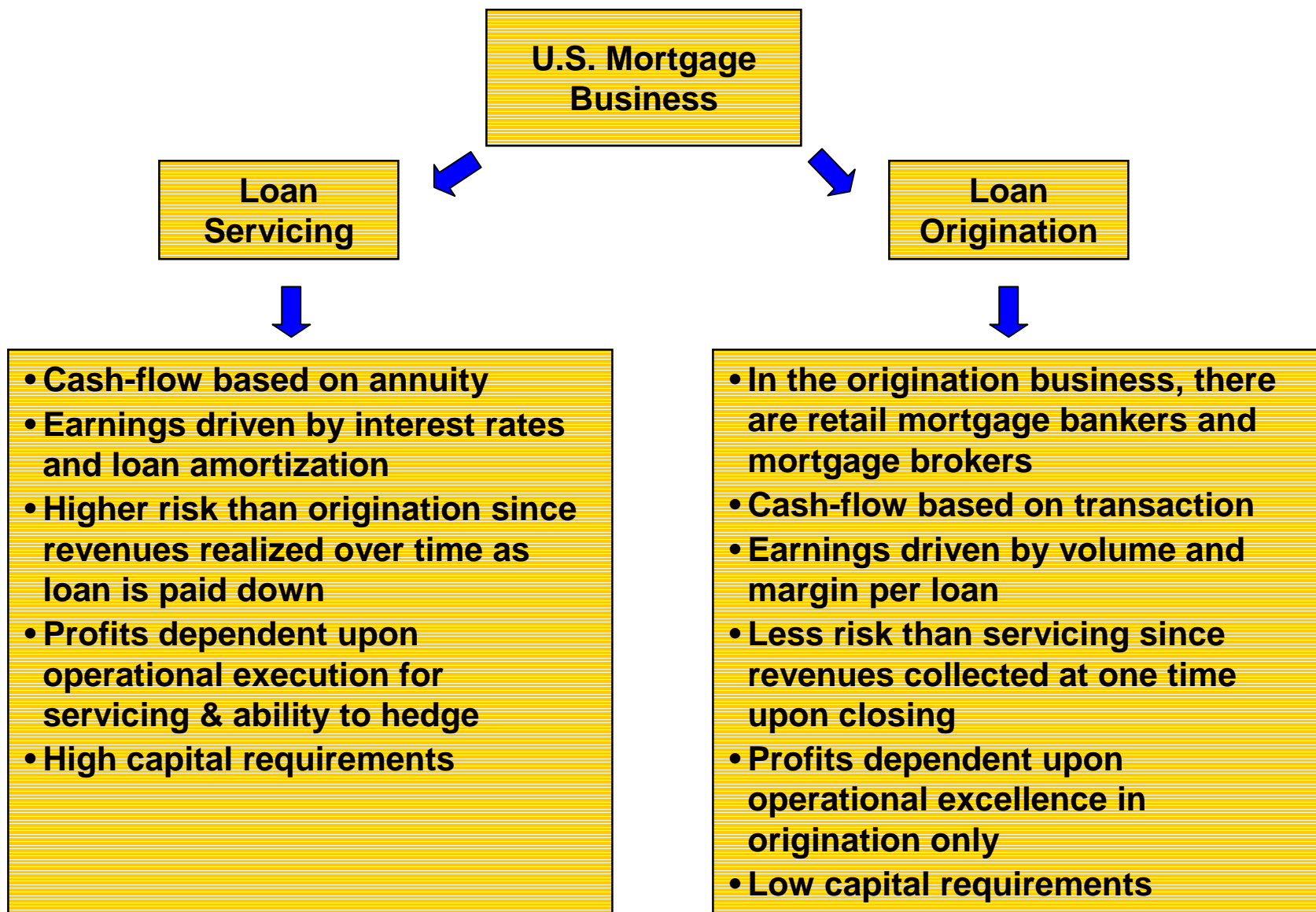


RBC Mortgage Challenges and Solutions

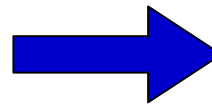
**Jonathan Threadgill
President - RBC Mortgage**

