



ROYAL BANK OF CANADA 2007 INVESTOR DAY WEDNESDAY APRIL 25, 2007

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By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include credit, market, operational and other risks identified and discussed under the Risk management section in our Q1 2007 Report to Shareholders and 2006 Annual Report to Shareholders; general business and economic conditions in Canada, the United States and other countries in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and British pound; the effects of changes in government monetary and other policies; the effects of competition in the markets in which we operate; the impact of changes in laws and regulations including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and

completeness of information concerning our clients and counterparties; successful execution of our strategy; our ability to complete and integrate strategic acquisitions and joint ventures successfully; changes in accounting standards, policies and estimates, including changes in our estimates of provisions and allowances; and our ability to attract and retain key employees and executives. Other factors that may affect future results include; the timely and successful development of new products and services; the successful expansion and new development of our distribution channels and realizing increased revenue from these channels; global capital markets activity; technological changes and our reliance on third parties to provide components of our business infrastructure; unexpected changes in consumer spending and saving habits; the possible impact on our business from disease or illness that affects local, national or global economies; disruptions to public infrastructure, including transportation, communication, power and water; the possible impact on our businesses of international conflicts and other political developments including those relating to the war on terrorism; and our success in anticipating and managing the associated risks.

Additional information about these factors can be found under the Risk management section in our Q1 2007 Report to Shareholders and under the Risk management and Additional risks that may affect future results sections in our 2006 Annual Report.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

CORPORATE PARTICIPANTS

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PRESENTATION

Gordon Nixon - Royal Bank of Canada - President, CEO

Good morning, everyone, and I would like to extend a warm welcome to everyone to our 2007 Investor Day. Now before I begin I need to remind you that all remarks, including those made during the question period may contain forward-looking statements which have inherent risks and uncertainties. This slide contains our caution regarding forward-looking statements which describes factors that could cause our actual results to differ materially from these statements.

Now as you know in February of this year we realigned our businesses, and we believe that this realignment positions us very well for long-term growth. We pulled our global wealth management capabilities together under the leadership of George Lewis who previously ran our Canadian wealth management businesses. We intend to aggressively grow our wealth management business over the next few years, and I believe this realignment will better position us to capitalize on the growing global demand for wealth products and services. This is not about adding infrastructure or costs. In fact we hope to reduce that but it is about repositioning ourselves to better grow all four of our business segments.

It will enable Peter Armenio and his management team to increasingly focus their attention on expansion of our banking businesses outside of Canada and George and his management team will be very focused on doing the same with respect to Wealth Management.

Now I would like to spend just a few minutes on why I believe we are well-positioned in this market that we find attractive. Firstly, RBC has a solid foundation to build on. We are a leader in Canada in the wealth management area, and we have a growing and attractive global platform. As of January 31st our Wealth Management segment had over \$500 billion in client assets under administration, \$150 billion of assets under management and over 3500 financial advisers. We also have world-class products and services and a very extensive distribution network around the globe.

We believe this scale positions us to benefit from the attractive opportunities that exist within the wealth management industry. First, demographic. As global economies develop and populations mature there is a growing number of affluent and high net worth clients globally. Second, the revenue stream from Wealth Management is high-quality and increasingly recurring and fee-based.

Third, these businesses have a relatively small capital requirement and fourth, the highly fragmented nature of the global wealth management industry provides us with significant opportunity to compete and establish a meaningful market position.

I should also note that RBC's brand is very strong, not just domestically but internationally as was highlighted in the report in the Financial Times just a couple of days ago. For our 2007 Investor Day we've decided to focus on just two of our four segments in order to provide you with more detail on fewer areas and leave plenty of time for questions and answers around these two businesses. So today you're going to hear presentations from Canadian Banking which is headed by Jim Westlake and Wealth Management which is headed by George Lewis. And Jim and the folks presenting are on the podium with me right now.

Canadian Banking and Wealth Management together -- global wealth management -- account for nearly three-quarters of our revenues and generate the majority of our earnings, and there's a strong relationship between these businesses. And you're going to hear more about that in the presentations. Now there isn't enough time to review our U.S. & International Banking or our Capital Markets businesses today, two areas we touched on in our presentation last year. But certainly both those segments remain extremely important in terms of our future growth initiatives.

This chart shows the earnings breakdown according to our new segments. As you can see, each of our segments has contributed to our growth, and I truly believe that the diversity of our businesses is a key strength for the RBC organization. Since 2004 we grew overall earnings by 30% annually, and we had

another successful quarter in Q1 of '07 with net income increasing 28% from the first quarter of last year. Our strong earnings have enabled us to provide top quartile returns to our shareholders which is something that we are going to continue to relentlessly focus on.

Now we have prepared a revised Q1 supplement financial information package as we said we would prior to the quarter that will reflect this realignment, and we will report under this new structure beginning in Q2. This information is currently available on our website or immediately available on our website and for those in the room you can pick one up on your way out. We were going to include them in your packages, but we didn't want people spending the presentation time reading through their package.

Now stepping back as you know, we have three strategic goals. First to be the undisputed leader in financial services in our domestic marketplace here in Canada; secondly to build on our strengths in banking, wealth management and capital markets in the United States; and third to be a premier provider of selected global financial services. The session today will expand on how each of the Canadian Banking and global wealth management businesses are focused on achieving these goals and to continue to deliver good results for our shareholders. I hope you will find the session informative. We have lots of experience in the room with several of the executives here from both segments, the ones that have been responsible for producing those results and there will be lots of time allocated for the question and answer period.

I am going to apologize right up front; I am going to have to leave at the break at 10:30 because I have a flight to catch. But as Marcia reminded me, people are really here to question the people who run the businesses, not myself. So if I slip out around 10:15 or 10:30, that is the reason why. So thank you again for joining us. And with that it is my pleasure to turn the podium over to Jim Westlake and Canadian Banking.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Thank you, Gordon, and good morning everyone. I'm here today to talk about our Canadian Banking segment and in particular our structure following the recent realignment of our business segments. Our key strengths and why we are distancing ourselves from our competitors, and then touch on our strategic priorities. Joining me as speakers this morning are Dave McKay, Head of Personal Financial Services and Shauneen Bruder, Head of Business Financial Services. They will be providing more detailed overview of their businesses and how they are driving growth in the Canadian Banking segment. Following the presentations we will have up to 40 minutes for Q&A.

This first slide outlines the key businesses that comprise our Canadian Banking segment, and as you can see following the realignment, Canadian Banking now includes Personal Financial Services where we've also located our retail investment activities; Business Financial Services, Cards and Payment Solutions and Global Insurance. As noted on the previous slide, our retail investment businesses which were formally part of our Canadian wealth management activities are now part of Personal Financial Services under Dave McKay. These retail investment activities encompass our branch and related personal investment activities, such as GICs and mutual fund sales, as well as RBC Direct Investing, our self-directed brokerage business. Structuring these businesses as part of Canadian Banking will enable us to leverage our in-branch, online and other enterprise distribution channels to meet the comprehensive financial and retirement needs of our clients.

While the new Wealth Management segment will continue to manufacture many of the retail investment products for our Canadian Banking clients, the strong partnership between our segments will ensure that clients continue to receive seamless service. In fact, currently Canadian Banking channels account for almost 75% of new sales of RBC Asset Management products, and both segments will continue to benefit with Canadian Banking receiving distribution fees and wealth management receiving the manufacturing profits.

As you can see on this next slide, Canadian Banking contributed more than half of RBC's total revenue for 2006. This was based on strong contributions as you can see from all of our businesses. The next slide shows the historical performance of our new Canadian Banking segment, and as you can see even with removal of the Wealth Management components the growth trajectory has been very strong. In particular we are continuing to generate exceptionally strong results as we focus on reinvesting savings from back end processing into client facing roles and as we invest in technology to improve efficiencies and better serve our clients.

I'd like to take a few moments to review our Canadian Banking segment strengths and competitive advantages that I believe are enabling us to outperform the market. Clearly when we look at the Canadian financial services industry, the size of our client base, 13 million clients or one-third of Canadian households, the strength of our brand and our strong history of financial stability, these all contribute significantly to our success. But I really look at what separates us from our competitors is three things, the strength of our distribution network, national presence, our product quality and breadth and our leading market shares that are really key to our success. And I will discuss each of these in a little more detail in the next few slides.

Our extensive distribution network includes our network of branches and ATMs which is the largest in Canada; the Internet where we now serve 3 million clients online; career sales forces including commission mortgage specialists, insurance representatives and investment retirement planners; extensive third-party distribution relationships, specialized sales forces including those for business and commercial clients. The breadth and quality of our products is virtually unmatched. Our personal financial service business provides a wide range of banking, lending and investment products and services to meet the individual needs of our clients at every stage of their lives, while Business Financial Services provides a wide range of business products and services to small and medium-sized businesses and commercial and agricultural clients. And as mentioned, you will be hearing much more about these businesses in a few minutes.

Cards and Payment Solutions provides a wide array of customized credit cards and related payment solutions for both business and personal clients. And our Global Insurance business provides a wide range of life, creditor, health, travel and home and auto insurance to individual and business clients in Canada and the U.S. as well as reinsurance for clients around the world. RBC is number one or number two positions in most products, and we continue to see double-digit increases in most product balances over the last year. We are for example the top provider of total personal loans including credit cards and mortgages, a leader for business products and services and the largest bank owned insurer.

Although we won't be reviewing our cards and insurance business today I would like to briefly comment on them. First, our cards business is performing very well generating above industry average returns and growing market share. One of the reasons for this performance is that we've taken an integrated approach to debit, credit, acquisition and low-volume payments so we can make better product decisions. Also we continue to innovate in order to differentiate offerings and drive growth. I am pleased to say that Cathy Honor who runs this business is here with us today and will join us for the question-and-answer session.

Second, we are continuing to grow our Global Insurance business. We have multiple product lines so we can provide clients with complete insurance coverage. This complements our strengths in banking and investment solutions. Like our cards business, innovation and distribution are key drivers for our growth. We are opening insurance branches adjacent to our bank branches. For example, introducing online purchasing for home and auto insurance. In fact, in response to your feedback we are planning an upcoming investor session focused exclusively on our insurance business.

This chart shows the breadth of our retail presence; we are the only financial institution with a truly national retail presence across all markets and products. This contributes to the diversity of our earnings, enables us to take advantage of economic growth in different regions of the country. And it has helped us to take more than our share of revenue growth among Canadian banks. For example, if we look at total

revenue growth of \$2.5 billion across the big five banks which would compare to our former CPB and the other bank equivalents in fiscal '06, RBC got \$1 billion of that revenue. TD was responsible for about \$1 billion, and the remainder of the other three split the other half \$0.5 billion.

I think the question I get asked most often is how are you doing that? Will it keep going? And I think it really comes down to two things that drive that. Our retail focus and our sales culture. Our retail focus is really about how we serve customers. Today our branches and other distribution points are looking and acting more like traditional retailers than they ever have in the past. We are spending significant time and resources to take a fresh look at our physical infrastructure to design our branches, ATMs and other points of client contact to better meet the changing needs of our clients. We are opening new locations including branches and ATMs in the next two years and we are being very strategic in identifying these new locations with a focus on high growth in the emerging communities.

We are reviewing things like opening hours which may not mean having all of our branches open later or on weekends but ensuring that at least one location in every community has extended hours. We are reviewing roles and responsibilities to ensure we have the right people in place to provide the service and advice our clients are looking for when they visit us in person. All of these things are things you would traditionally associate with a Wal-Mart or a Shopper's Drug Mart, but we believe they have equal applicability to financial services and are clearly helping to transform the experience we deliver to our clients.

Our sales culture is also critical to our success. We have been working hard over the past couple of years to implement a sales culture based on local market leadership. We have aligned our national customer and sales management roles to put senior leaders in closer contact with clients and employees. We have taken steps to ensure our client facing teams have clear accountabilities, greater role clarity and quicker decision-making capabilities so that they can respond to local markets and competition. We have aligned our compensation systems and rewarded recognition programs including the introduction of peer group rankings to foster a more entrepreneurial environment and encourage local accountability.

In summary, we are taking all of the benefits of a national organization but using them to compete locally and understand local differences. Competitors, markets and products vary across the country. Our front-line people are empowered to respond quickly to local developments and build their business in line with local market needs. As we look to the remainder of 2007 we are continuing to focus on three strategic priorities. First, we want to extend our distribution strength to truly differentiate ourselves from our competitors. Second, simplifying processes and structures to make it easier for clients to do business with us. And third, improving the client experience in order to strengthen client loyalty and retention.

We have key initiatives underway to support each of these priorities, and I am confident that with continued focus we will meet our objectives this year. In summary our focus on retail best practices and sales culture are enabling us to get more out of our extensive national distribution network and broad product suite. By increasing our focus on our clients we have been able to earn more business and grow our market share, and we have clear plans for our three strategic priorities to extend our lead in every major business line. I truly believe we have the momentum and the right tools in place to distance ourselves from our competitors.

