



## **Royal Bank of Canada (RY) to acquire Admiralty Bancorp, Inc. (NASDAQ: AAAB)**

**Expanding in attractive, high-growth  
Florida market**



August 29, 2002



## **Caution regarding forward-looking statements**

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are found in various places throughout this presentation and include, without limitation, statements concerning the financial conditions, results of operations and businesses of Royal Bank of Canada and Admiralty Bancorp, Inc. and, assuming consummation of the acquisition, a combined RBC Centura Banks, Inc. and Admiralty Bancorp, as well as the expected future financial and operating results and expected timing and benefits of the acquisition. While these forward-looking statements represent our judgments and future expectations concerning the development of our business and the timing and benefits of the acquisition, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, those listed in Royal Bank's 2001 Annual Report, Admiralty Bancorp's 2001 Annual Report, RBC Centura Banks, Inc.'s 2001 Annual Report and Royal Bank's and Admiralty Bancorp's other past and future filings with the US Securities and Exchange Commission (available at <http://www.sec.gov>); the risk that Admiralty Bancorp's shareholders will fail to approve the acquisition; the risk that the RBC Centura Banks, Inc. and Admiralty Bancorp's businesses will not be successfully integrated; the inability to obtain, or meet conditions imposed for, governmental approvals for the acquisition; the risk that anticipated synergies will not be obtained or not obtained within the time anticipated; the risk that competitive pressures among financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; the risk that disruption from the acquisition may make it more difficult to maintain relationships with clients, employees or suppliers; the risk that revenues following the acquisition may be lower than expected; and other key factors, which include, but are not limited to, changes in North American and/or global economic conditions, including fluctuations in currencies, interest rates, securities markets and inflation, regulatory developments, technological changes, and the effects of competition in the geographic and business areas where Royal Bank, RBC Centura and Admiralty Bancorp operate.

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## Table of contents

	<u>Slides</u>
● Strategic rationale	3-6
● Description of Admiralty Bancorp	7-8
● Future plans for Admiralty Bancorp	9
● Transaction summary	10-12
● Appendix	
→ Acquisition details	A1
→ Admiralty Bancorp facts	A2-A3
→ RY facts	A4-A5
→ Required approvals	A6



2



### *Strategic rationale*

## Strategic rationale - highlights

- Consistent with stated growth strategy
  - contiguous expansion of RBC Centura in southeastern U.S. (Florida)
  - manageable-sized transaction (purchase price of US\$150 million)
- Expanding in attractive, high-growth Florida market
  - immediate access to four Metropolitan Statistical Areas (MSAs) identified by RBC Centura as “high priority”\*
  - diversifies U.S. retail network
- Provides base for future growth in Florida



\*“high priority” markets based on public data on financial potential, growth in # of residential addresses and level of banking competition

3

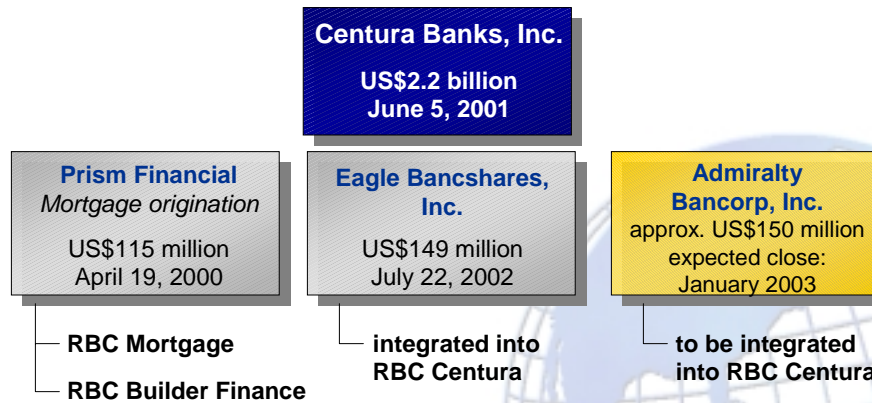


Strategic rationale



# Continues stated U.S. expansion strategy for RBC Banking

## U.S. retail banking acquisitions since April 2000



Strategic rationale

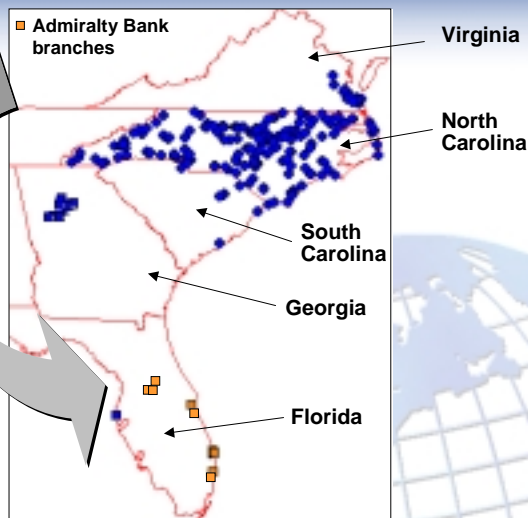


# Expands RBC Centura's distribution in Florida

RBC Centura will have operations in 5 contiguous states in the southeast U.S.

