



# **Second Quarter 2004**

## **Quarterly Results Slides**

May 27, 2004

Investor Relations  
[www.rbc.com/investorrelations](http://www.rbc.com/investorrelations)



## 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.



## Note to users

We use a variety of financial measures to evaluate our performance. In addition to GAAP-prescribed measures, we use certain non-GAAP measures we believe provide useful information to investors regarding our financial condition and results of operations. Readers are cautioned that non-GAAP financial measures, such as average common equity do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies.

Further explanations of non-GAAP financial measures discussed in this presentation can be found in the "Explanation of certain terms" on chart 63 and reconciliation of non-GAAP measures to GAAP measures can be found throughout this presentation.



## Index

### *Charts*

<b>Financial overview</b>	<b>2-9</b>
<b>Business segments results</b>	<b>10-31</b>
<b>U.S. expansion</b>	<b>32-35</b>
<b>In-depth financial review</b>	
<b>Revenues</b>	<b>36-39</b>
<b>Non-interest expense</b>	<b>40-41</b>
<b>Balance sheet &amp; capital</b>	<b>42-47</b>
<b>Asset quality &amp; risk management</b>	<b>48-62</b>
<b>Explanation of certain terms</b>	<b>63</b>



## Financial overview

### *Second quarter highlights \**

- Net income of \$774 MM, up 12% from \$689 MM
- Diluted earnings per share of \$1.16, up 17% from \$0.99
- Return on equity (ROE) of 17.3%, up 190 basis points from 15.4%
- Total revenues up \$291 MM or 7%. Appreciation of the Canadian dollar relative to the US dollar reduced revenues by \$130 MM
- Non-interest expense up \$215 MM or 9%. Appreciation of the Canadian dollar decreased NIE by \$85 MM
- Provision for credit losses of \$153 MM versus \$211 MM a year ago
- Tier 1 capital ratio of 9.3%, down from 9.6%, partially reflecting deduction for treasury stock (Canadian GAAP)

\* Growth vs. Q2/03



## Financial overview

### Key second quarter and first half numbers\*

C\$ millions	U.S. GAAP		Cdn. GAAP	
	Q2/04	6 mos' 04	Q2/04	6 mos' 04
Net income	\$774	\$1,567	\$763	\$1,553
Net income growth	12%	8%	9%	5%
EPS – diluted	\$1.16	\$2.34	\$1.14	\$2.33
EPS growth	17%	11%	14%	9%
ROE	17.3%	17.7%	16.8%	17.3%
Total revenues	\$4,352	\$8,547	\$4,541	\$8,907
Revenue growth	7%	2%	9%	3%
Non-interest expense	\$2,729	\$5,510	\$2,747	\$5,554
NIE growth	9%	9%	7%	7%

\* Growth vs. Q2/03 and 6 mos'03

5



## Financial overview

### Items affecting Q2/04 results

	Pre-tax impact (C\$ millions)	Segment	Income Statement line
1. Gain on sale of ownership interest in an office complex	\$27	Other	Non-interest income – Gain on disposal of premises and equip.
2. Goods and service tax recoveries	\$26	RBC Banking	Non-interest expense – Other, Other
3. Valuation allowance on mortgage loans	\$(33)	RBC Banking	Non-interest expense – Other, Other
4. Losses on equity-linked notes	\$(23)	RBC Capital Markets	Net Interest income

6

US GAAP



## Financial overview

### *Impact of CAD vs. USD change*

C\$ millions

FX impact on:	Q2/04 vs. Q1/04*	Q2/04 vs. Q2/03*	6 mos'04 vs. 6 mos'03*
Total revenues	↑ 35	↓ 130	↓ 370
Non-interest expense	↑ 25	↓ 85	↓ 250
Net income	↑ 5	↓ 20	↓ 40
EPS - diluted (\$/share)	↑ \$0.01	↓ \$0.03	↓ \$0.06

Value of C\$1.00 in USD	Q2/04	Q1/04	Q2/03
Average	\$0.7467	\$0.7653	\$0.6843
Closing	\$0.7288	\$0.7548	\$0.6976

\* Translating USD denominated results using a Q2/04 CAD/USD exchange rate compared to the exchange rates for Q1/04 and Q2/03 and 6 mos'03, respectively

7

US GAAP



## Financial overview

### *Reconciliation of U.S. & Cdn. GAAP EPS*

C\$ per share	Q2/04	Q1/04	Q2/03	6 months	
				2004	2003
<b>U.S. GAAP EPS - diluted</b>	<b>\$1.16</b>	<b>\$1.19</b>	<b>\$0.99</b>	<b>\$2.34</b>	<b>\$2.10</b>
Insurance accounting	(0.01)	(0.01)	-	(0.02)	(0.01)
Derivatives/hedging activities	(0.02)	-	0.02	(0.02)	0.04
Cost of stock apprec. rights	-	-	(0.01)	-	(0.01)
Other	0.01	-	-	0.03	0.01
<b>Cdn. GAAP EPS - diluted</b>	<b>\$1.14</b>	<b>\$1.18</b>	<b>\$1.00</b>	<b>\$2.33</b>	<b>\$2.13</b>
<b>U.S. GAAP EPS less Cdn. GAAP EPS</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$(0.01)</b>	<b>\$0.01</b>	<b>\$(0.03)</b>

8



## Financial overview

### Performance vs. objectives – 2004

	Objectives for 2004	Performance 6 mos. '04
<b>Profitability measures</b>		
EPS growth – diluted	10-15%	11%
ROE	17-19%	17.7%
Revenue growth	5-8%	2% *
Expense growth	< revenue growth	9% **
Allocated specific PCL/avg. loans, accept. & reverse repos	0.35-0.45%	0.25%
<b>Capital ratios (OSFI)</b>		
Tier 1 capital	maintain strong capital ratios	9.3%
Total capital		12.9%
Dividend payout ratio	40-50%	41%

\* Revenue growth was 6% excluding impact of CAD/USD exchange rate change (see chart 37)

\*\* Expense growth was 14% excluding impact of CAD/USD exchange rate change. Includes Q1/04 costs of settlement with Rabobank, net of a related reduction in compensation expenses



## Business segment results

### Second quarter 2004

C\$ millions	Net income	Net income growth*	ROE
<b>RBC Banking</b>	\$ 344	(1)%	20.1%
<b>RBC Investments</b>	140	103	22.3
<b>RBC Insurance</b>	65	16	27.0
<b>RBC Capital Markets</b>	179	85	21.0
<b>RBC Global Services</b>	56	51	35.6
<b>Other**</b>	(10)	n.m.	(1.4)
<b>Total</b>	\$ 774	12%	17.3%

\* Growth vs. Q2/03

\*\* Reflects item 1 on slide 6

Note: ROE and average common equity for the segments are discussed on chart 63



## Business segment results

First half 2004

C\$ millions	Net income	Net income growth*	ROE
<b>RBC Banking</b>	\$ 773	2%	22.3%
<b>RBC Investments</b>	280	62	21.8
<b>RBC Insurance</b>	126	15	25.4
<b>RBC Capital Markets</b>	329	54	19.0
<b>RBC Global Services</b>	113	33	36.1
<b>Other**</b>	(54)	(147)	(3.8)
<b>Total</b>	<b>\$ 1,567</b>	<b>8%</b>	<b>17.7%</b>