Now I will turn it over to Dave McKay now to speak about Personal Financial Services and some of our recent initiatives in this business.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

Thank you, Jim, and good morning everyone. Today I have the pleasure of presenting to you the Personal Banking business, its strengths, competitive advantages and priorities for the next year. Personal Banking consists of three principal lines of business; personal deposits, which includes our savings in every day transaction account services, home equity which comprises both traditional

mortgage lending, secured credit and home equity products; and personal lending, which encompasses unsecured personal credit, indirect lending and installment loan products.

To give you a sense of context Personal Financial Services contributed 39% of Canadian Banking's revenue in 2006. As you can see we achieved strong growth in revenues over the last three years. Personal Banking accounts for the majority of Personal Financial Services revenues and has been growing at a similar trajectory. Just building on what Jim had touched on, how do we drive superior growth and sustainable competitive advantage? At a high-level our competitive advantage is derived from the integration of four key strategies. Offering a comprehensive suite of top-quality financial services which meet all of our clients' needs; delivering it through an engaged empowered sales force which builds deep client relationships founded on advice; leveraging this through the largest multichannel distribution network in Canada; and supporting it with world-class risk management and CRM support.

When you put all this together you have a model which is very, very difficult to replicate by anyone. It is the integration of these pieces which is the key success factor. One of the keys we see in building a strong and profitable relationship with the client is by holding their primary, everyday banking relationship and transaction account. Our experience shows that when RBC holds a primary deposit relationship our share of wallet doubles. Our mortgage retention increases. Our ability to cross-sell other credit products such as Visa cards and unsecured lines of credit go up by 25%.

Part of this success is driven by how we leverage in a unique fashion the rich data inherent in our everyday banking relationships. It drives our risk management scoring systems, giving RBC a risk view that creates significant competitive advantage in granting credit to the right customers and the right amounts and terms. It helps drive our CRM system, facilitating the translation of client needs into closed sales. By better understanding client needs and better meeting their credit needs through world-class analytics, RBC retains more relationships and achieves more cross-selling success.

Given the significant opportunity that exists in growing and retaining relationships anchored with everyday banking services, over the past year RBC has been executing a clear strategy to increase the competitiveness and performance of the deposits business. We have a 5 point strategy to move RBC deposits business from number two in the market to the number one market share position. We started by improving the ease of opening accounts, reducing the time it takes to open an account in half, creating new channels for clients to open accounts such as telephone banking and our mortgage specialists which can now open accounts.

We improved the customer experience by implementing a prescriptive account opening routine that creates a wow experience right from the start, helping build loyalty early on in the relationship. We completely reengineered our entire savings and deposits product line of which you've seen in a recent series of press releases. This was based on extensive customer research and insights, culminating the launch in March of our high interest savings account and a launch on May 1st of our new suite of transaction products. So why launch a HISA product after all this time?

Well, we had more to lose in terms of cannibalization than our competitors. However, the breadth of competitive offers and corresponding consumer demand have increased significantly. But also we needed time to take a more thoughtful approach and lever the strength of our MIS and CRM systems. So today we are extremely excited about how HISA is going. Beyond expectations. What I can tell you is that of all the money that has come in in the first four weeks, 56% of that is new money. And we did this through the launch of an online only product where we earn positive net margin on all money coming in from our GIC book, money coming in from our money market accounts and obviously new competitor balances.

Taking into consideration cannibalization from existing savings accounts we can't say for sure, but we don't expect it to affect NIMs. What it will do, though is put significant pressure on our nontraditional competitors, taking away their low-cost funding that they used to attack on the lending and mortgage businesses.

Turning to our recent announcement on our new transaction account lineup, it is based on extensive customer research and insight and what customers are saying loud and clear is reward me for the depth and breadth of my relationship. So rather than launching a me-too suite of products as most of our competitors have done in the everyday transaction business, we wanted to serve customer needs and disrupt the traditional business deposit model out there. We are extremely excited about the changes we have made to the deposits business; we think it is really going to drive a competitive differentiation.

And the best way I can portray this excitement is through the standing ovations we have received from our sales teams across the country when we announced these changes. The excitement is palpable, the feeling of how we're going to drive this and create competitive advantages there.

As we move next to the home equity and personal lending businesses I wanted to show you the success RBC has achieved in providing credit products and services to Canadians. In early 2006 we passed TD and have held our lead since then, driven by success in all our personal credit businesses, cards -- sorry, I'm fighting a bit of a cold -- cards, home equity and personal lending. We have expanded our leading market share in home equity. Over the past year driven by the largest dedicated mobile sales force in Canada combined with the largest branch network and anchored by our exceptional Homeline equity product. This product is now 23% of our entire book.

To grow home equity business profitably you first need to retain existing customers. Many competitors are in a costly portfolio churn, spending their time buying new business at the margin only to lose it prior or at maturity to another competitor. RBC's growth has been driven in part by the strong retention of existing business. This is enabled by our distribution strategy of using dedicated mortgage specialists who are not incented to churn our customer base. Unlike competitors who choose to use the broker model. In fact, one of the key strengths is the fashion in which our specialists work with our branch staff to anchor the relationship.

Our outlook for the home equity growth in the foreseeable future is strong driven by changing demographic trends, we are seeing retiring boomers increasingly leveraging the equity in their homes to enhance their retirement lifestyle. For that only 23% of our portfolio, there is still significant room for further penetration offering opportunities to consolidate competitor loans and increasing the size and share of wallet.

Turning to the personal lending business, unsecured consumer lending has enjoyed a very strong five-year trend. Future growth will be driven by two key areas; one, increased client acquisition driven by our new deposit strategy. And two, continued acquisition from our very successful new immigrant strategy. Also, a key area of focus is our point-of-sale financing capabilities, particularly in the indirect lending business. Increasingly the battle for the credit customer is moving to point-of-sale. And we have a number of initiatives aimed at exploiting this trend. I will now turn it over to Shauneen to speak about Business Financial Services.

Shauneen Bruder - Royal Bank of Canada - Head, Business Financial Services

Thank you, and good morning everybody. This morning I'm going to provide an overview of Business Financial Services and describe how we contribute to the growth agenda of Canadian Banking. Small-business and commercial enterprises deal with RBC through Business Financial Services, and through this business we offer them business accounts and deposits, a key source of funding for the enterprise; business lending, investments which also include mutual funds and GICs; and global transaction solutions or GTS. GTS includes cash and treasury management, trade services and foreign exchange products, all important and growing sources of fee revenue for us and very sticky services for growing client relationships.

Business Financial Services contributes 18% to Canadian Banking revenue, and we have seen strong growth over the last three years in our business with growing momentum evident from our recent quarterly results which showed a revenue growth of 8.1% over 2006. This higher growth is the result of the addition of more than 200 new client facing roles, approximately 10% increase in our sales force, enabling all RBC retail branches to now open and service business accounts. We've introduced new performance management and compensation programs specifically designed to reward salespeople for growing and staying with a book of business in their local market and capturing the opportunities in those markets.

The creation of a global transaction solutions team which I mentioned previously which consolidates the previously separate treasury, trade and foreign exchange team to deliver more robust and integrated client solutions. And also to help us increase the percentage of our revenue derived from fee-based products. And finally, the streamlining of credit processes for borrowings less than \$1 million through such initiatives as introducing easier client documentation; we've streamlined our core client documentation from 10 pages on average to two pages. Centralizing middle office activities and standardizing credit policies that are in line with our enterprise portfolio quality goals.

Now we have over 600,000 business clients dealing with us in Business Financial Services, in addition to the owners of these businesses who deal with RBC in their personal capacity. And although business clients represent only 5% of the Canadian business client base, businesses and their owners are amongst the highest value clients of the enterprise, and their combined contribution represent almost one-half of Canadian Banking revenue. This is a highly valued enterprise client base. Their higher contribution is driven by a number of factors including that they use a broad range of products and services and generate high transaction volume. They have more complex banking needs, and these needs generally generate higher margins. And they tend to consolidate their relationships with us with business, personal and wealth management relationship conferred on RBC.

Dave and I work very closely alongside George Lewis' team to ensure a coordinated approach to serving these very high-value enterprise clients. This is also a very important client base for the broader RBC enterprise beyond the Canadian Banking platform as slide 37 depicts. A cornerstone of our strategy with business clients is fully leveraging the breadth of RBC's enterprise capabilities to build client relationships throughout the business life cycle from startup right through wealth management, succession planning and potential capital market needs of these clients.

Slide 38 evidences the strong and balanced growth being delivered across key product lines in our business. New accounts opened has increased significantly in each of the last two years reflecting the strength of our local market leadership, our open for business mindset and the enhanced capabilities we've introduced in all of our branches. Equally, deposit and loan balances have shown strong growth. Our two client segments have different characteristics and needs and our products and delivery differ accordingly. Small-business clients, 80% of our client base, are served at their convenience through our extensive branch channel, and they are further supported by our contact center and our online channel. Their credit needs are small and less complex.

The local branch is truly the focal point of the relationship; these folks are in our branches on average 15 times a month and clients value the integrated business and personal relationship managers that are available in our branches to serve their needs. Our research indicates that our small-business clients continue to consolidate their personal dealings with RBC to a higher degree than that of our competitors, and that is reflective of our very integrated model, that Dave described earlier.

Turning to our commercial client base, our commercial clients are 20% of business market's client base, but these clients generate 80% of our revenues reflective, as I said earlier, of the higher levels of financial need, activity and complexity. This is a very active client base in Canada. It is consolidating, acquiring, investing in plant and equipment for productivity and it is expanding internationally. A majority, 75% of commercial clients have cross-border business dealings so this is a real growth area for us. And the impetus behind the recent creation of our global transaction solutions integrated sales force.

These trends combined with the business succession opportunity as boomer business owners transition towards retirement will fuel continued growth in the commercial sector over the next decade. Business Financial Services has three key strategic priorities shown on slide 42. Our first priority is expanding specialization to deliver value to clients. With our critical mass of clients in Canada we can specialize to create a differentiated client experience with customized products, knowledge and delivery to very focused client groups.

In commercial financial services our key to specialization is delivering value through industry verticals. This focus provides considerable knowledge and expertise which we can use to support our clients in these industries. We've done it in real estate through dedicated real estate account manager specialists for the last 40 years. We've done it in agriculture for the last twenty years and in knowledge-based industries for the last ten years. More recently, we've introduced healthcare professionals and supply chain specialists and have seen significant improvements to revenue per salesperson in these sectors, continuing to demonstrate the power of the operating model.

To succeed with this strategy you need experience, you need scale and you need breadth and critical mass in your client base, your products and your distribution. We believe we have all of the elements needed to create a unique position in the marketplace. In small-business we deliver specialized value through integrating our business and personal offering and leveraging the retail infrastructure. We deliver against the needs of small-business clients through our specialized business and personal relationship manager role located in our branches to provide clients with meaningful advice and tailored solutions.

Our second priority is reaching out to our clients by building out our distribution capabilities, and we are doing this in a number of areas. We are continuing to leverage our specialized sales forces which now number in excess of 150 people, who work with our relationship managers to add client value for more complex product sales, including global transaction solutions, asset-based finance, commercial mortgages, leasing and Moneris. We added new channels, including small-business advisers who are available over extended hours to assist time pressed small businesses by telephone at our client's convenience. And we've enhanced our online offerings to include comprehensive online solutions for banking, cash management, foreign exchange, trade and treasury management.

And finally, while I spoke earlier of our progress in simplifying some key processes, there are significant additional opportunities to streamline sales, credit and back office processes to at once improve the client experience, take costs out and liberate sales time to focus on client relationship building and client acquisition. This slide evidences the traction our strategic priorities are gaining across our key product line. RBC's volume growth has outpaced the market for both loans and deposits, distancing ourselves from the competition even more over the last year.

RBC is a clear leader in both product and client shares. Our current account market share is more than 900 basis points higher than the nearest competitor. For business loans our lead is 230 basis points over the nearest competitor and has been growing over the last two years. Our penetration of small-business primary financial institution relationships, that is the percentage of Canadian businesses that identify RBC as their primary financial institution provider is 3% higher than the nearest competitor and on the commercial side it is 10% higher.

This leadership position generates significant scale advantages and when coupled with our brand strength, the strength and scope of our distribution and the breadth of our product line provides the basis for continued strong performance and market differentiation. In sum, Business Financial Services has strong market share leadership and superior penetration of Canadian businesses. Our scale advantage enables us to accelerate our success with our specialist business model. Specialization simply delivers a more competitive value proposition as evidenced by client satisfaction results and revenue growth and presents a significant opportunity for RBC to further distance ourselves from the competition.

