



# **RBC Banking**

## ***The Customer Experience***

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***EVP, Sales & Marketing***





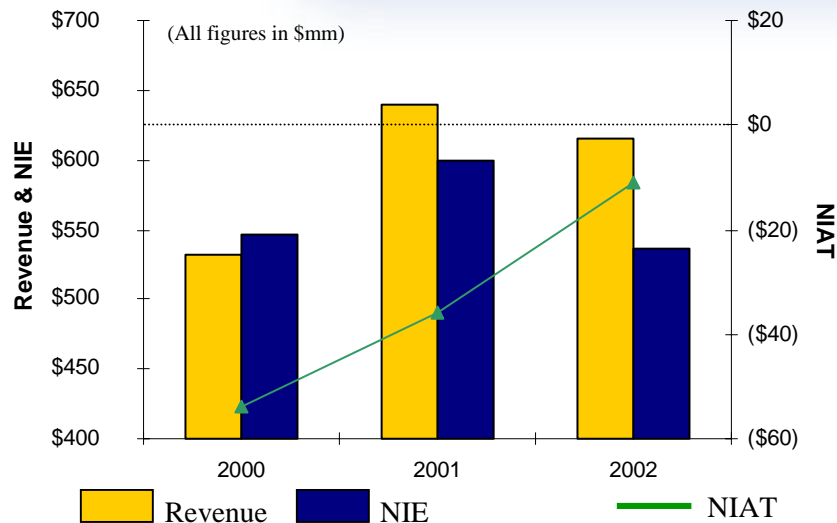
# Segment Overview

Key Markets	Growth Markets	Prime Markets	Commercial Markets
Youth Nexus Small Business Farming & Life-Style Agriculture	Borrowers & Builders Business Agriculture	Wealth Accumulators Wealth Preservers	Knowledge-Based Industries Public Sector Real Estate Retail / Consumer Energy Diversified Industries
<i><b>Consumer:</b></i> 2,240,000 <i><b>Business:</b></i> 480,000 <i><b>Customers</b></i> 2,720,000	<i><b>Consumer:</b></i> 3,600,000 <i><b>Business:</b></i> 110,000 <i><b>Customers</b></i> 3,710,000	<i><b>Customers</b></i> 4,135,000	<i><b>Customers</b></i> 26,000
<ul style="list-style-type: none"> <li>• &lt; 19 years, basic banking</li> <li>• Largely single product holders</li> <li>• Owner managed businesses with credit needs &lt; \$100M, sales &lt; \$1MM</li> <li>• Smaller sized agricultural producers and “hobby” farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraging debt to increase net worth, starting investment portfolios</li> <li>• Privately controlled medium sized enterprises</li> <li>• Larger sized agricultural producers</li> </ul>	<ul style="list-style-type: none"> <li>• Investing to accumulate wealth / wealth preservation and inter-generational transfers</li> </ul>	<ul style="list-style-type: none"> <li>• Regional to national privately controlled (both publicly and privately owned) and professionally managed companies, often exporting and importing, sales \$20MM to \$500MM</li> </ul>



# Key Markets

## Financial Trends: 2000 to 2002



Note: 2002 numbers are based on an annualization of YTD results – *not a forecast*

- Improved PCL through reduced student loan program, more effective business start-up loan & overdraft adjudication, and centralized risk management
- Spread compression has negatively impacted revenue in 2002, but will improve as rates increase
- Q3 2002 was Key Markets first ever profitable quarter

## Average Profitability per Client

<u>2000</u>	<u>2002 (Annualized)</u>
\$(16)	\$(4)

## Key Issues / Opportunities

- Foundation segment for graduation to Growth Markets
- Manage life-cycle and life events in early stages to capture customer loyalty at the relationship moment

## Strategic Thrust

- To capture the potential and future value, selectively build new relationships and reinforce existing ones
- Focus on complete family and business client relationship
- Leverage customer segmentation with a life event focus
- Deliver a differentiated customer experience focused on retention and growth
- Aggressive cost reduction initiatives to control NIE
- Enhanced focus on community and cultural markets

