



**RBC
Financial
Group™**

***Leadership in integrated
financial services***

**Gord Nixon
President & CEO
Royal Bank of Canada**

***Presentation to
Merrill Lynch Canada's
Canadian Banks' CEO Conference 2002***

**January 23, 2002
Toronto**

Gord Nixon, President & CEO, RBC Financial Group
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Good morning, everyone.

Jamie asked me to speak to you this morning about the integration of financial services and how RBC Financial Group is working across business platforms to deliver integrated financial services to our customers. This is an area of growing strategic importance to our organization as we evolve as a North American financial services company – so much so that we are adding it as a fourth key priority.

(Chart 1) We have been articulating our first three priorities for some time. Those are strong fundamentals, international expansion and growth of high-return & high-P/E multiple businesses. I'll spend a few minutes on these before discussing the cross-platform leverage priority in detail.

(Chart 2) We've been consistently meeting the strong fundamentals priority. Our core ROE continues to surpass the average for our North American peers and **(Chart 3)** we met the majority of our objectives for 2001, although we did fall short in a couple of areas. Looking back at 2001, what pleases me most is that despite significant acquisition costs, higher loan losses, one-time restructuring charges, weak equity markets and larger-than-forecast losses in RBC Dain Rauscher, we were still able to meet most of our financial objectives and generated record earnings in 2001. I believe this highlights the benefits of our diversification. While the pursuit of long-term growth is impacting our short-term results, we remain committed to our priority of strong fundamentals and are very focused on managing the balance between long-term growth and short-term returns.

(Chart 4) In light of the weak economy expected in the first half of this year, our objectives for 2002 in the areas of cash ROE, earnings growth, revenue growth and portfolio quality are less aggressive than our 2001 objectives. If the economy and capital markets do much better this year than expected last December, our performance should reflect that positive development.

(Chart 5) Turning now to our second priority, international expansion. We have made 6 key acquisitions in the United States in four business platforms since the spring of 2000, garnering more than 2 million customers – a 20% addition to our previous 10 million customer base.

(Chart 6) These acquisitions have resulted in a much higher proportion of U.S. and international revenues. In 2001, U.S. revenues were 20% of our total, up from 7% the previous year. We expect this to continue to increase and a greater proportion to fall to our bottom line as the costs of previous acquisitions decline and we achieve better operational efficiency.

(Chart 7) Our U.S. expansion strategy reflects a number of factors outlined on this chart. Our diversified U.S. platform will ensure consistent shareholder value creation by capitalizing on product and service convergence while at the same time reducing exposure to one sector. In addition, we believe that the U.S. market will continue a trend towards integrated financial services. Therefore, it is important that we establish foundations, particularly in our core consumer sectors, off which we can build and capitalize on this trend. In the long term, we may have to make choices with respect to which businesses we emphasize. However, our current balance provides us with flexibility to capitalize on opportunities and industry shifts.

(Chart 8) Our third priority is growth of high-return and high-P/E multiple businesses. While our primary focus is on Wealth Management and Personal & Commercial Banking, all business platforms have selected segments for priority growth. We will invest only in those areas of our core platforms where we see growth opportunities.

I'd now like to turn to the main focus of my remarks today -- our fourth priority, which is to leverage our strengths in working across business platforms to provide integrated financial solutions to customers. American Banker recently gave us the "innovator of the year" award for 2001, citing our leadership in customer relationship management, cross-selling initiatives and U.S. expansion to develop new avenues for growth.

(Chart 9) Let me begin with cross-selling, which provides substantial benefits. It's significantly more efficient to sell a new product to an existing customer than it is to get a new customer. And you don't take on additional credit risk. Furthermore, companies that deliver products in a fashion most convenient to the customer, and not necessarily most consistent with their internal organization structures, serve their customer better and are rewarded with more of their customers' business. They are also compelled to bring down barriers between businesses, resulting in the elimination of duplicate delivery channels, products and functions and therefore in lower costs. We also believe that time is one of the most precious commodities we have today, and customers will increasingly value the convenience and time savings from one-stop financial services shopping. By integrating our different products and services, we can better serve the needs of our customers, provide them better value and have better customer retention, revenue growth, efficiency and profitability. Much like we have seen in other industries such as retailing, the integration of financial services is, in my view, ultimately beneficial for the customer.

RBC Financial Group is ideally positioned for cross-selling and financial services integration with our broadly diversified business mix, very strong market positions in most businesses in Canada, sizeable customer base, strengths in customer relationship management and philosophy of deepening customer relationships. We believe that the provision of integrated financial services is a trend that will gather momentum, and we want to be positioned as a leader, not a laggard, in that respect. We see ourselves not as a bank but as a diversified financial services company with significant potential for capturing further “share of wallet” of our customers.

(Chart 10) There are differences worth noting between Canada and the United States. With financial deregulation in Canada commencing in the mid-1980s and a long history of operating diversified businesses including investment banking, insurance, brokerage and money management, Canadian banks are about a decade ahead of U.S. banks. Additionally, we’ve operated nationwide franchises for decades, and our vast distribution networks and large client bases have helped facilitate cross-selling and integration of financial services.

In the U.S., on the other hand, business diversification and nationwide banking are relatively recent phenomena. Add to this a fragmented market with successful large monoline providers which have discouraged integration of financial services. But we believe that this is changing, and diversified financial companies will ultimately garner more of their customers’ business. RBC Financial Group has already embarked on that effort in the U.S., with some early successes that I will discuss shortly.

