application of technology. RBC was chosen for its approach to building a common operating infrastructure, creating a virtual bank and webizing the organization.

32



Appendix 2 – Summary of select technology awards - cont'd

Appendix

Information Builder

...a leader in Web business intelligence, recognized RBC Financial Group with the 2002 Highest ROI Award for its Bankbook Reconstruct Application. This application automates a lengthy, manual process of bank statement reprints and bankbook reconstructs, saving the bank millions of dollars annually and creating a more profitable revenue channel. Moneris Solutions, a joint venture between RBC Financial Group and Bank of Montreal, received the 2002 Most Scalable Award for its Merchant Direct application. The solution is Canada's first Internet-based online transaction and analysis reporting service for merchants.

Canadian Information Productivity Award of Excellence

...acknowledged RBC in 2001 for its *Enterprise-Wide Fraud Detection* solution and *ClientSource* platform. *Fraud Detection* uses advanced computing technologies to prevent and detect fraud early. *ClientSource* provides online brokerage customers with a consolidated view of account information using a single PIN client number. In 2000, RBC received Awards of Excellence for its *Enterprise-Wide Customer Relationship Management* strategy and for *RBC Insurance WorldProtect™*, easy Internet access to travel insurance products.

CIO Canada ITX Award

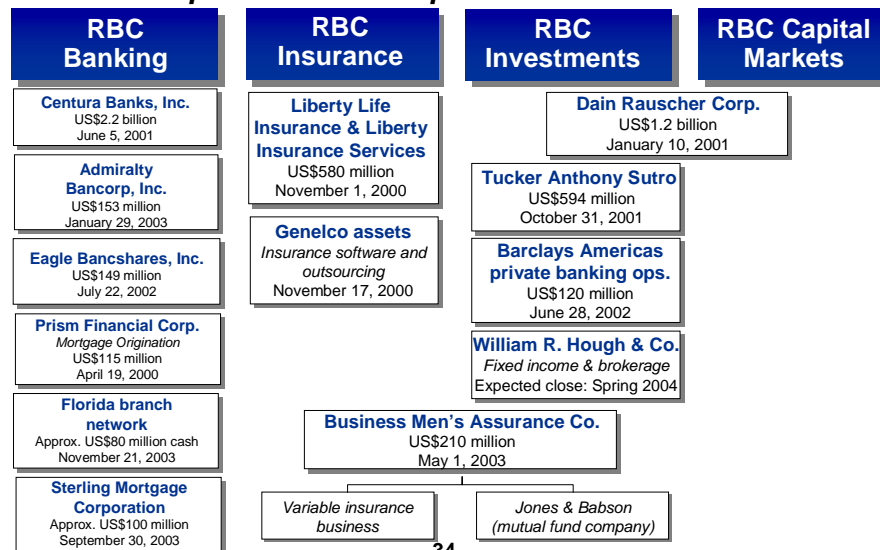
...went to RBC Global Services' *Viewfinder* in 2001. The custody e-business platform displays synchronous data view for clients and service representatives. Also, honoured as finalists were the RBC *eBusiness Gateway* and *Fraud Detection* systems. *eBusiness Gateway* acts as a portal for information and functionality for its Canadian bank, trust, brokerage and full service brokerage systems; its U.S. internet bank; and for its international bank in the Caribbean. The RBC *Fraud Detection* platform analyzes data in real time to detect fraud early.



Appendix 3 - Building U.S. platform

Appendix

U.S. acquisitions since April 2000





Appendix 4 – Summary of select trading risk statistics¹

Appendix

	Days of losses LTM (#)	% of Days Positive LTM (%)	If Loss, Avg Daily Losses (\$mm)	If gain, Avg Daily Gains (\$mm)	Biggest Daily Loss (\$mm)	Biggest Daily Gain (\$mm)
BMO	12	95%	(1.1)	3.6	(3)	35
BNS	13	95%	(2.7)	3.9	(13)	12
CM	33	87%	(3.6)	5.1	(12)	20
RY	7	97%	(0.9)	6.6	(3)	17
TD	15	94%	(5.0)	5.6	(13)	17
Average	16	94%	(2.7)	5.0	(9)	20

¹ Trading statistics between Q3/02 and Q3/03. Source: Research Capital research report dated September 11, 2003.