## 2003 Priorities

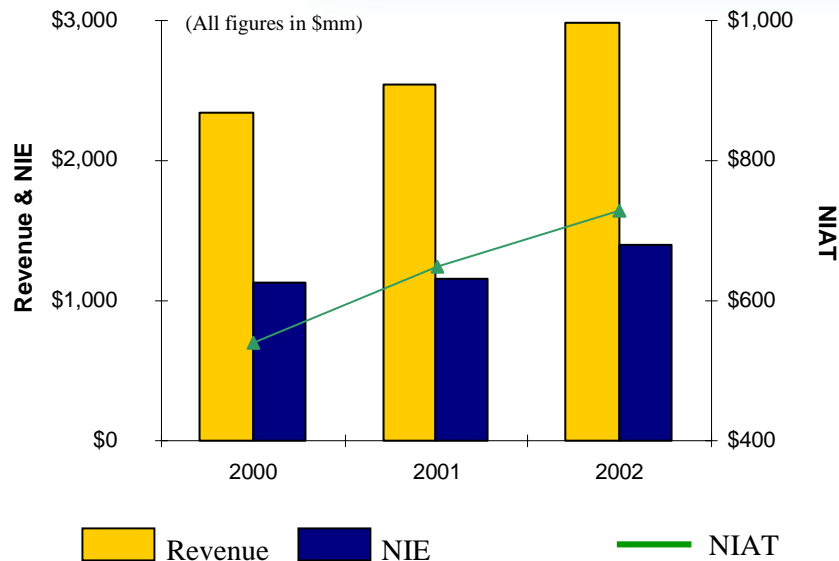
- Leverage customer relationship management (CRM)
- Reduce, redesign and simplify products to reduce NIE
- Introduction of new initiatives (e.g., Queen's university program)

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# Growth Markets

## Financial Trends: 2000 to 2002



Note: 2002 numbers are based on an annualization of YTD results – *not a forecast*

- Represents the largest segment within RBC Banking
- Generates 55% of RBC Banking Canada NIAT

## Average Profitability per Client

**2000**

\$364

**2002 (Annualized)**

\$377

## Key Issues / Opportunities

- Customers are in the borrowing phase of their life cycle
- The lion's share of revenue growth stems from lending products
- Risk/return balance is essential to achieving portfolio growth within acceptable PCL levels

## Strategic Thrust

- Increase penetration of fee income and investment services
- Improve retention and deepen client relationships
- Capture wealth transfer opportunities as customers transition through their life cycle

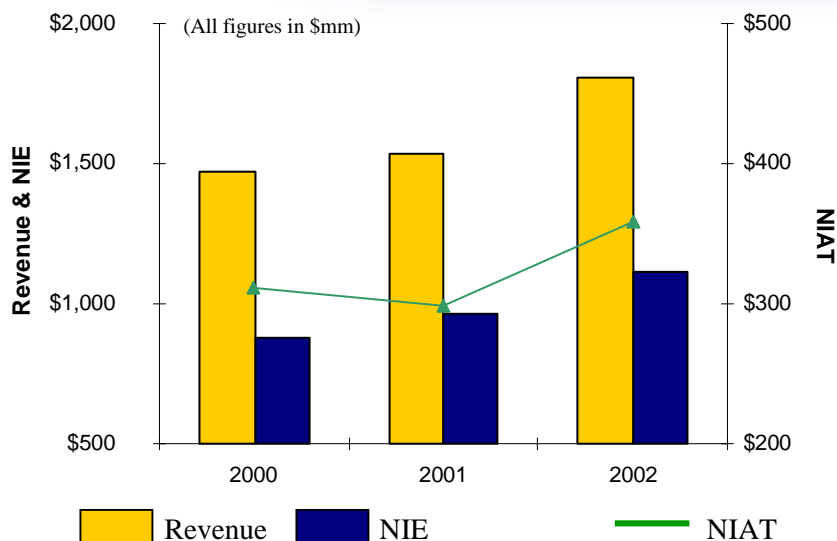
## 2003 Priorities

- Improve problem resolution and accelerate sales through a Back to Basics approach
- Differentiate service for high value / high potential clients
- Strengthen management of risks and costs through improved credit scoring and back-office processes



