



ROYAL BANK OF CANADA

Royal Bank of Canada (RY) acquires Prism Financial Corporation (PRFN)

Step Forward in RBC's focussed U.S. Growth Strategy

Highlights for the Investment Community

March 10, 2000

2

Table of contents

	<u>Chart #</u>
Acquisition of Prism Financial	3
What is Prism?	4-7
Significant opportunities and benefits	8-9
Helps fill in "Bricks & Clicks" platform	10-13
Summary of transaction	14
Prism's strategy	15
Prism facts	16
Prism financial highlights	17-18



3

Acquisition of Prism Financial

- RY to acquire Prism Financial Corporation (PRFN) for approximately U.S. \$115 million.
- Prism provides a niche entry into the U.S. residential mortgage origination business and builds upon RY's existing capabilities.
- Prism has a growing on-line capability.
- Prism also has a large experienced salesforce of over 1,100 loan officers and a successful acquisition track record.



4

What is Prism?

- Largely an originator, seller and broker of residential mortgage loans.
- One of the fastest growing mortgage originators in the U.S.
- Eleventh largest retail mortgage originator in the U.S.
- Operates through over 150 branches in more than 25 states.
- An entrepreneurial company with a successful Internet strategy and a strong focus on private labelling their products to leverage recognized brands.



Prism has a history of growth

Prism has achieved strong compound annual growth rates through acquisitions, the Internet and internally between 1996 and 1999 in:

- Total mortgage originations 108%
- # of loans originated 104%
- Total revenue 131%
- Net income (continuing basis) 113%



What is behind Prism's growth?

Internal Growth:

- Hires experienced mortgage professionals
- Has a strong service orientation
- Prices on a highly competitive basis
- Approves loans rapidly
- Enables mobile sales force with technology

Internet Strategy:

- Focuses on alliances and joint ventures
- "Powered by" strategy (private labelling)
- Open Finance model
- Distributes through vertical and horizontal portals

Acquisitions:

- Helps build top-line growth
- Broadens branch network
- Increases the number of loan officers
- Diversifies geographic coverage
- Deepens product line



Strong cost management focus

7

- Aggressive attitude towards costs and productivity, and continues to pursue technological advancements.
- Manages the volatility of the industry by using a variable cost structure with loan officers on a commission-only basis (tied to revenues, not loan volumes).
- 65% of costs are variable.
- Minimizes advertising and marketing expenditures through local customer contact that is led by the salesforce.
- Maximizes marketing effectiveness by using private label alliances to gain access to a broader range of potential customers.
- Leverages a variety of automated tools to lower the time and costs of mortgage loan processing.



Significant opportunities exist with Prism

8

- Sell Security First Network Bank (SFNB) and Bull & Bear products to Prism's customers to generate additional growth and enhance salesforce income.
- Increase Prism's mortgage product breadth in the U.S. by expanding capability to hold products on-balance sheet.
- Lower Prism's on-balance sheet funding costs.
- Leverage SFNB, Bull & Bear and Prism's complementary on-line private label capabilities.
- Prism to continue its acquisition strategy and expand its national presence.

