



Fixed Income Group

TSX / NYSE: RY



Larry Holtz
President
Fixed Income Group
RBC Dain Rauscher

Presentation to analysts and institutional investors
Toronto - June 18, 2003



Overview



- **Capabilities and size**
- **Customers and strategies**
- **Successful performance**
- **Future growth and leverage**



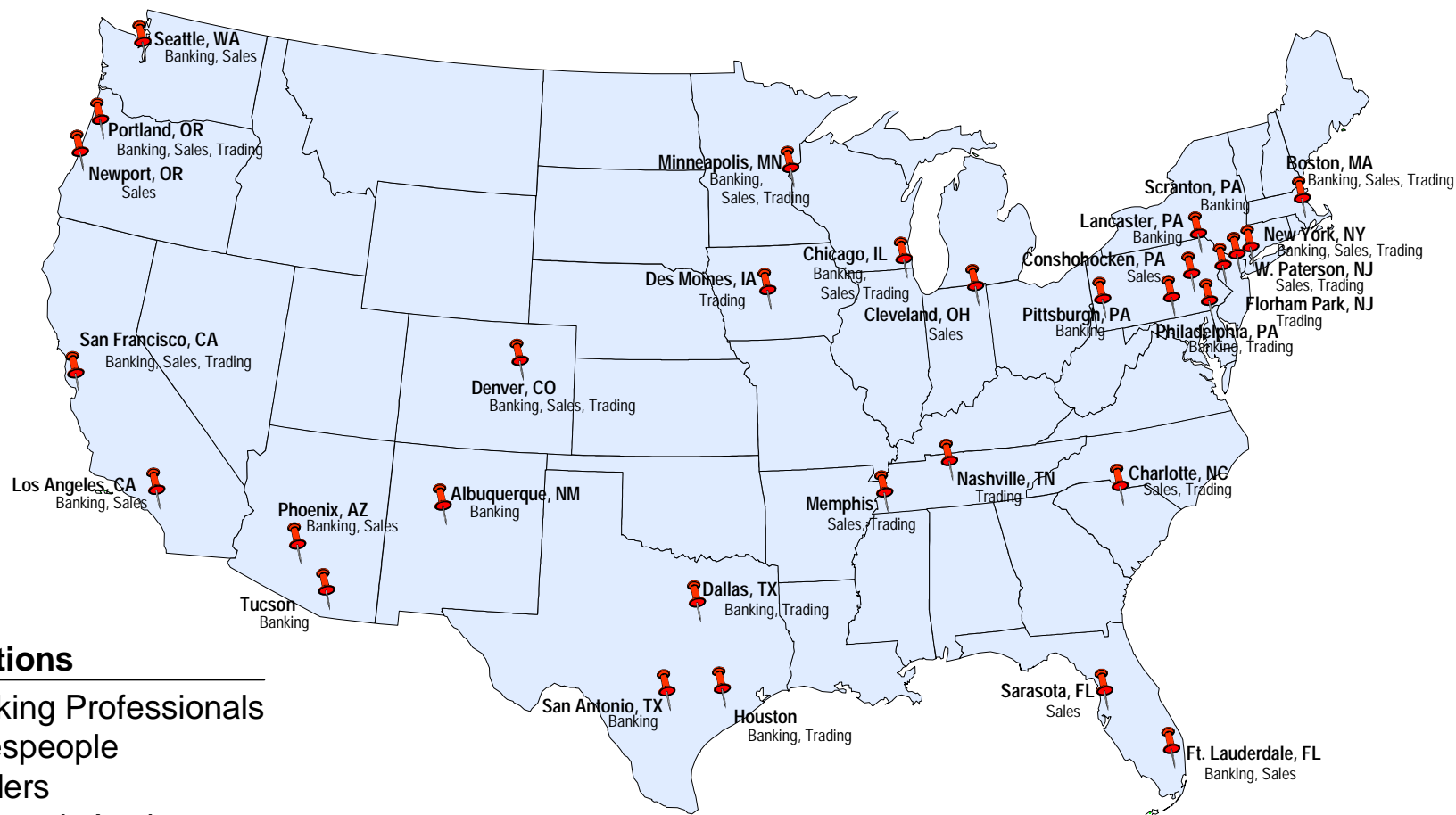
Fixed Income Group (FIG)