# Prime Markets

## Financial Trends: 2000 to 2002



Note: 2002 numbers are based on an annualization of YTD results – *not a forecast*

- Increase in revenue due to growth in mortgage volumes and increased deposit fees
- Current spread compression will reverse as rates increase, resulting in higher deposit revenues

## Average Profitability per Client

**2000**  
\$213

**2002 (Annualized)**  
\$269

## Key Issues / Opportunities

- This segment holds 70% of RBC Banking deposits
- Customers' primary focus is to grow investments prior to retirement and to preserve capital for their retirement years
- Significant intergenerational wealth transfer will take place over the next decade

## Strategic Thrust

- Increase revenue through investment retention and consolidation
- Diversify income through fee based services
- Be viewed by Canadians as the premier provider of family oriented financial advice & planning

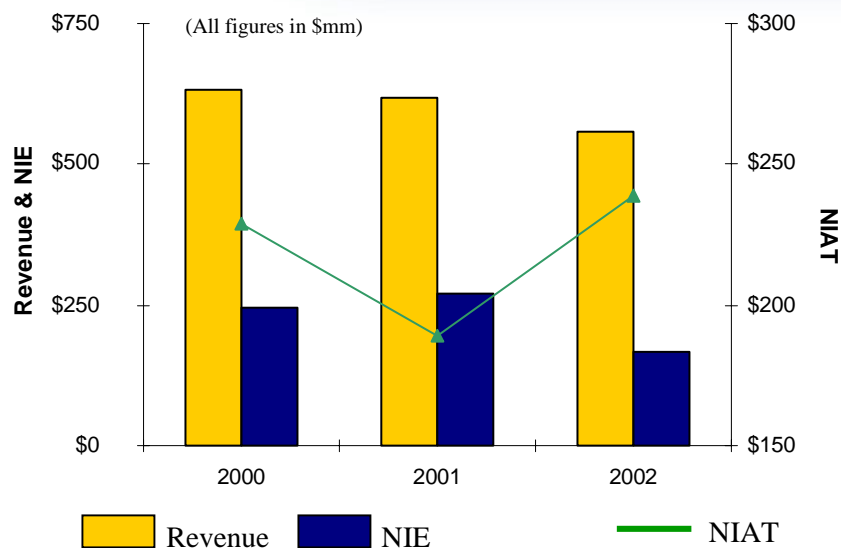
## 2003 Priorities

- Maximize investment retention and growth through proactive customer contact focusing on high value customers
- Migrating customers to the home of best fit across all RBC platforms
- Be recognized as the premium provider of financial planning and investment advice



# Commercial Markets

## Financial Trends: 2000 to 2002



Note: 2002 numbers are based on an annualization of YTD results – not a forecast

- Revenue has declined due to focus on improving portfolio quality and rigorous management of risk
- NIAT has increased due to:
  - Reduced NIE
  - Improved PCL

## Key Issues / Opportunities

- Proactive management and portfolio constraints shifts focus from asset growth to increased cross-sell of deposit and fee-based services within targeted sectors

## Strategic Thrust

- Manage Commercial Markets by Industry Sector specialists
- Grow economic profit and increase fee-based advisory services
- Maintain portfolio and sectoral limits and control PCL
- Expand industry specialization and utilize a solutions-based approach
- Differentiate the customer experience by positioning the account manager as a trusted advisor