Our scale advantage also allows economic investment in process improvement, investments which will continue to improve our client experience, reduce costs and free up sales time. I will now pass the mike back over to Jim to moderate our question period.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Thanks, Shauneen. The first thing I would like to do is invite Cathy Honor who runs our cards business and Janice Fukakusa, our CFO, to join us up front so that if you have questions you would like to direct at them they will be in full view and microphone ready. What I would ask is as we go around the room if when you stand up could you just identify who you are to the rest of the room so that we can get that on the record and we will go from there. So who would like to start us off? Go right ahead. Bring your microphone, if you don't mind because of the webcasting. Thanks.

QUESTION AND ANSWER

Michael Goldberg - Desjardins Securities - Analyst

(inaudible -- microphone inaccessible)

Gordon Nixon - Royal Bank of Canada - President, CEO

I will take the first shot at it and then turn it over to Jim. It is a good question to which there is not a perfect answer because insurance could be part of wealth management or it could be part of banking and Canadian distribution. When we created the new platforms one of the things that we were very careful to ensure is that our structure is not in any way going to establish barriers or silos within the domestic market in terms of capitalizing on the distribution channels that we have in the accountability for distribution across the country. So that the Canadian distribution network and Canadian Banking still has a lot of accountability for wealth management product sales distributions as was outlined in Jim's opening remarks.

In addition to that, so insurance could really go anywhere. But in addition to that, Jim who was running and responsible for our insurance business, is still responsible for that business and from a management perspective that is the way I want to keep it. And as I say, it fits in very well with what we are doing from a distribution perspective across the country, notwithstanding the limitations with respect to branch distribution of insurance products. But whether it is through other channels, Internet, call center, the adjacent branches etc., it is very consistent with our Canadian strategy. Jim, do you want to add to that?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Well, the only thing I might add, Gordon, is that a very small percentage of our business in Canada would be really what you might call wealth management. We have home and auto, travel, huge creditor operation and the largest disability business in Canada. So it is really only the one component of life that I think would align with that.

Steve Cawley - TD Securities - Analyst

This may be for Janice and Marcia.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Steve you want to tell us your name?

Steve Cawley - TD Securities - Analyst

Steve Cawley, TD Securities. \$733 million was the number that I had on page 9 of your supp pack which was Canadian wealth management. And if I look at your Q1 '07 revenues for wealth this in Q1 with the new disclosure, it is a lot less than that. And so I am wondering what are you including in banking now that maybe previously you had characterized as being wealth?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

What we are showing is retail investments, which would include the big chunks would be our direct investing business so RBC Direct Investing, and all of the fees paid on mutual fund sales into the network. So those are the two biggies.

Steve Cawley - TD Securities - Analyst

\$200 million or so, those two?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Yes.

Steve Cawley - TD Securities - Analyst

Thanks. My second question relates to slide 15, your distributions clearly significant. And I am wondering there are so many different arms to this, but at this point in time I suspect that you must be recruiting outside of just engaging people out of university. You must be taking some people from the competition, as well. Can you just maybe qualify whether that is true and what your recruiting trends are like?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

I will take a quick stab. I don't know if Dave and Shauneen want to talk about more in that area. Certainly we are growing all of our sales forces as well as our branch staff. I think depending on the role we are doing everything from hiring experienced people from the competition, training people who are new on the job, hiring from other industries so I think it is pretty mixed. I don't have percentages, but I don't know if my colleagues have better insights than that.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

I was just down in Winnipeg yesterday and we were talking about that very issue with the sales force. And a number of the branch managers were talking about positive service experiences they had had walking into other retail stores. And just in line with what Jim was talking about taking that retailing concept right to the grass-roots level; they went out and made an offer to that -- a couple of those retail salespeople thinking that we can train products and services, but can you really train great customer

service at times. So I wouldn't say it is just taking from other financial institutions. We are looking for great retail people out there and it can come from all sources.

Shauneen Bruder - Royal Bank of Canada - Head, Business Financial Services

I will just add I think it is about one-third, one-third, one-third in terms of internal recruiting and promotion into sales roles. One-third from competitors and one-third from both traditional and nontraditional industries. When we were looking at vertical specialization for example we're going out into those industries and recruiting in on specialists to help us serve clients. So I think it is a fairly broad approach to building our sales teams.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

It is not a model that's dissimilar to Four Seasons now. They look at hiring great service people from different walks of life and bringing them into the hotels and training them from there. So it is consistent with best in class retail, human resource management.

Michael Goldberg - Desjardins Securities - Analyst

Michael Goldberg again, Desjardins Securities. This one is directed, I guess initially, at Dave and Jim. You might want to comment, and Gord also. One of the biggest public policy concerns, it seems, about banks in Canada is limitation of choice, or at least ease of access to choice. Do you have any concerns that Interac might at some point be required to implement a full functionality, similar to what exists in the exchange network? And how would you respond?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

We have lots of people who could talk about Interac.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

Maybe we could clarify the question.

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

Yes, not sure if we understand the question. What do you mean by full access?

Michael Goldberg - Desjardins Securities - Analyst

In addition to being able to make withdrawals, being able to make deposits into any member organization also.

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

So I sit on the Interac Board, so that is not being contemplated at all and isn't being brought to an agenda. We are looking at expanding services; one of the main things we are looking at is expanding the ATM services to be able to hook into the IDT network so that you could actually use the ATM machine as

a vending machine so that people could pay for services. So for example you could buy prepaid top up and pay for that, and that will help both the FIs as well as these small companies that own independent white label ATM machines. That is the only new access that we are looking at right now.

Michael Goldberg - Desjardins Securities - Analyst

What I am really getting at is that Interac may not be contemplating doing this, but what if you were mandated by the government to do it?

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

We have a very, very close relationship with the government. And so we have not had any indication from the government that that is on their agenda, but I don't think that would necessarily be a negative thing, adding more services typically more transaction volume and ultimately revenue.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

So your concern is other nontraditional competitors would have access to Interac and open their own ATMs network. Is that what you're getting at?

Michael Goldberg - Desjardins Securities - Analyst

Actually my concern is that it would make it a lot easier to move funds to other institutions that don't have the physical distribution on their own. Right now there is a convenience issue that seems to hold back their ability to gather balances, and this would mitigate that issue, leading perhaps to dealing with the choice issue that I was discussing.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

Maybe I will make a more holistic comment because we see this in many lines of business. There are a number of monolines out there that attack you whether it is the cards business, the mortgage business, the everyday banking business, the savings business. And one of the reasons we are moving to this relationship management concept on our everyday banking and trying to wrap our arms around the customer at a holistic level is to stop incursion from all these mix that you're getting from these monoline players. That is why really when you take a relationship approach and you look at reciprocity, true reciprocity at the customer level, it makes it a lot more difficult for these niche competitors to get a wedge in the door. So our new transaction banking lineup is designed -- and it is unique in Canada as far as offering meaningful reciprocity to the customer. It's going to be very hard for the INGs, the PC Financials, the Canadian Tires of the world to get that wedge in the door because the customer is going to be giving up something meaningful and giving away one piece of the business.

So when you reward a customer for the breadth and depth of the relationship it is going to make it extremely difficult to get a wedge in. And whether you have access to ATMs or not that is not going to be the deciding factor when you're giving up free banking or other rebates and fees.

Shauneen Bruder - Royal Bank of Canada - Head, Business Financial Services

And I would just offer, as well, when you look at the potential evolution of the payments environment you need to think about the value chain a little differently. And for my line of business on the business side

looking at moving into more of a cash management and the reporting which is the stickier part of the value added part of the payment value chain is where we need to go to look at potential disintermediation and make sure that we continue to play in that space and generate the revenue off that activity.

Ian de Verteuil - BMO Capital Markets - Analyst

Ian de Verteuil, BMO Capital Markets. I just want to follow-up on this issue of why you have decided to split the businesses the way you have, Gordon. I remember back two or three years ago when you put the businesses together in the way you did, and we've come through a couple years standing momentum. And now I've heard Dave and Shauneen talk a lot about integration. It's having multiple relationships, having the customer totally tied in, seamless service. How do you ensure that by creating a whole different segment within Canadian, the Canadian footprint that you don't lose some of that mobility, that ability to truly understand profitability by product, by client and to serve that client without something leaping over a silo.

Gordon Nixon - Royal Bank of Canada - President, CEO

I would say that was the biggest hesitation that I had in terms of this restructuring was precisely that. And it is why we were extremely careful to ensure that within the domestic Canadian marketplace, that the accountability for wealth management distribution and the relationships in the field between product and distribution did not change. So if you look at our regional presidents as an example their accountability for ensuring mutual fund sales for the distribution of wealth management products under the new structure, is not terribly different from where it was prior to the announcement of the new structure.

So we've been very careful to ensure that that relationship is seamless, which is why branch investments is part of the Canadian Banking platform. So I don't think you will see much of a change with respect to the perspective in the field and the people that are responsible for the management of that. The rationale was very much based on what I said in my opening comments. We view wealth management as a good global opportunity. And George and the others will get into that Brenda, John, etc. in their comments. It truly is a global opportunity, not just within Canada, but outside of Canada. And we believe that by creating the wealth management structure it will give us the ability to be more focused in terms of driving wealth management investment and wealth management growth outside of Canada.

And under the previous structure when global wealth management -- international wealth management businesses and international banking businesses were part of the same unit they're tended to be a dispersion of resources within the U.S. & International business unit. Whereas now, as I've said before I think there will be a little bit more of a competition for resources and for capital and investment. And we see opportunities in both international banking and international wealth management. We would like to ramp up that international wealth management investment with a more focused approach, and we think this structure will lend itself.

So I would describe this very much as an appropriate evolution of the way we've been managing the businesses over the last number of years. We are now at the point where we think by creating the structure will allow us to be a little bit more focused particularly outside of Canada and I think you will get a sense of that from George's comments. Jim, you might want to just elaborate a little bit on the distribution network and in terms of accountability for wealth management distribution because as I said, at the time the one thing that would be totally unacceptable was if we ever had a bit of a silo creation between Wealth Management and the Canadian Banking network in Canada.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

And I think you can look at it from either side of the fence on this one. I think if you look at it from our perspective Direct Investing which is our own line the trend that we are seeing whether it is with online banking or with online investing, is that there was a day when people thought that you would attract customers. You remember when the Egg and we owned SFNB in the U.S. and the online banking and certainly a lot of third party investments. What we are finding is gradually people are migrating towards their home bank, and that is where they do their online banking with their primary bank. Market shares are migrating there into online investing. So we really see the online investing world, although supported very heavily through our wealth management investment groups, is an activity that is undertaken largely by primary banking customers.

Similarly, I mentioned in my remarks that we sell about 75% of the mutual funds through our distribution network; absolutely nothing is changing on that. There has always been a strong manufacturing component. That is staying intact. We have a strong sales channel. That is staying intact. And if you think management makes the difference, and I happen to think often it does, George and I worked very closely together the last couple of years in this business. That is not going to change.

Ian de Verteuil - BMO Capital Markets - Analyst

Is the full-service, the delineation, is it a statement that there isn't that much migration from branch to full-service to the old classic DS distribution model? That the branch business really is a mass market mutual fund kind of client as opposed to what we think of the carriage trade DS sort of business?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Well, we have done a very purposeful job of being very clear and deliberate, very clear in our roles. We only have one spot that you get full IDA service. And so if it is a customer who -- once Royal Bank customers who have multiple relationships, including one with the DSIA there is -- in our organization that is the only spot you get it, and its very clear that wherever we are you refer the customer over. Similarly, if it is a non-IDA, the DS people will refer that into the bank. But I think that is partly a cooperative natured relationship but it also being very clear as to the roles, responsibilities and not having the overlap. And if you look at some of our competitors, I think that one of the ways that you get a little confusion there is that you have more than one group who can do the same thing. We don't have that so we are not getting that confusion.

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

Maybe I'll just add one thing to that. I think the old adage you get what you measure, we haven't changed the measurement system for the field, and they are very, very focused on profitability per client, loyalty per client and referral. So the profitability per client will still include all of that wealth management profitability and they will still be compensated for the referral activities. So the branch behavior is very strong and will continue.

