



"RY" on TSX & NYSE

Our 2005 Priorities

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RBC Financial Group**

**Smith Barney Citigroup
Financial Services Conference
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Introduction

[Slide 2] Good morning. Before I begin, I'd like to draw your attention to this first slide, a caution regarding forward-looking statements that may be made during my presentation and in response to questions.

[Slide 3] I would like to begin with some words about the Canadian economy, then provide a quick snapshot of RBC Financial Group, before turning to the main topic of my remarks – RBC's top priorities for 2005.

Canadian Economic Outlook

[Slide 4] The Canadian economy has weathered the rapid appreciation of the Canadian dollar relative to the U.S. dollar and the recent deceleration in growth of the world economy with surprising resilience, registering real economic growth of approximately 2.7 percent in 2004. We expect a slight acceleration to an estimated 3 percent this year, as the Canadian consumer seems better positioned for further spending in the period ahead given firm job markets and rising incomes. The government's solid fiscal position should also allow it to support overall economic activity. These two sectors, combined with firm business investment, should add up to stable growth in 2005.

[Slide 5] However, with low inflation risks and an uncertain outlook for Canada's trade sector, the Bank of Canada is likely to hold interest rates steady through much of 2005. This should allow support from the domestic side of the economy to offset the weakness in exports.

[Slide 6] Like many currencies, the Canadian dollar has been rising in an environment of U.S. dollar weakness. Today, the Canadian dollar is around 81 U.S. cents, and our base forecast is for it to end the year around the 80 U.S. cent mark. Although there are risks that the U.S. dollar could weaken further due to ongoing concerns about the large and growing fiscal deficit and the widening current account deficit, we suspect the biggest move in the currency is behind us as better news lies ahead for both those deficits.

[Slide 7] Although high debt-to-income ratios have given rise to concerns regarding the state of household finances in Canada, other measures of credit quality indicate that consumer debt service levels are improving. For instance, the debt to assets ratio has been stable, and the total debt service (TDS) burden should continue to improve, as shown on Slide 7. The TDS is the ratio of interest and principal payments, home heating costs, and property taxes all expressed as a share of disposable income. While this measure is currently near the high end of its historical range, it is expected to move lower given strong improving income gains, slower pace of debt growth and a modest pace of interest rate increases.

All in all, we believe the outlook for the Canadian economy this year is positive.

Company overview

[Slide 8] The Canadian banking industry is strong, and we are the largest Canadian bank and the 2nd largest company in Canada, based on market capitalization.

[Slide 9] Among North American banks, we rank 7th in market cap.

[Slide 10] Our 5-year compound annual return to shareholders has been strong and we are taking steps to raise our share valuation.

[Slide 11] RBC was recently rated as the top brand in Canada and, as disclosed yesterday, we were once again ranked as Canada's most respected corporation in a survey conducted by Ipsos-Reid. We have every intention of maintaining our leadership position in the Canadian marketplace. We are also one of only two Canadian banks to be included in the Dow Jones Sustainability Index, which is based on a range of financial and non-financial criteria such as economic, environmental and social measures.

[Slide 12] Over one-third of Canadian households deal with RBC and we have the highest household penetration of any Canadian bank.

[Slide 13] Not only do we have leading market shares in most consumer and business products, we are growing share in most cases. We will continue to target strong market shares through product innovation and customer service, while maintaining pricing discipline. We are aggressively growing high margin products (such as mutual funds, credit cards and insurance), and our market shares in these businesses continue to grow.

[Slide 14] As you can see on this slide, we continue to be recognized in a range of businesses.

[Slide 15] Before moving on to our top priorities for 2005, I would like to point out that four of our five business segments – investments, insurance, capital markets and global services – all recorded significant earnings improvement in 2004 over the prior year. However, RBC Banking's profit declined due to lower earnings in the United States which more than offset a 5% increase in earnings in Canada, on the back of strong loan and deposit growth.

[Slide 16] We took strong action in the fourth quarter of 2004 via our Client First Initiative, to better align our company around client groups geographically in order to accelerate revenue growth and achieve better efficiency. We took business realignment charges in the fourth quarter as part of this initiative, and also recognized a goodwill impairment charge at RBC Mortgage, both of which affected our results last year but better positioned us for the future.

[Slide 17] I would now like to discuss 3 of our top priorities for 2005, which are to:

- 1) Successfully implement our "Client First Initiative" announced in September;
- 2) Improve the returns from our U.S. Banking operations and grow the overall contribution from our U.S. and International consumer businesses; and
- 3) Achieve our financial objectives.

1st Priority

[Slide 18] With regard to the first priority, our Client First Initiative announced last September focused on both client-oriented activities and the efficiency of our functional units and our technology and operations areas. By combining our retail businesses in Canada as well as combining our U.S. and international consumer businesses, we expect to generate incremental synergies and growth opportunities. We also expect cost reductions through the restructuring of our functional units, the consolidation of our Technology and Operations groups, and through better procurement practices. We have identified numerous cost and revenue initiatives with specific targets for which we are accountable and which have been built into our business plans.

I'll spend a few minutes on each of the 3 new segments which will form the basis of our financial reporting in the first quarter.

Canadian personal & business segment

[Slide 19] Starting with our Canadian personal and business segment, we have brought our domestic banking, investments and insurance businesses together to provide our Canadian clients with more consistent and better integrated services and products. Our priorities for this segment are to provide integrated client solutions, focus on the strength and management of our distribution channels, deliver a superior client experience and accelerate revenue growth. For our clients, this means a focus on products and services that meet their unique needs by leveraging the best of our traditional transaction, lending, wealth management and insurance expertise.

We plan to build on our existing distribution strengths that include proprietary and non-proprietary networks such as the Internet, branches, mobile sales forces and third-party distributors to reach as many clients as possible through the channel that fits them best. We are in the process of streamlining our distribution support and

sales management functions. And we plan to grow and enhance a number of our distribution channels, particularly our mobile sales forces such as mortgage reps and Investment Retirement Planners, as well as third-party distributors, including independent insurance brokers and financial planners.

Our focus on delivering a superior client experience will include simplifying internal structures and streamlining operations, all aimed at making it easier for the client to do business with us. We also plan to increase our frontline capacity and place a greater emphasis on “local” market ownership so that clients can get the service and products they need when and where they need them most.

We have a number of specific initiatives built into our planning process that relate to the acceleration of revenue growth.

[Slide 20] In fact, we had some recent successful product launches in 2004 as shown on Slide 20, and **[Slide 21]** also had strong volume growth as outlined on Slide 21.

US & International segment

[Slide 22] I’ll now move on to the next segment – U.S. and International consumer businesses, which includes RBC Centura, RBC Mortgage, RBC Dain Rauscher, Global Private Banking and our Caribbean retail banking operations. We’ve brought these businesses together as one segment in recognition of the fact that each of these businesses is quite distinct from our operations in Canada. Our new structure will increase accountability and we will be managing these businesses more dynamically, investing only in those activities that are core to our future growth and can meet our hurdle rates.