6 current RBC Florida locations:

- Clearwater - retail branch & RBC Mortgage office
- Boca Raton - RBC Mortgage & RBC Builder Finance offices
- Palm Beach - RBC Mortgage office
- Miami - Global Private Banking office



*Strategic rationale*



**Florida is a high-growth and affluent market**

- Population: approx. 16 million → fourth largest state
- Population growth:
  - 3rd largest increase over past 5 years
  - 5th highest projected growth in U.S. (2000 to 2005)
  - projected growth of 6.5 million people by 2025
- Destination point for many Canadian “Snowbirds” (2 million visit Florida each year, about 700,000 for extended stays)
- Orlando, Ft. Lauderdale and West Palm Beach/Boca Raton are 4th, 5th and 6th highest potential MSAs in southeast U.S.\*
- Total deposit growth for Orlando & Boca Raton of 52% and 32%, respectively, since 1997



\* internal rankings based on public data on financial potential, growth in # of residential addresses and level of banking competition

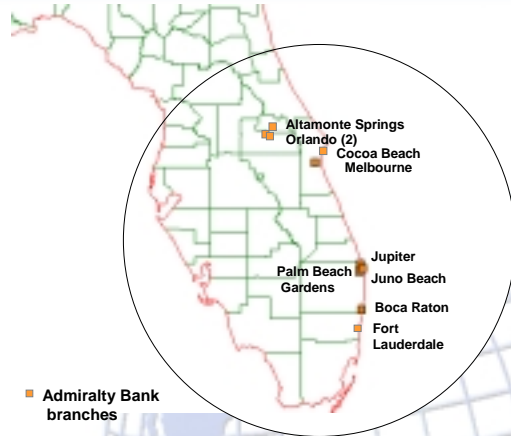


*Description of Admiralty Bancorp*



**Presence in southern and central Florida**

Overview (Jun-02, in US\$)	
Headquarters:	Palm Beach Gardens
Total assets:	\$578 million
Total loans:	\$427 million
Total deposits:	\$527 million
Distribution:	10 branches 11 ATMs
# of accounts:	17,500
Employees:	122



■ Admiralty Bank branches



### *Description of Admiralty Bancorp*



## **Admiralty Bancorp's operations**

- Financial holding company with Florida bank charter; commercial bank subsidiary Admiralty Bank
- Target clients include:
  - professionals, managers of local corporations
  - SMEs\* and their owners/managers
- High-growth, well-run company in attractive markets
  - relationship-based lending model used
  - solid credit quality (net charge-offs 0.26% and nonaccrual loans 0.12% of loans in first 6 months of 2002)
- Bankers with strong local market knowledge committed to staying on to grow business



\*small and medium-sized businesses

8



### *Future plans for Admiralty Bancorp*



## **Future plans for Admiralty Bancorp**

- To be merged with RBC Centura Bank and to operate under the RBC Centura brand name
- Build on Admiralty Bank's strong foundation
  - build out Admiralty Bank's retail and investment product offerings (mortgages, credit cards, mutual funds, etc.), collaborating with U.S. sister companies
  - enhance sales management capabilities, leveraging RBC's proven expertise
  - springboard for de novo branch expansion in other "high priority" Florida markets



9



*Transaction summary*



## Key transaction terms

Purchase price	<ul style="list-style-type: none"><li>→ per share ● US\$26.00</li><li>→ aggregate ● Approximately US\$150 million (fully diluted)</li></ul>
Transaction structure	<ul style="list-style-type: none"><li>● Cash</li><li>● Purchase accounting<ul style="list-style-type: none"><li>→ goodwill of approx. US\$92 million</li><li>→ other intangibles of US\$18 million (amortized over 10 years)</li></ul></li></ul>
Expected closing	● January 2003
Due diligence	● Credit, financial, operational, etc. completed
Required approvals	<ul style="list-style-type: none"><li>● U.S. and Canadian regulatory approvals (see chart A6)</li><li>● Majority of Admiralty Bancorp's stockholders</li></ul>



*Transaction summary*



## EPS accretion in line with stated objectives

- Accretive to diluted EPS in Year 2 and RY's fiscal 2004
- Modest cost savings of 4-5% of Admiralty Bancorp's cost base<sup>1</sup> (<\$1 million)
  - head office and operations very lean
- Modest net revenue synergies mostly from enhanced product/sales efforts and "Snowbirds" (\$2.6 million in 2003 and \$6.1 million in 2004, pre-tax)



<sup>1</sup> six month expenses to June 30, 2002 annualized



*Transaction summary*



## Valuation in line with other deals

	Admiralty Bancorp		Florida bank deal multiples (9 recent transactions) <sup>1</sup>		
	Value	Multiple	High	Low	Mean
Book value per share	US\$8.78 <sup>2</sup>	2.96x	3.91x	1.65x	2.86x
Earnings per share <sup>3</sup>	US\$1.04	25.0x	45.8x	13.5x	26.0x

<sup>1</sup> Florida bank merger transactions with announced values of \$20 million+ since January 1, 2000 (source: SNL Financial)