Adrian Mitchell - Hospitals of Ontario Pension - Analyst

Adrian Mitchell, Hospitals of Ontario Pension. You talked about advantages of scale, and a couple of advantages of scale come through on slide 13, which includes your efficiency ratio and operating leverage. And I just wanted to ask as you think out over the next four or five years can operating leverage

of 5 or 6% a year continue? Or does that really imply that you are under spending on investment projects?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

I'll comment and then I would ask some of my colleagues to comment on how it applies in their business. Our objective is a positive operating leverage. And I think that you have -- I would expect over time it would get better or worse. We are much more focused on that than just on pure efficiency because you can get efficiency and have your business not growing in terms of revenue. What we tried to instill very broadly and let people manage it within their businesses and across the field, is to say let's invest in our business at a pace that is consistent with the revenue that we are generating. Our spend has never been higher broadly on our project spend, the investment that we are making in terms of efficiency projects, technology. So we have not cut that at all but what we are doing is directing spend where we think it can generate the best returns. And I would encourage my colleagues to prove that by giving some examples.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

I can jump right in. I think one business that we have an opportunity in the short-term is our mortgage business. And as we continue to grow volume significantly through a number of products we have not realized through technology application the efficiencies in that business still a significant portion of the processes are manual. So the marginal cost of putting a new mortgage on is a lot higher than it should be. So we have technology plans that we've already embarked on to get greater efficiencies in that area. So a real exciting opportunity in that side.

On the deposit opening account we opened up 760,000 deposit accounts a year, largely through the branch channel, a very expensive and manual process. We are increasingly diverting that volume to the Internet and in telephone banking as a new channel that recently opened, as I mentioned in my remarks and much lower cost channels to serve clients. So as we move customers and send customers to those channels, again, the efficiency gains on a very expensive process. So there is -- I see lots of opportunity.

Shauneen Bruder - Royal Bank of Canada - Head, Business Financial Services

I think what the scale advantage our businesses is just additional degrees of freedom. We can afford to attract and retain and develop I think offers that some others may not have those degrees of freedom to do. And we've got an incredible amount of low hanging fruit given our historical investment in this business to actually transform some of our back office and core processes, choose to leave some of that to enhance operating leverage and choose to reinvest some of that in further enhancing our front-line facing capabilities. So I think it is just -- it allows the scale advantage allows us degrees of freedom.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

It looks like this room is waiting to get at Wealth Management, George.

Mario Mendonca - Genuity Capital Markets - Analyst

Mario Mendonca, Genuity Capital Markets. A question for Dave. On slide 27 you go through how core deposits were an important part of doubling your share of wallet. The very next slide you spend some time going through the HISA product. The HISA product, would you characterize that as being also able to drive the sorts of things that a true core deposit can, or is that more of a flaky product that you really don't count on those sort of benefits from?

Dave McKay - Royal Bank of Canada - Head, Personal Banking

I wouldn't describe it as flaky, not when you see the results. Great question. The core information value, as you have alluded to does reside in the everyday banking account, but we do wrap our arms around the savings and everyday banking relationship to mine that value. So it's important to see both flows going through. In itself it depends on how the customer is using the account, and we look at account activity and the nature of the account before deciding whether it is a primary or a nonprimary relationship account. But I think your intuition is somewhat in the right direction, that on its own may not drive the entire picture that we need to see but certainly provides us incremental information value to do that.

Mario Mendonca - Genuity Capital Markets - Analyst

What was the logic, then?

Dave McKay - Royal Bank of Canada - Head, Personal Banking

Behind the HISA?

Mario Mendonca - Genuity Capital Markets - Analyst

Yes, it is a basic question.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

It is tough to envision a retail banking franchise without a savings business, a strong vibrant savings business. And as a couple of reasons. One, as we see ING's and PC financials use those funds to attack on the mortgage side low cost of funding, if we were disrupting that model it hurts their entire business model. Two, we feel we have come up with a very profitable business model to get that business back so I wouldn't in any shape or form make the assumption that this is going to be a material negative event by launching a HISA.

I encourage you not to overly focus on NIMs; even though we don't expect a material change in NIMs. This is also about NIBT, right, and NIBT growth. And when you divert to an online account from some of those channels particularly a very high cost GIC product into an online high interest savings account, it is more about the NIE savings than it is about the NIMs. So we are extremely confident that we can drive a NIBT here rather than solely focusing on NIMs. So it is part of the equation, but not the entire equation. So we've gone through, as I already mentioned, and looked at where the source of funds would come from. We've done extensive modeling on customer behavior, how they react to previous interest rate changes, who is luring the customers away. We knew exactly how many customers have left for ING. We know them all. We've got all their names because ING tells them to go bank with Royal Bank for their everyday transaction account. So we have specific targeted strategies to bring that money back. And it's coming back, every day, it is flowing back from ING because they value the convenience of and ease of doing business with one institution. We have a competitive rate. There is no reason to bank with ING anymore.

Steve Cawley - TD Securities - Analyst

Steve Cawley again from TD Securities. Looking at slide 29, the market share numbers, I guess I was hoping today to get a little more credit card information. Because if there is one area where you've probably shown the greatest market share growth since 2004 probably be cards. And if we think back you would have probably gotten a lot of criticism for how much money you spent on advertising; every day there seems to be a big full pager in the Global and Mail, for instance, and I think the Post as well. So you spent a lot of money to get the share, and you're still spending a lot of money with the TV ads and what not. Is it as profitable as you want it to be today, or is market share gain still an overriding driver here?

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

We don't specifically disclose profitability of the business. But what I can say is we disclosed the percentage of revenue for Canadian Banking at 14%. I can confirm that its a significantly higher percentage of profit. Its a high margin business and ROEs would be higher than the overall Bank's ROE. You have probably also seen that many of our competitors have woken up to the power of advertising. And so there is many banks that weren't doing advertising in the credit card business that now are copying because it works. And what we have that is very unique is a very differentiated value proposition for the consumer, and that is around our RBC rewards. That you can use them to fly anytime, anywhere on any airline and no one can touch that. And you can use your rewards for RSP contributions, you can use your rewards for gift certificates. And so that advertising is highlighting that advantage and driving people into the branch. Our percentage of rewards cards, which are significantly more profitable than non rewards has had huge growth, much higher than our overall growth. So our profitability is increasing faster than our market share.

Steve Cawley - TD Securities - Analyst

Can you give a sense of what the average spend is on your Avion card?

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

I don't want to disclose exactly because our competitors know, can get at what are the Avion bins and actually can target that and put more money against them. But I can say that the Avion spend would be almost three to four times that of average cards. And spend basically drives revenue. The big weapon we have, back to Jim's point, is our distribution. And so what the monolines don't have is branches that can sell rewards products. You can't acquire a rewards product through direct mail. It is too complicated of a sale so they are going out with low rate offers, which are not as profitable, it moves around. Our branches have gone, they are selling 45% of our new card acquisitions coming from the branches, 40% DM. It used to be the other way around a couple years ago. And almost all of the branch sales are rewards products.

Steve Cawley - TD Securities - Analyst

And what would be the market share today of your overall cards business?

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

There are a couple of measures of market share. Purchase volume and balance at 20% in purchases and 16% in balances. And to your point in terms of we are sitting at number two but we have closed that gap over the last between 2004 and 2007; we are now less than 2% from first-place when it was over 5%

on balances a few years ago. And on purchases we were almost 13% away from first-place and we are now under 4%. So we are going to first.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

As soon as we pass into number one we will start showing that slide, as well.

Steve Cawley - TD Securities - Analyst

It is pretty clear that banks care a lot about market share Jim. I think page 29 you say you want profitable market share probably in all your meetings but generally speaking I think banks love to show how big they are. The 15.22%, do you have a target? Do you know -- obviously it is a sticky business so it is hard to keep on taking share away from your competitors. But I bet if we pulled out Maple Trust from Scotia's 11.85% they are probably showing some deterioration, as well. Can you keep on doing it, and do you have a target of where you want to go?

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

I don't think we target market share. When you say market share we talk more about revenue market share than we talk about volume market share. And that is what I was alluding to when I was talking with the comparisons in '06 and I think the trend that you have seen and you see it in our efficiency going down, and our operating leverage going up with very modest volume market share gains. The revenue momentum is significant. You can't get as robust revenue information as analysts you would know that as well as we do. You would do better on annual information forms than you do on the quarterlies. But it is something that we really focus on. And so yes, we want to grow our volume. Yes we want to grow market share but we do want to do it profitably. We want to get more efficient and actually have higher line revenue share growth than pure volume growth.

Jim Bantis - Credit Suisse - Analyst

Jim Bantis, Credit Suisse. What got CIBC in trouble with respect to their cards business or I guess one of the problems was taking on a number of customers that were non CIBC and then finding out that their credit scoring system perhaps was not as robust as they thought it was. So in your goal to get to number one in cards business again you would be taking non RBC clients so maybe you can talk a little bit about the credit scoring issue. Because one thing that is clear with respect to the loan growth coming from RBC would be the unsecured portion continues to grow so we can't really measure how the quality is until we have a downturn in the market but perhaps you can give us some measures, Jim or some analytics in that regards.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

In our credit scoring group is part of Dave's group, and of course Cathy can comment on the cards. I would just like to pick up on one thing first before they take over. And that is our actual proportion of secured to unsecured we are a higher percentage of secured than unsecured today than we were two years ago. So we are about 67% -- you probably got the numbers there, but it is roughly two-thirds with a very slightly higher percentage. So while we grow in unsecured in absolute volume as a percentage of our book it is actually decreased slightly so just to clarify that.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Yes, everything. With that I don't know which order you want to start.

Cathy Honor - Royal Bank of Canada - Head of Cards and Payment Solutions

I can maybe comment on the credit card business and Dave can comment a little bit more broadly. I would say that that is one of our competitive advantages is we invested a number of years ago into a very sophisticated MIS and portfolio management system. And we have managed to grow our business while keeping our credit quality very strong. So in fact over the last since 2003 our PCL rate is only up about 20 basis points, so very, very strong credit portfolio. We are significantly lower than our competitor, CIBC. Dave, you can add a little bit more.

Dave McKay - Royal Bank of Canada - Head, Personal Banking

I would just reiterate, we called the project Marion. I think we talked about it at various analyst meetings, and it is best in class, has been rated by a number of external firms and it has -- we have five years experience with it -- went in 2002 so we really have seen it work and understand it and have confidence in it. But when I talk about future growth I think when we start wrapping our arms and talking about reciprocity a big part of that is credit cards. And to get a rebate in our new everyday transaction strategy you must have a premium credit card to get one of our top accounts for free or get a rebate against it. So our experience already early on into this process is that we are getting our competitors' best customers. They are bringing their mortgage, they are bringing the investment and they are bringing that Aerogold or that premium credit card with them. So I wouldn't assume that we have to go down market to attract this type of growth. I think through this holistic approach and true customer reciprocity we're going to get really good customers and a lot of the growth is going to come from there.

Jim Westlake - Royal Bank of Canada - Group Head, Canadian Banking

Other questions? Okay, I guess we break for coffee. Let's take 20 minutes and we will start up again. Thanks, everybody.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Good morning. It is my pleasure to speak to you this morning as head of our newly created Wealth Management segment and to have three of the four members of my operating committee here, as well. Brenda Vince to my immediate right who is our president of RBC Asset Management will provide an update of our industry-leading and fast-growing Canadian based asset management business, which recently passed the \$75 billion mark in assets under management. Dave Agnew, head of our Canadian advisory and discretionary businesses will provide a review focused on RBC Dominion Securities, Canada's largest full-service wealth management firm which recently passed the \$150 billion mark in assets under administration.

John Taft, head of our U.S. based wealth management businesses, including our asset management and correspondent services businesses, will provide today an update of our U.S. full-service brokerage

business. Now one of the keys to building strong wealth management businesses is the attraction and retention of top quality advisors. Mike Lagopoulos, head of our Global Private Banking business is focused on that this week, hosting a reward and recognition event for our top professionals in his business. And I will share his progress report with you on our Global Private Banking business on his behalf.

Before reviewing these four principal revenue and earnings contributors to the Wealth Management segment, I will provide an overview of the contribution of this segment to RBC's financial results and the composition of the segment, including the sub segments which we will be providing quarterly disclosure on with respect to revenues and assets. I will also share some information concerning RBC's leadership position in all aspects of the Canadian wealth management market and why we believe we are very well positioned strategically for excellent growth in the Canadian market for several years to come.

After the individual business group unit reviews I will share with you how we are beginning to frame our existing position and our opportunities for growth in the Wealth Management segment globally to ensure that this segment delivers on the long-term promise and rationale for its creation which Gord shared with you earlier.

The Wealth Management segment contributed roughly 17% of RBC's revenues and earnings in 2006. And as Jim highlighted, this does not include the revenues of RBC's Canadian branch investment and self directed brokerage business, which were part of the Canadian Wealth Management line of business within the CPB segment and will continue to be reported in Canadian Banking going forward.

Within the Wealth Management segment we will be externally reporting the revenues and assets under care of three sub segments which are shown on the right-hand chart. Global Asset Management, Canadian Wealth Management and the U.S. & International Wealth Management. Now while the revenue contributions of these three sub segments are very different, as you can see from the slide, the relative contributions to the bottom line of the overall Wealth Management segment are more comparable.