Furthermore, consolidating the management of our U.S. and International consumer businesses will make it easier to leverage each other’s product and distribution strengths where appropriate.

[Slide 23] Our top priority for our U.S. and International consumer businesses is to enhance performance in the U.S. personal and commercial banking businesses, and I will provide examples of what we are doing later in my remarks.

But I would like to emphasize that while U.S. Banking receives significant attention, we have other U.S. and International consumer businesses (brokerage, global private banking and our Caribbean operations) as well as U.S. and international wholesale businesses that performed well in 2004 and have good growth potential.

We intend to build our U.S brokerage presence through RBC Dain Rauscher and through the acceleration of a full balance sheet product portfolio for wealth management clients, including investments, deposits, credit and insurance.

We also intend to continue growing our private banking business. GPB has more than 25,000 clients with assets under care of over \$1 million with GPB. We have restructured our relationship management model where each High Net Worth client is allocated a senior professional responsible for their business right across RBC. We have also implemented a globally consistent set of client management practices (for example, client discovery process, sales management process, and strategic client review process).

This will ensure better cross sell potential, premium service quality, and a consistent client experience. In addition, it will allow for a single investment in common technology. Global private banking is a business in which we believe we have a competitive advantage, the industry is very fragmented, and we will continue to focus on its growth.

Our Caribbean retail banking business is often overlooked. We have a 100 year history with local market knowledge and a well known and respected brand. We generate consistent, healthy cash flows and a high ROE. We expect to see solid organic growth from the Caribbean.

Global capital markets segment

[Slide 24] Turning to our Global Capital Markets segment, you can see that U.S., European and Asian operations have become an increasingly important part of the segment's revenues.

[Slide 25] Our four priorities for this segment are to remain the leading Canadian investment bank, expand our mid-market U.S. business, deliver higher margin value-added solutions and expand specialized global businesses.

Let's start with the first priority of retaining our position as Canada's leading investment bank. We lead more significant businesses than any other dealer and have leading market shares across most activities. In 2004, we ranked at the top of the overall debt and equity league tables.

As part of our business realignment, approximately 300 large commercial banking relationship accounts moved into RBC Capital Markets. This segment is an area where our investment banking penetration had traditionally been less focused and we believe this restructuring will enable us to further grow our revenue in the mid-market.

We are also evolving as the most international of the Canadian investment banks, and our objective is to take many more of our clients to international markets.

Turning to our U.S. mid-market strategy in equities and advisory, we are focused on building relationships with clients and significantly growing our market share. In 2004, we lead-managed 27 equity issues in the U.S. and ranked 12th in the U.S. equity league tables. We also have a significant presence in the U.S. fixed income market and, as an example, in 2004 we raised over US\$13 billion for U.S. municipalities which ranked RBC #8 in that sector. In addition, we are continuing to grow our mid-market U.S. fixed income business, leveraging synergies and integration between RBC Dain Rauscher and RBC Capital Markets' fixed income operations.

The segment's third priority focuses on delivering a total solution to our issuing and investing client base. We will take advantage of our ability to deliver internally manufactured product on a competitive basis through the bank's proprietary distribution system. We have built a very large structuring business and this area continues to be a priority for incremental investment.

The final priority for this segment is the expansion of successful specialized global businesses. Our global equity derivatives group has established operations in Japan, further expanded in Europe and added new trading strategies. Our hedge fund structuring business is a market leader and we are aggressively pursuing expansion in the hedge fund index and hedge fund advisory businesses.

Global technology and operations

[Slide 26] Before moving on to RBC's second priority, I would like to take a moment to reiterate the purpose of combining our global technology and operations areas. Integrating all our operating and systems capabilities will allow us to more effectively develop technology solutions and process client and business services more efficiently. This group will look to optimize economies of scale, IT platforms and best practices through the establishment of centres of expertise to align common activities across RBC.

2nd Priority

[Slide 27] Turning now to RBC's 2nd priority, which is to improve U.S. Banking returns and grow the overall contribution from our U.S. and International consumer businesses.

[Slide 28] By looking at the drop in U.S. earnings that was attributable primarily to our banking operations, you can see why re-profiling this business and enhancing its returns is one of our most important objectives for 2005. Including the goodwill write-down, the swing in U.S. Banking earnings between 2003 and 2004 was \$324 million.

There were several factors largely responsible for this \$324 million decline. The largest component was RBC Mortgage, which in addition to the goodwill impairment charge, faced lower origination volumes and margins. We also recorded lower returns from RBC Centura's investment portfolio and it too took business realignment charges.

[Slide 29] At RBC Mortgage, we are taking a number of actions to improve performance. We took a \$15 million charge for consolidating the Chicago headquarters into our Houston office, and for closing 38 of its less profitable branches. At this point, 9 more branches are expected to close later in 2005. These steps will not only generate cost savings, but will improve operational controls.

We have also taken steps to reduce earnings volatility by migrating sales of adjustable rate mortgages to a flow basis from bulk delivery, meaning that the loans are sold as they close, and the hedging risk is transferred to the investor. And we have completed the rollout of Sterling's loan origination technology, which will lead to better control and management of loan pricing.

[Slide 30] RBC Centura has also set the stage for improvement. We took a \$13 million charge in the fourth quarter for planned staff reductions in 2005. We began the process of closing 10 low-return branches from the network of 275 branches, and we have slowed the pace of branch openings until we achieve stronger financial performance.

As for the investment portfolio, we are continuing to increase the proportion of investment grade mortgage-related instruments to enhance yield and help mitigate any increase in funding costs. And we have plans to enhance loan and deposit volumes and mix.

Our new U.S. Banking management is focused on revenue growth initiatives and cost management to improve profitability, and we believe that all the steps we are taking will lead to improved financial results in 2005.

[Slide 31] Turning now to our final priority – Achieve financial objectives.

[Slide 32] The efficiencies and revenue growth opportunities that we expect from our Client First Initiative prompted us to set more aggressive financial objectives for 2005 in the areas of revenue growth, cost control, earnings growth and ROE.

[Slide 33] We are targeting revenue growth 300 to 500 basis points higher than expense growth in 2005. Our objective for revenue growth this year is 6 to 8%. Bear in mind that had it not been for the significant strengthening of the Canadian dollar relative to the U.S. dollar, revenues would have been up 5% in 2004. We expect significantly better results from U.S. Banking operations, the full year impact of the acquisition of the Canadian operations of Provident Life and Accident Insurance Company, moderately higher economic growth and capital markets activity, as well as some benefit from the Client First realignment initiatives.

