

Banking: RBC Centura

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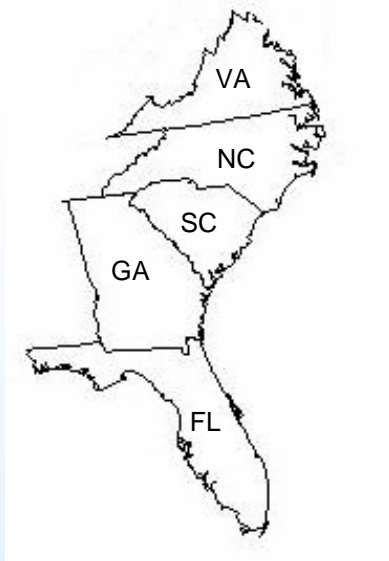
Presentation to Analysts & Institutional Investors
Toronto, April 22, 2005



South East market is large and growing

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U.S. South East



RBCC 5-state market

Population (MM) ^a	46.2	('04)
2004-2009 projected population growth ^a	7.7%	
2009 projected population (MM) ^a	49.7	
Average HH income (US\$000) ^b	61.3	('02)
Gross state product (US\$MM) ^c	1,616	('03)
GDP per capita (US\$000) ^c	33.7	('02)
Total banks ^a	1,852	('04)
Total bank branches ^a	14,208	('04)

Canada



Canada

Population (MM) ^d	31.8	('04)
2004-2009 projected population growth ^d	3.5%	
2009 projected population (MM) ^d	32.9	
Average HH income (US\$000) ^d	46.4	('02)
GDP (US\$MM) ^d	870	('03)
GDP per capita (US\$000) ^d	23.4	('02)
Total banks ^e	48	('04)
Total bank branches ^e	5,932	('03)

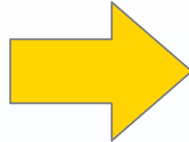
•Sources: a SNL Datasource; b Claritas; c USBEA; d Statistics Canada; e Canadian Bankers' Association



Clear focus on success

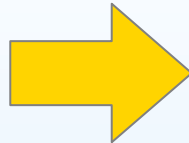
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Right vision



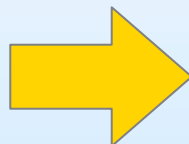
Combine the broad capabilities of RBC with the local market knowledge of RBC Centura : *Global Resources, Local Solutions*

Right strategy



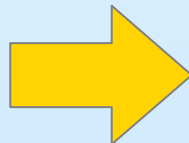
Meet the personal and business needs of small businesses, their owners and professionals. A growing, underserved and disproportionately high-value segment

Right market knowledge



Build on the significantly different needs and opportunities of the Traditional, Emerging Growth and Metro markets we serve

Right business model



Employ local market and client knowledge to meet the needs of the markets we serve



Three-step plan

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Three-step plan to grow organically as the bank for businesses, business-owners and professionals:

1. **Improve 2005 operating performance**
2. **Optimize** personal, business banking and commercial business, raising RBC Centura to peer group performance
3. **Transform** RBC Centura by implementing –
 - a local accountability model; and by
 - building out the branch network to achieve strong positions in select markets