(Chart 11) We ourselves have a long history of successfully operating a diversified business platform in Canada. Through a series of acquisitions commencing in the mid-1980s, we entered and then expanded in the investment banking, brokerage, wealth management, custody and insurance businesses, adding to our large personal & commercial banking and corporate banking operations.

(Chart 12) And over the last few years, we've remodeled our business platforms to better serve clients, cross-sell products, enhance efficiency and provide disclosure of financial results for newly-created segments such as Transaction Processing and Insurance.

(Chart 13) Our strong positions in each of the 5 business segments facilitates cross-selling.

(Chart 14) Similarly, our well-diversified business mix allows us to offer a wide range of services to our customers.

(Chart 15) Our new branding further supports cross-selling as customers view the prefix "RBC" attached to the names of our segments and subsidiaries and realize that the products are all part of the same family.

I'd now like to discuss our customer relationship management, or CRM, philosophy and strategy, which have supported our cross-platform leverage efforts.

(Chart 16) Our objective is to use customer information to deliver the right solutions at every point of customer contact.

(Chart 17) We were one of the first Canadian banks to develop a customer information file in the late 1970s. Since that time, we've enriched the information and use client data to create meaningful segments and related strategies for our clients in order to better serve them. We've done this while understanding and respecting the client's right to privacy. In fact, we were the first Canadian bank to appoint a Chief Privacy Officer.

(Chart 18) We've been recognized by third parties for our unique balanced approach to CRM, as the quote on this chart suggests.

(Chart 19) The information on our customers gives us insights into their lifetime value, vulnerability, risk, propensity to buy and channel preference. We use this information to develop a strategy for each of our Personal & Commercial Banking (P&CB) clients and optimize sales effectiveness and customer contact. We pay extraordinary attention to our high value and high potential clients.

(Chart 20) Through what we have learnt from CRM, we have broken out our 10 million Canadian P&CB clients into four markets. Additionally, a Strategic Markets group identifies growth opportunities across all segments. We have distinct strategies and tactics for each of our segments within these markets, based on their needs, potential and returns. We have profitability information not only by segment but also by client.

(Chart 21) CRM has been an important factor behind the 16% revenue growth within P&CB from 1999 to 2001 (excluding RBC Centura). P&CB's core cash net income in 2001 was the highest among the Canadian banks and 28% higher than the closest competitor. We believe that this demonstrates that our relationship strategy is attracting more profitable business, rather than just volume and market share.

An interesting ancillary benefit has been that enabling employees to better serve customers through CRM has led to increased employee satisfaction. In our most recent employee survey, employees rated their capability to serve their clients and their commitment to the organization 10 percentage points higher than in 2000.

(Chart 22) We have implemented a number of cross-platform initiatives, some of which are mentioned on this chart and I will discuss them individually.

(Chart 23) The referral program, which tracks and encourages business referrals between different parts of RBC Financial Group, has led to us garnering nearly \$13 billion of new business, or \$2.20 of new business for every dollar of business referred within the group, between 1998 and 2001. The majority of the consumer referrals have been from Personal & Commercial Banking to Wealth Management, although we are now capitalizing on insurance products where possible.

(Chart 24) Last fall, Wealth Management and Personal & Commercial Banking joined forces to deliver a streamlined, efficient, and 'best in class' financial planning sales force of 1,500. They will focus on a couple of key segments, allowing us to better retain and service our customers through their life cycle stages and generate more revenue.

(Chart 25) We are well positioned as "first-time" advice providers for clients in the early life stages. However, as they grow their investment assets and become more sophisticated, they look towards independent financial planners to provide advice. This is reflected in our under penetration in the Builder & Borrower and Wealth Accumulator segments, who we understand well through our CRM and research efforts. We want to develop a more proactive relationship with clients in these two key segments, meet their needs for more complex advice, and retain them over their lifetime.

Our older clients, individuals in their 60s and 70s, account for two-thirds of our deposit base and about 46% of P&CB net income. They leave significant assets to their heirs. Annually, an estimated \$2.4 billion of P&CB assets transfer to the next generation Builder & Borrowers and Wealth Accumulators segments. Overall, an estimated \$80 to \$140 billion (life insurance, real estate, pension proceeds, financial assets and business assets) will transfer from one generation to the next annually in Canada over the next 50 years. Our goal is to capture more of these assets transferred by proactively addressing our clients' needs.

(Chart 26) While the financial planning venture will focus on the current 1,500 sales people with financial planning accreditation, it will also have responsibility for compliance and investment skill development for the additional 6,500+ mutual fund sales people within RBC in Canada.

Both platforms are heavily involved in the venture. P&CB provides CRM tools, services and the computer desktop to their financial planners. Wealth Management is overseeing the compliance and effectiveness of the sales organization.

(Chart 27) Another example of a cross-platform initiative is the integration of domestic private banking with three Wealth Management businesses geared to high net worth clients. This integration is expected to deliver the benefits of critical mass, cost savings and a more simplified distribution structure. Additionally, in a new move, the integrated Global Private Banking (GPB) division will offer both proprietary and third-party products and solutions, including independent wrap accounts, structured solutions and outside expert tax advice.

