



**ROYAL BANK  
OF CANADA**

**Royal Bank of Canada (RY)  
to acquire  
Dain Rauscher Corp. (DRC)**

**Establishing a U.S. wealth  
management footprint  
and stronger corporate  
& investment banking  
platform in North America**

**Highlights for the  
investment community**

**September 28, 2000**



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# Acquisition of Dain Rauscher (DRC)

## A balanced platform for growth

- RY to acquire Dain Rauscher Corp. (DRC) for U.S. \$95.00 per share (approx. U.S. \$1,456 mm)
- DRC provides RY with a sizeable U.S. customer base and established U.S. capabilities in full-service retail brokerage and investment banking
- DRC provides a recognized U.S. brand name and proven management team in its markets
- RY brings DRC greater critical mass and will provide a solid platform for the combined businesses to grow internally and through future acquisitions

### Wealth management

DRC's established full-service brokerage:

- Provides entry into U.S. wealth management business
- Doubles size of North American full-service brokerage operation
- Represents first step in building a North American wealth management platform
- Provides opportunity for cross-selling RY's banking and Global Private Banking services

### Corporate & investment banking

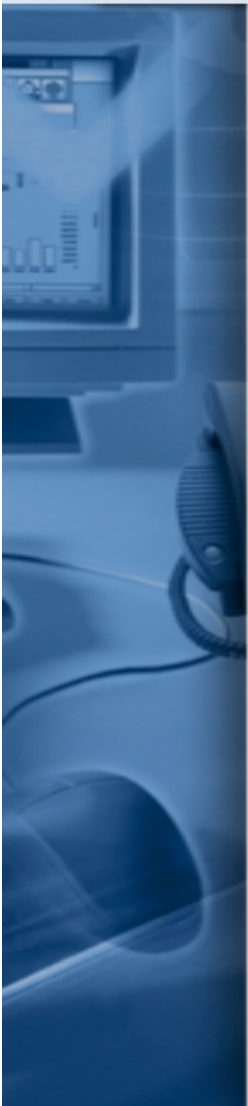
DRC's recognized capital markets business:

- Enhances RBC Dominion Securities' ability to serve domestic clients in U.S. market
- Provides stronger U.S. equity origination & distribution
- Enhances U.S. business in energy and technology sectors and expands focused coverage in healthcare, financial institution and consumer services sectors
- Enables RBC DS to leverage its U.S. capabilities in high yield, corporate banking, M&A, treasury and derivative products across a broader customer base



# Transaction details & impact

## Key transaction terms

- 
- **Purchase price**
    - **Per share** U.S. \$95.00
    - **Aggregate** Approx. U.S. \$1,456 million (fully diluted)<sup>(1)</sup>
  - **Consideration** 100% cash
  - **Accounting treatment** Purchase method
  - **Retention pool** U.S. \$200 million paid out over 3-4 years, based on the performance of RY shares
  - **Break-up agreement** RY granted option to purchase 19.9% of DRC shares
  - **Senior management** Senior management, including Irving Weiser (Chairman & CEO of DRC) and Peter Grant (President & COO of DRC's Equity Capital Markets business), signed up to contracts
  - **Expected closing** By December 31, 2000

(1) Including take-out of DRC options & deferred compensation plan





# Financial summary of transaction

## Purchase price & goodwill

(U.S. \$ million, except per share information)

Shares outstanding in millions	12.9
Purchase price per share	\$95.00
Purchase price	\$1,225
Take-out of DRC options & deferred compensation plan	\$231
<b>Total purchase price</b>	<b>\$1,456</b>
Book value of equity <sup>(1)</sup>	\$509
Goodwill <sup>(2)</sup>	\$947

(1) Estimated at time of closing

(2) Goodwill amortized over 20 years



# Transaction details & impact

## Financial impact

- **Cash EPS** Virtually neutral in Year 1 and accretive thereafter
- **GAAP EPS** Accretive in Year 4 (2004). Low dilution of under 4% in Year 1 and approx. 2% in Years 2 & 3
- **Capital ratios<sup>(1)</sup>**