<sup>2</sup> as at June 30, 2002

<sup>3</sup> based on first 6 months 2002 annualized for Admiralty Bancorp and last 12 months for comparator group



# Appendix



*Appendix: Acquisition details*



## Purchase price details

(US\$ million, except share information)

Expected shares outstanding at close (in millions)	5.3
Purchase price per share	\$26
Purchase price before option take-out	\$138
Take-out of Admiralty Bancorp options (pre-tax)	\$12
<b>Purchase price</b>	<b>\$150</b>
Expected tangible book value of equity	\$46
Expected goodwill and other intangibles <sup>1</sup>	\$103

<sup>1</sup> consists of purchase price (\$150 million) less expected tangible book value (\$46 million) less balance sheet adjustments and pre-closing items of \$1 million (net). Includes core deposit intangibles estimated at \$11 million (net of deferred tax liability) and goodwill of \$92 million.



A1



*Appendix: Admiralty Bancorp facts*



## Admiralty Bancorp facts

Closing price (08/29/02)	US\$23.93
Shares outstanding (06/30/02)	5.3 million
Shares outstanding (expected at close)	5.3 million
Market cap (08/29/02)	US\$127 million
Stock symbol	AAAB
Stock exchange	NASDAQ
Headquarters	Palm Beach Gardens, FL
Branches	10
Website	<a href="http://www.admiraltybank.com">www.admiraltybank.com</a>
SEC filings	<a href="http://www.sec.gov/cgi-bin/srch-edgar?0001066808">http://www.sec.gov/cgi-bin/srch-edgar?0001066808</a>



A2



*Appendix: Admiralty Bancorp facts*



## Admiralty Bancorp financial results

(US\$000s, except for % and earnings per share data)

	<u>Jun-02</u> <sup>1</sup>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Total revenue	\$10,758	\$16,888	\$9,859	\$6,557
Provision for loan losses	\$253	\$2,528	\$1,442	\$525
Total expenses	\$5,889	\$12,030	\$7,448	\$5,396
Net income before-taxes	\$4,616	\$2,330	\$969	\$636
Net income	\$2,912	\$1,424	\$606	\$252
EPS (diluted)	\$0.52	\$0.28	\$0.19	\$0.08
Return on average equity	13.1%	3.7%	2.9%	1.3%
Book value per share	\$8.78	\$8.19	\$7.29	\$6.33
Total assets	\$577,778	\$497,582	\$301,361	\$139,962
Total loans	\$427,206	\$395,301	\$221,010	\$100,857
Total deposits	\$526,899	\$449,144	\$261,315	\$110,273
Total stockholders' equity	46,426	43,286	28,718	19,574
Number of branches	10	10	6	4



<sup>1</sup> six months ended June 30, 2002; fiscal year-end is December 31<sup>st</sup>

A3



*Appendix: RY facts*



## RY Canada's largest & most profitable financial institution

- Market capitalization of US\$24 billion (08/29/02)
- Net income of C\$2,181 million in 2001 was the highest among the Canadian banks (nine months 2002 net income of C\$2,096 million)
- Insurance – #1 Canadian bank-owned insurer, #1 in Canada in travel & creditor insurance
- Transaction processing – #1 in Canada in custody, correspondent banking, payments, trade finance & cash management
- Wealth management – #1 in Canada in full-service brokerage (by assets), private banking and trust businesses, and #1 in mutual funds among Canadian banks (#2 overall)
- Corporate & investment banking – top ranked securities underwriter in Canada for past 12 years and among top M&A advisors in Canada
- Personal & commercial banking – 10 million Canadian individual and business clients and strong positions in all product lines



A4



Appendix: RY facts



## RY financial highlights

Financial highlights<sup>1,2</sup> (US\$ millions, except for EPS)

	9 mos.'02	2001
● Gross revenue	\$7,530	\$9,248
● Net income after-tax	\$1,376	\$1,448
● Earnings per share (diluted)	\$1.95	\$2.10
● Return on common equity	16.7%	15.1%
● Loans	\$113,221	\$114,021
● Assets	\$238,301	\$228,219

### Business segments – 9 mos.'02

Segment	NIAT	ROE
Personal & commercial banking	\$727	19.1%
Insurance	\$ 88	25.4%
Wealth management	\$159	10.7%
Corporate & investment banking	\$218	10.9%
Transaction processing	\$ 82	28.4%



<sup>1</sup> C\$1 = US\$0.6495 for 12 months ended 10/31/01 and C\$1 = US\$0.6355 for 9 months ended 07/31/02; C\$1 = US\$0.6296 at 10/31/01 and C\$1 = US\$0.6312 at 07/31/02  
<sup>2</sup> excluding special items

A5



Appendix: Required approvals



## Required approvals

- In Canada:
  - approval of the Superintendent of Financial Institutions (OSFI)
- In the US:
  - approval of the Federal Reserve Board
  - approvals of the North Carolina Banking Commissioner and the Florida Department of Banking
  - approval of Federal Deposit Insurance Corporation
- Admiralty Bancorp stockholder approval (majority)



A6