[Slide 34] On the cost front, last year's 8% growth largely reflected Rabobank settlement costs, higher pension and post-retirement benefit costs, and increased variable compensation expenses. We expect better cost performance this year and have an objective of less than 3% NIE growth. We have eliminated a number of executive and senior management positions, commenced streamlining resources and have taken actions to close redundant premises. We expect over 1600 position eliminations in 2005, largely in head office and support roles made redundant by the realignment of our 5 business segments into 3 and by the ongoing consolidation of our operations and technology platforms.

In addition to savings from our functional groups and from the combination of IT and operations, we are looking for benefits from our procurement activities. We expect overall savings to further increase in 2006 and 2007.

[Slide 35] I'd like to spend the last minute on our capital position. As you know, our Tier 1 and Total capital ratios are currently above our objectives for 2005 and our medium-term goals. These, in turn, are well above regulatory requirements.

[Slide 36] In addition, our common equity to risk-adjusted assets ratio is well in line with other Canadian banks.

[Slide 37] That said, our ratios did decline in 2004 primarily as a result of asset growth, realignment charges, and an accounting change that deducted about \$300 million from shareholders equity due to RBC shares held by employee compensation vehicles, most of which we expect will be reversed over time. In addition, the \$324 million decline in our U.S. Banking earnings from 2003 to 2004 reduced our Tier 1 ratio by 17 basis points. Our balance sheet and capital have been impacted by the significant assets and corresponding capital in our U.S. Banking business that has not generated sufficient returns. As we improve returns, our capital ratios should strengthen.

[Slide 38] Having said that, our objective is not to build up excess capital but rather balance the use of capital in growing our businesses and making investments with distributions to our shareholders. We announced a 5.8% common share dividend increase effective the first quarter of this year. Our current intention is to maintain a payout ratio in the 40 to 50% range.

There are a number of slides in the Appendix that I would encourage you to review, including slides 49 and 50, which demonstrate our strong asset quality.

Conclusion

I'd like to end by saying that one of the objectives of all these actions is to restore our share valuation. **[Slide 39]** Our challenges in 2004, particularly as they related to U.S. Banking, impacted our operating performance but even more so our relative share price performance. Relative to the Canadian bank average, we have gone from a premium valuation in 2002 and 2003 to discounted valuation today, so on a comparative basis we believe our shares have underperformed relative to our fundamentals. Achieving our 2005 priorities should help reverse this valuation trend.

Thank you for your attention, and now, I'd be glad to take your questions.



Caution regarding forward-looking statements

From time to time, we make written and oral forward-looking statements within the meaning of certain securities laws, included in this presentation, in other filings with Canadian regulators or the United States Securities and Exchange Commission, in reports to shareholders and in other communications. These forward-looking statements include, among others, statements with respect to our objectives for 2005, our medium- and long-term goals, and our strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist 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 beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian and United States economies and economies of 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; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the Board of Governors of the Federal Reserve System in the United States; the effects of competition in the markets in which we operate; the impact of changes in the laws and regulations regulating financial services and the enforcement thereof (including banking, insurance and securities); judicial or regulatory judgments and legal proceedings; our ability to obtain accurate and complete information from or on behalf of our customers and counterparties; our ability to successfully realign our organizational structure, resources and processes; our ability to complete strategic acquisitions and to integrate our acquisitions successfully; the changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; and other factors that may affect future results including changes in trade policies, timely development and introduction of new products and services, changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits, the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism, and our anticipation of and success in managing the foregoing risks.

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 the bank, 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.



Today's agenda

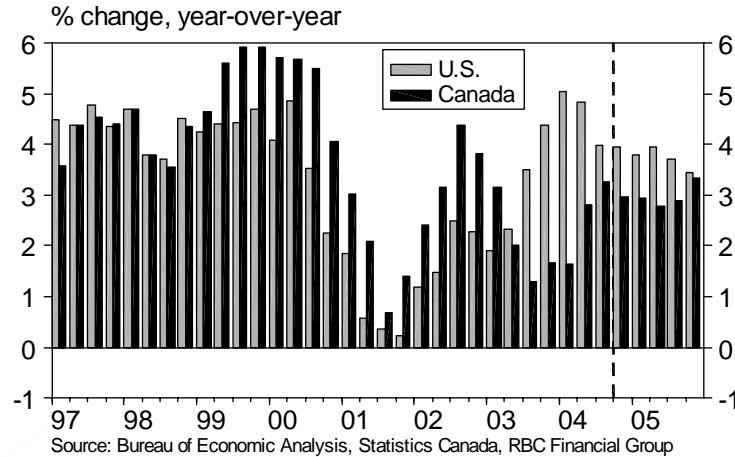
- **Canadian economy**
- **Our company** ("RY" on NYSE & TSX)
- **Our Priorities**