Mortgage Industry Diversion Originators vs. Aggregators



High Volumes Revealed Legacy RBC Mortgage Issues

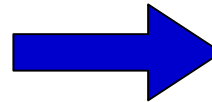
Legacy RBC Mortgage



The New RBC Mortgage

Operations

- Bottlenecks in back-office
- Late delivery of loan files to Investors
- Poor loan documentation

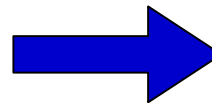


Operations

- Revising loan delivery policies and guidelines
- Streamlining processes and addressing loan documentation issues, leveraging new business model

Branch Network

- Independent broker mindset in retail branches
- Lack of useful tools for Loan Officers

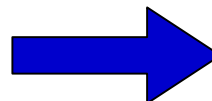


Branch Network

- Aligning with RBCM through Branch Managers
- Common loan pricing and increasing service standards
- Improving systems for Loan Officers

Strategy

- Compete on price
- Centralized strategy with multiple hand-offs



Strategy

- Competing on service
- Localization strategy eliminating hand-offs and increasing accountability

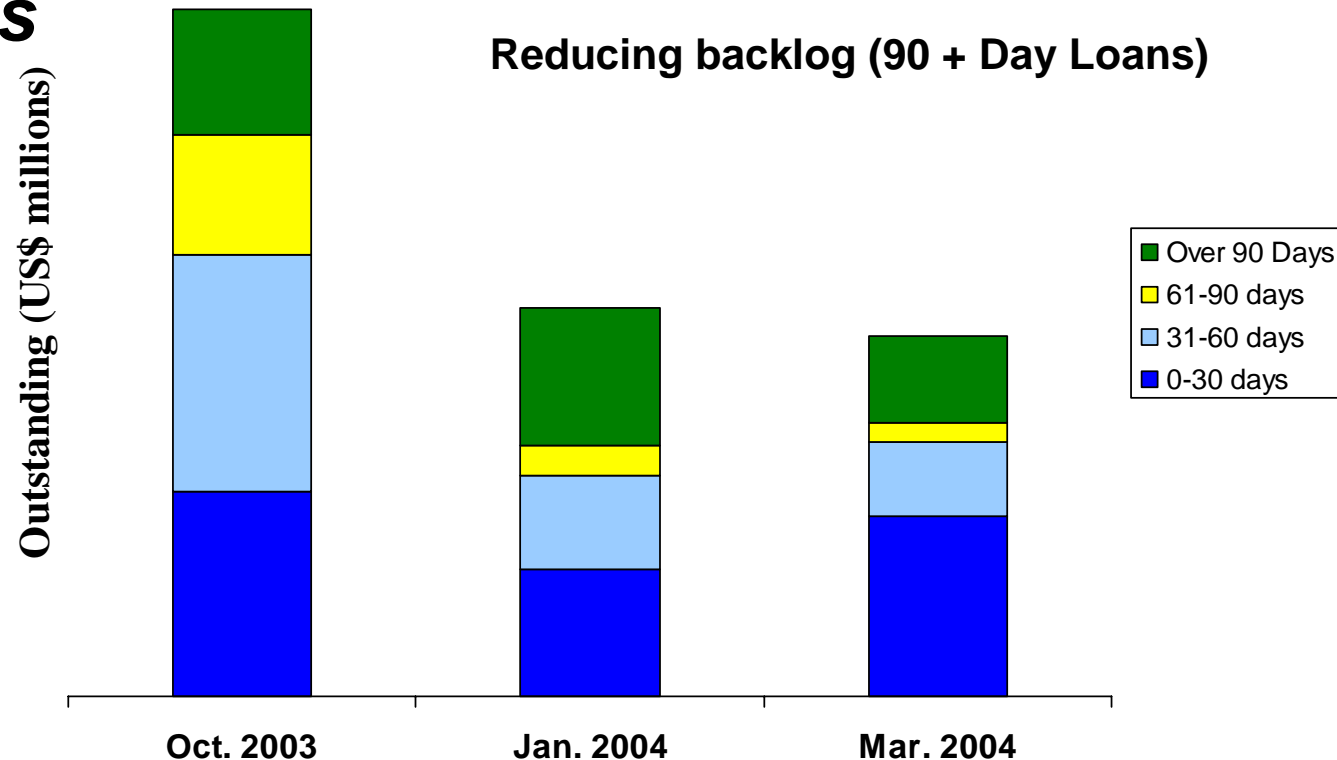
Operations

- Loan volume increased in 2003 across the industry as record high refinances and new purchases were fuelled by historically low interest rates
- Loan files accumulated as large volumes resulted in poor loan documentation
- Poor loan documentation and back office execution resulted in late and incomplete delivery of loans to Investors
- Other operational challenges are being addressed as identified

Impact

- Loans remained on the warehouse line for a longer time period resulting in increased hedge (roll) costs
- Investors purchased loans at a discount (decreasing RBC Mortgage spread) and/or returned loans entirely

Operations



Completed to date

- Re-aligning several activities to Houston to allow Chicago staff to focus on clearing the backlog
- Segmenting post-close initiative from day to day new work so as not to impact new volumes, clients and/or investors
- Implementing back office redesign & technology to improve file management

Results

- Since January 2004, significantly decreased loans on the warehouse line that were > 90 days

Branch Network

Issues in 2003