- **Leading U.S. middle market fixed income business**
- **Relationship-based organization focused on customer priorities**
- **Strategically organized to serve three targeted customer segments:**
 - **middle market institutional investors – *Sales***
 - **middle market issuers – *Public Finance Banking***
 - **individual investors – *Wealth Management***



Fixed Income offices

As of April 30, 2003



30 Locations

112 Banking Professionals

135 Salespeople

107 Traders

22 Research Analysts

126 Other

502 Total



Fixed Income business system

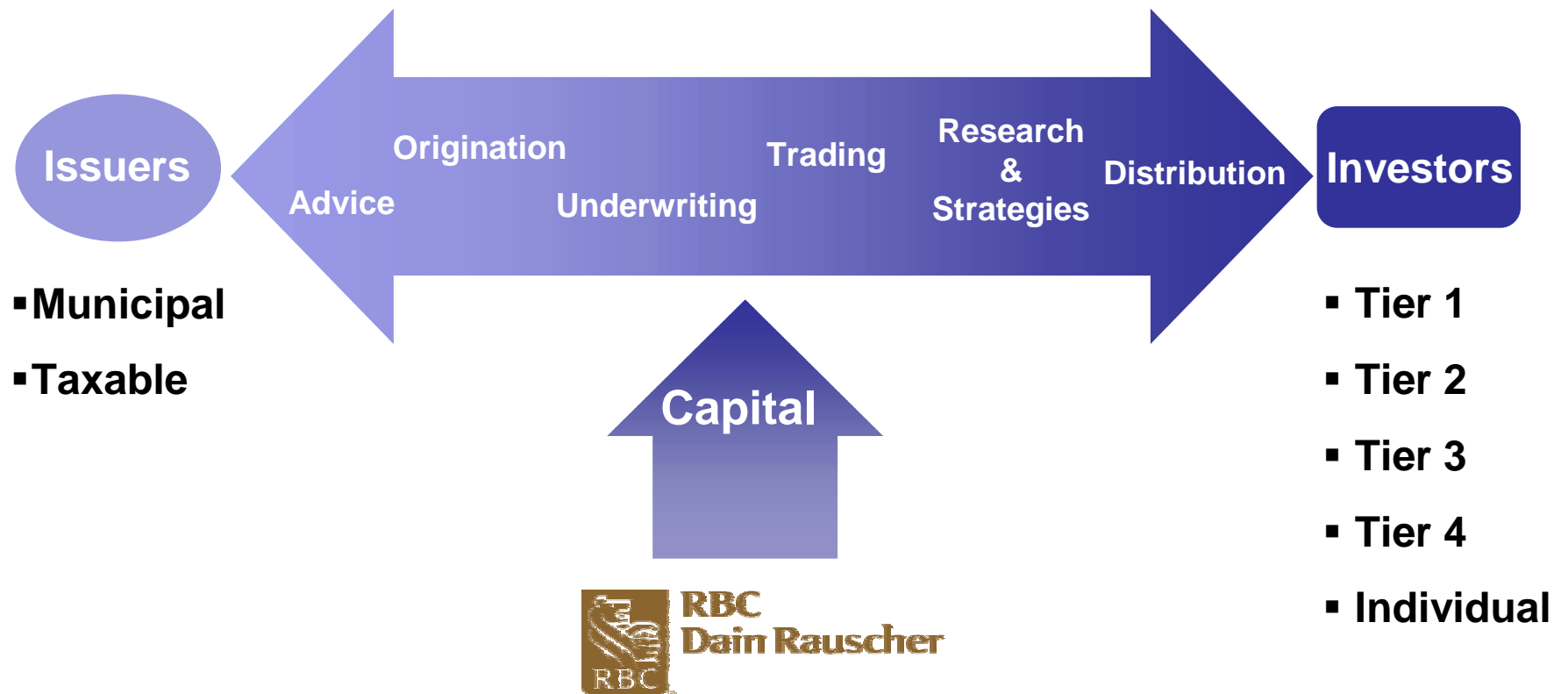
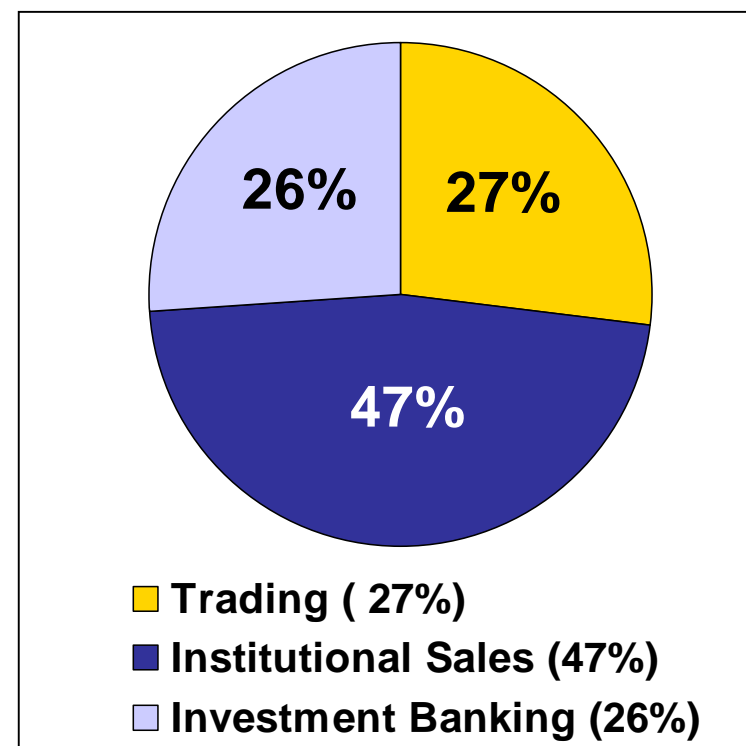
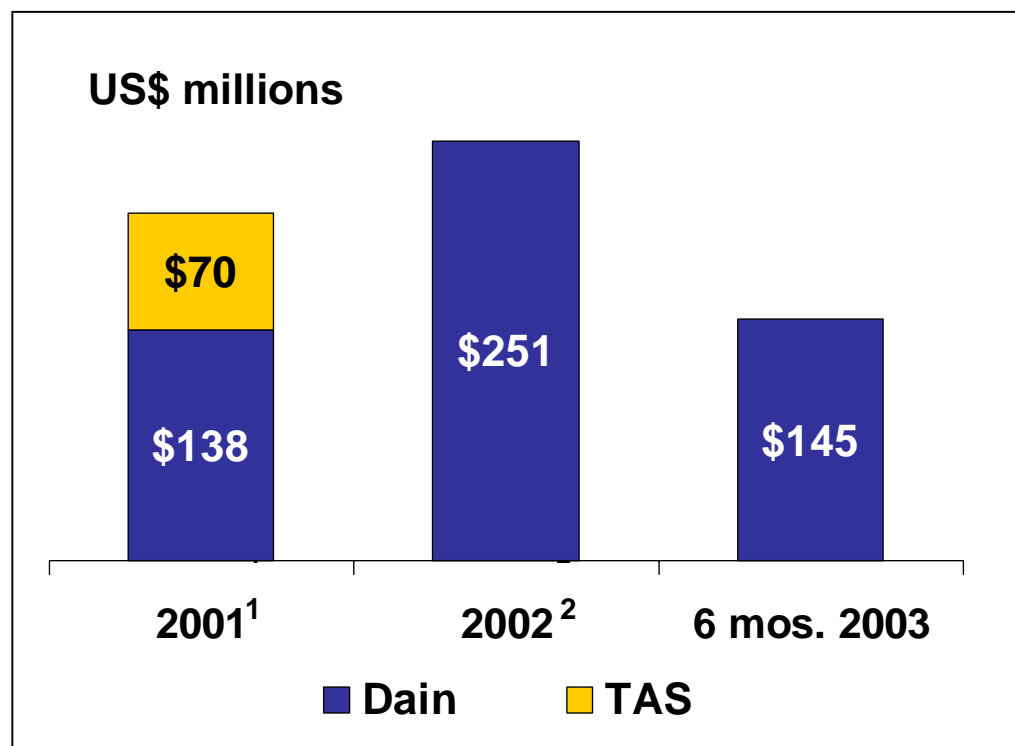