\* Growth vs. 6 mos' 03

\*\* Reflects item 1 on slide 6

Note: ROE and average common equity for the segments are discussed on chart 63

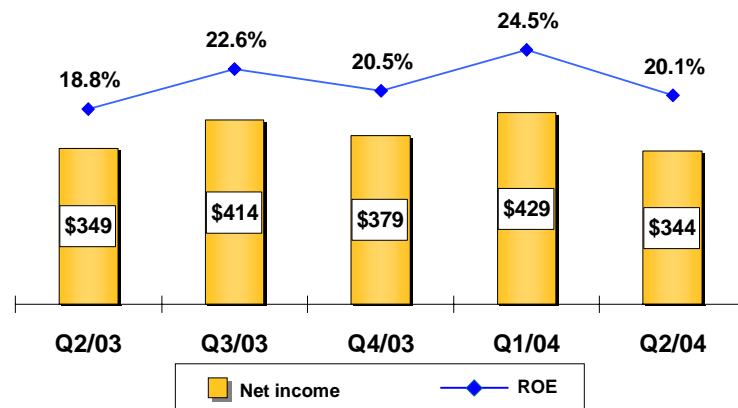
11

US GAAP



## RBC Banking

**Net income and ROE**  
(C\$ millions, except percentage amounts)



Note: ROE for the segments is discussed on chart 63

12

US GAAP



## Business segment results

### RBC Banking

C\$ millions	Q2/04	Q2/04 vs.		6 mos. 04	6 mos.04 vs. 6 mos.03
		Q1/04	Q2/03		
Total revenues	\$ 1,884	1%	1%	\$ 3,753	(2)%
Non-interest expense	1,204	4	4	2,357	1
Specific provision	152	8	(4)	293	2
General provision	-	n.m.	n.m.	(76)	n.m.
Total provision for credit losses	152	134	(4)	217	(25)
Net income	344	(20)%	(1)%	773	2%
Return on common equity	20.1%	↓ 440bp	↑ 130bp	22.3%	↑ 210bp
Average common equity	\$ 6,900	(1)%	(7)%	\$ 6,950	(7)%
Efficiency ratio	63.9%	↑ 220 bp	↑ 220 bp	62.8%	↑ 190bp

See chart 33 for U.S. net income contribution

Note: ROE and average common equity for the segments are discussed on chart 63

13

US GAAP



## Business segment results

### RBC Banking – Domestic highlights\*

- Earnings up \$53 million or 18%, largely reflecting solid revenue growth and lower income taxes
- Revenues up \$90 million or 6% due to higher loan and deposit volumes, FX, credit card and mutual fund revenues\*\*

	Q2/04 vs. Q2/03	
Revenues	↑ 6%	<b>Domestic volume growth:</b> Res. mortgages ↑ 10% Personal lending ↑ 12% Credit cards ↑ 16% Business lending*** ↑ 5% Personal deposits ↑ 5% Business deposits*** ↑ 11%
Net interest income	↑ 4%	
Non-interest income	↑ 12%	

- Non-interest expense up \$33 million or 4%

\* Growth vs. Q2/03

\*\* Mutual fund revenues are shared between RBC Banking and RBC Investments

\*\*\* Excludes Commercial

14

US GAAP



## Business segment results

### RBC Banking - market shares

Market share among all financial institutions in Canada

	Rank*	Feb-04	Market share		
		vs. Feb-03	Feb-04	Nov-03	Feb-03
<b>Total deposits**:</b>	#1	↓ 17 bp	12.51%	12.56%	12.68%
<i>Personal deposits</i>		↓ 9 bp	14.99%	15.00%	15.08%
<i>Mutual funds</i>		↑ 34 bp	9.41%	9.41%	9.07%
<b>Residential mortgages</b>	#1	↑ 21 bp	14.98%	14.96%	14.77%
<b>Personal loans &amp; credit cards</b>	#2	↑ 39 bp	13.37%	13.15%	12.98%
<b>Business deposits***</b>	#1	↑ 1 bp	19.97%	20.11%	19.96%

\* Market share rank among all financial institutions in Canada, at February 29, 2004

\*\* Consists of personal deposits and mutual funds

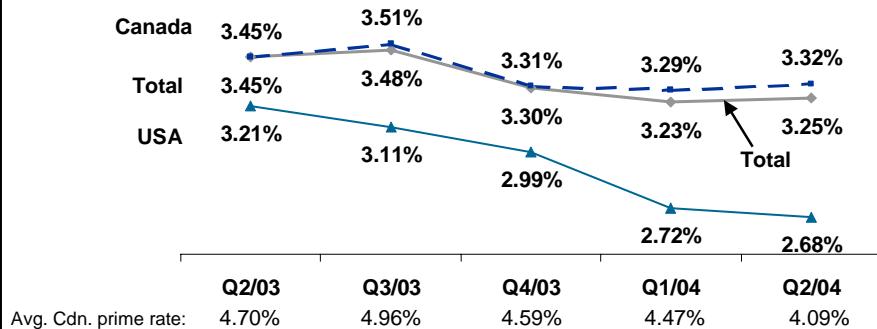
\*\*\* Market share of all banks (excluding other FI's)

15



## Business segment results

### Net interest margin\* - RBC Banking



#### Q2/04 vs. Q2/03 ↓ 20 bps

Total margin decreased due to:

- Spread compression on deposits in Canada
- Lower returns from RBC Centura's investment portfolio

#### Q2/04 vs. Q1/04 ↑ 2 bps

Total margin increased due to:

- Lower net mortgage breakage costs in Canada, partially offset by spread compression on deposits

\* Net interest income as a percentage of average assets

16

US GAAP



## Business segment results

### *RBC Banking – U.S. highlights*

	Q2/04	Q1/04	Q2/03
<b>Net income (C\$ millions)</b>	\$(17)	\$6	\$39
<b>Net income (US\$ millions)</b>	\$(13)	\$4	\$27

- The second quarter included an C\$18 million net loss, primarily due to the recognition of a C\$33 million valuation allowance against certain mortgage loans that are believed to have been fraudulently originated in 2001 and 2002. The valuation allowance is based on an estimate of the realizable value of the underlying real estate. Although an insurance claim has been filed regarding this matter, no benefit from this claim has been reflected in the financial statements at this time due to uncertainty surrounding the timing and final amount of recovery.
- Q1/04 net income included a C\$21 million after tax gain on the sale of RBC Centura's merchant acquiring card portfolio.