	<u>Actual 7/31/00</u>	<u>Pro forma 7/31/00</u>
Tier 1 capital ratio	8.5%	7.9%
Total capital ratio	11.5%	11.4%
Tangible common equity/risk-adjusted assets	6.7%	5.9%

### Expected funding

- Common shares - approximately Cdn. \$500 million (U.S. \$330 million), innovative Tier 1 Capital - up to Cdn. \$750 million (U.S. \$500 million), subordinated debentures and senior notes

(1) Represent capital ratios under guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI), calculated based on Canadian GAAP financial information. Pro forma numbers include expected funding mentioned above and risk-adjusted assets of U.S. \$2,860 million for DRC



# Transaction details & impact

## Comparative valuation

<u>Price as a multiple of:</u>	<u>Comparable regional brokerage deals<sup>(1)</sup></u>				
	<u>DRC</u>	<u>High</u>	<u>Low</u>	<u>Mean</u>	<u>Median</u>
Last 12 months net income <sup>(2)</sup>	13.2	20.6	6.8	16.3	16.7
2000E net income <sup>(3)</sup>	13.2	18.5	11.2	15.4	14.8
Book value <sup>(4)</sup>	2.6	4.1	2.0	2.9	2.8

(1) Based on 12 regional transactions since August 1997

(2) Excluding non-recurring gains and charges for DRC and all comparable transactions

(3) Based on I/B/E/S mean estimate of U.S. \$7.17 per DRC share for 2000

(4) Based on DRC Book Value of U.S. \$36.50 per share at June 30, 2000



# Strategic rationale

- DRC is a good fit for RY:
  - Balance between retail/institutional business lines
  - Top 15 ranking or better in each segment
  - Solid earnings and management

	<u>No. of Brokers</u>	<u>Rank</u> <sup>(1)</sup>	<u>Market Cap (\$mm)</u> <sup>(2)</sup>
A.G. Edwards	6,682	6	\$4,224
Prudential Securities	6,398	7	N/A
Edward Jones	6,088	8	N/A
Legg Mason	1,181	13	\$3,456
Dain Rauscher	1,122	14	\$1,039
Raymond James	903	18	\$1,339

(1) Rank based on number of brokers. Source: Securities Industry Association (S.I.A.)

(2) As of September 26, 2000.





# Expansion strategy outside Canada

## Acquisition is consistent with RY's stated strategy

### To expand in the U.S. :

- ✓ “Where we have competitive advantage”
- ✓ “Where we can generate top tier value and growth for our shareholders”
- ✓ “Through combination of acquisitions, alliances and expansion of existing operations”
- ✓ “Looking for manageable bite-sized acquisitions, not block-buster”
- ✓ “Want acquisitions to be cash accretive in 2-3 years”
- ✓ “Want to extend business lines and core competencies”

### Executing strategy through:

- Manageable doubling of existing Canadian brokerage business
- Continued technology & energy focus
- Wealth management
- Segments of investment banking business
- Acquisition of Dain Rauscher
- Manageable purchase - U.S. \$1.5 billion purchase price is approximately 8% of RY market cap
- Manageable build-out potential
- Cash accretive in Year 2 (2002)
- Extension of wealth management and capital markets businesses