A slight acceleration of economic growth in Canada expected in 2005

Canadian economic outlook

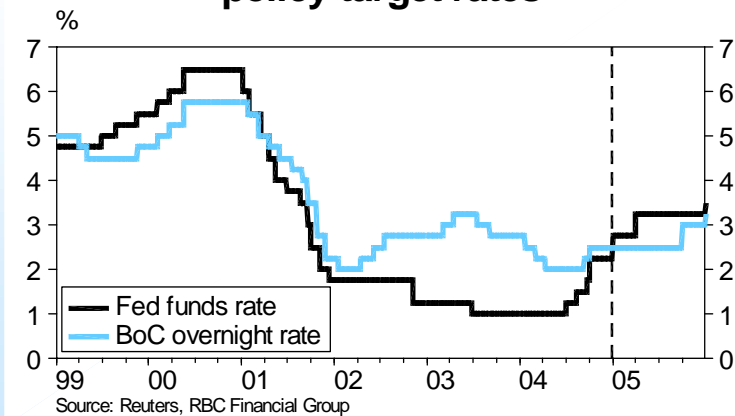
Canadian and U.S. real GDP



Canadian interest rates likely to hold steady through much of 2005

Canadian economic outlook

Canadian and U.S. central bank policy target rates

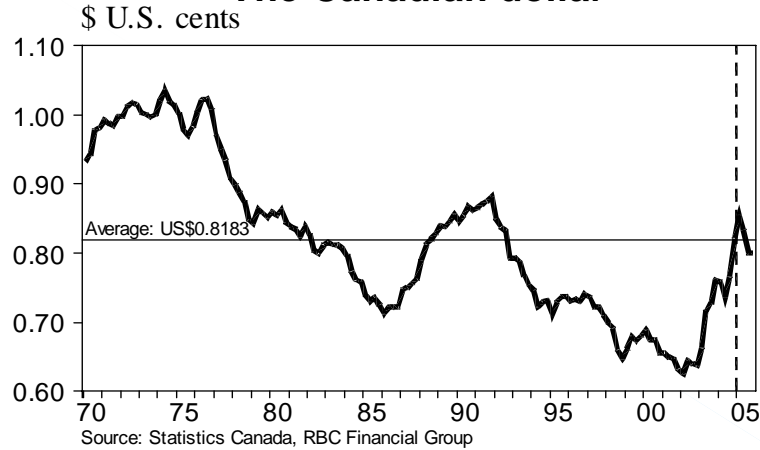




Canadian dollar forecast to end 2005 around the U.S. 80 cent mark

Canadian economic outlook

The Canadian dollar



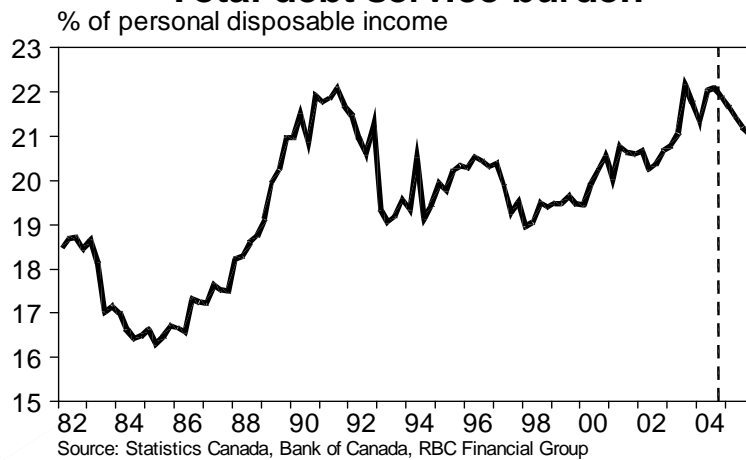
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Consumer debt service levels expected to improve

Canadian economic outlook

Total debt service burden



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Largest Canadian bank

Our company

Market capitalization of top 10 Canadian companies (US\$ billions)

Jan 21, 2005

Manulife Financial (MFC)	35.6
Royal Bank of Canada (RY)	33.1
Bank of Nova Scotia (BNS)	32.9
EnCana Corp (ECA)	26.5
Toronto-Dominion Bank (TD)	26.4
Thomson Corp (TOC)	22.7
Bank of Montreal (BMO)	22.7
BCE Inc – Bell Canada Enterprises (BCE)	22.5
Imperial Oil Ltd (IMO)	20.9
Great-West Lifeco Inc (GWO)	19.5

Source: Bloomberg, S&P/TSX Composite Index, highest market capitalizations at close
Exchange rate - USD0.81826/CAD

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Among top 10 North American banks

Our company

Market capitalization of top North American Banks (US\$ billions)

Jan 21, 2005

Citigroup Inc. (C)	249.0
Bank of America Corp (B)	182.5
JP Morgan Chase	131.0
Wells Fargo & Company	101.9
Wachovia Corp	84.5
US Bancorp	55.7
Royal Bank of Canada (RY)	33.1
Bank of Nova Scotia (BNS)	32.9
Fifth Third	27.2
TD Bank	26.4

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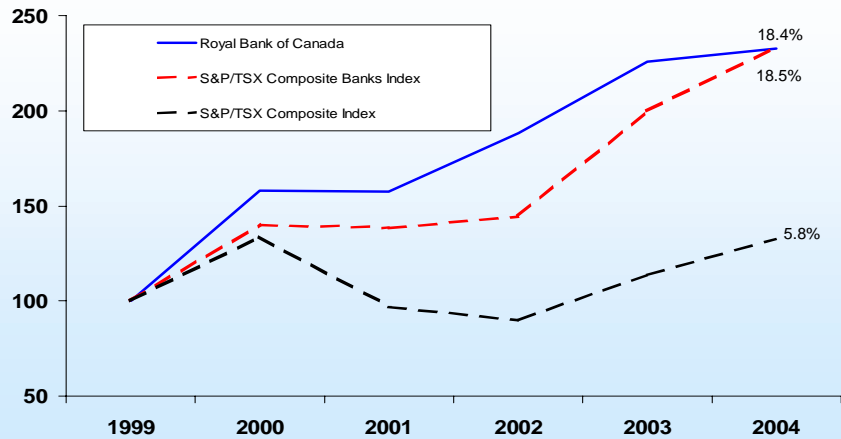


Solid Returns to Shareholders

Our company

Five-Year Annualized Total Return on \$100 Investment*

(October 31, 1999 - October 31, 2004)



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Canada's best brand and most respected company

Our company

- Royal Bank of Canada topped the list of most valuable brands in Canada
 - study* sponsored by *Canadian Business* magazine
- RBC Financial Group selected as Canada's most respected corporation
 - study** sponsored by KPMG and Ipsos-Reid
- Included in the Dow Jones Sustainability Index
 - Top 10% of the largest companies included in Dow Jones Global Indexes, in terms of economic, environmental and social criteria

CANADIAN BUSINESS

CANADA's Most Respected Corporations **KPMG**



* Source: "Measuring and Valuing Brand Equity" report produced by Brand Finance plc, in collaboration with the Institute of Communications and Advertising in November 2004.

** Source: "Canada's Most Respected Corporations: 2003 Survey Results", KPMG with survey conducted by Ipsos-Reid

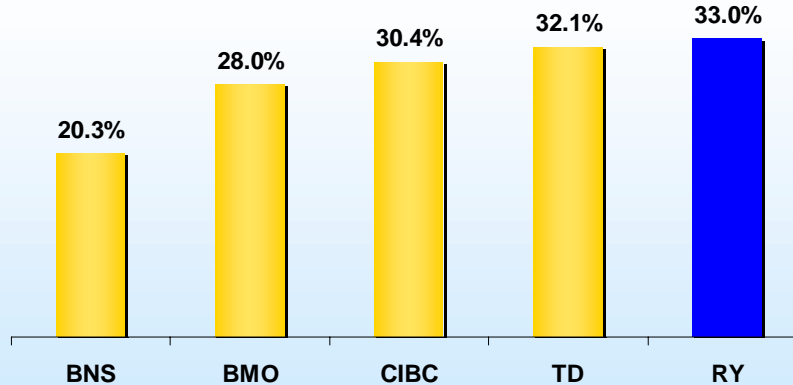
11



#1 in Canadian household penetration

Our company

Household penetration in Canada¹



¹ % of Canadian households doing business with the bank. Based on 10 months ending October 2004. Source: Canadian Financial Monitor

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Maintaining leading market shares in most Canadian consumer and business products

Our company

	Rank*	Sept '04 vs. '03	Market share	
			Sept-04	Sept-03
Total deposits**:	#1	↓ 9 bp	12.58%	12.67%
<i>Personal deposits</i>		↑ 1 bp	15.02%	15.01%
<i>Mutual funds</i>		↑ 6 bp	9.49%	9.43%
Residential mortgages	#1	↑ 27 bp	15.15%	14.88%
Personal loans & credit cards	#2	↑ 37 bp	14.00%	13.63%
Total business deposits*** ^	#1	↑ 42bp	20.51%	20.09%
Travel Insurance	#1	-	34%	n/a
Creditor Insurance	#1	-	27%	n/a
Individual Living Benefits	#1	-	-	n/a

* Market share rank among all financial institutions in Canada, as of September 2004

^ Market share rank among all Banks in Canada, as of September 2004

** Consists of personal deposits and mutual funds. Includes other mutual fund companies

*** Includes business deposits/business loans across RBC. Business include acceptances

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A few other accomplishments...