- Loan officers were originating record loan volumes while lacking tools and support resulting in problems in loan files
- Decisions on pricing and service levels were independently made by loan officers not acting in RBC Mortgage's best interest
- Competing solely on price
- RBC Mortgage Branch Network was acting as broker while RBC Mortgage was operating as a full retail mortgage network
- Branch Managers were compensated on volume, not profitability

Impact

- Lower margins from branch operations

Branch Network

Restructure Sales Force

- Increasing Branch Manager alignment with RBC Mortgage through a revised compensation program based on profitability
- The Compensation Program for Loans Officers is being balanced to tie 25% of compensation to operating risk metrics (e.g. Quality Control)
- Completing a restructuring of the sales force including adding 400-500 new Mortgage Loans Officers (MLOs) and eliminating 200 low performing MLOs
- Clear communication, monitoring, and tracking of pricing exceptions

Strategy

Issues in 2003

- A highly centralized documentation process with fragmented systems resulted in processing delays and duplication of work
- Competed primarily on price

Impact

- Loan officers lacked control of the process and therefore lacked accountability for customer satisfaction
- Lower margins as a result of price focus

Strategy

Best Practices

- Combining the best of both RBC Mortgage and Sterling Capital Mortgage
- Adopting the Sterling Business Model “localness” and technology platform
- Continuing to build upon the strength of Sterling Capital’s senior management team, in combination with RBC Mortgage’s team
- Working and collaborating with RBC sister companies in the U.S.

Our Strategic Plan is Outlined on the Next Few Slides...

RBC Mortgage's vision is to be a top origination company with a national presence across the U.S.

RBC Mortgage is focused on 3 origination channels:

- **Retail**

- ✓ RBCM employees sell mortgages directly to consumers
- ✓ Nearly 200 branches in 35 states and licensed to do business in 50 states
- ✓ Mortgages originated include proprietary RBCM products and brokered mortgages (products from other financial institutions)