# U.S. expansion strategy

RY building an integrated U.S. platform through focused acquisitions

## Personal & Commercial Financial Services

### **SFNB**

*Internet  
Banking*

### **Prism Financial**

*Mortgage  
Origination*

### **Liberty Life & Liberty Insurance Services**

*Insurance*

## Wealth Management

### **Bull & Bear**

*Discount  
Broker*

## Corporate & Investment Banking

### **Teams in:**

- Global equity derivatives
- High yield
- Energy
- Technology & communications

### **Dain Rauscher Corp.**

*Private Client  
Group*

*Equity Capital Markets  
& Fixed Income*

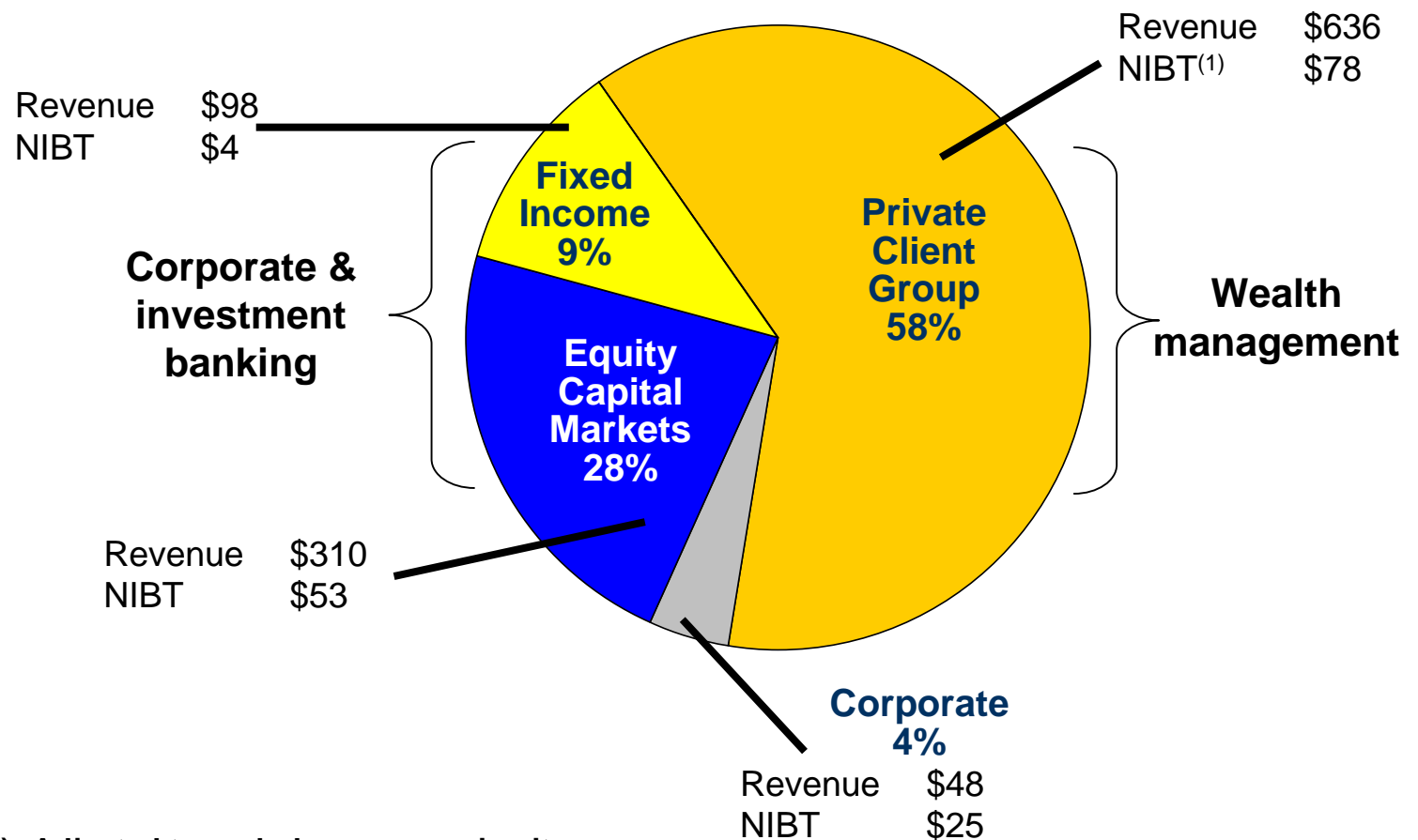
- Each segment is looking at further focused acquisition opportunities to build out the U.S. platform