Our company

- ✓ Best Trade Finance Bank in Canada
 - Global Finance Magazine
- ✓ Best overall global custodian * (Canada's largest by AUA)
 - Global Investor magazine
- ✓ RBC O'Shaughnessy U.S. Value Fund named U.S. Equity Fund of the Year
 - Morningstar's Canadian Investment Awards
- ✓ #1 full service brokerage operation and #2 Canadian self-directed broker (by AUA)
- ✓ Recognized leader for combined debt and equity underwriting in Canada
 - As measured by Thomson Financial

* Measured by overall client service and value for money

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Solid earnings growth in four of five segments in 2004

Our company

C\$ millions	2004	Net income growth*		ROE
	Net income	\$	%	
RBC Banking	\$ 1,287	(267)	(17)%	18.4%
RBC Investments	490	78	19	18.4
RBC Insurance	271	43	19	25.3
RBC Capital Markets	658	167	34	18.7
RBC Global Services	224	46	26	35.3
Other	(91)	(264)	(153)	(3.6)
Total	\$ 2,839	(197)	(6)%	15.9%

* Change vs. 2003

Note: ROE and average allocated common equity for the segments are discussed on slide 51

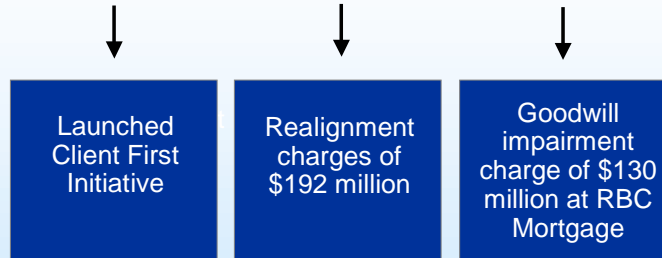
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US GAAP



Well-positioned for 2005

- **Took strong action in Q4 2004 to deliver long-term value to shareholders & clients**



Our vision: “Always earning the right to be our clients’ first choice” for financial services



Top priorities for 2005



- 1. Successfully implement Client First Initiative**
- 2. Improve U.S. Banking returns and grow U.S. and International consumer businesses**
- 3. Achieve financial objectives**



Business realignment to grow revenues and reduce costs

RBC Priority 1 of 3

Banking

Investments

Insurance

Capital Markets

Global Services

Realigned to

Cdn personal & business *

US and international

Global capital markets

* Canadian personal & business segment includes global insurance operations

Global Technology and Operations combined

Purpose: More responsive to client needs, better revenue growth & efficiency

Functional units streamlined

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A) Canadian personal and business segment

RBC Priority 1 of 3

Priorities

- 1. Provide integrated client solutions**
 - Integrated, consistent product offerings for all life stages through a variety of distribution channels
- 2. Focus on distribution channels**
 - Enhance/grow distribution channels (e.g., mobile sales forces)
 - Streamline distribution support
- 3. Deliver a superior client experience**
 - Simplify structures and operations and increase frontline capacity
- 4. Accelerate revenue growth**
 - Number of initiatives built into planning process

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Successful retail product launches in Canada

RBC Priority 1 of 3

Custom mortgage solutions

RBC Self-employed Mortgage
RBC No Down Payment Mortgage
RBC Vacation Home Mortgage
RBC Homeline plan
Cashback Mortgage

New card products

RBC Rewards Visa Classic (no fee)
RBC Mike Weir Visa Card

New/enhanced insurance products

Foundational Life
Enhanced Living Benefits
New Travel Insurance Choices

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Strong volume growth in Canadian consumer products

RBC Priority 1 of 3

C\$ millions	2004 Balances*	2004 vs. 2003 Growth in balance
Res. Mortgages	\$80,300	↑ 11%
Personal lending	\$27,000	↑ 12%
Credit cards	\$7,900	↑ 14%
Personal deposits	\$87,700	↑ 5%
Mutual funds	\$45,100	↑ 14%
Brokerage AUA**	\$111,400	↑ 8%

* Average balances except for mutual funds and brokerage assets under administration (AUA), which are spot balances as at October 31, 2004

** Canadian full-service brokerage AUA

Note: Residential mortgages, personal lending, credit cards & personal deposits balances are for RBC Banking – Canada

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US GAAP



B) U.S. & International segment

RBC Priority 1 of 3

- Includes:



RBC Centura



RBC Mortgage



RBC Dain Rauscher

Caribbean and Bahamas



Royal Bank of Canada

GLOBAL PRIVATE BANKING

- New segment recognizes U.S. operations different from Canada
- Structure will:
 - ✓ Increase accountability
 - ✓ Allow managing businesses dynamically
 - ✓ Permit businesses to work better together

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B) U.S. & International segment

RBC Priority 1 of 3

Priorities

1. Enhance performance in U.S. Banking

- Top priority for segment and RBC

2. Build out U.S. & International wealth management

RBC Dain Rauscher

- investments, deposits, credit and insurance

GPB

- Relationship managers for high net worth clients

3. Maintain solid Caribbean results

- 100 year history, strong brand
- Healthy cash flows, high ROE

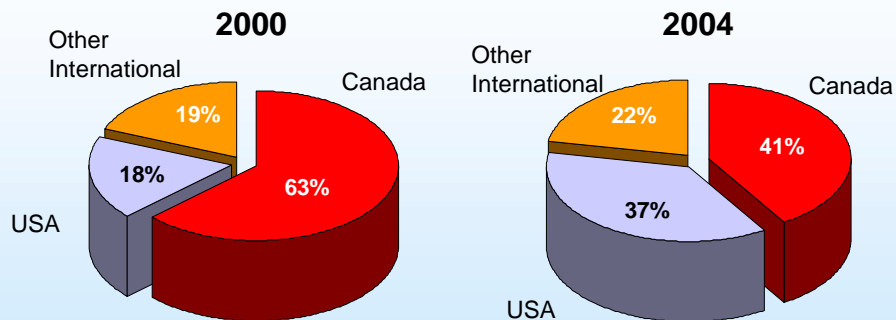
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C) Global capital markets segment (RBC CM)