## Business segment results

### *U.S. Banking revenues*

(C\$ millions)	Revenues		
	Q2/04	Q1/04	Q2/03
RBC Mortgage	\$ 66	\$ 36	\$ 76
RBC Centura	<u>204</u>	<u>226</u>	<u>264</u>
<b>Total U.S. RBC Banking</b>	<b>270</b>	<b>262</b>	<b>340</b>

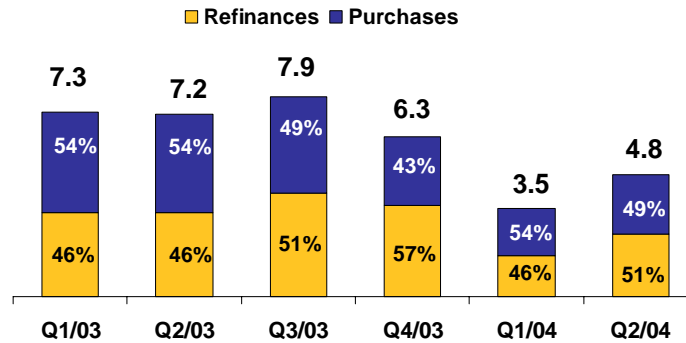
- U.S. revenues increased \$8 million from previous quarter
- Q1/04 revenue included gain on sale of RBC Centura's merchant acquiring card portfolio (\$35 million pre-tax)



## Business segment results

### Mortgage Origination Volumes (US\$ billions)

### *RBC Mortgage*



- Originations increased \$1.3B over the previous quarter, but are down over the same quarter last year when the industry experienced a record refinance boom
- RBC Mortgage is focusing on increasing the percent of Purchase business to stabilize earnings in a rising interest rate environment



## Business segment results

### *Change in RBC Mortgage revenues*

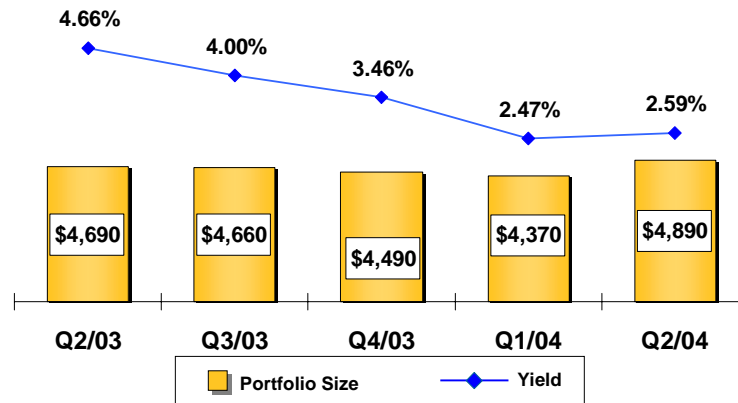
(C\$ millions)	Q2/04 vs.	
	Q1/04	Q2/03
<b>RBC Mortgage revenues</b>	\$ 30 83%	\$ (10) (13)%
Variance due to:		
Volumes and margin	25	(34)
Additional hedging costs	3	(8)
Sterling Capital Mortgage acquisition and other	-	37
<b>Total</b>	<b>28</b>	<b>(5)</b>
FX Impact	2	(5)
<b>Total Impact</b>	<b>\$ 30</b>	<b>\$ (10)</b>



## Business segment results

### RBC Centura

Investment Portfolio size and yield  
(US\$ millions)



## Business segment results

### Change in RBC Centura revenues

(C\$ millions)	Q2/04 vs.	
	Q1/04	Q2/03
<b>RBC Centura revenue</b>	<b>\$ (22) (10)%</b>	<b>\$ (60) (23)%</b>
Variance due to:		
Loan and deposit volumes	6	13
Net interest income on investment portfolio	5	(27)
Q1/04 gain on sale of merchant acquiring portfolio	(35)	-
Q2/03 investment securities gains	-	(18)
Q1/04 write-down of miscellaneous assets and other	(3)	(8)
<b>Total</b>	<b>(27)</b>	<b>(40)</b>
FX Impact	5	(20)
<b>Total Impact</b>	<b>\$ (22)</b>	<b>\$ (60)</b>



## Business segment results

### *Progress on improving U.S. Banking Performance*

#### RBC Centura:

- Growing revenues:
  - 17 *De novo* branches opened so far this year, with volumes tracking ahead of goals
  - strong organic growth in consumer and business loans and deposits
  - new product and service offerings gaining traction (i.e. RBC Snowbird package, Professionals and Executives)
  - investment portfolio yield improved in Q2
- Continuing cost reduction initiatives

#### RBC Mortgage:

- Good progress in clearing mortgage backlog – US\$280 million as of April 30, 2004
- Implementing new loan origination technology
- Pricing and Branch Manager compensation model changes in place to improve margins
- Recruiting new loan officers in high potential markets and eliminating weak performers

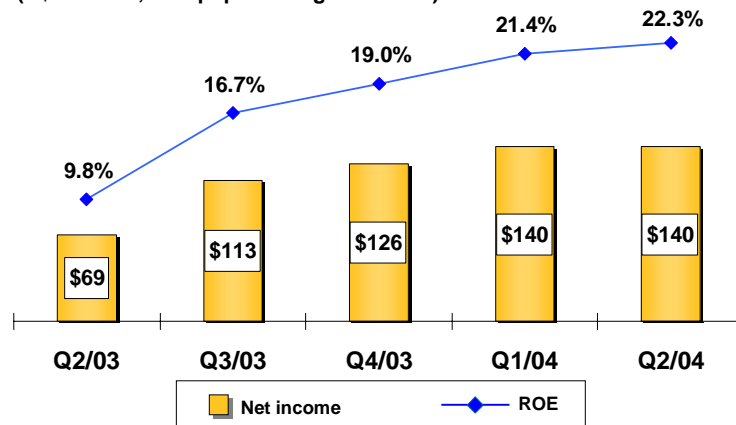
23



## RBC Investments

### Net income and ROE

(C\$ millions, except percentage amounts)



Note: ROE for the segments is discussed on chart 63

24

US GAAP



## Business segment results

### *RBC Investments*

C\$ millions	Q2/04	Q2/04 vs.		6 mos.04	6 mos.04 vs. 6 mos.03
		Q1/04	Q2/03		
Total revenues	\$ 981	6%	18%	\$ 1,910	12%
Non-interest expense	772	6	6	1,500	3
Provision for credit losses	1	-	n.m.	2	n.m.
Net income	140	-	103	280	62
Return on common equity	22.3%	↑ 90bp	↑ 1,250 bp	21.8%	↑ 950bp
Average common equity	\$ 2,500	(2)%	(7)%	\$ 2,550	(6)%

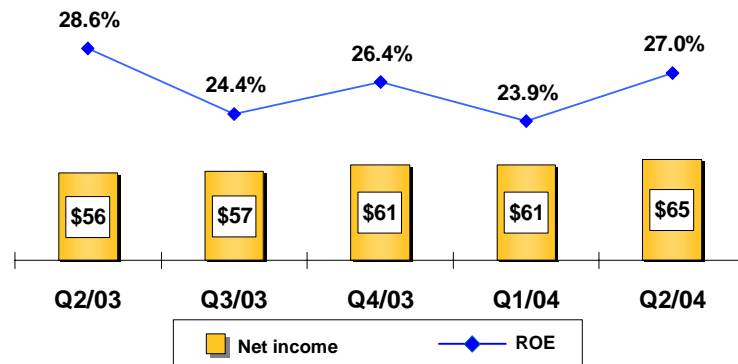
See chart 33 for U.S. net income contribution

Note: ROE and average common equity for the segments are discussed on chart 63



## RBC Insurance

### Net income and ROE (C\$ millions, except percentage amounts)



Note: ROE for the segments is discussed on chart 63



## Business segment results

### RBC Insurance

C\$ millions	Q2/04	Q2/04 vs.		6 mos.04	6 mos.04 vs. 6 mos.03
		Q1/04	Q2/03		
Insurance premiums, investment & fee income	\$ 516	4%	11%	\$ 1,014	2%
Ins. policyholder benefits, claims & acq. expense	343	4	10	673	(1)
Non-interest expense	105	(2)	7	212	7
Net income	65	7	16	126	15
Return on common equity	27.0%	↑ 310 bp	↓ 160 bp	25.4%	↓ 230bp
Average common equity	\$ 950	(5) %	19 %	1,000	25%
Premiums & deposits	\$ 633	12%	32%	\$ 1,198	18%