# Immediate & substantial U.S. capability

Well diversified business

**DRC last 12 months revenue contribution  
(U.S.\$ millions, except for %)**



(1) Adjusted to exclude non-recurring items



# DRC aims to be top performer in core businesses

## Dain Rauscher's strategy

- Minneapolis-based DRC provides :
  - Personal investment services to individual investors and small businesses
  - Investment banking services to corporations and municipalities in the U.S.
  - Trade clearing and settlement services to nonaffiliated broker-dealers throughout the U.S. and abroad
- DRC aspires to be one of the top three performers in each of its chosen businesses:
  - Private Client Group (PCG) – focus on growth through productivity gains, rapid growth of fee-based accounts and technology to enhance client relationships
  - Equity Capital Markets (ECM) – focus on five industry sectors: technology, energy, healthcare, financial services and consumer services
  - Fixed Income (FI) – focus on middle-market issuers, including municipal issuers conducting offerings up to U.S. \$50 million
- Expanding focused European business



# Immediate & substantial U.S. capability

## Dain Rauscher's strong businesses reflect focused strategy

### Private Client Group

- 14th largest U.S. retail brokerage firm based on Investment Executives (1,100+)
- Top three in revenues in 43% of markets where DRC has a private client office
- 83 offices in 21 mostly Western states - many in Minnesota, Washington and Texas
- Assets under administration of U.S. \$68 billion
- Approximately 500,000 active customer accounts in 250,000 households
- Correspondent business for 170 non-affiliated broker-dealers

### Equity Capital Markets

- Recognized research, with 42 analysts covering 420 companies
- #1 in aftermarket performance of common stock offerings in 1999
- Seasoned distribution team and market maker in 400 stocks
- Top 20 domestic equity underwriter in core sectors
- #1 underwriter of energy deals in 1999<sup>(1)</sup>
- #1 underwriter of network technology deals in 1999<sup>(1)</sup>
- #7 underwriter of Internet-related transactions in 1999<sup>(1)</sup>

### Fixed Income

- Focus on bond sales, underwriting, and research services to middle-market investors and issuers
- Largest municipal underwriter of any regional firm; #9 nationally in first half 2000
- #6 in middle market issues in first half 2000<sup>(2)</sup>
- #6 in municipal financial advisory in first half 2000<sup>(2)</sup>
- #3 municipal bond underwriter in education sector for 1999<sup>(2)</sup>
- #5 municipal bond underwriter in transportation sector for 1999<sup>(2)</sup>

**(1) Based on number of transactions**

**(2) Based on principal amounts**





# Wealth management

## Doubles size of existing RY Private Client Division (PCD)

	<u><b>RY - PCD<sup>(1)</sup></b></u>	<u><b>DRC - PCG</b></u>	<u><b>Combined</b></u>
<b><u>Financial (last 12 months, U.S. \$ mm)<sup>(2)</sup></u></b>			
Net revenues	\$674	\$636	\$1,310
Total expenses	\$533	\$558	\$1,091
Net income before taxes	\$141	\$78	\$219
<b><u>Other</u></b>			
Number of investment advisors	1,457	1,122	2,579
Assets under administration (U.S. \$)	\$71BN	\$68BN	\$139BN
Number of brokerage offices	132	83	215
Relationships with active households	350,000	250,000	600,000
Number of active customers accounts	700,000	500,000	1,200,000

- RY's total wealth management business had revenues of U.S. \$1,609 million in the last twelve months ended 7/31/00 and assets under administration of U.S. \$165 billion

(1) Cdn. \$1.00 = U.S. \$ 0.679 for 12 months ended 07/31/00 and Cdn. \$1.00 = U.S. \$ 0.673 at 07/31/00

(2) Adjusted to exclude non-recurring items, and for the 12 months ended 07/31/00 for RY and 06/30/00 for DRC