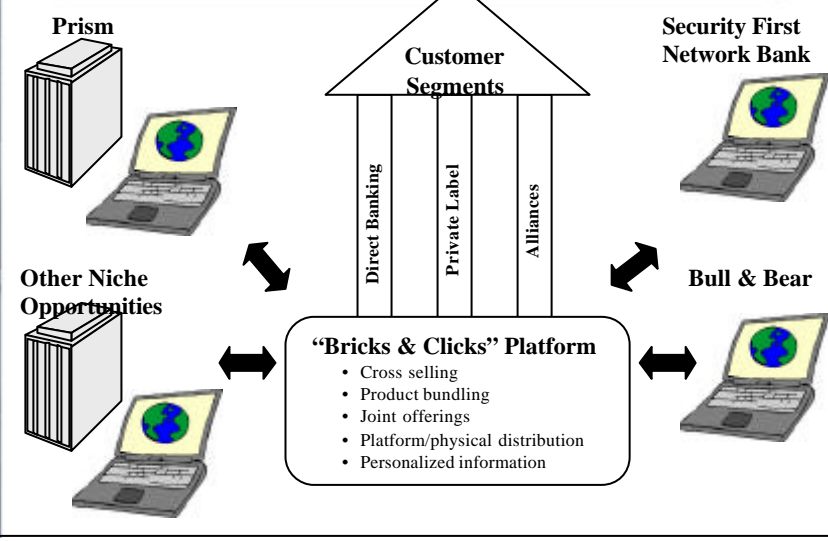




More benefits of the acquisition

- Provide physical storefront access to facilitate account openings for SFNB and Bull & Bear.
- Prism’s mortgage origination and SFNB’s deposit raising capabilities complement each other.
- Takes advantage of a low point in the market cycle to stake out a position to benefit from future growth in a consolidating industry.
- Targeted U.S. expansion in a line of business where RY has expertise.




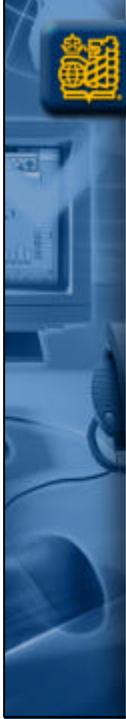
Helps fill in “Bricks & Clicks” platform





Strong and growing on-line presence...

- Not just a “Bricks & Mortar” play.
- Prism’s loan origination volumes from the Internet grew 175% in 1999 to \$336 million from \$122 million in 1998.
- Invested U.S. \$10 million in electronic commerce and Internet-related technology.
- Focus on a variety of on-line alliances:
 - Private label websites with backend fulfillment services for such companies as DLJ Direct, DLJ Investment Services and Buildscape.
 - Comprehensive mortgage services provided to Johnson & Johnson relocating employees, including a private label website on J&J’s intranet.
 - Direct lending relationships with Internet companies including: Microsoft Home Advisor, QuickenMortgage, iQualify, Interloan, Lending Tree, Consumer Financial Network, and E-loan, etc.

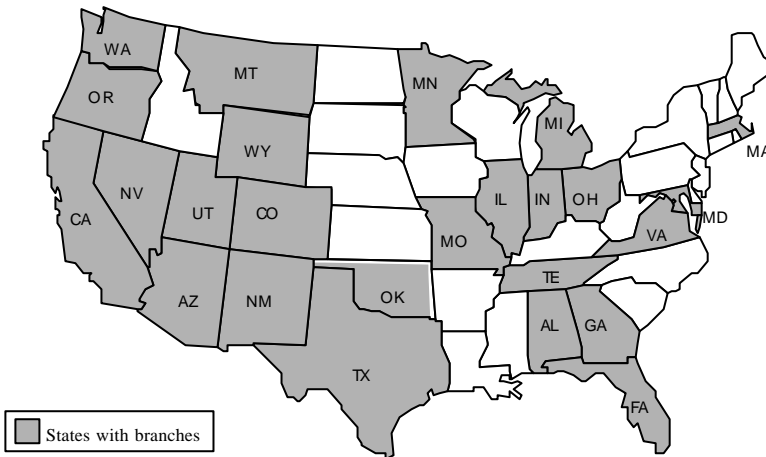


...in the massive U.S. mortgage market

- U.S. \$4.5 trillion in total mortgage debt outstanding with U.S. \$1.2 trillion of originations in 1999.
- Approximately 23% of potential homeowners searched for a home on-line in 1999.
- On-line originations are expected to be 10% of all originations in 2000.
- If current trends continue, on-line originations will account for 25-30% of all new home loans in five years.



Attractive network of branches



Summary of transaction

- Structure – Acquisition of 100% of Prism
- Price per (PRFN) share – U.S. \$7.50
- Total acquisition cost – U.S. \$115MM
- Expected closing – Spring/summer of 2000
- Accounting treatment – Purchase method
- Goodwill on transaction – Approximately U.S. \$73MM, amortized over 15 years
- Purchase price to earnings ratio (trailing) – 11.4x
- Purchase price to book ratio – 2.7x
- Impact on EPS – Accretive in Year 2
- Impact on cash EPS – Accretive in Year 1
- Conditions – Subject to regulatory approval in Canada and the U.S.