See chart 33 for U.S. net income contribution

Note: ROE and average common equity for the segments are discussed on chart 63

27

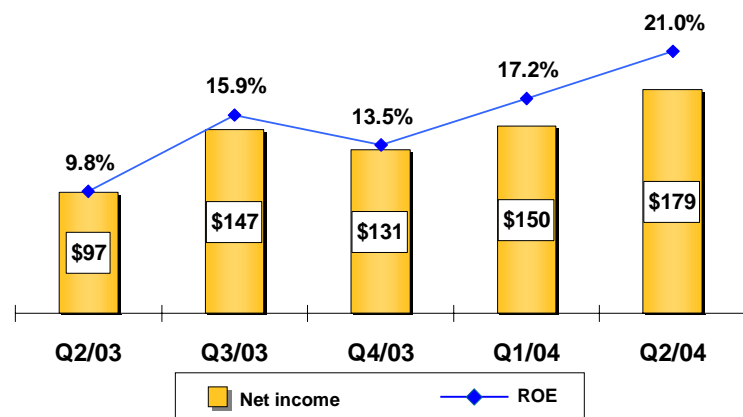
US GAAP



## RBC Capital Markets

### Net income and ROE

(C\$ millions, except percentage amounts)



Note: ROE for the segments is discussed on chart 63

28

US GAAP



## Business segment results

### *RBC Capital Markets*

C\$ millions	Q2/04	Q2/04 vs.		6 mos.04	6 mos.04 vs.
		Q1/04	Q2/03		6 mos.03
Total revenues	\$ 733	(1)%	19%	\$ 1,471	13%
Non-interest expense	486	(23)	23	1,121	37
Specific provision	13	n.m.	(78)	3	(98)
General provision	-	n.m.	n.m.	(60)	n.m.
Total provision for credit losses	13	n.m.	(78)	(57)	(142)
Net income	179	19%	85%	329	54
Return on common equity	21.0%	↑ 380bp	↑ 1,120bp	19.0%	↑ 850bp
Average common equity	\$ 3,450	-	(13)%	\$ 3,450	(13)%

See chart 33 for U.S. net income contribution

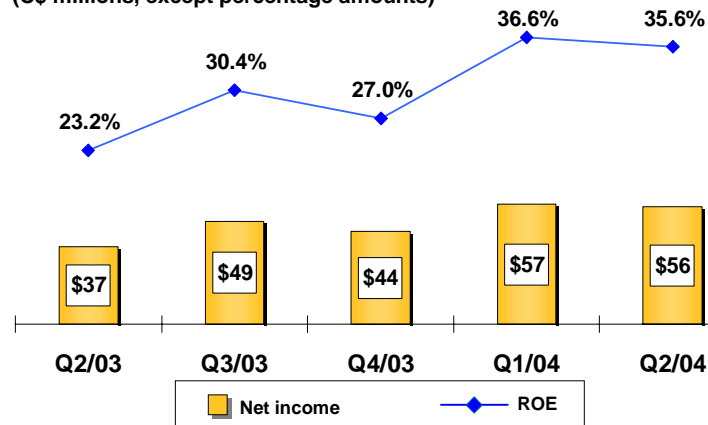
Note: ROE and average common equity for the segments are discussed on chart 63



## RBC Global Services

### Net income and ROE

(C\$ millions, except percentage amounts)



Note: ROE for the segments is discussed on chart 63



## Business segment results

### *RBC Global Services*

C\$ millions	Q2/04	Q2/04 vs.		6 mos.04	6 mos.04 vs. 6 mos.03
		Q1/04	Q2/03		
Total revenues	\$ 229	4%	16%	\$ 449	10%
Non-interest expense	154	(1)	8	309	8
Specific provision	(3)	n.m.	n.m.	(3)	n.m.
General provision	-	n.m.	n.m.	(14)	n.m.
Total provision for credit losses	(3)	n.m.	n.m.	(17)	n.m.
Net income	56	(2)%	51%	113	33%
Return on common equity	35.6%	↓ 100bp	↑ 1,240 bp	36.1%	↑ 940bp
Average common equity	\$ 650	8 %	-	\$ 600	(8)%

See chart 33 for U.S. net income contribution

Note: ROE and average common equity for the segments are discussed on chart 63

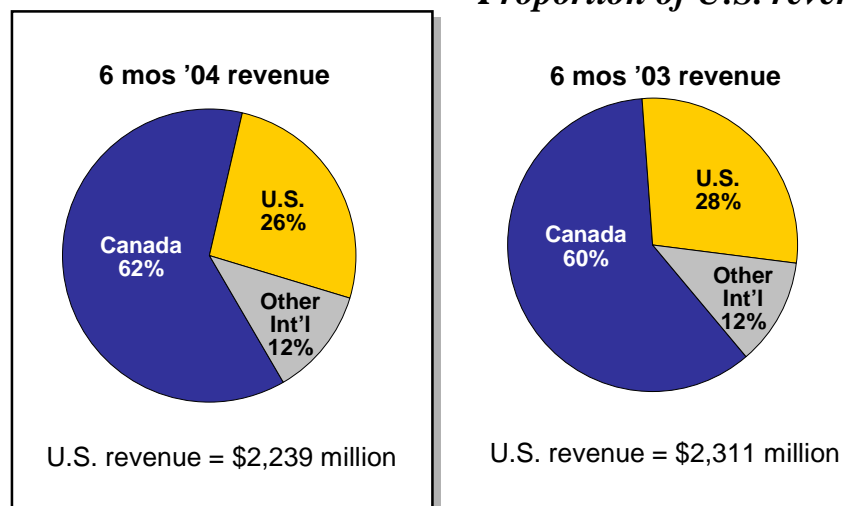
31

US GAAP



## Expansion outside Canada

### *Proportion of U.S. revenue*



32

US GAAP



## Contributions from U.S.

C\$ millions	Net income				
	Q2/04	Q1/04	Q2/03	6 mos'04	6 mos'03
<b>RBC Banking *</b>	(17)	6	39	(11)	99
<b>RBC Investments</b>	30	32	9	62	22
<b>RBC Insurance</b>	(2)	6	7	4	13
<b>RBC Capital Markets**</b>	59	(71)	25	(12)	49
<b>RBC Global Services</b>	2	4	1	6	3
<b>Other</b>	(3)	(10)	-	(13)	-
<b>Total U.S.</b>	<b>69</b>	<b>(33)</b>	<b>81</b>	<b>36</b>	<b>186</b>

\* Q2/04 includes recognized valuation allowance related to certain mortgage loans (See slide 17)

\*\* Q1/04 Includes expense of Rabobank settlement before the reduction in compensation expenses

33

US GAAP



## Retention compensation costs

*Further reductions in the second quarter*

C\$ millions

	Q2/04		Q1/04		Q4/03		Q3/03		Q2/03	
	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax
RBCInv*	9	6	10	6	16	10	13	8	15	9
RBCCM	-	-	3	2	5	3	2	1	3	2
<b>Total</b>	<b>9</b>	<b>6</b>	<b>13</b>	<b>8</b>	<b>21</b>	<b>13</b>	<b>15</b>	<b>9</b>	<b>18</b>	<b>11</b>

\* Includes Tucker Anthony Sutro and William R. Hough & Co.