Step one: Immediate performance improvement

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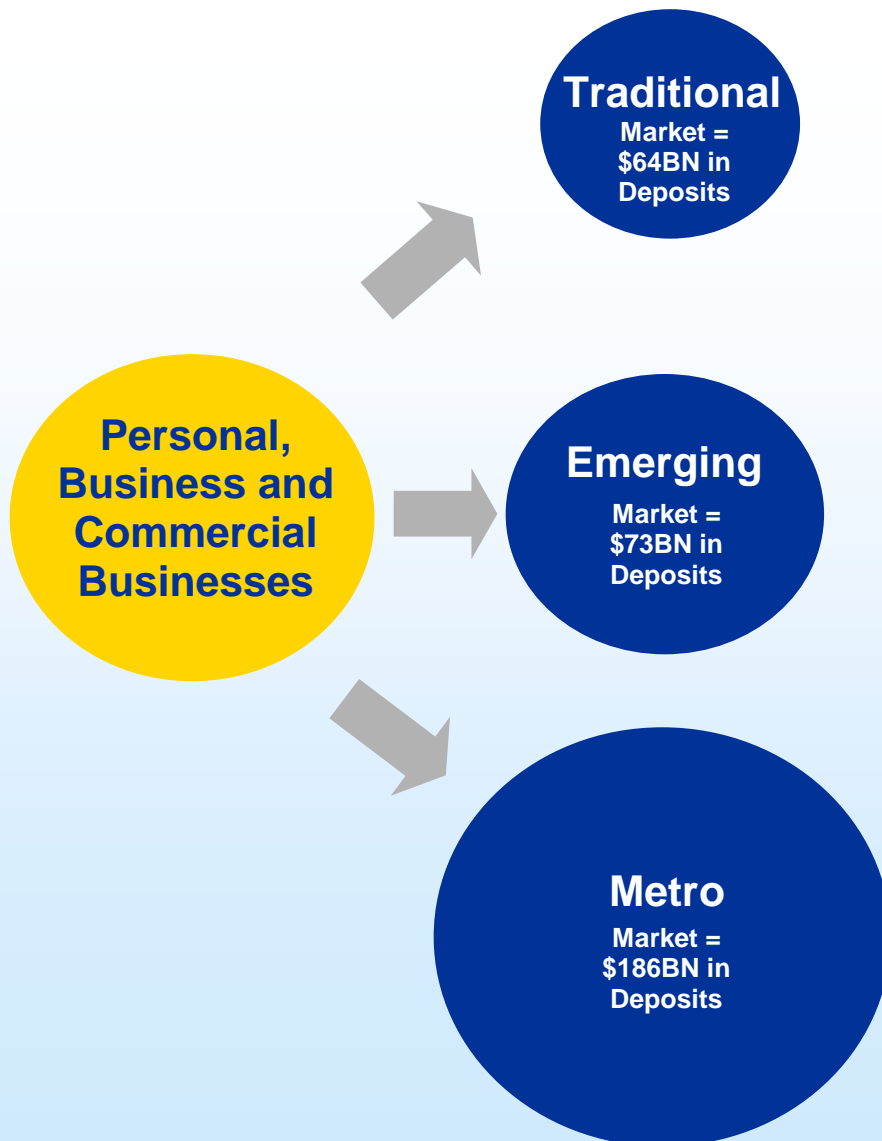
- Current focus on organizational performance improvement:
 - Loan and deposit growth in U.S. \$ (Q1/05 vs Q1/04)
 - Loans 17%
 - Deposits 10%
 - Continued improvement in net interest margin
 - Increasing investment portfolio yield
 - 5% reduction in support staff during Q1/05
 - De Novo Branch slow down – reduced by more than half as we focus on opening new branches selectively in high growth markets
 - Strong credit quality
- Strong earnings momentum was a result of:
 - Adjustments to the risk process
 - Improved management information systems (MIS)
 - Improved partnership with key support functions

Jan / 05 Average Balance Sheet (U.S.\$B)	
Investment Portfolio	\$4.8
Loans	\$11.4
Total Assets	\$18.6
Deposits	\$9.7



Step two: Client and market segmentation

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Small markets in the legacy footprint with low growth rates, disproportionate share of current NIBT

- 8.5% branch share (Market size: 1,729 banking offices)
- 7.5% deposit share (Market size: \$63.7bn in deposits)
- 3.9% loan share (Market size: \$6.8bn in business loans)
- 5-year projected growth: 169,000 HH

Sizeable markets with moderate growth potential, moderate to low RBC Centura penetration

- 4.0% branch share (Market size: 1,606 banking offices)
- 3.2% deposit share (Market size: \$72.7bn in deposits)
- 3.0% loan share (Market size: \$6.6bn in business loans)
- 5-year projected growth: 147,000 HH

Large markets with more sophisticated clients, high growth potential and low current market share

- 1.9% branch share (Market size: 3,243 banking offices)
- 1.0% deposit share (Market size: \$186bn in deposits)
- 1.0% loan share (Market size: \$12.4bn in business loans)
- 5-year projected growth: 396,000 HH

Note: Scaled to reflect market potential and NIBT impact



Small business presents significant growth opportunities for banks

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Market Trends

- **A large market** (U.S. ~\$35 billion in profits nationally), **growing faster than GDP** (~7%) with **attractive profit margins** (150-200 bps)
- Many traditional banks **face challenges** in serving this market:
 - **Organizational**: small business and consumer banking in separate silos
 - **Product suite**: small business' needs badly served either by diluted versions of products for middle-corporate market or by slightly smartened up products for consumers
 - **Service**: lack of knowledgeable relationship managers and slow speed of credit decisions
- Small business clients tend to be more **relationship-oriented and price-insensitive** than either personal or middle market customers
- Historically, small business relationships are **very sticky** due to fear of losing credit access, but attackers with a better offering have gained share (e.g., Amex, Merrill from 0 to 5-6% share in 5 years)



Step two: Optimization

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Personal Banking

- Identify and institutionalize internal best practices across network
- Selectively increase sales capacity, e.g. Mortgage Loan Officers
- Improve infrastructure and cost management through better MIS
- Streamline credit and account opening processes supported by more competitive underwriting capabilities
- Bundle solutions to increase share of client wallet and deposit balances