FIG revenue growth and diversity



¹ Pro forma for RBC Dain Rauscher and Tucker Anthony Sutro combined

² Reflects the merger of RBC Dain Rauscher and Tucker Anthony Sutro



Middle market investors

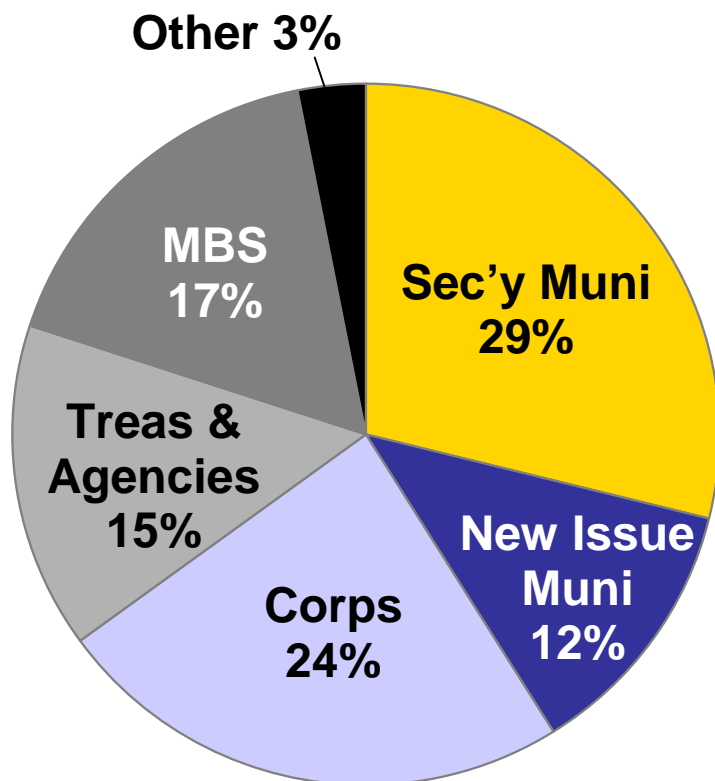


- **Target customers**
 - depository institutions – *banks, credit unions, S&Ls*
 - total return firms – *investment managers, insurance companies*
 - public funds
- **Strategy – target middle market customer base**
 - investor segment that most values services we provide
 - *Advice and portfolio management*
- **Value proposition – provide a full complement of products, value-added services and client portfolio solutions**
- **135 salespeople, 17 U.S. offices**

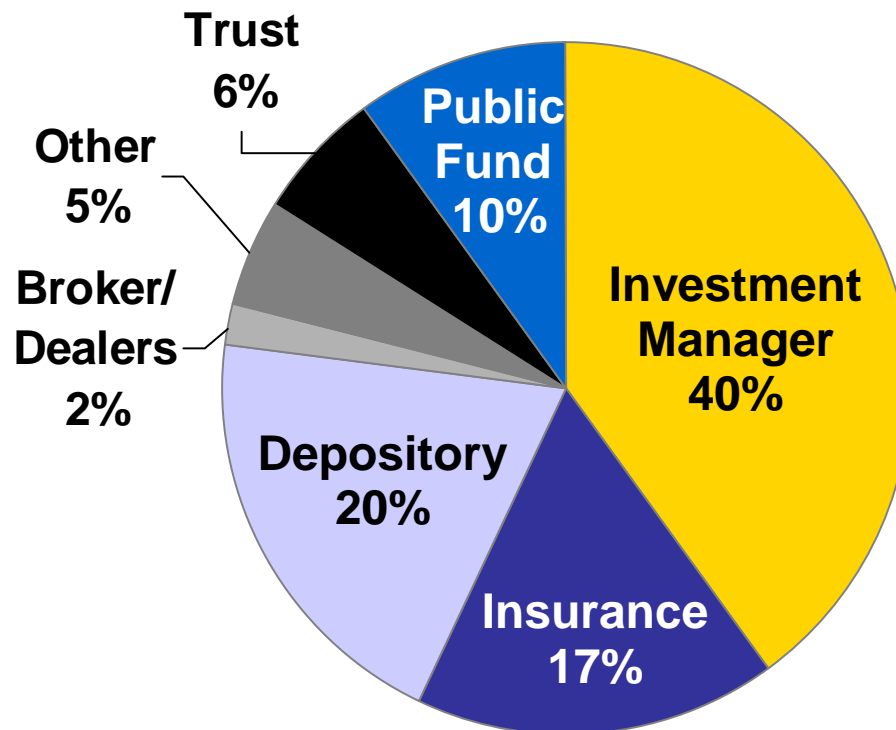


Middle market investors – diversified revenue base

Product diversification



Customer diversification





Middle market issuers



- **Target customers**
 - active middle market municipal issuers
 - within targeted geographies
 - within sectors of expertise
- **Strategy – leverage relationships**
 - strengthen strong local presence
 - leverage our reputation of credibility
 - gain penetration and market share
- **Value proposition – local presence plus sector expertise allows us to provide efficient and effective issuing and advisory services**
- **112 banking professionals, 19 nationwide offices**