RBCInv = RBC Investments RBCCM = RBC Capital Markets

34



## Retention compensation costs

*Costs to continue to fall in 2004*

C\$ millions

	2001 A		2002 A		2003 A		2004 F*		2005 F*	
	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax	pre-tax	after-tax
RBCInv	88	54	107	66	66	41	36	23	23	14
RBCCM	88	54	51	31	18	11	3	2	-	-
<b>Total</b>	<b>176</b>	<b>108</b>	<b>158</b>	<b>97</b>	<b>84</b>	<b>52</b>	<b>39</b>	<b>25</b>	<b>23</b>	<b>14</b>

\* Forecast. Immaterial in 2006 and beyond

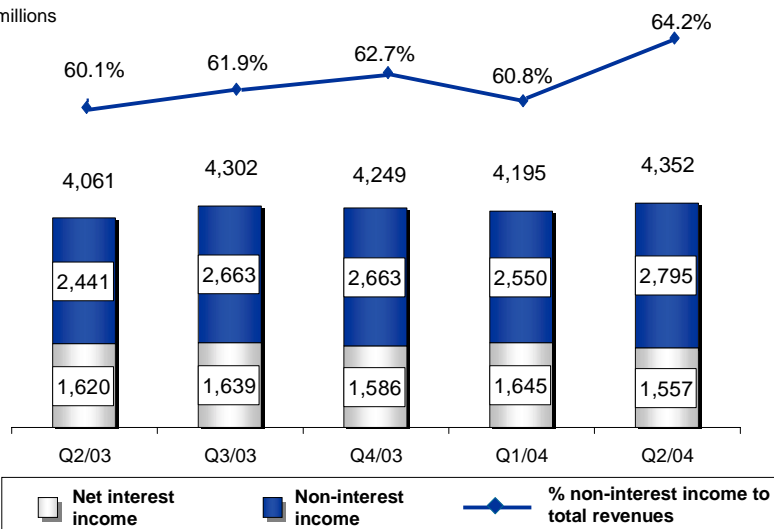
RBCInv = RBC Investments RBCCM = RBC Capital Markets

35



## Total revenues

C\$ millions



36

US GAAP



## Total revenues

### Impact of strengthening CAD on revenues

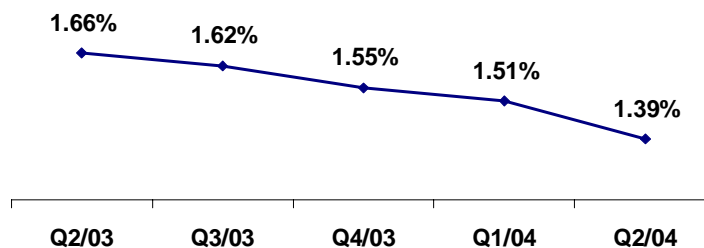
C\$ millions	Q2/04 vs.				6 mos'04 vs.	
	Q1/04		Q2/03		6 mos'03	
<b>Change in total revenues</b>	\$ 157	4%	\$ 291	7%	\$ 151	2%
Impact of C\$ vs. US\$*	(35)		130		370	
<b>Change in total revenues excluding above factor</b>	\$ 122	3%	\$ 421	10%	521	6%

\* Translating USD denominated results using Q2/04 CAD/USD exchange rates compared to the exchange rate for Q1/04 and Q2/03



## Total revenues

### Net interest margin\* - RBC



#### **Q2/04 vs. Q2/03 ↓ 27 bp:**

Margin decreased due to:

- Higher capital markets-related assets that generate non-interest income
- Domestic deposit spread compression in RBC Banking
- Lower margins in Banking USA due to lower returns from RBC Centura's investment portfolio

#### **Q2/04 vs. Q1/04 ↓ 12 bp:**

Margin decreased largely due to:

- Higher capital markets-related assets that generate non-interest income

\* Net interest income as a percentage of average assets



## Total revenues

### Strong growth in non-interest income

C\$ millions	Q2/04 vs.				6 mos'04 vs.	
	Q1/04		Q2/03		6 mos'03	
<b>Non-interest income growth</b>	\$ 245	10%	\$ 354	15%	\$ 280	6%
<b>Due to:</b>						
Securities brokerage commissions	\$ 18	5%	\$ 111	44%	\$ 188	36%
Underwriting & other advisory fees	52	29	90	63	141	52
Mutual fund revenues	12	6	53	33	86	26
Insurance premiums, investment & fee income	18	4	50	11	22	2
FX revenues other than trading	39	53	49	78	56	43
Investment management and custodial fees	20	7	45	16	67	12
Securitization	(7)	(11)	15	37	44	59
Card service revenues	-	-	9	14	8	6
Mortgage banking	44	n.m.	(13)	(22)	(81)	(63)
Securities gains	11	157	(29)	(62)	8	47
Trading revenues	(11)	(2)	(51)	(11)	(154)	(15)
Other	49	14	25	6	(105)	(12)
	<b>39</b>				<b>US GAAP</b>	



## Non-interest expense

### Change in NIE due to higher variable compensation and pension costs

C\$ millions	Q2/04	Q1/04	Q2/03	6 mos'04	6 mos'03
Non-interest expense	\$ 2,729	\$ 2,781	\$ 2,514	\$ 5,510	\$ 5,073
Change - Q2/04 and Q2 YTD vs prior periods		(2)%	9%		9%
<b>NIE Includes:</b>					
• Variable compensation costs	\$ 606	\$ 546	\$ 479	\$ 1,152	\$ 990
• Retention compensation expense*	9	13	18	22	48
• Stock compensation expense					
- Stock Appreciation Rights**	(1)	1	8	-	12
- Performance-deferred stock plan	19	14	9	33	13
- Stock options	3	2	1	5	2
• Pension expense	83	85	60	168	119

\* Related to the acquisitions of Dain Rauscher, Dain Rauscher Wessels, Tucker Anthony Sutro and William R. Hough & Co.

\*\* Under Cdn. GAAP, the cost of stock appreciation rights was \$(5) million in Q2/04, nil in Q1/04 and \$15 million in Q2/03. Since Q2/02, under U.S. GAAP, the expense is based on an estimate of 40% of all participants exercising stock appreciation rights and 60% exercising options (based on past experience). Under Canadian GAAP, the expense must be based on 100% of all participants exercising their stock appreciation rights



## Non-interest expense

C\$ millions

	Q2/04 vs.				6 mos'04 vs	
	Q1/04		Q2/03		6 mos'03	
<b>Non-interest expense growth</b>	\$ (52)	(2)%	\$ 215	9%	\$ 437	9%
<b>Due to:</b>						
Human resources	\$ 55	3%	\$ 165	11%	\$ 202	6%
Occupancy	8	4	8	4	3	1
Equipment	3	1	2	1	17	4
Communications	27	18	(16)	(8)	(44)	(12)
Professional fees	27	28	18	17	2	1
Amortization of goodwill and intangibles	5	31	1	5	(2)	(5)
Outsourced item processing	10	14	3	4	(2)	(1)
Other*	(187)	(48)	34	20	261	77

\* Q1/04 amount includes costs related to Rabobank settlement, before the reduction in related human resource compensation costs

41

US GAAP



## Solid balance sheet

### *Impact of FIN46R\* (Consolidation of VIEs) on loans* VIE amounts consolidated into balance sheet

C\$ millions

	Q2/04	Q1/04
Personal loans	\$ 3,198	\$ 3,205
Credit cards	822	822
<b>Total consumer loans</b>	<b>\$ 4,020</b>	<b>\$ 4,027</b>
Business & government loans	3,425	4,615
<b>Total gross loans</b>	<b>\$ 7,445</b>	<b>\$ 8,642</b>

\* In accordance with FASB FIN 46R - *Consolidation of Variable Interest Entities (VIEs)*, since January 31, 2004, we have included in our balance sheet assets owned by certain multi-seller asset-backed commercial paper conduit programs (multi-sellers) that we administer. We are currently in the process of restructuring these consolidated multi-sellers, which may result in us not having to include their assets in our balance sheet in future periods. We have excluded these multi-seller assets from the respective loan balances on the following slide so as not to overstate the growth in these balances from prior periods.