We will also provide restated historical financial and operating performance including revenues and asset growth by sub segment, and this is included in the appendix of the presentation in the form of slides which will be a regular inclusion in RBC's quarterly presentation to you. Now given the very direct relationship in each of our three sub segments between asset growth, revenue growth and profit growth, this will permit you to track and hopefully forecast our progress well. Within each of these three sub segments there are individual business units. While time does not allow us to review all of them with you today, the four we will discuss in detail are the principal drivers of the segment's revenues and earnings, representing over 90% of each.

Now some of you may wonder what is different about the focus and position of RBC's Wealth Management segment in 2007 from a similar organizational structure we had in place from 1998 to 2004, known as RBC Investments. During that period of time there needed to be considerable focus on building relationships in Canada between the banking and investment platforms, particularly with respect to laying the groundwork for the exceptional growth of our mutual fund business since 2003. During this period outside of Canada we established a position in the U.S. wealth management industry through the acquisition of Dain Rauscher and subsequent acquisitions to create a national firm.

We also continued to grow our international private banking business which came to RBC through the 1994 acquisition, Royal Trust. While RBC was aligned on a geographic basis for the last two years, there was increased focus on growing these existing businesses outside of Canada and realizing synergies between them. Meanwhile, within Canada the working relationship between the wealth management businesses including Dominion Securities and the other groups within Jim Westlake's platform continued to improve. This is a large reason and a large part of the reason for RBC achieving the clear number one position in the Canadian wealth and asset management market, and something that both Jim and I are committed to going forward.

Now with our leadership position in Canada well-established and a solid foundation of our existing wealth management businesses outside of Canada, we are now uniquely positioned to accomplish our twin objectives of extending our number one position in Canada and aggressively growing the wealth management segment outside of Canada.

In terms of our ability to extend our lead in the Canadian market, this slide helps demonstrate the reasons for our confidence. This provides a view of the wealth management market by channel of distribution based on a biannual survey by Investor Economics. The branch advice, branch direct and self-directed brokerage channels are part of RBC Canadian Banking segment. However, since 75% of RBC Asset Management sales are through these channels, they are critical indicator and proof point of the success of this key wealth management business. The full-service brokerage and private client management businesses are part of RBC's Wealth Management segment.

Now a few observations; number one, in an overall industry expected to grow at 8% per annum or almost three times GDP, RBC has number one positions and they are growing positions in the fastest-growing segments of the wealth management market expected by Investor Economics to grow at double-digit rates. Note also that this is expected to come at the expense of the independent MFDA channel labeled as financial advisors in this study.

As clients seek out objective advice and the ability to handle a full range of their financial services needs. We intend to aggressively grow both the branch advice sales force in Canadian Banking and the RBC Dominion Securities business within Wealth Management and expect to continue to attract both clients and advisors from these MFDA firms.

It is important to highlight how strong our partnership with Canadian Banking is and how it will continue going forward. RBC because of that partnership is one of the world's leaders in delivering investment products through a bank branch network. While we've been successful in broadening our channels of distribution in our Asset Management business, which Brenda will share with you, RBC Canadian Banking will continue to be our key distribution partner. Furthermore, Canadian Banking and in particular private banking also plays a key role as a referral source for high net worth clients to RBC Dominion Securities, Private Counsel and Trust Services in the Wealth Management segment.

We've made great strides in delivering integrated client service to our high net worth clients in Canada through a team-based approach involving professionals from private banking, DS, counsel and trust. Now to share with you some of the reasons for our current success and optimism regarding continued growth in our Canadian Asset Management business, it is my pleasure to turn it over to Brenda Vince.

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Thank you, George. I am going to start by observing that the asset management business in this country operates in a fairly transparent manner, so I'm sure that many of you are already aware of a number of the indicators of our leading market position. They have been alluded to earlier in the presentation, but just to summarize very quickly, we currently have about 11% market share which is the number one market share for a stand-alone complex, obviously IG combined has the larger share. We have over \$75 billion in assets under management, and we have led the industry for the last 13 consecutive quarters in net long-term sales of funds. So that is a big contributor to our trajectory and one that I will come back to over the course of my presentation.

Would like to spend on today is talking about why we believe our business is working and why we think we can continue the trend, which is I am sure what you are all interested in. We have been very focused over the last number of years and particularly under George's leadership, on building an asset management company that has substance and staying power. And that is a very important part of the equation. We've made substantial investments, substantial investments in people, processes, technology and governance infrastructure over the last five years. And we think about our business as being

comprised of four pillars, and all of those have to be working in order for you to have the kind of success that we have.

Portfolio management, product development, sales and marketing, middle office expertise, risk management compliance and governance. And we do believe that all four have to be working. And while the challenges of being a leading player in the industry are very different than when you are trying to build out your business, we are very confident that we've got the skills to keep that place. So what would we highlight as some of the keys to or proof points of the successful execution of our strategy over the last five years?

Well, you've already heard a number of times, but we will repeat it one more time, that the most important reason for our success is our partnership between the Asset Management business and Canadian Banking. With over 10,000 licensed salespeople, including 1,650 licensed financial planners, the Bank branch network is our largest distribution channel. And while we have achieved significant synergy through the model that we've executed in the last five years, I will note that we believe that there is still significant upside potential in increasing the number of investment relationships within RBC's client base.

Second, we've successfully built our dedicated sales and service support for all of our channels of distribution, including brokerage and independent advisers that now contribute, do the math, 100 minus 75, 25% of our sales, if not more in certain periods of time, over the course of the year. Another key to our success is that our product development we believe has been based very squarely on meeting client and adviser needs, and we believe this is the future for mutual funds in the Canadian marketplace.

In cash flow solutions we started early with the very first monthly income fund in this country, launched almost ten years ago now, and we've continued to invest and build products to meet client's income needs. We offer a full range of portfolio solutions and the latest IFIC data notes that during the first quarter of 2007, fund to fund sales or portfolio products accounted for over 50% of net new money. Our portfolio solutions in our business represent about 22% of our long-term funds today.

In the global solutions arena we moved very early to revise our product line when foreign content limits were changed, and we intend to continue to move aggressively to build out global capability. We have been a leader in gathering non Canadian assets over the past three years through both our portfolio products and our sub-advised O'Shaughnessy offering.

In addition to product development, we have stayed very committed to delivering and increasing what we like to call value for money, and we will continue to support transparency in pricing in our product line. Finally, in assessing our investment performance, which is a very big part obviously a success in this space, you need to know that we focus on extracting value add in all elements of the portfolio management and process, that is what I mean about the substance of an asset management company. We are focused on not only delivering value in asset mix, but securities selection, foreign exchange capabilities, trade execution, always leveraging the 3-D investment philosophy that is led by our chief investment officer, Dan Chornous.

Of our over 250 employees, approximately one-third comprise the portfolio management team making it one of the largest in Canada, as well. And we've made significant additions to our analyst and portfolio manager ranks and are very confident in the depth of our team. This has led to over 90% of our fund assets being ranked in the first and second quartile on a three and five-year basis, and our risk-adjusted three-year performance recently earned us Lipper's best overall fund complex award for 2007.

At least part of our success, though, has to be attributed to the fact that we are prepared to act as an innovator and a disrupter in the Canadian marketplace, whether that relates to product focus, value proposition, distribution and dealer compensation strategy or transparency in pricing. The table on the slide in front of you shows just some of the initiatives that we believe have contributed to our growth, both through the branch channels and outside. I am not going to review them in detail with you, but I will leave them for your takeaway and certainly would take questions later.

We know that over the next five years we will have to -- we will require continued investment particularly in our buildout on international money management capabilities and further innovation. This chart illustrates our growth in long-term asset balances over the past five years, and it has become one of our favorites. We believe that our successful model will be very challenging to replicate quickly, if at all by many players. But please don't take that to mean that we are complacent in any regard. We know that we have to continue to earn, not buy, the business of our clients and advisers, and it is this mindset that we believe will allow us to continue to succeed going forward.

So why will we continue to be successful and gain market share? Because that is our objective. Certainly because, as I've said, asset management is at the core of our business. We've made investments and significant investments to make sure that we can continue our growth trajectory. We are committed to investor friendly product innovation and our size, capabilities and distribution model allow us to balance the interest of our unitholders, advisers and our owners in a way that creates value for all of them. We have proven that we can work collaboratively with the best and broadest overall distribution network in Canada, and we can manage that responsibility with our clients' interest in mind.

Two parts to that equation. We have a very solid business model, and that is comprised of a lot of parts that work well together. We have experienced competing in an open architecture environment, both in the branch and outside. We have a focus on transparency and accountability, and in fact over 95% of our sales are still sold either no load or F series, and I should note as well that even without the benefit as some would argue, of DSC penalties, we still have one of the very best asset retention rates among the large fund companies in Canada. Something that I think people would never have imagined five years ago.

Our healthy asset mix of assets under management also allows us to grow along with our clients. Finally, our size and scale, with our size and scale we have a cost advantage, and we are prepared to continue to leverage it in a marketplace judiciously. We have pretax margins greater than 50%, so we have the ability to do this.

Thank you for your attention. I am now going to turn the podium over to David Agnew to talk about our full-service brokerage business.

David Agnew - Royal Bank of Canada - National Director, RBC Dominion Securities

Thank you, Brenda, and good morning, everybody. I am going to give you a very brief summary of Dominion Securities and give you a slight history in terms of how the industry has evolved and how we are evolving the businesses well within our firm. We are the leading full-service brokerage firm in Canada. We serve 290,000 households. We rank first in assets, revenue and profitability and as you can see on the slide, our market share numbers are very, very strong. We have 1336 investment advisers, of which 220 are registered as portfolio managers and we operate in 116 branches around the country.

We also have a very strong partnership with operations technology and our compliance teams to support our business as there are many moving parts within this business. To maintain and grow our business and our leader position in Canada we are focused on sustaining our business and actually growing new business, as well. We've distilled it into five main priorities as you'll see in the bottom right of the slide; but this morning I will briefly highlight two of them, the client experience and the adviser experience, as they are two of the most important components and the keys to our success.

We have a great business and providing a strong client experience we can maintain and grow our leadership position. And by providing a strong adviser experience we retain and attract the most talented advisers in this country. Every decision within our firm is viewed through these two lenses, the client and the adviser. Every client has different needs, and we tailor solutions to match their needs. Our client base

is changing. They are more wealthy, more sophisticated, more demanding, and they are also busier than ever.

We survey our clients on a regular basis, and they have told us they are very happy with our investment management offering, but they want more. They want access to family wealth management solutions within Dominion Securities, which include financial planning, insurance, charitable giving, estate planning, trusts and the list goes on. We have extensive support in these areas as we have hired 73 specialists to provide support in these new areas of Wealth Management.

Our client base is evolving, and as you can see on the slide, we moved from transactional to fee-based programs to more broad wealth management services. Over the last several years we have continued to build our wealth management expertise to satisfy our clients and to capture the changing demographic and wealth management opportunities. We've seen positive business results, as you'll see in an upcoming slide. Wealth management is also an advantage for a client, for our business and it has been great for our advisers as they can help our clients retain, build and pass on their wealth, and they also attract new clients to our firm.

Our investment management capabilities allow advisers to choose from a variety of solutions; proprietary, third party, transactional, fee-based and discretionary portfolio management through our private investment management program. We currently have \$15 billion in this program, and it is our fastest-growing program within Dominion Securities.

We also have great partners across RBC to help our advisers provide a broader range of products and services to our clients. Personal Banking, Private Banking, Asset Management, Capital Markets and Insurance have been and will continue to be great partners. We really do offer advisers the best of both worlds, the backing and support of RBC as well as the freedom to run their business within an entrepreneurial culture. We nurture a DS culture that creates a boutique like experience for advisers with the strength of the RBC brand and everyday we try to make a very large firm feel small.

As I mentioned, we want to create a superior adviser experience, retaining and attracting advisers is one of our top growth strategies. By retaining top advisers, we retain top clients. As for attracting advisers we welcomed over 70 seasoned advisers from our competitors over the past two years, and this trend continues. Providing a great client and adviser experience is translated into terrific financial results for our business. As you can see on the slide, assets under administration have grown substantially since 2004 from \$111 billion to roughly \$150 billion at the end of the first quarter '07.

Average revenue per adviser has also increased dramatically from \$721,000 in 2004 annualizing almost \$1 million at the end of the first quarter 2007. And a very important piece of this slide is our recurring revenue as a percent of our total revenue has drawn from 47% in 2004 to 56% at the end of first quarter 2007. So in closing, as a result of our success and profitability we are able to reinvest in our business and provide the best client and adviser experience. Being the most successful wealth management firm in the country, also the most profitable, we are in the nice position of being able to reinvest into the business so we can continue to capture the top advisers, top clients and grow our market share.

Thanks very much for your attention, and now I will pass along to my partner, John Taft.