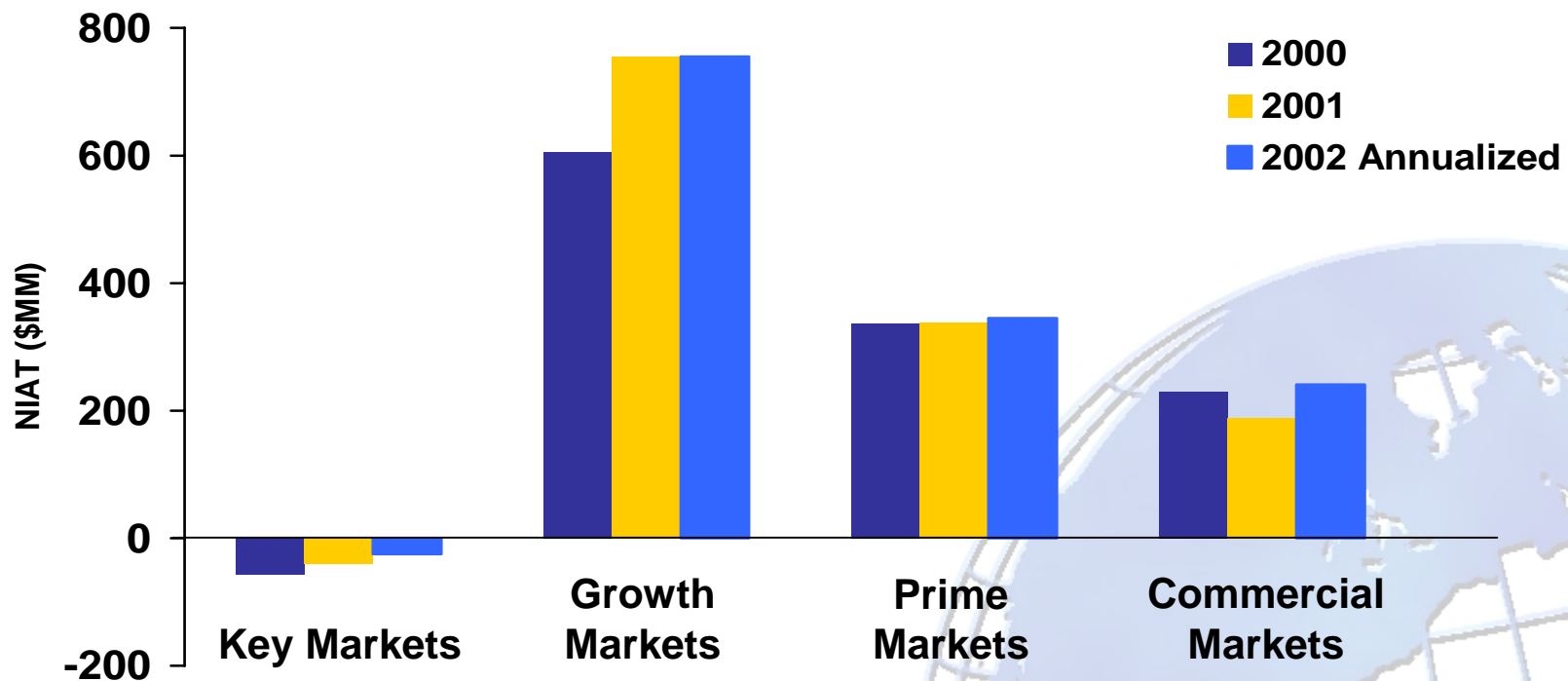
## 2003 Priorities

- Develop profitable, sustainable relationships in targeted segments
- Cross-platform leverage
- Maintain existing portfolio management and credit quality discipline to drive revenue and economic profit growth



## NIAT performance

**Strong 2000-2002 NIAT performance across all segments in Canada**



Note: Segment results are based on internal management reporting systems.  
2002 information is based on annualization of YTD results – not a forecast.

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# Client segmentation

Key Markets		Growth Markets		Prime Markets		Commercial Markets	
Youth Nexus Small Business Farming & Life-Style Agriculture		Borrowers & Builders  Business Agriculture		Wealth Accumulators  Wealth Preservers		Knowledge-Based Industries  Public Sector Real Estate Retail / Consumer Energy Diversified Industries	
Strategic Markets							
Aboriginal Banking	Community Development	Cultural Markets	Employee Banking	Professionals	Women Entrepreneurs	Young Entrepreneurs	



## Community banking initiative: Cash & Save



Note: Rendering, not actual photo.