- **Wholesale**

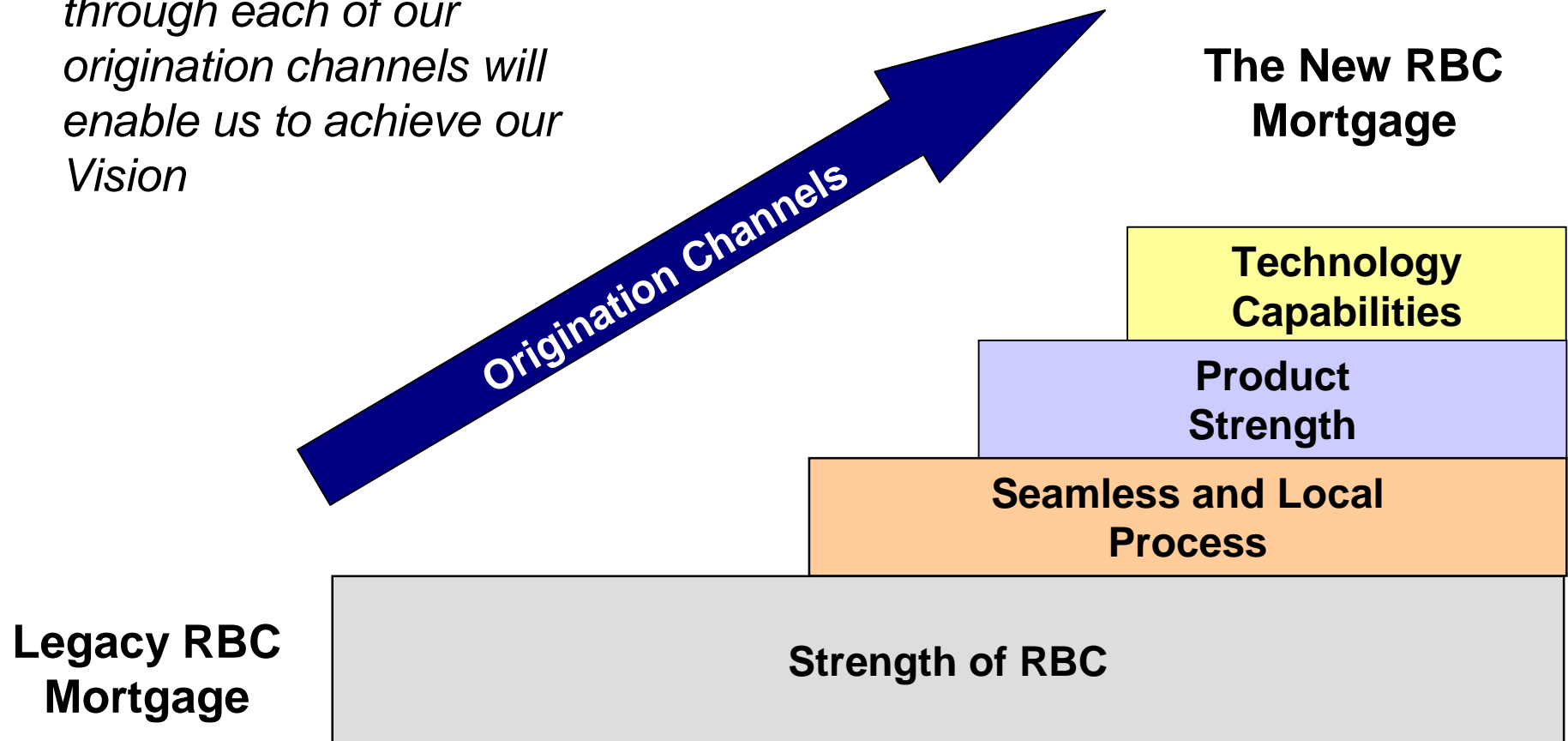
- ✓ Over 1800 select independent mortgage brokers
- ✓ Sell RBC Mortgages to consumers in high growth areas

- **Affiliated Business Arrangements**

- ✓ 15 joint ventures with credible builders and/or realtors
- ✓ Originate RBC Mortgages to builder/realtor clients

Foundation to Build the New RBC Mortgage - 4 Pillars

Focus on the 4 Pillars through each of our origination channels will enable us to achieve our Vision