(Chart 28) By combining the high net worth businesses in Canada and around the world, we will provide a more competitive global capability in the fully integrated international private banking market. In Canada, we are larger in private banking than our Canadian bank peers. However, this new GPB platform is targeting the kind of client that traditional Canadian private banking has not focused on – the sophisticated client domiciled outside Canada who may or may not be Canadian. These clients are highly mobile and have complex needs, including estate planning, trust, credit, investment and discretionary investments. On this basis, our new GPB platform will be better positioned to compete for this business.

There are a number of other cross-platform cross-selling initiatives underway, detailed in the next few charts. In the interests of time, I'll refer to a few examples only.

(Chart 29) In addition to referring substantial business to Wealth Management that I'd mentioned earlier, P&CB refers commercial clients requiring cash management products and solutions to Transaction Processing. It has implemented an alliance with RBC Centura and 5 U.S. correspondent banks whereby they meet the cross-border needs of our Canadian business customers and our Transaction Processing platform in turn services their customers. P&CB manages the physical distribution network for RBC Financial Group, including nearly 100 "shared location" branches, which can house Wealth Management Personal Financial Advisors and Action Direct employees.

(Chart 30) We have a variety of insurance products that are sold outside the Insurance platform. For instance, 58% of mortgages and loans sold through P&CB to 2.6 million clients have creditor life insurance attached to them. Insurance underwrites the travel insurance protection that is one of the standard benefits for P&CB's VISA Gold card customers. Almost two-thirds of total home & auto policies issued by Insurance is to P&CB clients. Additionally, 75% of Wealth Management's full-service brokers have an insurance licence and, of these, 60% sold insurance policies, including RBC Insurance product, in 2001.

(Chart 31) Wealth Management is availing itself of the rich customer information that P&CB has. For example, Global Private Banking is contacting 140,000 prospects generated from data mining P&CB's non-resident clients to provide them international services. In addition, Action Direct and P&CB are targeting the more than 1.5 million P&CB online banking clients who do not currently use Action Direct's online trading platform, NetAction.

(Chart 32) C&IB has multiple linkages across RBC Financial Group. For instance, as the needs of P&CB commercial clients have grown, often to IPO and beyond, C&IB has inherited and built relationships with these clients through their growth stages. P&CB's commercial clients are high-volume users of foreign exchange and money market instruments provided by C&IB. C&IB also supplies syndicated loan services to P&CB.

C&IB also has joint client relationships with Transaction Processing, which provides cash management and trade services. The distribution strength of Wealth Management's retail network has positioned C&IB favourably with corporate clients looking to do issues of debt and equity securities.

(Chart 33) Transaction Processing is also busy with a variety of integrated offerings. They are leveraging existing account management teams in P&CB and C&IB for the sale of specialized products and provide specialist sales forces to add value to these client relationships.

They are also working with GPB to in-source their offshore fund administration and custody activities.

In summary, while each of our platforms is strong in Canada, they have further growth opportunities from leveraging the strengths, customer relationships and competencies of other platforms and of our entire Canadian franchise.

I'll now turn to our U.S. operations, where we are also actively pursuing our cross-platform leverage priority.

(Chart 34) Our greatest short-term priority for the U.S. is to maximize returns by enhancing operating efficiencies and leveraging each platform for revenue growth. To do so, we're looking at opportunities on a North-South basis, that is each platform is looking at its entire North American business and determining ways to maximize its cost effectiveness and revenue potential. We're also looking on an East-West basis. That is, within the United States, we are reviewing opportunities for eliminating duplication and building revenue growth by exporting our cross-selling experience into the U.S.

(Chart 35) Our new branding strategy provides a unified "RBC" umbrella to our family of companies and also capitalizes on the strong brand equity and franchise value built over time by each of these firms in their local markets.

(Chart 36) As for cross-selling in the U.S., while we've been reasonably good at that in Canada, we realize that few financial companies have done so successfully yet in the U.S. consumer market. Few U.S. financial companies have been operating a broad diversified business platform, including banking, brokerage, insurance and investments for very long, and as a result the market is more fragmented with a number of monoline providers. In addition, few companies have focused on the sales management disciplines and sophisticated customer analytics needed to support cross-selling, as we have been doing.

I should point out that revenue synergies from cross-selling were not factored into our financial models for valuing acquisitions. All the same, we are engaged in a number of cross-selling activities in the U.S. Those are both between platforms and within platforms. Let me speak very briefly about the latter, before discussing the former in some detail.

(Chart 37) Let's take the example of our Personal & Commercial Banking platform in the United States, where there are a number of efforts underway relating to integration, product development and sales management. We've merged Security First Network Bank and the functions of RBC Prism and RBC Builder Finance into RBC Centura, and integrated key mortgage operations and functions of RBC Centura and RBC Prism. In addition, RBC Centura is rolling out 2 new products, an adjustable-rate mortgage (with more than \$100 million of loans in process after the first 30 days) and a home equity line of credit, augmenting RBC Prism's product line. We're also exporting from Canada the role of Account Manager Investments, knowledge of investment products, our commercial markets strategy including serving the Knowledge Based Industry sector, and our successful sales management models and practices. For example, our first CRM-based customer contact program in the fall of 2001 resulted in 25% of customers contacted by a Personal Banker converting to a more appropriate product package and 24% annualized growth in transaction banking package accounts. All these steps will have positive cost and revenue implications. Our other platforms are similarly engaged in efforts to integrate products and operations in the United States.

Turning now to the cross-selling efforts between our business platforms in the U.S..

First, from a RBC Centura perspective.