Middle market issuers



Defend and grow:

- Arizona
- California/Oregon
- Colorado/Wyoming
- Minnesota/North Dakota
- New Mexico
- Pennsylvania
- Texas

Extend and grow:

- Illinois
- New York
- Florida
- Massachusetts
- the Carolinas

Build expertise in specialty sectors:

- Education
- Healthcare
- Housing
- Transportation
- Asset Securitization



Nat'l sr. manager issuer ranking

Public Finance

Full Credit to Book Manager 01/01/2002 - 12/31/2002

Full to Book Manager	Par Amount (US\$ mil)	Rank	Mkt. Share	Number of Issues
Salomon Smith Barney	41,671.5	1	14.7	400
UBS PaineWebber Inc.	36,869.6	2	13.0	527
J P Morgan Securities Inc.	21,686.3	3	7.6	134
Lehman Brothers	21,014.6	4	7.4	227
Bear, Stearns & Co.	20,827.6	5	7.3	170
Morgan Stanley	16,703.7	6	5.9	174
Goldman, Sachs & Co.	13,659.3	7	4.8	152
Merrill Lynch & Co.	11,928.5	8	4.2	188
RBC Dain Rauscher	8,277.6	9	2.9	466
Banc of America Securities LLC	6,949.0	10	2.5	237
A.G. Edwards & Sons, Inc.	5,365.6	11	1.9	232
Morgan Keegan & Co., Inc.	5,251.8	12	1.9	296
William R. Hough & Co.	4,613.7	13	1.6	119
U.S. Bancorp Piper Jaffray Inc	4,519.9	14	1.6	387
George K. Baum & Company, Inc.	3,855.0	15	1.4	270
First Albany Corporation	3,624.1	16	1.3	138
Seattle-Northwest Securities Corp.	2,555.4	17	0.9	139
Stone & Youngberg	2,443.8	18	0.9	145
Banc One Capital Markets Inc	2,119.3	19	0.8	121
Siebert Brandford Shank & Co	1,928.0	20	0.7	13
Commerce Capital Markets	1,729.2	21	0.6	93
City Securities Corporation	1,679.7	22	0.6	87
Newman & Associates, Inc.	1,651.3	23	0.6	138
Roosevelt & Cross, Inc.	1,615.3	24	0.6	108
Ziegler Capital Markets Group	1,608.2	25	0.6	59
Subtotal with Book Manager	283,844.1	-	100.0	9,275
Subtotal without Book Manager	0.0	-	0.0	0
Industry Total	283,844.1	-	100.0	9,275



Nat'l middle market issuer ranking

Public Finance

**Full Credit to Book
Manager,
Par value less than
\$50 million
01/01/2002 - 12/31/2002**

Full to Book Manager	Par Amount (US\$ mil)	Rank	Mkt. Share	Number of Issues
UBS PaineWebber Inc.	7,682.3	1	8.9	343
RBC Dain Rauscher	4,938.4	2	5.7	435
Salomon Smith Barney	4,933.6	3	5.7	221
U.S. Bancorp Piper Jaffray Inc	3,083.8	4	3.6	376
A.G. Edwards & Sons, Inc.	3,064.9	5	3.6	208
Lehman Brothers	2,987.3	6	3.5	142
Banc of America Securities LLC	2,971.0	7	3.4	212
Morgan Keegan & Co., Inc.	2,934.9	8	3.4	274
Merrill Lynch & Co.	2,780.0	9	3.2	120
George K. Baum & Company, Inc.	2,615.9	10	3.0	259
Morgan Stanley	2,136.9	11	2.5	87
Bear, Stearns & Co.	2,110.0	12	2.4	90
Stone & Youngberg	1,857.4	13	2.2	137
Goldman, Sachs & Co.	1,641.8	14	1.9	72
J P Morgan Securities Inc.	1,604.7	15	1.9	71
Robert W. Baird & Co. Incorporated	1,364.6	16	1.6	258
First Albany Corporation	1,287.1	17	1.5	127
Newman & Associates, Inc.	1,256.7	18	1.5	132
William R. Hough & Co.	1,184.1	19	1.4	97
Banc One Capital Markets Inc	1,103.8	20	1.3	109
Seattle-Northwest Securities Corp.	1,077.5	21	1.3	132
Legg Mason Wood Walker Inc.	1,026.4	22	1.2	78
Roosevelt & Cross, Inc.	1,019.8	23	1.2	106
Wachovia Securities Inc	974.2	24	1.1	77
City Securities Corporation	973.5	25	1.1	84
Subtotal with Book Manager	86,374.0	-	100.0	8,136
Subtotal without Book Manager	0.0	-	0.0	0
Industry Total	86,374.0	-	100.0	8,136