Strength of RBC

- RBC Brand recognition for customers and loan officers emphasizes stability
- Borrowing ability for RBCM Warehouse Line (size, rate)
- Cross enterprise opportunities with RBC Centura (HELOC), RBC Banking (Snowbirds), and RBC Dain Rauscher

Local Process

- Localized strategy means that customers get better service, faster
- Attract high performing Loan Officers by giving them control over the process

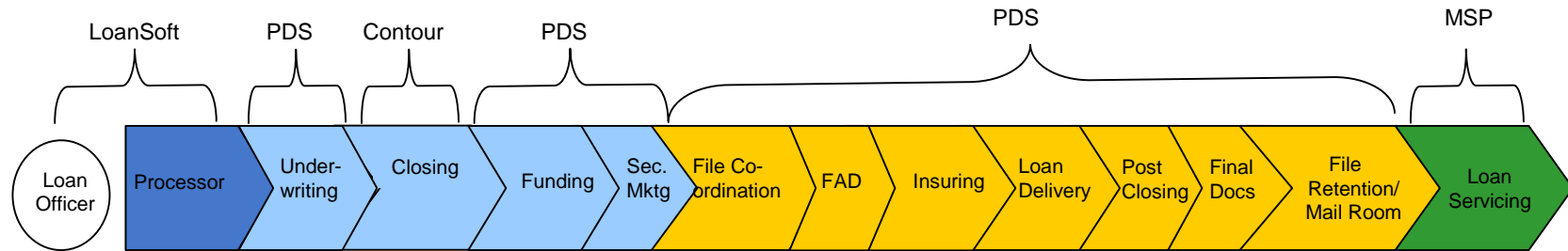
Products

- 12 proprietary products with 4 to 5 variances in each product
- Designed for both new purchases and refinances (refi's)

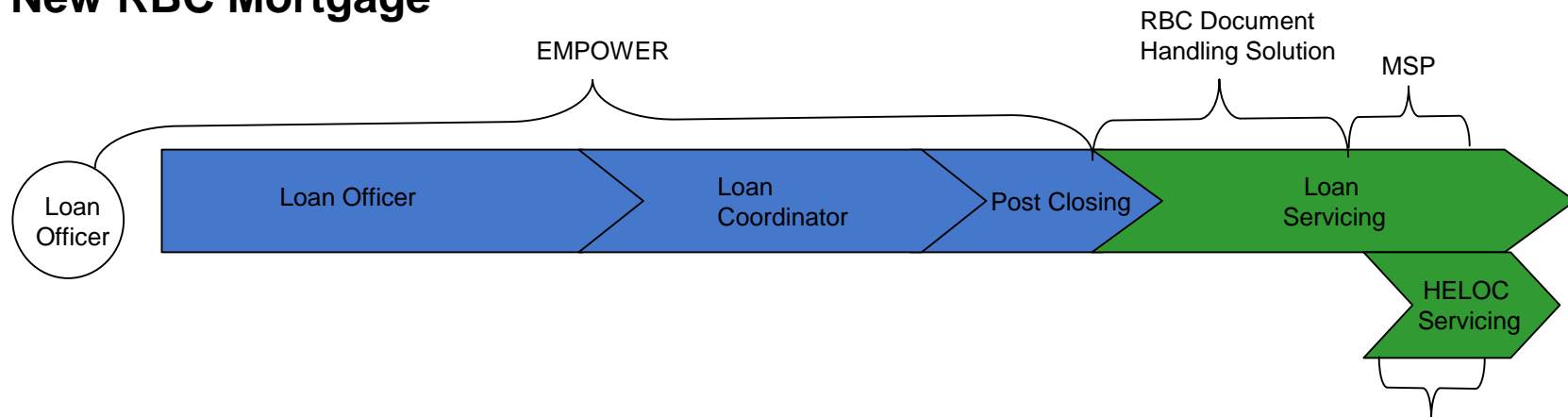
Technology

- Leverage Empower software (next slide)