# Wealth management

## Filling out North American geographic footprint


### 83 DRC Private Client Group offices in 21 U.S. states

- **Arizona** (5, including Phoenix & Scottsdale)
- **Colorado** (6, including Boulder & Denver)
- **Idaho** (1, Boise)
- **Illinois** (5, including Chicago)
- **Iowa** (6, including Iowa City)
- **Kansas** (1)
- **Minnesota** (10, including Minneapolis & St. Paul)
- **Missouri** (1)
- **Montana** (2)
- **Nebraska** (2, including Omaha)
- **Nevada** (2, including Las Vegas & Reno)
- **New Mexico** (1, Albuquerque)
- **North Dakota** (1)
- **Oklahoma** (1, Oklahoma City)
- **Oregon** (4, including Portland)
- **South Dakota** (2)
- **Texas** (12, including Austin, Dallas & Houston)
- **Utah** (2, including Salt Lake City)
- **Washington** (10, including Bellevue & Seattle)
- **Wisconsin** (7, including Milwaukee)
- **Wyoming** (2)



# Wealth management

## Synergies & benefits

- 
- Sell SFNB and Prism products to DRC customers, and vice versa
  - Attract a larger customer base by also offering discount brokerage and high net worth products
  - Generate cost synergies from functional units and technology investments
  - Migrate clients as their wealth increases from full-service brokerage to private banking and trust services
  - Increase customer loyalty from wider product and distribution channel capabilities
  - Provide customer service on a 24/7 basis by creating an integrated eCommerce offering with an array of content, advice and transaction capabilities
  - Continue to grow fee-based products at DRC and RY, using combined expertise



# Corporate & investment banking (C&IB)

Strong combination - RBC Dominion Securities plus DRC C&IB

(Last 12 months, U.S. \$ mm)<sup>(1)</sup>

	<u><b>RY- RBC DS<sup>(2)</sup></b></u>	<u><b>DRC - Equity Capital Markets &amp; Fixed Income</b></u>	<u><b>Combined</b></u>
Net revenues	\$1,548	\$408	\$1,956
Total expenses <sup>(3)</sup>	\$1,029	\$351	\$1,380
Net income before taxes	\$520	\$57	\$577

(1) Adjusted to exclude non-recurring items, and for the 12 months ended 07/31/00 for RY and 06/30/00 for DRC

(2) Cdn. \$1.00 = U.S. \$ 0.679 for 12 months ended 07/31/00

(3) Includes provision for credit losses of U.S. \$81 million for RBC Dominion Securities



# Corporate & investment banking

Greater geographic reach

<u>RBC DS offices</u>		<u>DRC offices</u>	
<b>U.S.</b>	<b>International</b>	<b>U.S.</b>	<b>International</b>
Boston	Amsterdam	Atlanta	Paris
Chicago	Frankfurt	Austin	Tel Aviv <sup>(1)</sup>
Greenwich	Lausanne	Boston	
Houston	London	Chicago	
New York	Madrid	Dallas	
	Mexico City	Denver	
<b>Canada</b>	Paris	Houston	
Calgary	Santiago	Menlo Park	
Halifax	Singapore	Minneapolis	
Montreal	Sydney	New York	
Ottawa	Tokyo	San Francisco	
Regina		Seattle	
Toronto			
Vancouver			

(1) Strategic relationship with Tamir Fishman & Co. (Israel).