RBC Priority 1 of 3

Growing Revenues outside Canada



Note: This information is based on our prior RBC Capital Markets segment

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US GAAP



C) Global capital markets segment (RBC CM)

RBC Priority 1 of 3

Priorities

1. Remain leading Canadian investment bank
 - Maintain lead position in league tables
 - Focus on large commercial clients
2. Expand our mid-market U.S. business
 - More active in fixed income
3. Deliver higher margin value-added solutions
 - Deliver manufactured product to our distribution system
4. Expand specialized global businesses
 - Global equity derivatives, and hedge fund structuring, hedge fund index and hedge fund advisory businesses

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Global technology & operations group

RBC Priority 1 of 3

- Combines IT and Operations capabilities
- Should allow us to:
 - ✓ Develop technology solutions better
 - ✓ Optimize economies of scale
 - ✓ Be quicker
 - ✓ Lower cost to deliver

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Top priorities for 2005



1. Successfully implement Client First Initiative
2. Improve U.S. Banking returns and grow U.S. and International consumer businesses
3. Achieve financial objectives

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U.S. earnings in 2004 affected by weak Banking and Mortgage performance

RBC Priority 2 of 3

C\$ millions	Net income		
	2004	2003	2002
RBC Banking	(183) *	141	206
RBC Investments	118	88	(1)
RBC Insurance	13	8	35
RBC Capital Markets	86 **	122	(36)
RBC Global Services	8	7	9
Other	(12)	(3)	(3)
Total U.S.	30	363	210

* Includes RBC Mortgage goodwill impairment charge of \$130 million and the business realignment charge of \$28 million (\$19 million after-tax).

** Includes Rabobank settlement costs in Q1/04

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US GAAP



Improving RBC Mortgage operations

RBC Priority 2 of 3

Reducing overhead costs

Re-positioning branch network

Managing earnings volatility

Implementing Sterling model

Took C\$15 million business realignment charge

Consolidating Chicago headquarters into Houston office

Currently closing 38 less profitable branches (9 more expected in 2005)

Migrated adjustable rate mortgages to flow basis from bulk basis (investor now assumes interest rate risk)

Adopted better technology, loan pricing, focus on new purchase business

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Enhancing RBC Centura returns

RBC Priority 2 of 3

Reducing overhead costs

Took C\$13 million charge in Q4/04 for planned staff reductions in 2005, mainly in support areas

Re-positioning branch network

Planning to consolidate 10 low-return RBC Centura branches in 2005

Intending to slow down pace of new branch openings

Re-positioning investment portfolio

Changing portfolio composition for higher yields

Driving volume improvements

Looking to enhance loan and deposit volumes and mix

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Top priorities for 2005



1. Successfully implement Client First Initiative
2. Improve U.S. Banking returns and grow U.S. and International consumer businesses
3. Achieve financial objectives

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More aggressive 2005 objectives

RBC Priority 3 of 3

	2004 Objectives	2005 Objectives
Profitability measures		
ROE	17-19%	18-20%
EPS growth - diluted	10-15%	20%+
Revenue growth	5-8%	6-8%
Non-interest expense control	< revenue growth	< 3%
Specific PCL /avg. loans, acceptances & reverse repos	.35-.45%	N/A
Specific PCL/avg. loans and acceptances	N/A	.35-.45%
Capital ratios (OSFI)		
Tier 1 capital	maintain strong	8-8.5%
Total capital	capital ratios	11-12%
Dividend payout ratio	40-50%	40-50%

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US GAAP



Targeting better revenue growth and operating leverage

RBC Priority 3 of 3

	<u>2004</u>	<u>2005 Objectives</u>
Revenue growth:	2% *	6-8%
Non-interest expense growth:	8%	< 3%
Revenue growth less expense growth:	(6)%	3-5%

* Revenue growth in 2004 was 5% excluding the impact of the strengthening Canadian dollar as shown in the reconciliation of non-GAAP revenues to GAAP revenues in the Appendix on slide 45.

Note: Please refer to the discussion of the use of Non-GAAP financial information in the Appendix on slide 51.

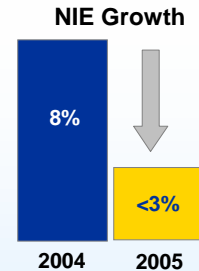
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Targeting better cost control

RBC Priority 3 of 3

- 2004 NIE growth of 8% largely reflected Rabobank settlement costs, higher benefit costs and variable compensation expenses
- Targeting < 3% NIE growth in 2005
 - reflects expected benefits of Client First Initiative
 - eliminating positions, closing redundant premises
 - ~1600 position eliminations in 2005
 - head office and support roles
 - Consolidation of IT & Operations
 - targeting procurement benefits



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Capital ratios in excess of our objectives

RBC Priority 3 of 3

Capital ratios (using OSFI guidelines)

October 31, 2004

	<u>2005 objective*</u>	<u>Q4/04</u>
Tier 1 ratio:	8-8.5%	8.9%
Total capital ratio:	11-12%	12.4%

* Also medium-term goal

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CDN GAAP

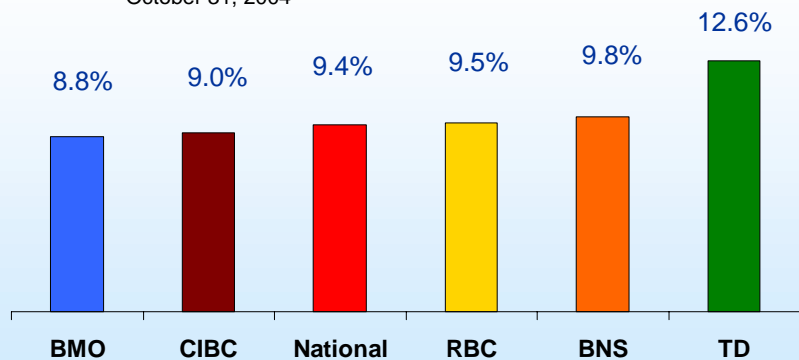


Relatively strong common equity ratio

RBC Priority 3 of 3

Common equity to risk-adjusted assets

October 31, 2004



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2004 capital ratios pressured by...