Individual investors



- **Partner with PCG in the wealth management process**
- **Provide broad array of products and services**
 - product selection, trading support, credit research, portfolio management strategies
- **Significant municipal business fits well with retail investor base**
- **Volume of business further leverages our cost structure**
- **Fixed Income share of individual investor commissions:**
 - has grown from 15% in 1998 to 29% in the first half of 2003
 - US\$83 million during the first half of 2003



The RBC Dain Rauscher U.S. edge

- **Unique positioning as a large middle market firm**
 - provide Tier 1 products and services to middle market clients
- **Synergies of Private Client Group - Fixed Income partnership**
- **Size and success of our municipal business**
 - leverages wealth management strategy



Economies of scale



- **Fixed Income revenues are counter-cyclical**
 - diversify firm revenues during volatile markets
- **Goal has been to grow FIG to a critical mass**
 - accomplished through acquisitions and organic growth
- **Five-year¹ CAGR trends are improving profit margins:**
 - revenues have grown 23.6%
 - non-employee operating expenses up only 5.5%
 - total employee and non-employee expenses up 17.4%

¹ Five-year period beginning with fiscal year 1998 and ending with fiscal year 2003, calculated using 6-month 2003 results annualized – not a forecast of 2003 results.



Transforming events



- **Deleveraging of Wall Street firms and withdrawal of liquidity in the late '90s**
- **Tucker Anthony Sutro acquisition in 2001**
 - **growth platform in East and West Coast markets**
 - **combined firm leverage grew revenues and margins during years with similar market characteristics:**

	2001 Dain	2001 TAS	combined = pro forma	2002	Increase
Net revenue (US\$ millions)	138	70	208	251	+20.7%

	2001	2002
TAS sales productivity	US\$935,000	US\$1,303,000



Financial comparison



	2001 Pro forma ¹	2002 Actual ²	6 mos. 2003 Actual
Revenues (in US\$ millions)	\$208	\$251	\$145
Change as a percent of revenue:			
Compensation & benefits expense		(4.2 pp)	0.7 pp
Non-employee operating expenses³		(3.8 pp)	(2.8 pp)
Pre-tax profit margin⁴		8.0 pp	2.1 pp

¹ 2001 fiscal year pro forma developed by adding together separate Fixed Income Group results for RBC Dain Rauscher and Tucker Anthony Sutro

² 2002 actual fiscal year results include full-year results for Tucker Anthony Sutra business following integration

³ Includes all direct divisional operating expenses and corporate allocated expenses

⁴ Net revenue less direct compensation and benefits expenses, direct operating expense, and allocated corporate expense, but excluding acquisition and conversion expense, parent company allocated expense and income taxes



Growth initiatives



- **Focused mortgage-backed securities effort**
- **Acquire additional distribution capabilities**
 - further leverage our platform's cost structure
 - boost acquired sales productivity
- **Niche acquisitions in banking**
 - specialized sector practice
 - close regional gap
- **BondDesk trading system**
- **Emphasis on fixed income products**
 - within Wealth Management system



Cross-platform leverage



■ **RBC Capital Markets**

- **conduit financing capabilities**
- **Canadian originated product in US\$**
- **new derivative products for issuer clients**

■ **RBC Centura**

- **credit facilities**
- **issuer referrals**

■ **RBC Mortgage**

- **lower funding costs**
- **new securitization product**
- **improved liquidity and execution for mortgage portfolio**
- **better risk management tools**



Key takeaways



- **Deleveraging of Wall Street**
 - subsequent liquidity withdrawal
 - playing field leveled in the U.S. market
- **Continue to grow market share**
 - Tucker Anthony Sutro and First Institutional acquisitions
- **Economies of scale**
 - reasonable returns in a mediocre market
 - excellent returns during up market cycles