# Corporate & investment banking


## Powerful global equity research capability

RBC DS	DRC	
<b>Communications and Technology</b> Communications Technology Communications & Media Technology - Software & E-Commerce Technology - Specialty & IT Services  <b>Industrial</b> Aerospace Autos & Parts, Steel & Special Situations Conglomerates Transportation & Environmental  <b>Interest Sensitive</b> Real Estate Income Trusts Pipelines Utilities - Telecommunications Utilities - Gas & Electric Financial Services - Banks & Trusts Financial Services - Non-Bank Financials  <b>Consumer</b> Consumer Products Biotech & Pharmaceutical Merchandising Special Situations  <b>Resource</b> Metals & Minerals Gold & Precious Metals Oil & Gas Oil & Gas Services Paper & Forest Products Fertilizers & Petrochemicals	<b>Energy</b> Diversified Natural Gas / MLPs Exploration and Production Integrated Oils Oilfield Services  <b>Technology</b> Broadband Access Technologies Broadband Services Communications Applications Data & Payment Processing Electronics Manufacturing Services Enterprise Applications Local Loop Technology Media Network Technologies Semiconductor Technologies Wireless Technologies  <b>Internet</b> B2B eCommerce B2B Enablers & eMarketplaces Digital Infrastructure Digital Media Digital Services eAuto eCommerce eLearning eServices iDRM Infrastructure and Applications Online Marketing Services Webcom Service Providers	<b>Software</b> eBusiness Applications Enterprise Infrastructure Enterprise Software Ubiquitous Systems  <b>Services / Financial Services</b> Business Services Banks and Diversified Finance Banks - Thrifts & Specialty Finance eFinance  <b>Consumer</b> Hard Goods Retailing Restaurants Specialty Retail  <b>HealthCare</b> Biotechnology eHealth Healthcare Services Medical Technology Pharmaceuticals



# Corporate & investment banking

## Synergies & benefits

- 
- Accelerates RBC DS' North American growth strategy
  - Provides deeper, broader research coverage of selected industries, with a focus on growth sectors of the economy and the energy sector
  - Gives greater U.S. presence in equity sales, trading and corporate finance, offering clients effective North American execution capability in an increasingly borderless capital market
  - Offers potential to provide RBC DS products to existing DRC clients, such as high yield bonds, credit products, mergers & acquisitions, treasury products and equity/fixed income derivatives
  - Enhances capability for both firms to service clients as they grow through complementary product range, from venture capital, to mezzanine, high yield and senior debt, private placement, public equity, mergers & acquisitions and sophisticated balance sheet products
  - Combines DRC's expertise in private equity and position in the technology sector to enhance refocused business plan of Royal Bank Capital Partners



# Required regulatory & shareholder approvals

## Major approvals required

- In Canada, approval from the Office of the Superintendent of Financial Institutions (OSFI)
- In the U.S.:
  - Filing of a notice under the Hart-Scott-Rodino Act
  - SEC and stock exchange approvals (NASD, NYSE)
  - Formal notice to the Federal Reserve within 30 days of closing
- DRC shareholder approval
- Other standard approvals



## DRC facts

- 10-day weighted average trading share price (09/13/00 to 09/26/00) U.S. \$79.79
- Closing price (09/26/00) U.S. \$80.69
- Market cap (09/26/00) U.S.\$1,039 million
- Stock symbol DRC
- Stock exchange NYSE
- Website [www.dainrauscher.com](http://www.dainrauscher.com)
- Headquarters Minneapolis, Minnesota
- Founded 1909
- Employees 3,800
- Total offices 108



## DRC financial highlights

(U.S. \$ millions, except for %  
and earnings per share data)

	<u>1st Half</u> <u>2000</u>	<u>Last 12</u> <u>Months</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net revenue <sup>(1)</sup>	\$600	\$1,091	\$929	\$741	\$692
Total expenses <sup>(1)</sup>	\$503	\$933	\$818	\$693	\$600
Net income before-tax <sup>(1)</sup>	\$97	\$159	\$110	\$48	\$92
Net income <sup>(1)</sup>	\$60	\$100	\$70	\$30	\$59
Earnings per share (diluted) <sup>(1)</sup>	\$4.22	\$7.18	\$5.22	\$2.31	\$4.51
Return on average equity <sup>(1)</sup>	28.0%	24.1%	19.5%	9.4%	19.8%
Book value per share	\$36.50	\$36.50	\$30.78	\$26.27	\$26.00
Total assets	\$2,815	\$2,815	\$2,500	\$2,467	\$2,304
Total shareholders' equity	\$469	\$469	\$390	\$330	\$319