(Chart 38) Last fall, an individual from our Insurance business in Canada was appointed to head insurance operations at RBC Centura and he is working closely with RBC Liberty Insurance. Half of all RBC Centura branches have received enhanced creditor life insurance sales training provided by RBC Liberty, and RBC Liberty Insurance products will be marketed directly by RBC Centura to RBC Prism mortgage customers.

RBC Centura has co-located into two RBC Liberty offices in South Carolina – in Greenville and in Myrtle Beach.

(Chart 39) With the acquisition of Tucker Anthony Sutro, RBC Dain Rauscher now has an office in Richmond, Virginia and is considering opening a regional office in North Carolina. RBC Dain Rauscher will ultimately take over the high-end wealth management business of RBC Centura as RBC Centura focuses on the Account Manager Investments strategy that I mentioned earlier.

RBC Centura intends to co-locate teams of commercial bankers in the key markets of its sister companies in the United States in order to capture the commercial banking business of our U.S. customers.

(Chart 40) As for RBC Liberty Insurance, in addition to working with RBC Centura, as I just discussed, it is looking at substantial opportunities with RBC Dain Rauscher. RBC Dain Rauscher, with some 2,100 financial consultants, generates about US\$400 million of annuities and US\$100 million of life insurance sales per year. RBC Liberty Insurance is seeking high net worth product capabilities including variable life insurance and variable annuities through acquisition so that it can deliver a competitive proprietary choice to the financial consultants. A growing share of insurance sales through RBC Dain Rauscher could represent significant growth in RBC Liberty Insurance revenue.

(Chart 41) The asset management business of RBC Dain Rauscher is working with different areas of RBC Financial Group. RBC Private Counsel has hired Voyager (Dain's asset manager with US\$15.2 billion in AUM) to manage a portion of their high net worth individuals' U.S. equity portfolios, improving the quality of the product offering for RBC Private Client and keeping revenues in house.

RBC Dominion Securities intends to add Voyager as one of its recommended U.S. Large Cap Equity managers in its Access program. As part of RBC Centura's efforts to build a diversified mutual fund family in the U.S. (the "RBC Funds"), RBC Dain Rauscher plans to operationally integrate its money market funds with RBC Centura and RBC Global Investment Management-advised RBC Funds. Voyager is also exploring the possibility of distributing some RBC Global Investment Management capabilities to retail and institutional investors in the U.S.

(Chart 42) Other initiatives between RBC Dain Rauscher and RBC Global Investment Management, RBC Private Counsel and Transaction Processing are mentioned on this slide.

(Chart 43) Other leverage opportunities to be explored by RBC Dain in 2002 include mortgage services for Dain clients through RBC Prism, credit card and electronic bill payment services through RBC Centura and distribution of RBC Liberty insurance products. RBC Dain Rauscher has extended free ATM access for debit cardholders to include the RBC Centura ATM network. In addition, this year, we expect to begin enhancing the Canadian rewards program for debit cardholders. When completed, the platform will be utilized across our U.S. distribution.

In summary, our first priority in the United States is to generate cost and revenue leverage within each platform. Initiatives are also underway to capitalize on cross-platform opportunities and position us for integration of financial services in the U.S.. These cross-platform efforts in the U.S. began not too long ago and the results will be evident over time.

(Chart 44) Finally, I can't emphasize enough the importance of values (shown on this chart), culture, management buy-in and compensation with respect to capitalizing on cross-platform leverage. We have five business platforms, each with its own culture and in some cases many cultures, and different businesses are motivated and incented differently. It's critical to recognize and capitalize on these differences. What is important to me is that we build common cultural threads that bind the businesses together. These cultural threads and organizational values cannot be compromised. Teamwork and working together to succeed is one of our key values and a critical part of the culture within each platform.

(Chart 45) Furthermore, a portion of our employees' compensation is linked to our values, one of which is teamwork or cross-platform co-operation. Additionally, RBC Financial Group's overall performance is a significant factor in most segments' bonus payouts.

(Chart 46) Our cross-platform initiatives also include developing people. For instance, our "high potentials" are given the opportunity to work in different platforms over their careers if they so wish and our Graduate Leadership Program provides high-caliber graduates an opportunity for development in different platforms.

(Chart 47) In conclusion, we see ourselves not as a bank but as a diversified financial services company, and we are positioning ourselves for leadership in integrated financial services. We will continue to exploit our business diversification, spirit of teamwork and co-operation between businesses, dedication to customer service and excellence in customer relationship management to grow business with our existing customers over their lifetime – in Canada as well as in the United States.

Thank you and I'll now be happy to take your questions.