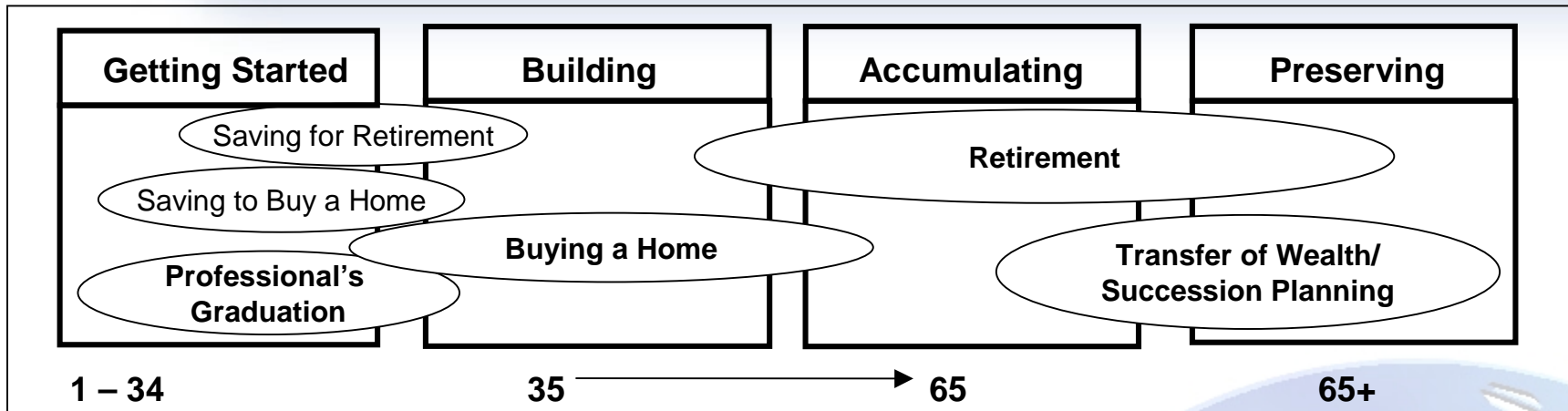


- Provides low-cost essential transaction services to the community

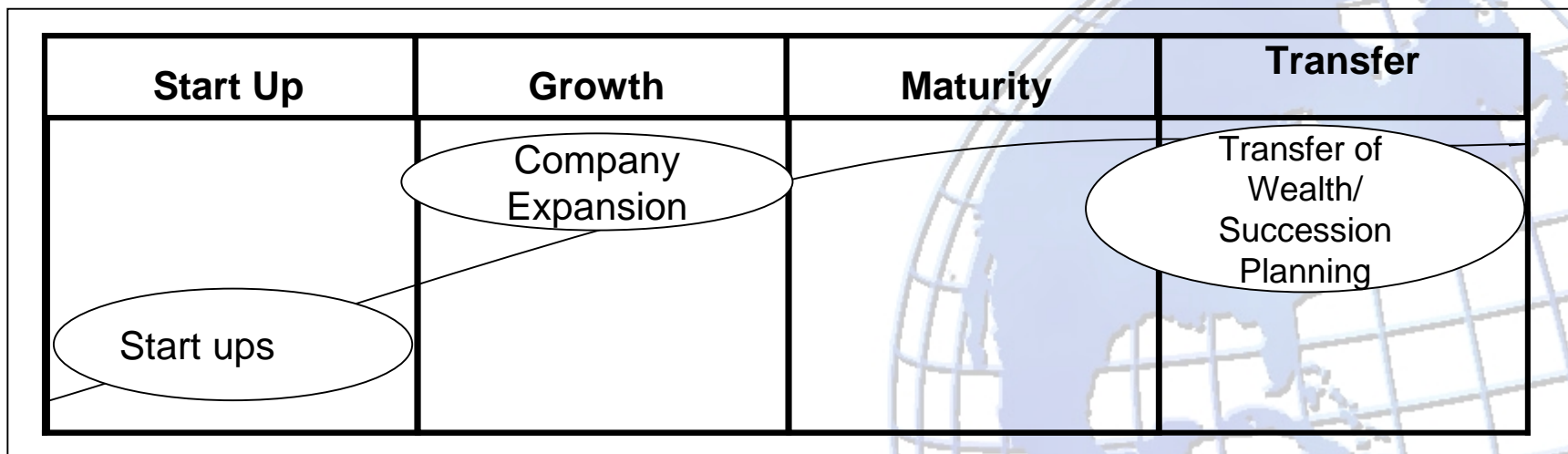


# Focus on life events

## Personal



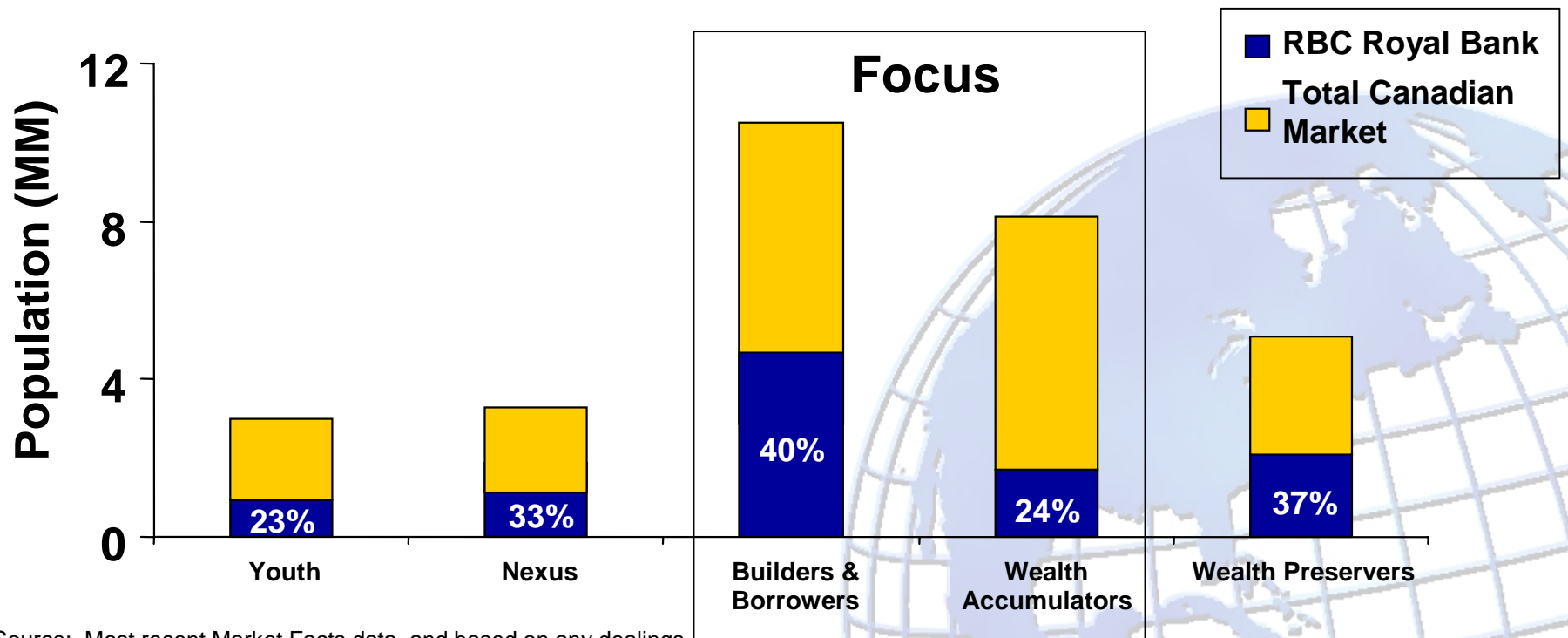
## Business





# Wealth transfer opportunities

- Further increase our share of wallet in the Builders & Borrowers and Wealth Accumulators segments
- Capture the estimated C\$80 to C\$140 billion annual intergenerational wealth transfer



Source: Most recent Market Facts data and based on any dealings



## **Referrals - A strategic imperative for cross-platform leverage**

**Provide an integrated, seamless referral experience across all RBC platforms– working together to provide solutions to our customers**

- Meet client expectations through leadership in CRM and deepening of customer relationships through cross-selling initiatives
- Maintain competitive advantage through differentiation
- Enhance shareholder value by improving retention and capturing greater share of wallet
- Migrate clients to home of best fit