Legacy RBC Mortgage



The New RBC Mortgage



LoanSoft, PDS, Contour, and MSP are systems that interface with each other in the process of moving a mortgage from origination to investor sale

Strength of RBC

- Brand name exemplifies stability which is highly important in the Broker community, enabling RBC Mortgage to target specific Brokers in high growth markets
- Focus on higher growth, larger metropolitan locations with above average growth potential and a high concentration of brokers, leveraging existing presence where possible (e.g. Hawaii)
- Stringent controls on the broker approval process (target brokers with solid business practices)

Local Process

- Seamless handoff between Broker and RBC Mortgage wholesale operation center
- Leverage best practices to increase consistency and accuracy and identify areas for possible consolidation

Products

- Leverage RBC balance sheet to create signature products that differentiates us from other wholesalers
- Enhance product awareness for high margin offerings
- Partner with RBC Centura to increase Home Equity Line of Credit (HELOC) production

Technology

- Leverage technology to reduce costs, increase compliance capabilities, speed, and be more user friendly for brokers (front-end workbench and Empower rollout)



The New RBC Mortgage Affiliated Business Arrangements (ABAs)

Strength of RBC

- The brand name enables RBC Mortgage to compete with other leading mortgage originators for joint ventures with major clients
- Synergies with RBC Builder Finance – full service construction/development loan lender
- Focus on targeted areas: Houston, Dallas, Phoenix, Las Vegas, Denver, San Diego / Southern California, Sacramento / Walnut Creek, Chicago
- Even after sharing revenues between RBC and the partner in the joint venture, ABA is our highest profit margin business

Local Process

- Builders enjoy advanced technology to deliver speed
- Loan officer dedicated to the builder

Products

- Able to offer the full range of RBC Mortgage products to clients

Technology

- Point-of-sale capabilities
- Software links, special loan programs make the application transparent to the client

The New RBC Mortgage Potential for Cost Savings

Future efficiencies to come from:

- Empower technology roll-out
- Reducing size of back-log (over 90 days)
- RBC's national contracts through Strategic Sourcing for courier, office supplies, and travel
- Centralizing expenses and approvals in RBC Mortgage Corporate Head Office with each request needing approval
- Approval of all travel expenses, professional services, dues and donations
- Continuing to identify opportunities for further reductions
- Extensive monitoring and tracking of expenses

Business	Targeted Margin (Basis Points) ⁽¹⁾	Volume ⁽²⁾	USD \$MM
Retail/ABA	50	13 Billion	64.0
Wholesale	20	7 Billion	14.0
Total Branch Operations ⁽³⁾	39	20 Billion	78.0
Secondary Marketing	15		30.0
Warehouse Spread	25		50.0
Captive Reinsurance	03		6.0
Total Margin	82		164.0

- (1) Assumes a stable and normal interest rate environment and based on Sterling historical performance and assessment of potential margins
- (2) Volume used is sample only for illustrative purposes
- (3) Margins are net operating margins after direct costs (e.g. salary, premises, GSA expense, etc.) but prior to corporate NIE allocation

RBC Mortgage Keys to Success

We know that for RBC Mortgage:



- **“Localness” Strategy**
 - ✓ Customers get better service, faster
 - ✓ Attract high performing Loan Officers by giving them control
- Distribution through our channels – Retail, Wholesale, and ABA
- Organic growth
- Product enhancement leveraging the power of RBC



Differentiating ourselves from the competition:

- **Increase margins through**
 - ✓ Better pricing
 - ✓ Improved compensation
 - ✓ Excellent delivery
- Focus on origination only
- Leverage technology to move toward straight through processing and mitigate risk
- Shared Vision and Common Values

The New RBC Mortgage

*More than a Better Mortgage...
a Better Experience*

- Not just a better mortgage
- A better experience for all of our stakeholders
 - ✓ Customers
 - ✓ Employees
 - ✓ Shareholders
 - ✓ Industry partners