42

US GAAP



## Solid balance sheet

### *Growth in loan balances before impact of FIN 46R*

C\$ millions	April 30, 2004 vs.			
	January 31, 2004		April 30, 2003	
Residential mortgages*	\$ 1,624	2%	\$ 5,770	8%
Personal loans	1,662	5	3,828	13
Credit cards**	514	10	590	11
<b>Total consumer loans</b>	<b>\$ 3,800</b>	<b>3%</b>	<b>\$ 10,188</b>	<b>9%</b>
Business & government loans***	3,722	6	4,560	8
<b>Total gross loans</b>	<b>\$ 7,522</b>	<b>4%</b>	<b>\$ 14,748</b>	<b>9%</b>
Allowance for loan losses	(107)	(6)	(487)	(22)
<b>Total net loans</b>	<b>\$ 7,629</b>	<b>4%</b>	<b>\$ 15,235</b>	<b>9%</b>

\* Reflects \$1.8 billion of securitizations in Q2/04 and \$5.0 billion of securitizations in the 12 months ended April 30, 2004

\*\* Reflects \$1.0 billion of securitizations in Q4/03 and reversal of prior securitizations of \$0.4 billion in Q2/04 and \$0.1 billion in Q1/04

\*\*\* Reflects \$0.1 billion of securitizations in Q3/03



## Capital strength

### *Maintaining strong capital ratios*

#### Capital ratios (using OSFI guidelines)

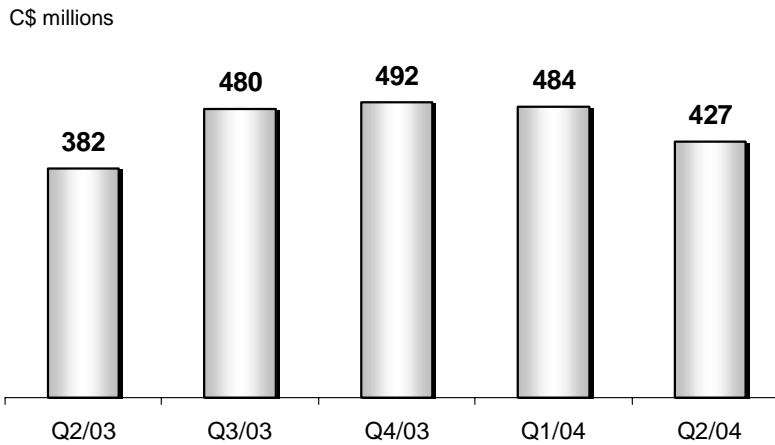
	<u>Q2/04</u>	<u>Q1/04</u>	<u>Q2/03</u>
• Tier 1 ratio:	<b>9.3%</b>	9.3%	9.6%
• Total capital ratio:	<b>12.9%</b>	12.9%	12.8%

#### **Tier 1 capital and Total capital ratios in Q2/04 were reduced 14 bp and 16 bp respectively due to:**

- Our own shares acquired and held by certain employee compensation vehicles for reasons other than cancellation (treasury stock) which reduced our shareholders' equity by \$257 million
- RBC Capital Markets' holdings of Royal Bank of Canada subordinated debentures and RBC TruCS™ were deducted from subordinated debentures (\$32 million) and non-controlling interest in subsidiaries (\$3 million)



## Substantial internal capital generation



45

US GAAP



## Capital strength

### *Share repurchases*

	# of shares	Average price	\$ repurchased
Q2/04	3.8 mm	\$62.81	\$237.5 mm
Q1/04	1.5 mm	\$62.14	\$93.9 mm
2003: under program commenced June 24/03	5.9 mm	\$59.29	\$350.4 mm
Total under program commenced June 24/03	11.2 mm	\$60.86	\$681.8 mm

Current program allows for the repurchase of 25 million shares by June 23, 2004, leaving 13.8 million shares which can still be repurchased

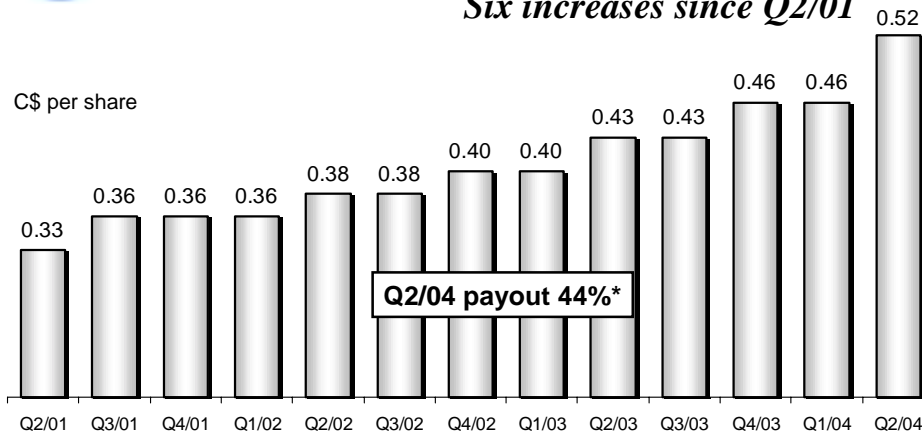
46



## Common share dividends

*Six increases since Q2/01*

C\$ per share



Q2/04 payout 44%\*

- history of uninterrupted dividend payments
- 13% increase over Q1/04

\*US GAAP

47



## Asset quality

### *Highlights*

- Nonaccrual loans down \$158 million from Q1/04, to lowest level since Q1/2000
- Allocated specific PCL ratio of 0.27% continues to be below our medium term goal of 0.35 to 0.45%
- Continue to strategically reduce exposure to challenged sectors from Q1/04 levels
- Continued solid trading performance

48

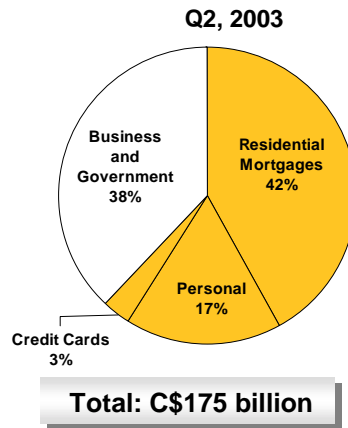
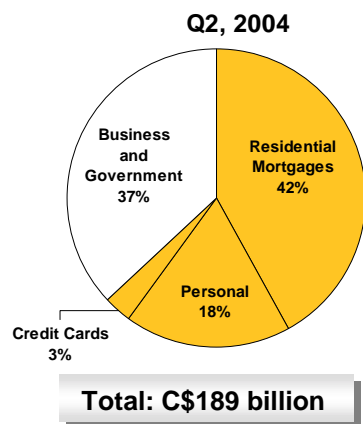
US GAAP