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

Thank you, Dave. Good morning, everyone. RBC Dain Rauscher is the eighth largest full-service securities firm in the U.S. as measured by the number of financial consultants. We have 1,665 FCs who are employees of our broker-dealer and through our Dain Correspondent Services clearing division we provide clearing and execution services to 3,000 correspondent brokers who are employed by independent broker-dealers and RAAs. We have 3,900 employees, serve 306,000 household clients, have 154 offices in 40 states, and over \$136 billion in assets under management. And traditionally we

have been known in the U.S. brokers space as a regional firm but since our acquisition by RBC in 2001, we have evolved both through acquisitions, the largest of which was Tucker Anthony Sutro and through the expansion of our wealth management suite of products and services and what we now more appropriately we think describe, as a national investments advisory and wealth management boutique.

Our focus as it has always been is on quality, on being the best, not the biggest, and on organic growth, growing FC productivity by doing more for our clients and increasing our share of their wallet. Now our mission is to help investors, primarily individual investors achieve their goals more effectively with our help than they could on their own. We do that in one way and only one way; and that is through experienced, professional financial consultants who know their clients better than anyone else. Who are able to recommend the right product or service in the right way at the right time for the right client.

Our strategy is to attract as many of the best financial consultants as we can to our platform, make them as productive and effective as we can while they are there and keep them there for as long as possible. Hopefully for the rest of their careers. We are doing that through tactical initiatives in three areas. First, by creating a unique combination of a small firm culture combined with the resources of a global financial institution. The same thing or similar to what Dave described earlier as his best-of-both-worlds strategies. We think that is exactly what the best financial consultants are looking for and for those of you who are not in the U.S. market, it may be hard to believe this, but there really is no model like that, no best-of-both-worlds model like that in the U.S. brokerage space. It is a unique and differentiated proposition. We are partnering with our RBC affiliates to offer products and services through our financial consultants that we were never able to offer before. Particularly in the areas of credit and lending where premier lines of credit, secured line of credit offered by our RBC Global Private Banking partners have reached \$950 million from a dead start two years ago. Restructured products, where revenues are up 93% year-over-year and RBC Capital Markets now commands a 50% market share. Or alternative investments, where we recently participated in an offshore offering of RBC's hedge fund 250 Index product. And trust services, where we are introducing the capabilities of RBC's newly acquired U.S. trust business alongside our existing partnership with Comerica Bank.

Secondly, we are driving organic growth which is the largest and most significant source of growth for us by helping our FCs become the primary adviser to as many of their clients as possible. Now in the U.S. customers of financial institutions spread their money around. It is rare that you find anyone who has all of their wealth management needs provided by a single financial institution. They spread it around. The more money they have, the more they spread it around. But they also have a primary relationship with a financial institution with whom they do more business than with all their other partnerships combined. And unless you're in that primary position you are competing for table scraps.

What we are doing is helping our financial consultants become primary advisers by offering them support, specialized support, support that is customized to their practices, whether they are commission-based investment specialists or fee-based investment advisers or wealth managers. We are also providing them with a new business development tool we call the FC Dashboard to help them improve their productivity, and we are providing them with a new back office technology platform that will enable them to offer global wealth management solutions in a far more integrated way than has ever been possible on our platform.

And finally, like Dave at Dominion Securities, we are focusing on retaining financial consultants. We consider this to be just as important, perhaps more so than acquiring new talent through recruiting and acquisitions. And we have introduced a whole basket of initiatives we call a finishing well program, designed to demonstrate to our FCs that notwithstanding the work for talent in the U.S. they are better off finishing their careers at Dain Rauscher than they would be going to a competitor.

The business metrics we track indicate that our strategy is working. Assets under administration, FC productivity, number of households with assets over \$250,000 and recurring revenue are all up year-over-year and over time. While the number of financial consultants at our firm is flat year-over-year this metric doesn't capture the fact that the productivity of FCs joining our firm is substantially higher. In fact, it was double in 2006 the productivity of FCs who leave our firm, which is consistent with our objective of

improving the quality of our investment, advisory and wealth management franchise by improving the quality of our financial consultants.

Now I would like to turn it back to George Lewis to talk about our Global Private Banking business.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Thanks very much, John. Global Private Banking is our international wealth management business and provides a full range of multi-currency wealth management solutions to high net worth individuals, their families and their related businesses. Now we define high net worth clients as those who have assets with RBC of over \$1 million, but our target or sweet spot would be clients in the \$3 to \$20 million range of investable assets. We've got a global network of 33 offices in 21 countries, and have clients from over 100 countries, with a large concentration in the United Kingdom who use London and the Channel Islands as their international financial center.

We also have a large contingent of clients in Latin America built on RBC's 100-year history in the region and the favorable view of Canadian banks in Latin America. Merrill Lynch Cap Gemini forecast the high net worth market to grow at 7% compound to U.S. \$44 trillion of assets under management by 2010. And this growth is occurring in all regions, including Asia, parts of Latin America and Eastern Europe. As with our other wealth management businesses Global Private Banking is an attractive business with high ROEs and high profit margins, largely recurring fee revenue and low capital requirements for organic growth.

The following are some of the key industry trends that are shaping the market. Number one, a total balance sheet approach to client needs and that is a recurring theme you've heard across all of our advisory businesses this morning. This includes cross selling multiple services which means increased profitability and client retention. Secondly, increased high net worth client interest in wealth preservation and wealth transfer due to demographics, i.e. planning around death and taxes, the two biggest risks to family wealth.

Thirdly, client demand for truly international solutions including multi-currency and multi-market, as well as alternative assets to help diversify portfolios in a global economy. And finally, tax compliant planning in an era of government focus on offshore jurisdictions. In other words, the use of trusts and existing legislation in the United Kingdom, Channel Islands the resident non domicile rules. This is a key core capability of our GPB business.

We also offer differentiated products, such as structured products and natural resource funds from Capital Markets and Asset Management. These solutions are in high client demand and in addition to our core international trust capability help differentiate GPB in the market from some of the other players. We choose markets on a selective basis, looking at our brand strength, history, competitive intensity along with other market dynamics. We avoid markets where global competitors are well entrenched or our profit upside is more limited, such as onshore private banking in France or Germany.

Now as I had mentioned a key core strength of GPB is the international trust business. Trusts are an important wealth planning tool in common-law countries, such as the UK and the U.S. and UK related countries. And are increasingly so even for clients in civil code countries who wish to have their wealth managed outside their home country. Through acquisitions and organic growth over the past eight years we are now ranked number one in trust capability in the British Isles by Euromoney magazine. We also have strong trust operations in the Caribbean and the U.S. and are expanding into Singapore in 2007.

Our global operations are supported by over 150 trust professionals who are either accountants or lawyers. We've achieved strong growth over the past three years by executing against four key growth strategies. Number one, organic growth which involves cross selling and upselling of the total balance

sheet against our existing 33,000 client base. Once the relationship is established, the primary relationship manager cross sells and upsells other capabilities.

Secondly, improvement in the depth and breadth of our products and services with a focus on leveraging RBC Capital Markets structured product and RBC Asset Management's investment capability. Thirdly, expansion of sales offices and competitive recruiting in all key markets. GPB is expanding into new wealth markets in Eastern Europe, Asia, Latin America in addition to the UK. Over the past three years GPB has opened 12 new sales offices and added over 100 new client facing professionals. We will continue to use the hub operational offices such as Geneva, Miami, London, Jersey and Singapore to support an expansion of our distribution spokes, for relationship offices to new markets such as Istanbul, Brunei and Dubai.

And finally, acquisitions, including our most recent major acquisition of Abacus Financial in the United Kingdom, which will be accretive to earnings in 2007. GPB has a successful track record of executing bolt-on acquisitions over the past eight years, and we will continue to look for opportunities in the private banking and particularly trust space to solidify our position in the international wealth management business.

Now as a result of these growth strategies we've had solid AUM and AUA growth across all areas; deposits, trust, investments and credit. Today you heard about the strong momentum in the major businesses within RBC's Wealth Management platform. This slide provides a way for us to think about our current position in our Wealth Management segment in keeping with RBC's client first vision, that is by client segment. This indicates two principal current areas of focus for us and profits. Number one, our client facing businesses that serve wealth management needs of affluent and high net worth clients in Canada, the U.S. and internationally. And secondly manufacturing businesses, principally asset management and principally focused on distributing products through channels serving mass affluent and mass retail clients in Canada.

The next slide provides an indication of both the short-term and long-term drivers of growth for our Wealth Management segment. You've heard a lot today about the first two, extending our lead in the Canadian market and growing our existing U.S. and international businesses. I want to share briefly with you some initiatives that will be important contributors to our growth by the end of the decade. Some are already underway, such as the renewal of our Canadian trust business through the agent for executor service, a complete offering to meet the needs of time-starved baby boomers who have been named as individual executors in the wills of family and friends. Providing this premier service at such a key moment of truth for our clients is not only good business, but also a key driver of client loyalty.

Secondly, both the DS and Dain Rauscher advisory businesses are top performers against their respective competitors and have achieved 10% revenue growth per year. However, we believe that there is the potential to achieve best-in-class operating performance, which we define as 10% revenue growth with 30% pretax margins or 10W30 for our advisory businesses over time. Finally, we are beginning to examine opportunities to enhance our presence in global private banking, correspondent services and asset management that leverage our core capabilities.

Now on behalf of my partners, I want to thank you for your attention this morning. I hope we have conveyed a sense of the continued growth prospects for this segment, and we would now be pleased to answer any questions. Thank you.

QUESTION AND ANSWER

Brad Smith - Blackmont Capital - Analyst

Brad Smith, Blackmont Capital. My question is for Brenda. I was wondering with respect to the flows through the asset management business you have talked about the branch network contribution and the 25% coming from the brokerage channel. Can you break that down for us between Canada and the U.S.? Do you have any U.S. component there of significance? And what is your expectation for future flows from your U.S. platforms?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

The numbers that I referred to in my presentation reflect only our Canadian business. John could speak to our U.S. asset management business, but I would note that is more of an institutional nature. It is not as focused on retail clients. So our business here in Canada is almost exclusively retail client, and in terms of the second part of the question, they are very different worlds. The retail world and the institutional world are very different worlds.

Brad Smith - Blackmont Capital - Analyst

So you don't see any prospect for RBC product being offered internationally, then? Managed product?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

We think managed product has lots of opportunity internationally. The reality is though that the lines are very hard in terms of your sales potential for product. You have to qualify and register product as you know in every jurisdiction, and we have very different businesses between the two jurisdictions today. It is early days, and we are going to see where we go with that.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

I think to us one of the most intriguing things and its maybe not directly to your question, but maybe it is another interesting one would be we have a very strong capability, as Brenda outlined, around portfolio solutions as well as working with distribution businesses that are focused on serving mass retail clients through the branch network. Last year you may have noticed, and this is unlikely to ever show up as a significant financial result for us on that slide that I shared with you but we were very pleased to be selected by the China Minsheng Bank to be their joint venture partner in a new mutual fund company in China. That will be focused on developed that branch based business within the China Minsheng Bank network, which is in all the major urban centers of China.

And what that indicated to us is that we do -- and we were in a competitive situation for that -- that we do have a unique capability, differentiated capability that we are beginning to think through how we can perhaps further exploit that outside of Canada. But to Brenda's point it won't be with exactly the same products we have here but it could be with a similar set.

Brad Smith - Blackmont Capital - Analyst

Thank you.

Steve Cawley - TD Securities - Analyst

Steve Cawley, TD Securities. It has got to be interesting delivering your message to this audience. It is almost a bit ominous. You have cut your fees --

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

I am glad you took that.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

You're not that scary, Steve.

Steve Cawley - TD Securities - Analyst

You've already cut your fees. You pay 115 basis points to distribution, which is about 15% higher than anybody.

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

There would be others that pay more.

Steve Cawley - TD Securities - Analyst

Okay, on an average. So you are charging less and you are paying out more. So what is next, because you said that you're going to continue to leverage your size and scale? Are you going to cut fees even more or are you going to pay distribution on 120 basis points? What is the next step?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Well, I think you would probably be surprised if I disclosed today, but I would say we just are in the process of moving to a fixed operating expense model, which will be implemented if we get unitholder approval at July 1st. That will create even more value as we would define it for our customers. I think we think it is also a very good move in terms of creating predictability in pricing, which we think is a very important thing in the mass retail space.

The fees and funds are not well understood today anyway, so creating more predictability and transparency there we think is a very important move. We are about transparency and choice, and we will continue to move that along. That is what I am going to say today.

Steve Cawley - TD Securities - Analyst

You already had very good growth before you implemented I think some of these changes. So my question might be, why did you do it? And since you have done it, I don't know if you can possibly measure this, have these lower fees and higher compensation resulted in increased sales, do you think?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

To come back to the higher compensation for distribution just for a moment, I think it does come back to a very important point of view that we have, that the health of distribution is as important to a good client relationship as the health of asset management. And paying distribution appropriately for the services that they offer to clients is an important part of the equation.