Key priorities

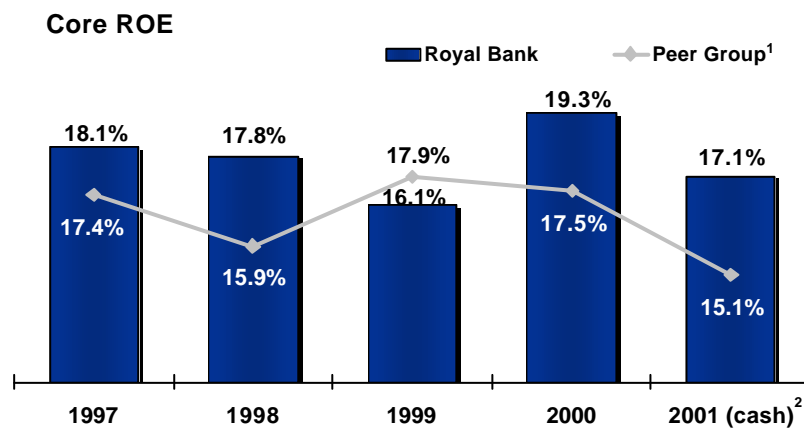
1. Strong fundamentals
2. International expansion
3. Growth of high-return & high-P/E multiple businesses
4. Cross-platform leverage

1



Priority #1 – Strong fundamentals

Strong ROE performance vs. North American peer group



¹ selected peer group comprised of 15 large North American banks

² full year 2001 for Canadian banks, 9 months 2001 for U.S. banks (accrual ROE used where cash is unavailable)

2

U.S. GAAP



Solid overall financial performance in 2001

	2001 objectives	2001 performance
Cash EPS growth	10 - 15%	✓
Cash ROE	18 - 20%	✓
Revenue growth	over 10%	✓
Expense growth	Operating expense growth < operating revenue growth	✗
Specific provision ratio ¹	0.30 - 0.40%	✗
Capital management ¹	Maintain strong capital ratios	✓

¹ based on Canadian GAAP financial information



2002 objectives reflect economy

	2002 objectives ¹
Cash ROE	17 - 19%
Cash EPS growth	5 - 10%
Revenue growth	7 - 10%
Expense growth	Operating expense growth < operating revenue growth
Specific provision ratio ²	0.45 - 0.55%
Capital management ²	Maintain strong capital ratios

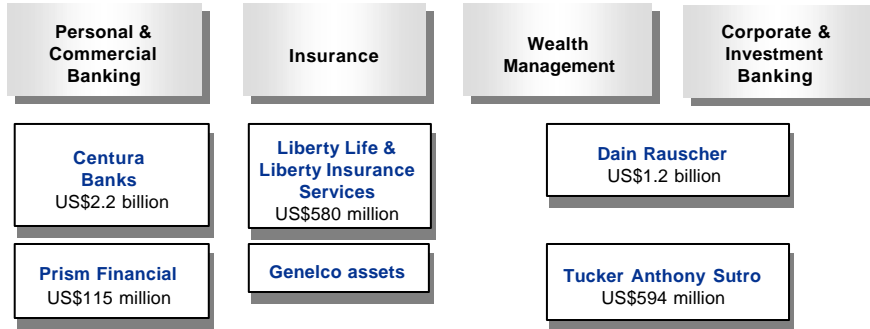
¹ based on core results

² based on Canadian GAAP financial information

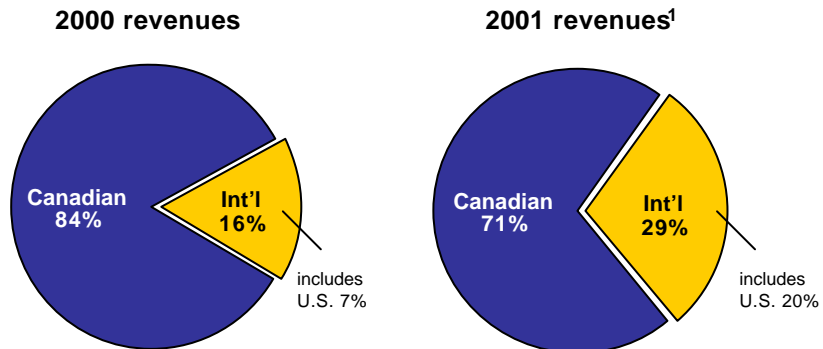


Building sizeable U.S. platform

U.S. acquisitions since April 2000



Proportion of U.S. revenues growing



¹ excluding special items



Reasons for U.S. expansion strategy

- Allowed each platform to expand outside Canada within financial¹ and size criteria
- Key reasons for disciplined expansion:
 1. sizeable market shares in Canada
 2. clients expanding in U.S.
 3. global players in Canada requiring North American capabilities and presence on our part
 4. earnings diversification ensures consistent shareholder value creation
 5. positioning for integration of financial services in the U.S.
 6. smaller players can operate successfully in U.S.

¹ cash EPS accretion in 2-3 years



Grow high-P/E businesses

- Primary focus on Personal & Commercial Banking and Wealth Management, but all business groups have selected segments for priority growth
- Lower performing or non-strategic business lines to be restructured or sold



Financial services integration

- **Cross-selling entails lower costs and no additional credit risk**
- **Better customer retention, revenue growth and profitability**
- **RBC Financial Group ideally positioned for financial services integration**
 - diversified business mix
 - strong market positions
 - sizeable customer base
 - strengths in CRM



Integration of financial services – Canada versus U.S.