RBC Priority 3 of 3

- Asset growth
- Realignment charges
- Accounting change

U.S. earnings decline of \$324mm from '03 to '04 reduced '04 Tier 1 capital ratio by 17 bps

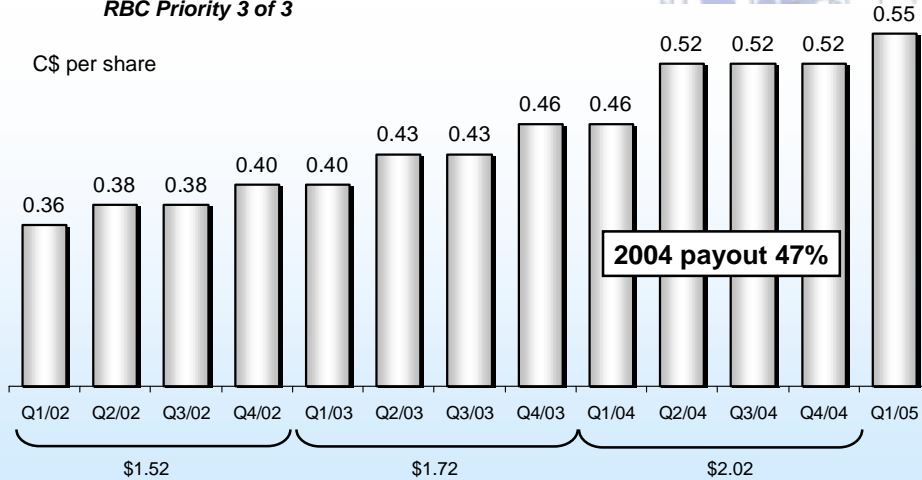
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Six common share dividend increases since Q1/02

RBC Priority 3 of 3

C\$ per share



Dividend payout target: 40-50%

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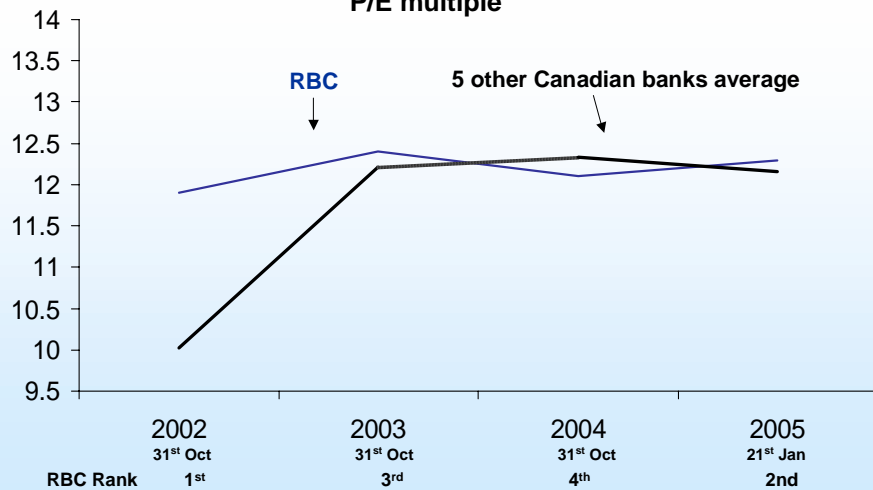
US GAAP



Achievement of financial targets should help restore our share valuation leadership

Conclusion

P/E multiple



Source: First Call as at January 21, 2005

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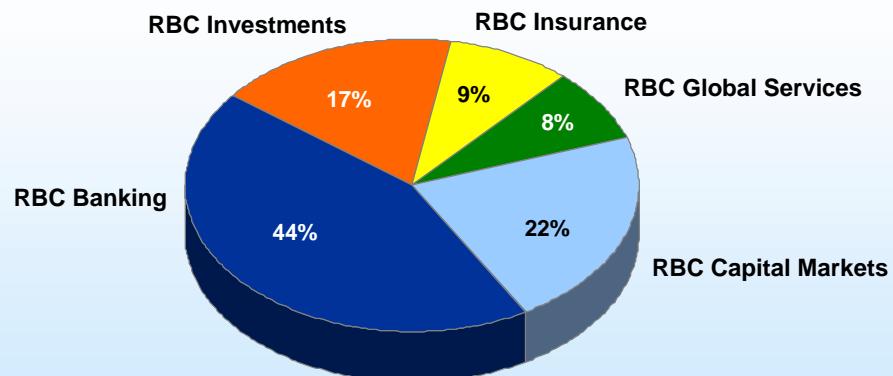
Appendix



Diversified business mix



Contribution to total net income in 2004



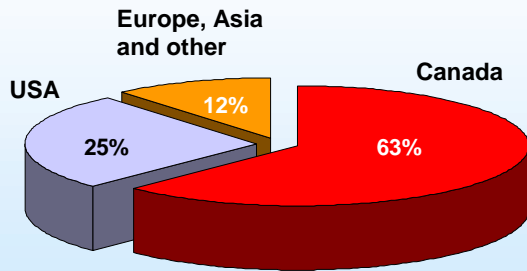
Note: Excludes "Other" activities, which mainly comprise of Corporate Treasury, Corporate Resources and Information Technology, and contributed (3)% of total net income.

Note: This information is based on our prior 5 RBC segments



Diversified by geography

Contribution to total revenues in 2004



- 30+ Countries
- 1,433 branches
- 3,999 banking machines
- 12 million personal, business and public sector clients
- 3.1 million online clients
- 2.4 million telephone clients
- 60,000+ employees

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US GAAP



2004 performance influenced by realignment actions

Net income \$2,839 MM
• down \$197MM or 6%*

Diluted earnings per share (EPS) \$4.25
• down \$0.17 or 4%*

Return on equity 15.9%
• down 110 bps* from 17.0%

Total revenues \$17,350 MM
• up \$403 MM or 2%*

Non-interest expense (NIE) \$11,020 MM
• up \$784MM or 8%*

Provision for credit losses (PCL) \$347 MM
• down \$368MM or 51%*

Impact of business realignment charges
↓ \$192 MM
(↓\$125 MM after-tax)

↓ \$0.19

↓ 70 bps

Impact of goodwill impairment charge in RBC Mortgage
↓ \$130 MM
(both before & after-tax)

↓ \$0.20

↓ 73 bps

Decline reflects business realignment and goodwill impairment charges

Appreciation of CAD relative to USD
↓ \$500 MM

Revenue growth negatively impacted by strong CAD

Costs related to Rabobank settlement

Increase in employee-related expenses

Addressing NIE growth through realignment actions

Specific provision
↓ \$193 MM

Reversal of general allowance
\$175 MM

Portfolio quality remains strong

* Change vs. 2003

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US GAAP



Canadian & other international earnings were strong in 2004

C\$ millions	2004	2004 vs. 2003	
	Net income*	\$	%
Canada	\$ 2,161	73	3%
U.S.	30	(333)	(92)
Other int'l	648	63	11
Total	\$ 2,839	(197)	(6)

* 2004 net income includes:

Canada – business realignment charges of \$142 million (\$92 million after-tax)

U.S. – a goodwill impairment charge of \$130 million (both before and after-tax), Rabobank settlement costs, and business realignment charges of \$44 million (\$29 million after-tax)

Other int'l – business realignment charges of \$6 million (\$4 million after-tax)



Revenue growth despite strengthening of CAD relative to USD

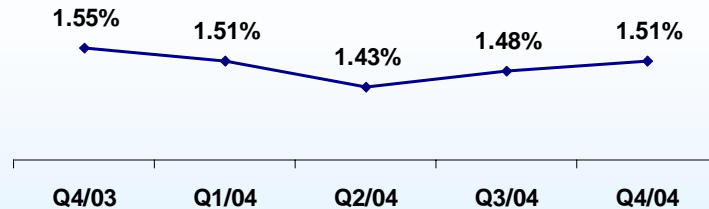
C\$ millions	Q4/04 vs.		2004 vs. 2003
	Q3/04	Q4/03	
Change in total revenues	\$ (7) 0%	\$ 149 4%	\$ 403 2%
Due to impact of CAD vs. USD*	(80)	(95)	(500)
Change in total revenues **			
(excluding CAD/USD impact)	\$ 73 2%	\$ 244 6%	\$ 903 5%

* Translating USD denominated results using Q4/04 and 2004 CAD/USD exchange rates compared to the exchange rate for Q3/04, Q4/03 and 2003.