# Asset quality

## Balanced portfolio mix

### Gross loans and acceptances\*



\* Excluding amounts on slide 42

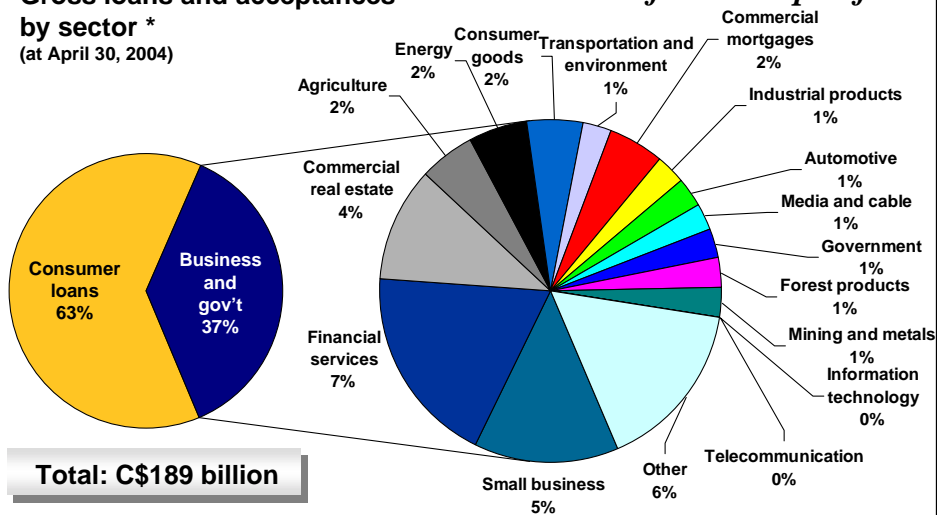


# Asset quality

## Diversified loan portfolio

### Gross loans and acceptances by sector \*

(at April 30, 2004)



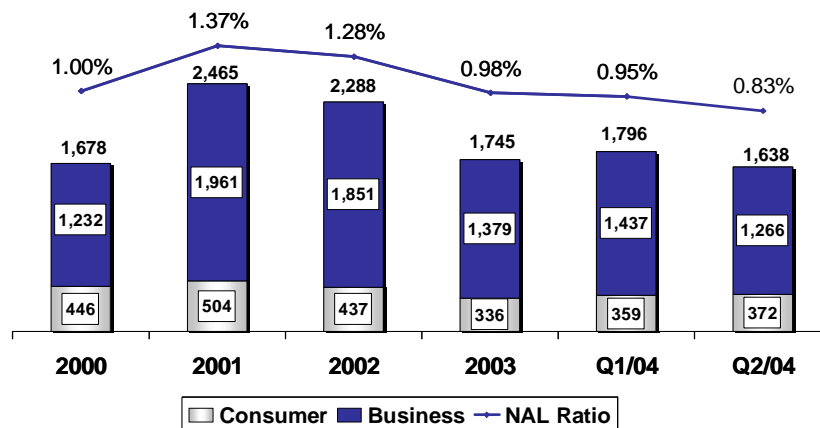
\* Excluding amounts on slide 42



## Asset quality

### Nonaccrual loans and ratio\*

C\$ millions



\* Nonaccrual loans (before deducting allowance for credit losses) as a percentage of average loans and acceptances

51

US GAAP



## Asset quality

### Nonaccrual loans

C\$ millions

	Q2/04	Q2/04 vs.			
		Q1/04		Q2/03	
<b>Nonaccrual loans</b>	<b>\$ 1,638</b>	<b>\$ (158)</b>	<b>(9)%</b>	<b>\$ (525)</b>	<b>(24)%</b>
<b>Comprising:</b>					
Canada - consumer	\$ 310	\$ (5)	(2)%	\$ (33)	(10)%
Canada - business	664	(41)	(6)	(294)	(31)
U.S.A. - consumer	51	21	70	1	2
U.S.A. - business	435	(1)	-	18	4
Other international	178	(132)	(43)	(217)	(55)

52

US GAAP



## Asset quality

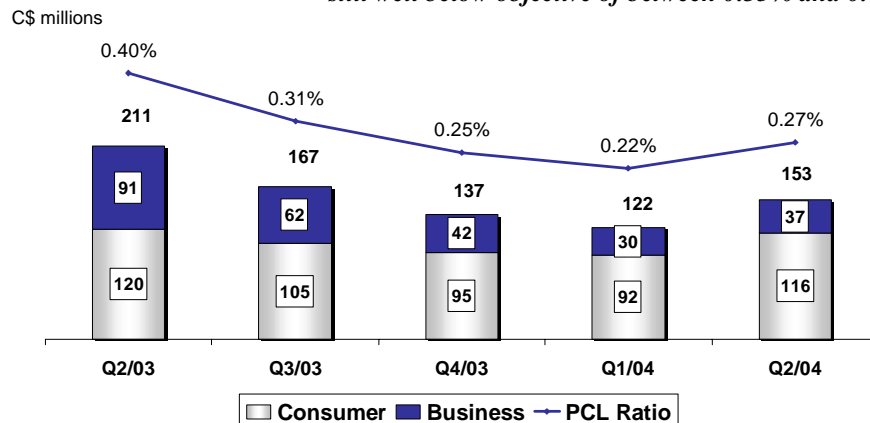
### *Provision for (recovery of) credit losses*

C\$ millions	Q2/04	Q1/04	Q4/03
<b>Allocated specific provision</b>	\$ 153	\$ 122	\$ 211
<b>Allocated and unallocated general provision</b>	-	(150)	-
<b>Total provision for credit losses</b>	153	(28)	211



## Asset quality

### *Allocated specific provision for credit losses and ratio\* still well below objective of between 0.35% and 0.45%*



\* Allocated specific provision for credit losses as a percentage of average loans and acceptances and reverse repurchase agreements

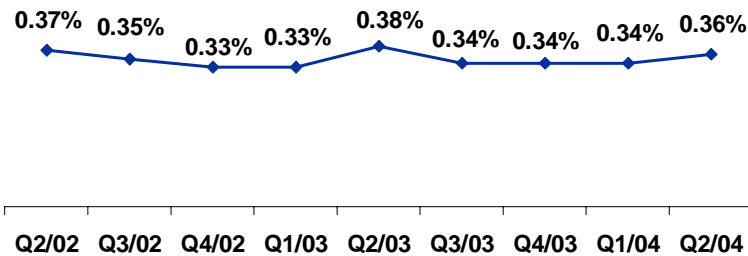


## Asset quality

### *Stable Canadian consumer loan portfolio*

#### Provision for credit losses

% of average balances\*, annualized



\* Total Canadian residential mortgage, personal loan and credit card portfolios. Excludes the student loan portfolio, which has unique portfolio characteristics