- **Canada:**
 - four pillars started crumbling in mid-1980s
 - long history of operating diverse platforms
 - nationwide banking
 - vast distribution network and client base facilitated integration
- **U.S.:**
 - business diversification relatively recent phenomenon
 - regional banking
 - fragmented market
 - successful large monoline providers have not fostered integration



Our evolution towards diversification and integration

<u>Acquired company:</u>	<u>Businesses:</u>	<u>Year:</u>
Dominion Securities	investment banking full-service brokerage	1987
Royal Trust	wealth management custody	1993
Voyageur, Westbury, etc.	insurance	early 1990s onwards



Further evolution of our business platforms

- **Wealth Management – full-service brokerage operation moved from Corporate & Investment Banking (1999)**
- **Corporate & Investment Banking – trading functions of the bank and RBC Dominion Securities combined (1996)
– corporate banking moved from bank to RBC Dominion Securities (1999)**
- **Transaction Processing – correspondent banking and trade finance moved from Corporate & Investment Banking and custody moved from Wealth Management (2000)**
- **Insurance segment created (2001)**



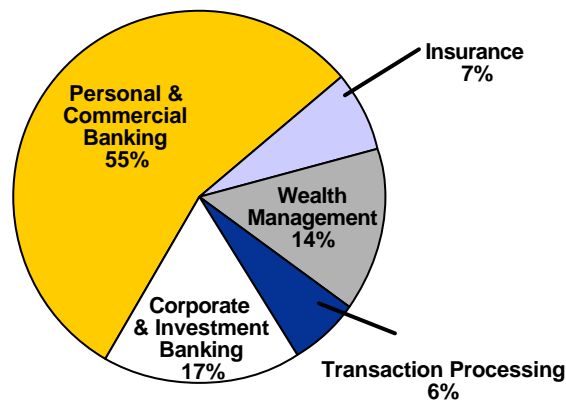
Strong market positions facilitate integrated financial services

- Insurance – #1 Canadian bank-owned insurer, #1 in Canada in travel & creditor insurance
- Transaction Processing – #1 in Canada in Custody, Correspondent Banking, Payments, Trade Finance & Cash Management
- Wealth Management – #1 in Canada in full-service brokerage (by assets), private banking and trust businesses, and #1 in mutual funds among Canadian banks (#2 overall)
- Corporate & Investment Banking – top ranked securities underwriter in Canada for past 12 years and among top M&A advisors in Canada
- Personal & Commercial Banking – 10 million Canadian individual and business clients and strong positions in all product lines



Business mix facilitates integrated financial offerings

Cash net income contribution – 2001¹



¹ excluding special items



New branding further supports integration

As part of our new branding our segments operate under the following brand names in Canada:

Personal & Commercial Banking	→	RBC Royal Bank
Insurance	→	RBC Insurance
Wealth Management	→	RBC Investments
Corporate & Investment Banking	→	RBC Capital Markets
Transaction Processing	→	RBC Global Services



Highly client-focused CRM philosophy

“We will capture the full potential of our client base by using customer information to deliver the right solutions in a consistent, professional manner at every point of contact.”



Client focus drives our leadership in CRM

- Early adopter of client information files (developed in the late 1970s)
- Use client data to better understand our clients and to create meaningful segments and related strategies
- CRM entails:
 - gathering and mining client data
 - execution of strategies at the point of contact with clients
 - knowledge and understanding of the client drive the strategy
- CRM balanced against a client's right to privacy – first Canadian bank to appoint a Chief Privacy Officer



Balanced approach sustains CRM leadership position

“An interesting aspect of Royal Bank’s approach to CRM is that it does reflect a balance among technology, people, and business processes... The acknowledgement of this reality and the willingness to allocate resources accordingly separates Royal Bank from most other financial services institutions.”

**- TowerGroup, January 2001
“CRM Case Study: The Analytics that Power CRM at Royal Bank”**



CRM helps support our revenue growth

- **What we know about our customers:**
 - segmentation and modeling
 - insights on lifetime value, vulnerability, risk and propensity to buy, and channel preference
- **What we do with this information:**
 - organize to deliver
 - develop personalized strategy for every client
- **How we implement:**
 - optimize sales effectiveness and customer contact



Example of segmentation

Personal & Commercial Banking

Key Markets	Growth Markets	Prime Markets	Commercial Markets	Strategic Markets
<ul style="list-style-type: none"> • Youth • Nexus • Small Business • Farming & Lifestyle Agriculture 	<ul style="list-style-type: none"> • Builders & Borrowers¹ • Business • Agriculture 	<ul style="list-style-type: none"> • Wealth Accumulators² • Wealth Preservers³ 	<ul style="list-style-type: none"> • KBI • Public Sector • Real Estate • Retail/ Franchising • Commercial 	<ul style="list-style-type: none"> • High Potential Markets • Social Responsibility Imperatives
<ul style="list-style-type: none"> • # Clients <p>2,900M</p>	<ul style="list-style-type: none"> • # Clients <p>3,450M</p>	<ul style="list-style-type: none"> • # Clients <p>4,150M</p>	<ul style="list-style-type: none"> • # Clients <p>10M</p>	

¹ Builders & Borrowers – individuals building their lives, families and assets by leveraging debt
² Wealth Accumulators - individuals (ages 41-59) in peak earning years, investing to accumulate wealth
³ Wealth Preservers – individuals who are pre and post retirement (usually age 60+), interested in wealth capital preservation often via low risk investment strategies



CRM delivers results

- CRM contributed to P&CB revenue growth of 16% from 1999 to 2001 (excluding RBC Centura)
- P&CB cash net income in FY2001 #1 among Canadian banks, surpassing next competitor by 28%
- CRM has led to increased employee satisfaction



Cross-platform efforts are well underway

- Integrated approach permeates the organization – putting the client first
- Successful referral program continues
- Wealth Management and Personal & Commercial Banking teaming to provide financial planning
- Integrating Global Private Banking with RBC Private Counsel, Canadian private banking and personal trust
- Segments have other cross-platform initiatives underway