Do we believe that that has helped distribution do a better job for clients, and then we benefit as part of that? I think we do. Can I measure it specifically? Probably not. But healthy distribution is important to a healthy asset management business. Not all distribution models are as sustainable as we would think they should be.

So we think working with our own distribution is the most important thing we can do, obviously, whether that is on the DS side or the branch-based side. In terms of, can you actually say that the Canadian market is focused on pricing and that is driving purchasing decision? I would probably say based on research, not as much as it would be in the United States where advisors when surveyed point to pricing as being a higher determinant of how they choose product today than probably would be the case in Canada.

Do we think that that will be a bigger driver tomorrow? I think it is a little hard to say. I think there is still a lot of confusion in the Canadian market. We would like there to be less confusion in the Canadian market, and we hope to contribute to less confusion.

Steve Cawley - TD Securities - Analyst

One last one. The advisory side, which includes your brokers, right, and independent dealers represent 25%.

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Yes.

Steve Cawley - TD Securities - Analyst

So independent dealers, what percentage of that 25% are they? And where has that -- how has that evolved?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Well, we have relationships with about -- I'm looking at my cheat sheet here -- about 8,700 brokers or independent advisors today. So of that, about 1,300 would be DS advisors. So that gives you some relative sense. 8,700 is quite a substantial number of relationships that have been built over the last five years.

Now those are all obviously open architecture type relationships, and I would say that geographically it is quite different province to province. We have significant relationships in Alberta that might not exist in Quebec because dealer distribution is not a consistent model all across the country. But it is a substantial network, and the DSAs make up about 15% of it.

Michael Goldberg - Desjardins Securities - Analyst

Michael Goldberg, Desjardins Securities. My question is for Brenda again. You said that asset management is at the core of your business. Can I just ask you if you were to add a dot, dot, dot to that, that would be as opposed to dot, dot, dot, how would you fill in that blank?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

There have been those who have mused in the press that asset management lost its core for a while. It became about marketing and spin and full-page ads and how many wholesalers you had on the street. The reality is, asset management is the core of the business, and we've invested substantially, as I said, in that core portfolio management group, the technology that supports them, the infrastructure that supports them, because we do believe that that is the core of our business. We believe that those who will be successful going forward have to have made those investments.

Michael Goldberg - Desjardins Securities - Analyst

Can I just follow-up on that?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

George probably wanted to add to that.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

No, no, no. That's okay.

Michael Goldberg - Desjardins Securities - Analyst

Can I just follow-up on that? One of the other I guess variances that can be out there is where you take a view really on what your clients should be investing in as opposed to providing them with choice and let them make the decision of what they are going to do. Where do you come down on that issue?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Can I play that back to you a little bit just to make sure I understand the question? Is that a kind of question around a view on portfolio products versus pick your own products, or is that a view on our capital markets outlook and how we then translate that into the network? Where is that question -- what is the nature of the question there?

Michael Goldberg - Desjardins Securities - Analyst

It is really aimed around the idea of providing a diversity of choice as opposed to having sort of a fixed idea of what clients should specifically be investing in.

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Well, I'll go to the choice a little more broadly. Within our branch network, certainly within all of the clients that are dealt with for our financial planning accredited sales forces in the branch network, they have full third-party funds capability. So that investment has been made in the technology. All third-party funds pretty much if we can fund serve clear them and whatever there is full availability there. Even within the smaller asset base or those clients that might be dealt with are account managed clients or even PFSRs within our branch network, they have third-party bundles that they can buy, as well. So we have tried to provide a lot of choice in our network, and we eliminated all loads in terms of third-party funds to even out the playing field, as well, last year in our branch network. We think we have done a lot to provide choice for our clients.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

If I can just add to that Brenda, I think that is exactly right, and I would also say, though, that the focus has always been around the advice component, and we've embedded that in a number of our product offerings including both our proprietary and our third party. So you shouldn't think of our branch environment as if you will, as a fund supermarket. But there is a lot of choice there, as Brenda has outlined, but it is wrapped in advice that is delivered through our frontline people.

Michael Goldberg - Desjardins Securities - Analyst

It was also aimed around diversity of style?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Yes, yes it is, absolutely. We could get into a lot of detail, but in terms of managing choice with over 4,000 mutual funds, obviously there is a management model, the sales force. We leverage the same mutual fund research that we leverage in DS in our branch network when it comes to recommended fund lists and all those kinds of things. We create model portfolios, and we show people how to substitute in and out diversifying style, diversifying using all of the principles of diversification that you would want to see applied. But we get that leverage between the two networks and we use the same intellectual capital.

Ian de Verteuil - BMO Capital Markets - Analyst

Ian de Verteuil from BMO Capital Markets. I just want to clarify, Brenda, did you tell Steve that 15% of the sales outside of the branch was through DS? I think you said 15%.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

I think it was around number of advisers, right?

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

Yes, it was around number of advisers, and I am not going to speak to the actual sales split.

Ian de Verteuil - BMO Capital Markets - Analyst

Okay, sorry. I just wanted to check on that. The second question is for John. When I look at your numbers here you have about 300,000 households that you deal with on your presentation. About one-third of them have assets of over \$250,000. Two-thirds of this book seems to be fairly small, like I do not know what the average account size would be, but I thought one of the things brokers are finding in the U.S. is its tougher and tougher to make money off somebody with \$100,000 worth of investable assets. Generally do you -- how profitable is that business? Aren't discount brokers having sort of a field day on \$9 a trade?

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

If your question is around the profitability of small accounts I would agree with your assessment. One of the things that suppresses profitability in brokerage firms is too many small accounts. Now, however, two things are happening. A, there are increasingly FCs are understanding that when it comes to those small accounts they can't be individually managing \$100,000 account. They have to be looking at some kind of packaged solution, turnkey solution maybe mutual fund wrap program. And if you move out of an individually managed account into a turnkey solution, it actually can be quite profitable and it doesn't necessarily have to occupy a lot of time.

But one of the things you are not seeing behind that statistic, which is important, is that -- and I can't give you the number unfortunately we could get it for you -- if you look at the percentage of \$136 billion in assets under administration that are held in those households with over \$250,000 in assets, it would constitute the lion's share north of 70% of our assets are in those households. So those are a lot of accounts, the assets held in those small accounts are relatively small relative to the total. Hopefully that helps.

Ian de Verteuil - BMO Capital Markets - Analyst

The other side of that is the FCs, your FC count has been flat to down for a few years. One of the other things we keep hearing is that ISA channel which is really pulling out the brokers or the financial consultants that deal with the mass market that are going towards Fidelity service, statementing accounting, trading, those types of things, is that why you haven't been able to grow at sea because you are bleeding to the ISA channel -- not bleeding but losing some to the ISA channel?

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

I'm going to answer that a couple of ways. Number one, the competition for financial consultants, experienced financial consultants in the U.S. is intense, and we are playing in that intensely competitive market. So I would say that is probably the number one reason that it is difficult to grow headcount in absolute numbers. But number two, we don't focus on growing absolute headcount. We have no objective; I think I was asked a question here last year, what number do you want to get to in terms of total FCs? That is not a relevant statistic for us. What we want to get to is a topline growth, 10, with appropriate bottom line profitability.

The best way to do that is to help FCs who are already in the firm grow their productivity, which we are doing, and the other way to do that is to upgrade from FCs who aren't doing a lot of business to FCs who are, and that is why even though the number of FCs is not growing, as I mentioned last year, the productivity of the -- we brought in about as many FCs as went out the back door, but the productivity of the FCs coming in was double that of the FCs going out, and therefore there was a net gain in productivity. Those are the things we focus on rather than absolute headcount.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

I just might add on that because as I am getting reacquainted with the U.S. brokerage business, if you take a look at the performance of the different firms there is absolutely no correlation between pretax margin and number of FCs. There is, however, a very high correlation between pretax margin and things like revenue per FC which is where John and his team are focused on.

Jason Bilodeau - UBS - Analyst

Probably best for you, George, just looking for a little bit more colour around.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

The name --

Jason Bilodeau - UBS - Analyst

Oh, sorry. Jason Bilodeau, UBS. Just looking for a little bit more colour around the acquisition strategy on the U.S./international front. You gave us some statistics, a very fragmented market, but is this a situation where you've got a number of very, very large financial institutions that just kind of dabble in these businesses, or are there assets out there of a reasonable size that you can still get your arms around them? And then two, following on that, just kind of give us a sense how the relative importance acquisition versus organic growth; is it really acquisitions that you need to kind of get yourself into the category of some of these buckets that you want to be in?

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Good question. I think some of the things that I spoke about earlier that we continue to look at and as part of kind of the normal ongoing strategy for example within our Global Private Banking business, looking or bolt-on acquisitions, one of the particular opportunities we have there is we have a large client base in Global Private Banking that uses our Channel Islands offshore trust capability who are non domicile residents of the UK. That we think we could satisfy more of their onshore needs in the UK if we had a larger capability in that market. So that is one area that we've looked at and will continue to look at.

I think more broadly some of the other areas that I spoke about again coming back to the international private banking space your comment is well taken. The largest player in that market might have a 3% market share. And so we are looking for ways that we can accelerate our growth both by continuing to do the things we are doing around adding client facing professionals, new offices, but also are there other businesses out there that would complement our core strength in international trust? Perhaps businesses that would have a strong international investment management capability focused on EAFE mandates that we could also leverage in other parts of our Wealth Management business.

I think on the U.S. side you have heard -- you've seen our track record in terms of adding FCs in that regard. John's team announced a recent acquisition of J.B. Hanauer, which will add actually FCs to our complement, particularly in Florida, a key market for us in terms of our relationship with Centura. I think more broadly we see opportunities perhaps in the correspondent services business where we already have a presence to grow, and we are actively thinking about the asset management capability that we do have here, particularly around that portfolio solutions, retirement solutions. And are there other markets where we could look for acquisitions to enable us to carry through that strategy?

Finally, on terms of your proportion, it is early days. We have strong, aggressive organic growth targets. But I would say that in order to reach our aspirational goals that Gordon has for the segment, acquisitions will definitely be a consideration.

Adrian Mitchell - Hospitals of Ontario Pension - Analyst

Adrian Mitchell, Hospitals of Ontario. I wanted to follow up a little bit on Ian's questions around the U.S. brokerage business, and you mentioned at the end of your answer there, George, about revenue per FC. Just looking at the numbers on slide 66, the growth rate from 2004 to 2006 was 7%, and that is not per year but total growth rate in revenue per FC. Which I would guess is below nominal GDP or sorry, below nominal GDP growth over that period. So bull market, strong economy, that seems like a very low number to me. So I'm wondering if you can provide some industry context and I guess I would be curious to know what growth looked like in the other top 10 full-service brokers in the U.S. So was this the lowest of that group?

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Just for clarification, the question is focused on the RBC Dain Rauscher slide with respect to revenue per FC growth. John, do you want to comment on that?

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

For what timeframe?

Adrian Mitchell - Hospitals of Ontario Pension - Analyst

The numbers you presented were 2004 to 2006, so it went from 438 to 470, that is a 7% change over two years.

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

And your question is how does that -- part of your question is how does it compare to the other top --.

Adrian Mitchell - Hospitals of Ontario Pension - Analyst

That's right, what is the context for that number? That seems pretty low to me on a gut feel basis. Can you provide some context?

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

I can't answer the question specifically. We, other than to say this, and we would be happy to follow up with some specific numbers, we participate as you might imagine, in surveys of comparable firms. Wirehouses and then what I described earlier as a basket of regional firms, which is a dwindling number, by the way, as you might know in the U.S. And we with respect to all our statistics, revenue growth, productivity per FC, operating margin, so forth and so on. It is generally true that we fall in between the averages for the regional firm peer group that we compare ourselves to, and the national firm peer group. For reasons that I can go into but you can probably speculate as to why that was the case. And revenue

growth again I don't remember revenue growth being any different than any other metrics that we looked at.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

I think it is -- if I can just also add, and I think it is something that we are always on guard about here about Canadian centricity. In the sense that the Canadian stock market has been the best performing market of the G7 in the last five years; really up until last September the U.S. market had not really participated to the same to anywhere near the same extent. And if you take a look at the performance of Dain Rauscher in the first quarter of '07 versus the first quarter of '06, you begin to see the impact of the favorable market performance that we've enjoyed here in Canada for several years now. So I think that is part of the equation as well.

Unidentified Audience Member

I have actually a follow on question to that.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Okay.

Unidentified Audience Member

My question is also related to revenue per adviser and the comparison between Canada and the U.S. And obviously Canada has a far, far higher revenue per adviser than what the U.S. does. And is that something that we can expect to continue? What kind of a number do you think you can get to on revenue per adviser? What is realistic in a U.S. context because it is such a dramatic difference when we look at these. And my second question is related more to the profitability of the correspondent network and trying to get a little better handle on how profitable that business is and better understanding of that profit model if I can.