55



## Asset quality

### *Details on credit protection portfolio*

C\$ millions, at April 30, 2004

	<u>Bought</u>	<u>Sold</u>
<b>Financial services</b>	\$ 336	\$ 14
<b>Automotive</b>	155	7
<b>Energy</b>	128	25
<b>Mining and Metals</b>	62	14
<b>Transportation &amp; environmental</b>	54	14
<b>Telecommunication and Media</b>	10	52
<b>Health</b>	-	62
<b>Industrial Products</b>	-	69
<b>Consumer Goods</b>	-	318
<b>Other industries</b>	49	271
<b>Total</b>	<u>\$ 794</u>	<u>\$ 846</u>
<b>Investment grade</b>	\$ 745	\$ 846
<b>Non-investment grade</b>	\$ 49	-

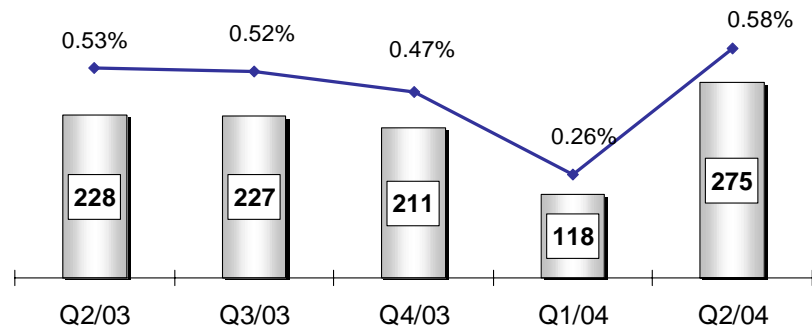
56



## Asset quality

### Net charge-off ratio \*

C\$ millions



\* Net charge-offs as a percentage of average loans and acceptances

57

US GAAP



## Asset quality

### Power generation and distribution loans down 7%

C\$ millions

	Q2/04					Q1/04	
	Inv. grade	Non-inv. grade	Total Loans	Impaired Gross	Impaired Net	Total loans	Net impaired
<b>Regulated power transmission/distrib.</b>	13	-	13	-	-	103	-
<b>Diversified generation</b>	17	8	25	23	21	112	27
<b>Diversified utility</b>	519	135	654	-	-	584	-
<b>Generation projects with Offtake*</b>	95	93	188	-	-	162	-
<b>Merchant generation</b>	-	172	172	167	115	168	111
<b>Total sector</b>	<b>644</b>	<b>408</b>	<b>1,052</b>	<b>190</b>	<b>136</b>	<b>1,129</b>	<b>138</b>

\* Offtake = guarantees, tolling agreements, Power Purchase Agreements and other contractual obligations

58



## Asset quality

### *Telecommunication and cable loans down 20%*

C\$ millions

	Q2/04					Q1/04	
	Inv. grade	Non-inv. grade	Total loans	Impaired Gross	Impaired Net	Total loans	Net impaired
<b>Telecom</b>	102	263	365	10	4	353	8
<b>Cable</b>	27	366	393	73	53	594	53
<b>Total sector</b>	<b>129</b>	<b>629</b>	<b>758</b>	<b>83</b>	<b>57</b>	<b>947</b>	<b>61</b>



## Asset quality

### *Airlines and aerospace loans down 24%*

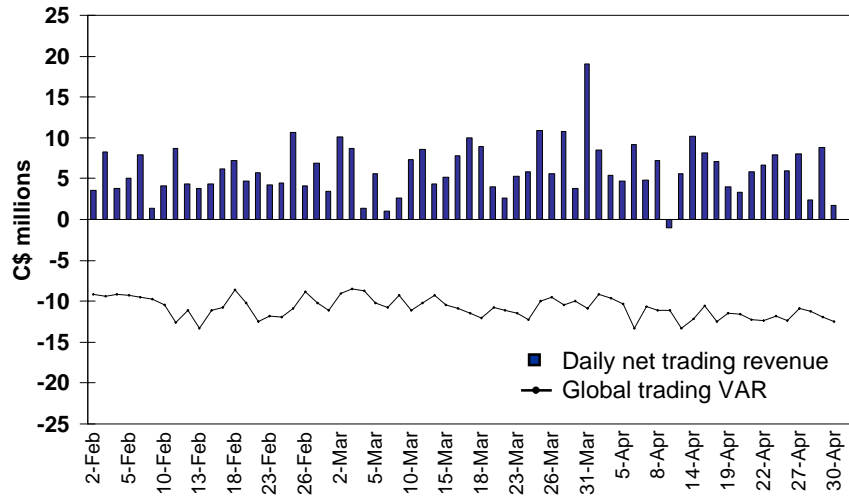
C\$ millions

	Q2/04					Q1/04	
	Inv. grade	Non-inv. grade	Total loans	Impaired Gross	Impaired Net	Total loans	Net impaired
<b>Airlines</b>	150	274	424	38	5	569	7
<b>Aerospace</b>	34	80	114	2	1	136	1
<b>Total sector</b>	<b>184</b>	<b>354</b>	<b>538</b>	<b>40</b>	<b>6</b>	<b>705</b>	<b>8</b>



## Trading revenue performance

*One day of net trading losses in Q2/04*

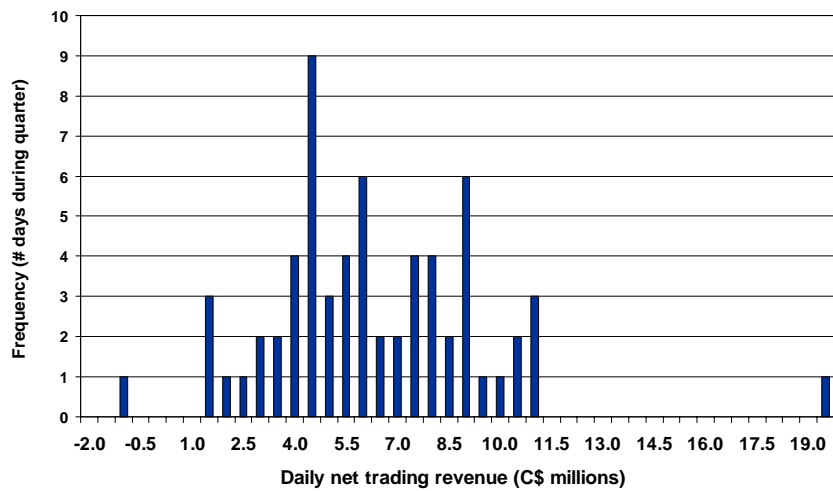


61



## Trading revenue performance

*Distribution of Q2/04 trading revenues*



62



## Explanation of certain terms

**Average common equity:** GAAP does not prescribe a method for allocating equity to business segments. For management and reporting purposes, we attribute common equity to each of our business segments (including the "Other" segment) based on methodologies designed to measure the equity capital necessary to underpin the risks of the businesses in each segment, as discussed on page 54 of our 2003 annual report, under the discussion of "Economic Capital". The capital attribution methodologies involve judgment by management, are revised from time to time, and will impact other measures such as business segment ROE. Average common equity for the segments is calculated using methods intended to approximate the average of the daily balances for the period, while average common equity for RBC is calculated as the average of the month-end balances for the period.

**Return on equity (ROE):** ROE is calculated as net income available to common shareholders, as a percent of average common equity for the period.

**Credit derivatives:** In order to mitigate risk on portions of our portfolio, we enter into credit derivative contracts. We believe that an analysis which nets credit derivative gains and losses (which are recorded in "non-interest income") on accounts in default against provision for credit losses is useful since it reflects the full loss associated with such accounts and management considers such information when evaluating our credit exposures. We also believe that investors may find this information useful in their assessment of our credit quality and risk management.