Successful cross-platform referral program

- P&CB has generated approximately 150,000 referrals to Action Direct since 1997, with \$2.1 billion in AUA of new business and referrals

(C\$ billions)

Year	Business referred (internal)	New sales from business referred (external)	New sales/ business referred
1997 ¹	\$3.0	\$2.7	\$0.90 X
1998	2.4	4.0	1.70 X
1999	1.2	3.9	3.30 X
2000	1.4	2.7	1.90 X
2001	0.8	2.0	2.50 X
1998-2001	5.8	12.6	\$2.20 X
1997-2001	\$8.8	\$15.3	N/A

¹ for three months (August 1 to October 31, 1997)



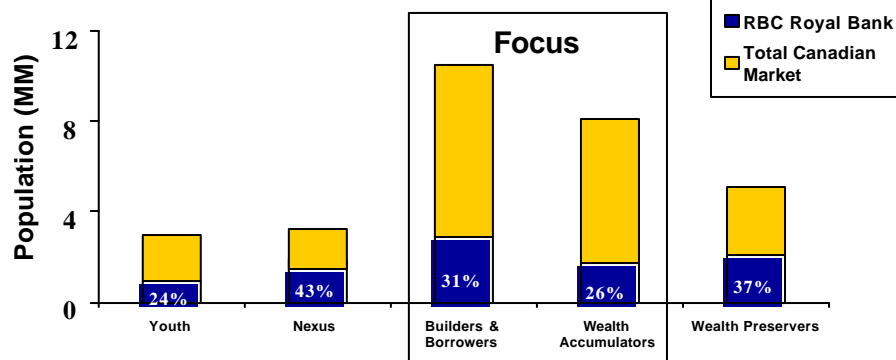
Wealth Management and P&CB financial planning venture launched Nov. 1, 01

- Financial planning initiative creates a growth opportunity with our clients by:
 - building loyalty
 - focusing an accredited sales force on key segments to increase revenue
 - better covering client life cycle stages to increase the lifetime of relationships



Financial planning opportunities

- Retain & grow our customers through their life stages
- Increase our market penetration in the Builders & Borrowers and Wealth Accumulator segments
- Capture the estimated C\$80 to C\$140 billion annual intergenerational wealth transfer



Financial planning is leveraging platforms' strengths

- 8,000 individuals within Canadian operations that hold some form of licence or designation:
 - 6,000 are in Personal & Commercial Banking and 2,000 in Wealth Management
 - approximately 6,500 are licensed to sell Mutual Funds (but may also have higher designations)
- Financial planning has identified 1,500 individuals as "specialists" (either have a PFP or CFP designation) with the remainder staying in their platforms:
 - 335 PFAs¹ - Wealth Management
 - 550 IRPs² - Personal & Commercial Banking
 - 615 AMIs³ - Personal & Commercial Banking

¹ PFA = Personal Financial Advisor (focused on general financial planning)

² IRP = Investment Retirement Planner (focused on retirement and investment financial planning)

³ AMI = Account Manager Investments (focused on investment financial planning)



Global Private Banking integration

- In Oct. '01, restructured Wealth Management distribution channels and combined:
 - Global Private Banking (GPB)
 - RBC Private Counsel
 - Canadian personal trust business
 - Canadian private banking (from P&CB)
- Benefits of critical mass, cost savings and simplified Canadian distribution structure
- Integrated GPB will offer both proprietary and third-party products and solutions



New GPB platform will be ready to compete

- Leading Canadian player which can compete better on a structured solution basis with Credit Suisse, UBS, Citibank Private Client and HSBC
- New Canadian private banking focus – sophisticated client domiciled outside Canada
 - highly mobile, complex needs include estate planning, trust, investments, etc.



Personal & Commercial Banking (P&CB)

- P&CB ties sales force short-term incentives to referrals made to other platforms
- Refer commercial clients requiring cash management solutions to Transaction Processing
- Alliance with RBC Centura and 5 U.S. correspondent banks which benefits Transaction Processing
- P&CB manages physical network for RBC Financial Group, including nearly 100 locations shared with other platforms
- Cross-platform efforts between P&CB, Wealth Management and eBusiness have resulted in 1.9 million online banking and trading customers, up 50% in one year



Insurance

- 58% of mortgages and loans sold through P&CB have creditor life insurance
- P&CB markets Travel Health Protector insurance plans through a variety of channels, generating over C\$5 million in premiums
- Underwrite travel insurance for P&CB's VISA Gold
- P&CB clients represent 65% of total home & auto policies issued
- With GPB, selling variable life insurance products to our international clients
- 75% of full-service retail brokers have an insurance licence and 60% of these brokers sold insurance policies in 2001



Wealth Management

- **Global Private Banking is contacting 140,000 prospects generated from data mining P&CB clients**
- **Joint initiative between Action Direct and P&CB is targeting the 1.5 million+ P&CB online banking clients not currently using Action Direct's NetAction**
- **Retail brokerage network distributes C&IB's structured products to help clients deal with market volatility**



Corporate & Investment Banking (C&IB)

- **C&IB has inherited and built on relationships of P&CB commercial and KBI clients through their growth stages**
- **P&CB's commercial clients are high-volume users of foreign exchange and money market instruments provided by C&IB**
- **C&IB supplies syndicated loan services to P&CB**
- **C&IB has joint client relationships with Transaction Processing, which provides cash management and trade services**
- **Wealth Management's retail distribution strength gives C&IB a competitive advantage with corporate clients looking to do issues of debt and equity securities**
- **A new trading platform sponsored jointly by C&IB and Wealth Management is under development**