Prism's strategy

- **Unique business model** — mortgage banker (underwriting, closing and funding loans) and mortgage broker, selling the loan products of more than 100 wholesale and correspondent lenders.
- **Competitive advantage** with a broad selection of loan products at competitive rates and high levels of service.
- **State-of-the-art technology** to provide fast, efficient service and quick loan approvals.
- **Three-pronged growth strategy:** internal development, execution of selected acquisitions and expansion of its e-commerce relationships and Internet technology.
- **Strong employee orientation:**
 - Commission sales and incentive programs to attract and retain top sales talent, and
 - Hire highly-skilled individuals with experience in mortgage industry.



Prism facts

- **Common stock symbol:** PRFN
- **Listed on:** NASDAQ
- **Initial public offering:** May 1999
- **Website:** www.prismmortgage.com
- **Headquarters:** Chicago, Illinois
- **Founded:** 1992
- **30 day average share price:** U.S. \$4.29
- **52 week high/low share price:** U.S. \$29.50 - U.S. \$3.00
- **Employees:** Over 2,000
- **Loan officers:** Over 1,100
- **C.E.O. & President:** Mark A. Filler

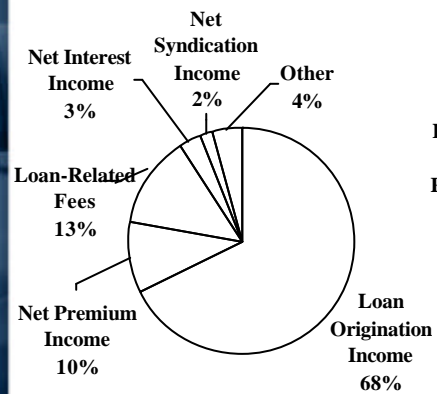
Prism financial highlights

(U.S. \$ millions, except
non-financial numbers)

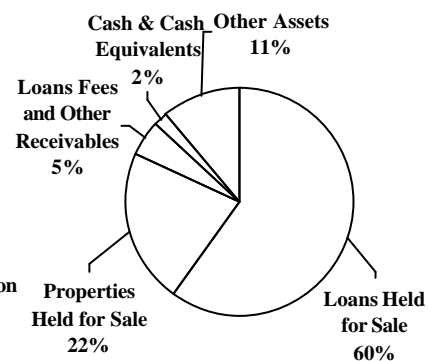
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Total mortgage originations	\$7,669	\$5,025	\$1,469	\$857
Internet mortgage originations	\$336	\$122	\$ -	\$ -
Number of loans originated	46,532	31,943	10,086	5,460
Total shareholders' equity	\$42	\$16	\$3	\$2
Total revenue	\$151	\$86	\$27	\$12
Total expenses	\$142	\$74	\$25	\$11
Net income (continuing basis)	\$10	\$12	\$3	\$1

Revenues and assets — 1999

Revenues
U.S. \$151 million



Assets
U.S. \$333 million





Caution

This presentation may contain forward-looking statements that reflect Prism and Royal Bank's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause future results to differ materially from historical results or those anticipated. The words "believe," "expect," "anticipate," "intend," "estimate," "goals," "would," "could," "should" and other expressions which indicate future events and trends identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, and if no date is provided, then such statements speak only as of today. Neither Prism, nor Royal Bank, undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following factors, as well as those disclosed in each of Prism and Royal Bank's prospectus filed with the Securities and Exchange Commission, could cause future results and business plans to differ materially from historical results and current plans: (1) the level of demand for mortgage credit and ancillary services, which is affected by such external factors as the level of interest rates; (2) the direction of interest rates; (3) the relationship between mortgage interest rates and the cost of funds; (4) federal and state regulation of mortgage banking, Prism's ancillary service operations, and affordable housing and historic tax credits; and (5) competition within the mortgage banking, affordable housing and historic tax credits, and various ancillary service industries.