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

Well why don't I take that one first? There are four businesses on the Dain Rauscher platform. The private client group which is retail brokerage, Dain Correspondent Services which is corresponding clearing business, Voyageur Asset Management and a small company trading operation called Hill Thompson, which is eventually going to move to the Capital Markets platform where quite frankly it belongs. And of the three businesses that are going to remain in our segment, the correspondent clearing business is significantly more profitable than either of the other two. And its margins are robust enough to please even George Lewis, so that is one of the reasons that he is -- that we are talking about looking at other ways to grow in that space. And there was a question earlier about independence.

That is also the window in the U.S. that RBC has on the independent community, both independent broker-dealers but increasingly independent registered investment advisers, even though we don't own a channel, if you will, that provides -- I shouldn't say this. There are different ways to play that business. Our way to play in that space is through the corresponding clearing business. As far as FC productivity, I have no goal for that. We've never discussed it any more than I do for total number of FCs, but I am confident that and in fact my job depends on being able to grow FC productivity - organic growth at rates of 10% the year or higher over time. And I think that the investments that we are making in productivity enhancing tools will do as much as anything to drive that productivity.

There really, as far as I am concerned -- and Dave you might want to comment on this -- if you think about trying to take an old-style broker, stockbroker or fixed income specialist and move them into highly productive wealth manager that is in fact the primary adviser to their client, there are a number of things you have to do for that client. Number one, you have to train them in new products and services and in new business model. Number two, you have to support them because an FC needs a lot more support around insurance solutions or trust solutions or financial planning than they did around the stock trade.

And thirdly, you have to make them give them a technology platform that allows them to spend less time on adminis-trivia and more time on actually servicing clients and doing things for them. And I think we are making all those steps. I actually am someone who believes that we are likely to see an increasing rate of growth in FC productivity because of all the technology investments people in our business are making, including us. I don't know if you want to comment.

David Agnew - Royal Bank of Canada - National Director, RBC Dominion Securities

No. I agree with you, John. The advisers are a -- they are tough minded from time to time, and if you look at the Dominion Securities business in Canada a large percentage of our revenue comes from our fee-based and that wasn't a journey we started yesterday or last year. That is a ten year -- it has been a ten-year journey so it takes a little bit of time to get traction. We sort of put out the buffet table for our advisers, and they can pick whether it is fee or transactional and we provide a lot of support around that. We provide practice management support, we provide for the teams; as the average asset base for our teams is about \$118 million per adviser, that is a big business.

Twenty years ago a big business was \$25 million per adviser. So these are big, big businesses, and we are providing a lot of support to help them manage the assets efficiently and profitably. And just to help John out a little bit, in our revenue number we do have some other components that are in. We have a bit of a spread business in there. We have our insurance business, and we have our foreign exchange in our number, as well, which I don't think you have the benefit of all those components.

Andre Hardy - RBC Capital Markets - Analyst

Andre Hardy, RBC Capital Markets. Just a quick question on costs. If the scale cross borders, does it cross from Global Private Banking into the brokerage business or outside of Canada where we are really looking at a collection of individual businesses from a platform standpoint?

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

The question basically is how much of a common platform from a back office point of view do we have across our wealth management businesses. Particularly outside of Canada. I think that divides into two parts, one the international or the Global Private Banking business which has grown through acquisitions, operates in multiple jurisdictions and we do have a lot of focus over the next 6 to 12 months on creating more efficiency there, bringing some of those technology platforms together. I would say that the acquisition of Abacus Financial, which as I mentioned earlier will be accretive to earnings in 2007 is a help in that regard because, once again, we are close to a 20% market share in that space in terms of trust solutions in the Channel Islands. So we are in a position now where it makes sense to look at synergies in terms of that network.

And on the U.S. Wealth Management side as John mentioned, there is a large project underway to create a technology platform there using our outsourced partner ADP which is used in our Capital Markets platform. It's used in our DS platform. So that is an area where if you think about our brokerage

businesses where we already do benefit from significant synergies through our own operations area and through a common supplier and we will do so even more in the future.

Andre Hardy - RBC Capital Markets - Analyst

And the other question related to --

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

Excuse me, if I could just come in there to the point about are these really separate businesses. I would, I just want to flag again a success story that we've had in the U.S. or in the international market from Canada's perspective around credit and lending where rather than build our own credit capability at RBC Dain Rauscher, we were able to walk across the street and leverage the credit capability at Global Private Banking affiliate. And use their credit specialists to introduce into the Dain Rauscher network credit and lending capabilities that we didn't have as recently as two years ago. To the point now without any new investment at all at Dain Rauscher -- in other words just leveraging entirely what existed in Global Private Banking, we have been able to grow our secured lending book, which is a product we call Premier Line of Credit, to a point where it is now larger than our margin lending book, which is the traditional form of lending brokerage firms have done and we built that up throughout our whole history. So I would think there is just an example where two businesses working synergistically have had a huge impact in moving our wealth management platform forward. And I think that there are I believe in the U.S. -- that there are other synergies like that, many of them we only have to look at the success Dominion Securities has had in the Canadian market to learn what is possible outside of Canada.

Andre Hardy - RBC Capital Markets - Analyst

I have another one. We hear a lot about benchmarking at the individual unit levels. Anybody that you want to benchmark yourself against on a divisional level?

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

It is a good question. For those that didn't hear, do we have any targets or are we benchmarking anybody to compare ourselves with the wealth management segment level. The short answer is no, and for the reasons that Gordon outlined earlier this is still a space where there is no clear global leader. Unlike a lot of other industries globally that are more concentrated we have solid capabilities and a leadership position in Canada, great businesses outside of Canada. So the short answer is there is no one to benchmark ourselves against. We intend to create the benchmark.

Sumit Malhotra - Merrill Lynch - Analyst

Sumit Malhotra, Merrill Lynch. The next question is for David. When I look at your AUA per adviser in Dominion Securities the growth rate looks like it has been a bit lower than AUA as a whole. You've talked about the cost associated with hiring or recruiting the top end advisers at this stage of the market. When you speak about the buffet table that RBC can lay out from a capital markets and wealth perspective have you deliberately targeted advisers with a little lower book of business than you have on average since you can block this up given the cost benefit analysis you've done on this?

David Agnew - Royal Bank of Canada - National Director, RBC Dominion Securities

I am sorry, the question is new advisers that are joining our firm or present advisers?

Sumit Malhotra - Merrill Lynch - Analyst

Your AUA per adviser looks like the growth rate is a little bit lower than AUA as a whole. So it looks like the new advisers that are coming in, the book of business is a bit smaller than the firm as a whole. Is that something you have looked at, or is it something you feel the Bank can grow given the options you have for new advisers?

David Agnew - Royal Bank of Canada - National Director, RBC Dominion Securities

Oh, yes. We have two types of new advisers. We grow organically. We try to hire 100 per year; it's called our President's Club Group; we train them for three years and they are off on their way. And we also hire from our competitors. Last year we hired 43. The year before that it was 23. And this year we think we will surpass last year's number. And so the people that we bring in, the seasoned professionals we bring in we are handpicking the best that we can find, and they are very successful in transitioning their assets into our firm. Very, very high percentage.

Now the other group that we grow organically that is a much slower process because they are starting from ground zero building one client at a time, and they build it on their own. We don't provide them with a client list or clients. So I am very, very happy with our new adviser program and very happy with our results, which we track weekly and monthly from the people that joined us from our competitors.

Michael Goldberg - Desjardins Securities - Analyst

Michael Goldberg, Desjardins Securities. Question for Brenda and also for John, at least with respect to part of your business. What it is about is ETFs. Do you view ETFs as a challenge to your business, John, at least to that part of your business where your clients that don't have individualized securities management use mutual funds instead? And how do you deal with this challenge?

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

No, I -- I probably say this about three or four different products, but they are certainly one of the fastest-growing products as far as what our FCs are using for their clients. And far from being a challenge, I think it is a huge opportunity. It is if you think about it, one of the advantages is that if you are thinking about a wrapped turnkey investment solution where the underlying investment is a mutual fund and you replace the mutual fund with an ETF you are lowering the overall expense ratio to the client and providing exposure to the same kind of market data that you were potentially in the mutual fund.

Now you don't get active management today but as you know, there are product innovations bringing actively managed ETFs to the market. So it is very popular, so popular that we have -- we are now in a product of hiring our first dedicated resource just to track ETFs and provide advice to our FCs around the different types of ETFs and what we see is it is actually revitalizing our business in certain ways. So if there is one issue in the ETF market is that we are now burgeoning on access in the proliferation of new products as such that they are starting to I think dilute the effectiveness and appeal of ETFs. But the product itself fits perfectly with what we do.

Brenda Vince - Royal Bank of Canada - President, RBC Asset Management

I am going to take another shot. I think like anything new entrants to the market or because it isn't maybe all that new but it is newer in a retail context, it will push mutual funds to up the ante on their value proposition. And I am prepared -- our business is prepared to think about how we do that. The words you hear, the kinds of issues you hear are can we create the innovation in the mutual fund structure to create more outcome, oriented products? To assume risks on behalf of clients that they can't otherwise deal with? Foreign exchange is one of the exposures, one of the easiest ones to think about in that context. So to the extent that the kind of addition to ETFs into the retail space more aggressively which is in the last three or four years pushes us to be more innovative and create more value for clients. I think that's a good thing.

Michael Goldberg - Desjardins Securities - Analyst

Thank you.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

Thank you. We have one more from Steve.

Steve Cawley - TD Securities - Analyst

Steve Cawley, TD Securities. I tried to divine what this disclosure would be today and it seems like one of the areas with lots of assumptions that I fell short on was the profit margins from your two businesses. I used like Raymond James as a comp for John's business and for David's business I used a variety of things I pulled out of the air, really. It looks like you fell short of those. What do you think are satisfactory profit margins for your two businesses and are you there?

David Agnew - Royal Bank of Canada - National Director, RBC Dominion Securities

I'll start off. Yes, I am very satisfied with our profit margin, and we don't plan to stay still we plan to grow the business aggressively and profitably. So we plan to increase our profit margin over time. But I am very happy with where we stand today and I think it will get better.

John Taft - Royal Bank of Canada - CEO & President, RBC Dain Rauscher

The profitability of RBC Dain Rauscher has improved every year over the last five years since RBC acquired Dain Rauscher and is now at record levels. Last year was a record, the year before was a record. So relative to past performance, we are performing at a level that we couldn't have dreamed of several years ago. It is still below the level that George Lewis tells me he expects me to perform at five years from now. And maybe George I thought you would want to just talk about that.

George Lewis - Royal Bank of Canada - Group Head, Wealth Management

That's right, the short answer, Steve, is neither Dominion Securities nor Dain Rauscher is yet at that 10W30 level. I would say, though, the Dain Rauscher numbers that I have seen in relation to other U.S. brokerage firms and in particular Raymond James is actually above -- they are above Raymond James on that pre-tax margin level and DS has industry-leading pretax margins here. So it may have been in terms

of the model, and I know its a challenge whenever a company creates a new segment and there are pieces moving here and there, but I would say that our self-directed brokerage business and our branch investment business which is part of Canadian Banking are also very profitable. And we are a significant contributor to our wealth management segment within Canada previously.

Just before I close I do want to come back to that just in the category of expectations. This wasn't a test, but if you look at our appendix A in terms of our financial information maybe we can just get a -- that first slide up there on 77 on the screen, if we could. If you take a look at our first quarter results, for Q1 '06 versus Q1 '07 on this new restated basis, you will see a 45% increase in our net income after-tax. Now we are good, but we are not that good.

Within the first quarter numbers for this year it included foreign currency translation gain, which is non-recurring within our Global Private Banking business and a couple of other positive items within Dain Rauscher, they collectively totaled around \$25 million after-tax. If you adjust for that year-over-year growth is a little north of 20%, not the 45% total. I just wanted to clarify that. With that, are there any other questions that we can cover off for you? If not, I just ask you to hang on for a moment, and Marcia, I would ask you to come up and close.

Marcia Moffat - Royal Bank of Canada - Head of Investor Relations

Thank you very much, everyone, for spending the time here with us today. Hopefully you found this to be a useful session and for those of you who know me, I am the Head of Investor Relations and would be happy to answer any follow-up questions that you may have; my card is in the folder. We do have one ask of you in the room today and since we finished a few minutes early I think we have time for this. We included in your packages a very brief survey, because we really value your input, and this is your opportunity to give us your feedback on the event, and we will very much take it to heart. And as a reward for completing this you will get a supp package on your way out the door, which I know all the analysts want, as well as a gift that we want to give to you. So that is not a threat, but just something that we will get to you because we really do appreciate your feedback to us. Thank you very much.