** Non-GAAP financial measure. Please refer to the discussion of the use of Non-GAAP financial information in the Appendix on slide 52.



Net interest margins up for second consecutive quarter



Q4/04 vs. Q4/03 ↓ 4 bp:

Margin decreased due to:

- spread compression on mortgages and deposits in Canada resulting from the low interest rate environment and competitive pricing pressures
- lower returns from RBC Centura's investment portfolio

Q4/04 vs. Q3/04 ↑ 3 bp:

Margin increased largely due to:

- Increase in short-term interest rate

* Net interest income as a percentage of average assets

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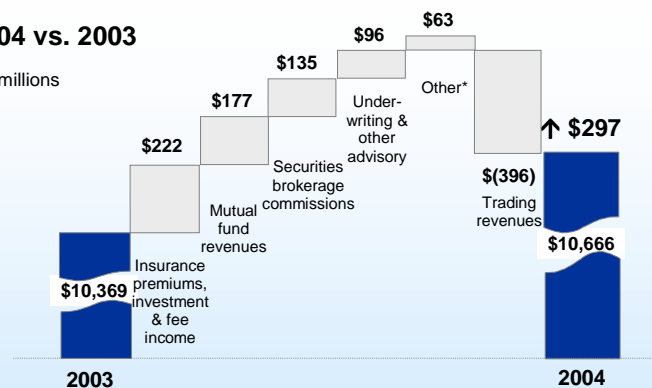
US GAAP



Non-interest income growth in 2004

2004 vs. 2003

C\$ millions



* Other includes increases in: Securities gains, Investment management & custodial, FX revenues other than trading, Securitization, Card service revenues, and declines in: Credit fees, Deposit & payment service charges, Mortgage banking revenues

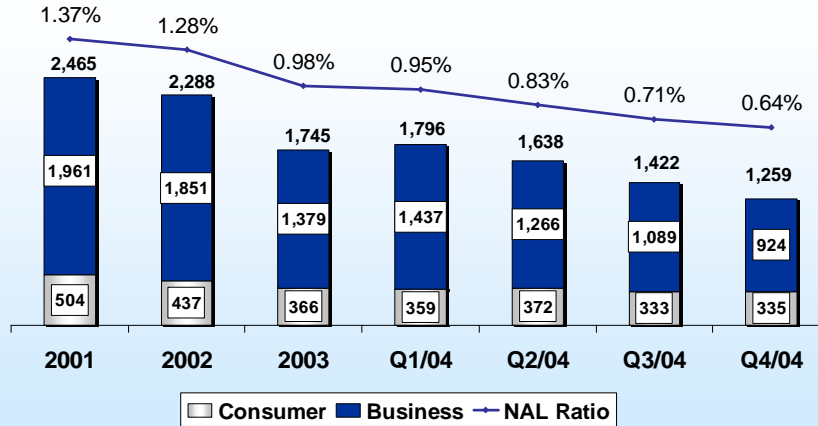
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US GAAP



Nonaccrual loans continue to decline

C\$ millions



* Nonaccrual loans (before deducting allowance for credit losses) as a percentage of loans and acceptances

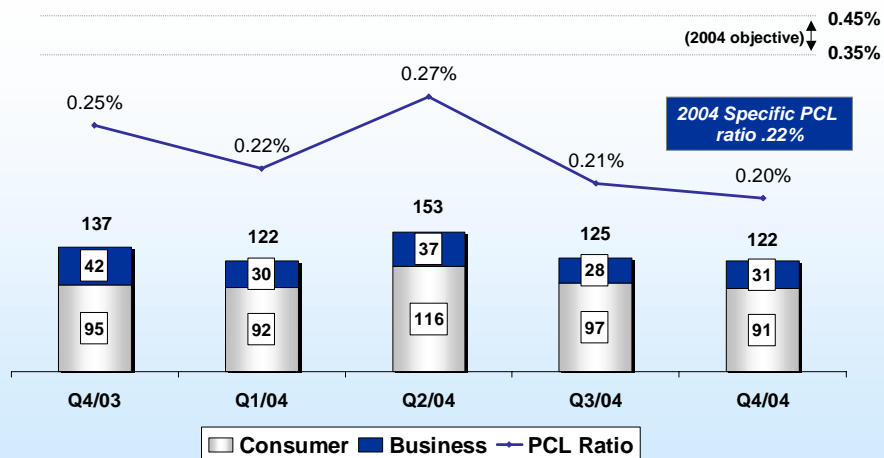
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US GAAP



Specific PCL declined and exceeded objectives...

C\$ millions



* Allocated specific provision for credit losses as a percentage of average loans and acceptances and reverse repurchase agreements

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US GAAP



Refined medium-term goals for top-quartile valuation

	Old	New
Profitability measures		
ROE	20%+	20%+
EPS growth - diluted	10-15%	15%+
Revenue growth	8-10%	8-10%
Non-interest expense control	N/A	No more than half of revenue growth
Specific PCL /avg. loans, acceptances & reverse repos	.35-.45%	N/A
Specific PCL/avg. loans and acceptances	N/A	.40-.50%
Capital ratios (OSFI)		
Tier 1 capital	8-8.5%	8-8.5%
Total capital	11-12%	11-12%
Dividend payout ratio	40-50%	40-50%

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US GAAP



Note to users

We use a variety of financial measures to evaluate our performance. In addition to GAAP-prescribed measures, we use certain non-GAAP measures we believe provide useful information to investors regarding our financial condition and results of operations. Readers are cautioned that non-GAAP financial measures, such as revenues, excluding the impact of the Canadian dollar appreciation relative to the U.S. dollar, or ROE and average allocated common equity, do not have any standardized meaning prescribed by US or Canadian GAAP, and therefore, are unlikely to be comparable to similar measures presented by other companies.

Reconciliation of non-GAAP measures to GAAP measures can be found throughout this presentation.

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