Business Banking

- Focus on providing business owners and professionals with a single point of contact to serve their business and personal banking needs
 - Capture full wallet of business owners where RBC Centura has already demonstrated success
- Focus on 2 distinct sub-segments
 - Micro Businesses
 - Small Businesses

Commercial Banking

- Expand into adjacent, attractive metro markets
- Selectively target a broader range of clients with an asset based lending offering and corporate banking services in larger markets
- Work closely with RBC Dain Rauscher to offer wealth management services and retirement solutions to commercial clients



Step three: Transformation

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Two initiatives position RBC Centura to achieve significant non-incremental growth and above average financial performance:

Local Accountability Model

- RBC Centura head office provides core infrastructure and policy, leaving increased execution focus to the local distribution network
- Creates an “ownership culture” where local market and branch managers run their businesses as if they were their own
- Model uses improved local market understanding and incentive redesign to create superior performance
- Local accountability is a culture which resonates within the RBC Centura organization

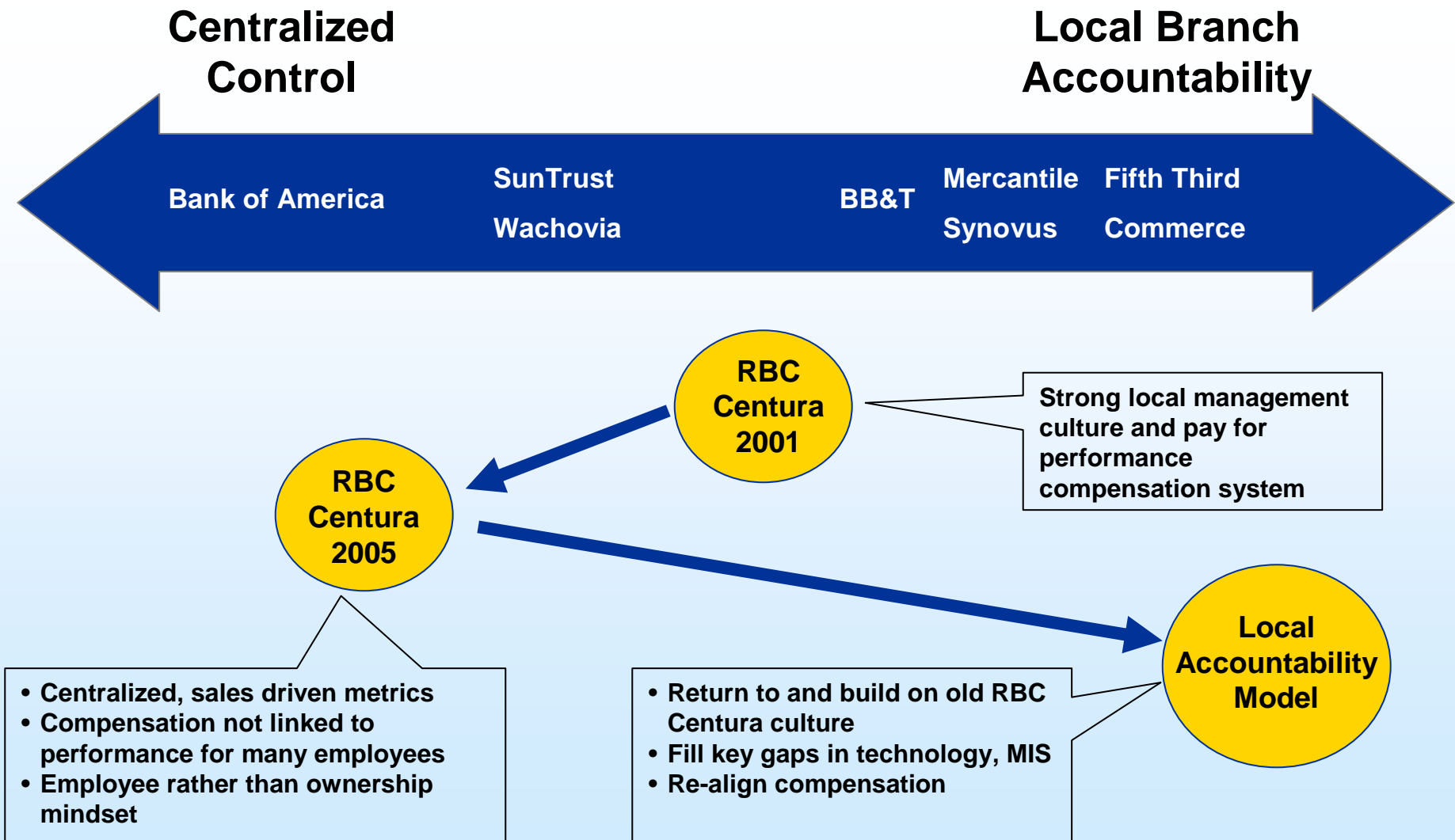
Focus on De Novo Branch Expansion

- Lack critical mass in Metro and Emerging market segments
- De Novo branch expansion diffused across multiple markets
- Focus expansion to build scale within select markets
- Pursue local strategies and competences