Transaction Processing

- Leveraging existing account management teams in P&CB and C&IB
- Working with P&CB and C&IB to provide an integrated Internet channel offering for business customers
- Working with GPB to in-source their offshore fund administration and custody activities
- Working with C&IB on the Continuous Linked Settlement Bank (CLSB) initiative which reduces FX settlement risk in Global Markets



U.S. expansion priorities

- Short-term priorities are to maximize returns by enhancing operating efficiency and leveraging each platform for revenue growth
 - North-South basis
 - East-West basis
- Near-term focus is on consolidating recent acquisitions and meeting operating targets
- Long-term focus on building scale and further integrating platforms



Integrated branding strategy in the U.S.

As part of our new branding our U.S. businesses have been renamed as follows:

- | | | |
|-----------------------|---|-----------------------|
| Centura Banks | → | RBC Centura |
| Dain Rauscher | → | RBC Dain Rauscher |
| Dain Rauscher Wessels | → | RBC Capital Markets |
| Liberty Insurance | → | RBC Liberty Insurance |
| Prism Financial | → | RBC Prism Mortgage |



Applying our cross-selling model in the U.S.

- Few financial companies have succeeded in cross-selling in the U.S. consumer market. Unlike us in Canada,
 - few U.S. companies operate diversified platforms – except at high-end
 - few focused on sales management disciplines and sophisticated customer analytics
- Revenue synergies from cross-selling not factored into financial models for valuing acquisitions – focus is on maximizing cross-selling potential to increase expected returns



Efforts underway within platforms

P&CB example

- **Integration, product development and sales management efforts to enhance efficiency & revenues**
 - merged SFNB & RBC Prism functions into RBC Centura
 - integrated key mortgage operations and functions of RBC Centura and RBC Prism
 - RBC Centura rolling out new ARM & HELOC products
 - exporting from Canada:
 - role of AMI¹
 - investment products knowledge
 - commercial markets strategy
 - sales management practices

¹ AMI = Account Manager Investments



RBC Centura and RBC Liberty Insurance working together

- **Head of Insurance, appointed for RBC Centura from RBC Insurance in Canada, working with RBC Liberty Insurance**
- **50% of RBC Centura branches received enhanced creditor life insurance training by RBC Liberty**
- **RBC Centura co-located into two RBC Liberty offices in South Carolina (Greenville & Myrtle Beach)**



RBC Centura and RBC Dain Rauscher working together

- **Centura Securities link to RBC Dain Rauscher**
 - build and take brokerage operation and wealth management to new level
 - RBC Dain Rauscher considering opening a regional office in North Carolina
- **RBC Centura to co-locate commercial bankers in the key markets of its U.S. sister companies**



RBC Liberty Insurance initiatives

Leverage RBC's diversified U.S. operations

- **Creditor insurance in RBC Centura**
- **RBC Liberty Insurance sales platform in RBC Centura**
- **Acquisition of wealth management product capabilities for sale by RBC Dain Rauscher brokers**



RBC Dain Rauscher initiatives – Voyageur (asset management)

- RBC Private Counsel has hired Voyageur to manage a portion of their high net worth individuals U.S. equity portfolios
- RBC DS to add Voyageur as a recommended U.S. Large Cap Equity manager in the Access program
- RBC Dain Rauscher plans to operationally integrate its money market funds with RBC Centura and RBC Global Investment Management (RBC GIM)
- Voyageur exploring possibility of distributing some RBC GIM products to retail and institutional investors in the U.S.



Other RBC Dain Rauscher initiatives

- RBC Dain Rauscher is also in discussions with RBC Global Investment Management regarding distribution of separate account product through Dain's manager wrap program
- RBC Dain Rauscher's consulting team assisted RBC Private Counsel in identifying and contracting third party money managers
- RBC Dain Rauscher and Transaction Processing have piloted a relationship for Dain's High Net Worth clients
- RBC Dain and Transaction Processing exploring other solutions for Dain clients



Other RBC Dain Rauscher initiatives

- **Other leverage opportunities to be explored in 2002:**
 - mortgage services for Dain clients through RBC Prism
 - credit card and electronic bill payment services through RBC Centura
 - distribution of RBC Liberty insurance products
 - planned enhancements to the rewards for debit card holders to be available across U.S. distribution



Our values encourage teamwork

- **Our values are:**
 - service – excellent service to clients and each other
 - teamwork – working together to succeed
 - responsibility – personal responsibility for high performance
 - diversity – diversity for growth and innovation
 - integrity – trust through integrity in everything we do



Compensation linked to values and cross-platform co-operation

- **Employees’ compensation being linked to values**
- **Overall RBC Financial Group performance a significant factor in most segments’ bonus payouts**



Our cross-platform initiatives include developing people

- **Our “high potentials” are given the opportunity to work in different platforms over their career**
- **Our Graduate Leadership Program provides high-caliber graduates cross-platform development opportunities**



Conclusion

- **Positioning ourselves for leadership in integrated financial services**
- **See ourselves as a diversified financial services company, not a bank**
- **Will continue to exploit our business diversification, teamwork among businesses and excellence in CRM to grow business with existing customers over their lifetime**

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Caution regarding forward-looking statements

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