(1) Excluding nonrecurring items. Reported fully diluted earnings per share were: 1st Half 2000, \$4.22; Last 12 months, \$6.27; 1999, \$4.95; 1998, \$0.61; 1997, \$3.77





## Canada's largest & most profitable financial institution

- Market capitalization of U.S. \$18.6 billion (9/26/00)
- #1 retail/commercial financial services company in Canada, with highest market share for small and medium sized businesses, mortgages and consumer credit, and largest bank-owned insurance operation
- #1 wealth management organization in Canada
  - #1 in 3 businesses (full-service brokerage, private banking, investment management and trust)
  - #1 in mutual funds among the banks (#3 overall in the country)
  - Global Private Banking among top 20 in the world and rated #1 best offshore bank (Financial Times)
  - #2 in discount brokerage
- #1 in corporate & investment banking in Canada, with top tier status in selected products globally
  - Top-ranked underwriter of debt and equity securities in Canada for over a decade
  - Largest provider of syndicated loans in Canada, among the top 25 in North America and among the top 10 non-US banks globally
  - The leading mergers & acquisitions advisor in Canada, 16th globally and among top four advisors in non-U.S. transactions. Advised on 12 of top 20 Canadian related transactions in 2000 year-to-date
  - #1 equity research franchise in Canada
  - Leader in sales and trading of Canadian equity and fixed income securities globally
  - In top 10 globally for foreign exchange
  - Rapidly expanding global equity derivatives business based in New York and London
- #1 in transaction based-services (custody) in Canada and among top twelve globally



# RY financial highlights

Canada's largest & most profitable financial institution

## U.S. GAAP

### Last 12 months financial highlights<sup>(1)</sup> (U.S. \$ millions, except for % and EPS)

- Gross revenue<sup>(2)</sup> \$7,918
- Net income after-tax<sup>(2)</sup> \$1,440
- Earnings per share (diluted)<sup>(2,3)</sup> C\$6.45
- Return on common equity<sup>(2)</sup> 18.7%
- Loans \$110,021
- Assets \$188,868
- Assets under admin. \$771,984
- Assets under mgmt. \$64,052

### Business segments<sup>(2)</sup>

<u>Description</u>	<u>NIAT</u>	<u>ROE</u>
Personal & commercial financial services	\$790	20.9%
Wealth management	\$265	51.2%
Corporate & investment banking	\$325	21.3%
Transaction processing	\$91	32.8%

(1) Cdn. \$1.00 = U.S. \$ 0.679 for 12 months ended 07/31/00 and Cdn. \$1.00 = U.S. \$ 0.673 at 07/31/00

(2) Adjusted to exclude non-recurring items

(3) Prior to stock dividend (same effect as 2-for-1 stock split) effective September 27, 2000



# Caution concerning forward looking statements

This presentation contains forward-looking statements. 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 Dain Rauscher and, assuming consummation of the acquisition, a combined Royal Bank and Dain Rauscher, as well as the expected timing and benefits of the acquisition. While these forward-looking statements represent our judgements 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 1999 Annual Report and Dain Rauscher's 1999 Annual Report, as well as the failure of the Dain Rauscher stockholders to approve the transaction; the risk that the Royal Bank and Dain Rauscher businesses will not be successfully integrated; the inability to obtain, or meet conditions imposed for, governmental approvals for the transaction; the risk that anticipated synergies will not be obtained or not obtained within the time anticipated; 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 and inflation, regulatory developments, technological changes, and the effects of competition in the geographic and business areas where Royal Bank and Dain Rauscher operate.

Royal Bank cautions that the foregoing list of important factors is not exhaustive; when relying on forward looking statements to make decisions with respect to the bank, investors and others should carefully consider the foregoing factors and other uncertainties and events.