Step three: Local market accountability

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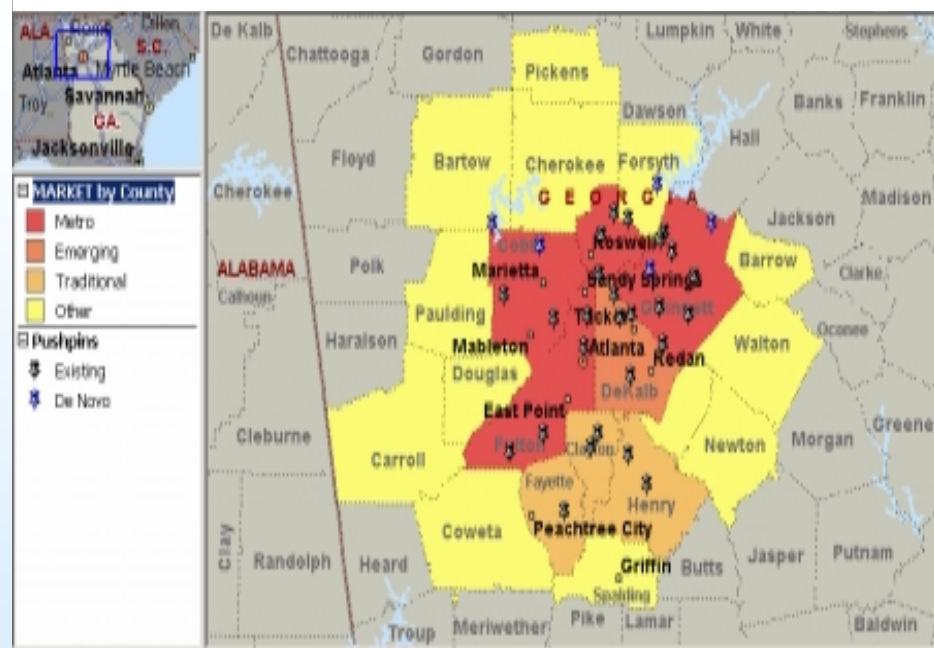


Step three: De novo branch expansion

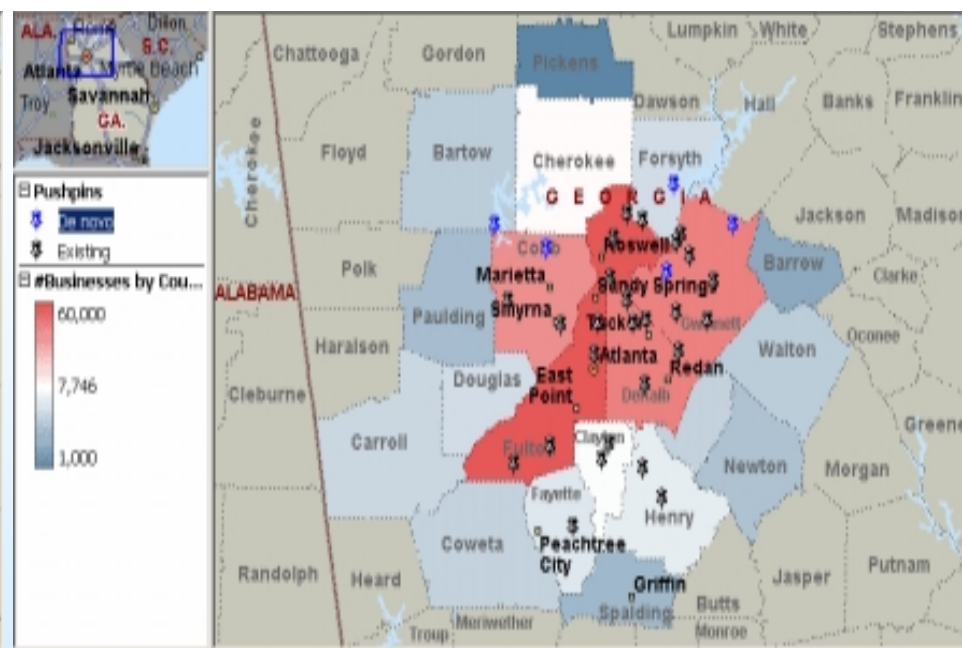
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Atlanta case study

Atlanta – Market Analysis



Atlanta – Business Concentration Analysis



- Network optimization requires specific market strategies for select traditional, emerging and metro sub-markets
- Business concentration in certain sub-markets is critical input to De Novo site selection