

OFFICE OF THE
OMBUDSMAN

2005 ANNUAL REPORT

Common Interests

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Overview

The Office of the Ombudsman provides a neutral process for open and voluntary discussion for the resolution of unresolved conflicts. Our dispute resolution specialists are trained in mediation, fact-finding and listening. These skills, combined with an independent mindset, allow us to help each party present its case and find solutions that work. We engage in disputes for all RBC Financial Group (RBC) businesses, globally. This enables us to help each RBC unit fulfil its unique business purposes, mindful of how each interaction may affect a client's overall relationship with RBC. While our primary role is to resolve disputes, the Ombudsman may make recommendations to RBC to improve operations or products and services to enhance the client experience.

Ombudsman's Message

Conflict and problem resolution are two consistent themes in our daily lives. We make countless decisions every day. Some of these decisions will resolve an outstanding issue and others will create new challenges and opportunities for problem resolution.

Unresolved problems often involve misunderstandings. In many cases, these misunderstandings can be overcome with richer and clearer communication. For example, financial services clients may be uncertain about the meaning of certain financial services terms. Financial services providers may believe clients understand the meaning of a term however, the client may be providing an acknowledgment of having received the information without full comprehension of its potential impact.

In the highly competitive financial services environment, client experiences and expectations vary widely. Relationships between a financial services provider and its clients are quickly put to the test when problems arise. By applying a consistently high standard of personal ethics and a willing acceptance of responsibility and accountability, effective and timely problem resolution can lead to more robust and sustainable relationships. This benefits everyone.

Each of us has a part to play when working together to resolve a problem. I urge clients and employees to prepare adequately for quality discussions and to appreciate that resolving a problem involves understanding options for resolution and making fair and reasonable choices.

I encourage RBC employees to assist clients through the problem resolution process in a clear, effective and professional manner; this can be a key financial service differentiator.

I encourage RBC clients to gather the facts, dates, names and circumstances of the issue and what they'd like RBC to do to resolve the situation.

Effective resolution means turning problems into opportunities for enriched understanding and learning.

Fair and satisfactory resolutions are built on mutual respect, understanding each others' perspectives and trusting that commitments made are commitments honoured. Effectively working together can lead to sustained and mutually beneficial financial services relationships.

As Ombudsman, I have a unique opportunity to speak to many RBC clients and employees, listening to and understanding their concerns. Based on these conversations, the following section of this report provides clients with things to think about while engaging in some of the financial issues more frequently raised to this Office.



Wendy Knight
Ombudsman

Helping clients make informed decisions

Our office has the unique opportunity to speak to many RBC clients and employees. We consider it important to convey trends in issues raised to this office and to provide value in problem resolution to both RBC clients and employees. This section, Helping clients make informed decisions, proposes “things to think about” in response to this year’s most frequently asked questions. Please also refer to the Office of the Ombudsman case studies at rbc.com/ombudsman/case_studies for examples of banking and investments situations.

We urge you to invest adequate time in preparing for quality discussions with your financial services provider and to ask questions when you are unsure of the meaning of terms or processes. Making informed financial decisions requires forethought and effort. While this preparation takes time, organization, and focus, it is crucial to reaching your financial objectives.

Why should I be concerned about my credit rating?

Your personal credit rating is an asset over which you have direct control. At many stages of our lives, we may not think we need to be concerned about our credit score. However its importance may loom large just when we need it most. For example, suppose you are a student and you miss loan or interest payments as your available

cash is tight. You decide you will deal with the issue of missed payments later since you have educational commitments to meet now. A few years later, you approach a financial institution to negotiate a mortgage and your request is declined because your credit rating indicates a poor loan repayment history.

Things to think about: Protecting your credit rating is critical – this means that you need to have foresight and vision throughout your life. Creditors review credit bureau reports when making loan decisions; credit bureau histories reflect payment experience over a lengthy period of years. The decisions

you make today may limit your ability to obtain credit in the future. In the absence of proven bank or creditor error, your historic credit rating will not be changed even though you begin to maintain a steady repayment history; creditors rely on accurate historic credit bureau reporting based on your actual loan repayment experience.

How can I avoid confusion about banking services terminology?

Financial services terminology can sometimes be confusing. Asking questions takes time, but in the end, it will help reduce or eliminate confusion for you.

As an example, negotiating a residential mortgage is an activity people may complete two or three times in their lifetime. One of the most frequent root causes of residential mortgage negotiation disputes is a lack of understanding of terms such as “prepayment charge”, “amortization period” or “cash back options.” If you don’t understand these terms before you sign your mortgage documents, you may not be aware of future financial costs should you seek to renegotiate or repay your mortgage before the final maturity date.

As another example, you may engage in unusual or infrequent transactions involving large dollar amounts or foreign currency. You may receive email communications from unknown parties. Should you elect to participate in transactions which involve depositing such items in your account, you need to ask questions and make informed decisions with respect to the risks involved. Understand the risk of a cheque or deposit being returned for any reason; understand the meaning of the terms “cheque hold policy” and “chargeback.”

Things to think about: If you don’t understand a term or concept, ask more questions until you clearly understand. Take notes so that you can refer to explanations when needed. Be aware of the origination of a payment and the party from whom you are

accepting a payment. If you are being requested to participate in a transaction that appears to be too good to be true, it likely is. Take responsibility for your transactions—after all, it’s your money.

How can I reduce my exposure to debit or credit card fraud?

As regularly conveyed in the media, debit or credit card fraud is a risk of which we should all be aware. Card holders are responsible to protect their debit and credit cards and personal identification numbers (PINs). Sometimes consumers believe they can safely divulge their PIN to trusted individuals however, if you approach

your financial institution, you may be able to develop an alternate arrangement to meet your needs. You must be aware of the risks you are exposing yourself to if, for example, the trusted individual neglects to protect your PIN or inadvertently discloses your PIN to others.

Things to think about: Review the client card service agreement advice and terms, understand how to choose, renew, and protect your Personal Identification Number and physical cards; be aware of federal,

provincial or state Debit or Credit Card Codes of Practice; understand your personal responsibilities and accountabilities.

What are investment risk tolerances and return objectives?

Understanding your financial plan and the composition of your financial portfolio is a critical activity, both for your short and long-term financial stability. There are many investment courses, self-help books, and websites to assist you in making investment decisions. Adequately planning for, and understanding when, you will require

funding for specific purposes, such as, a new home, an extended vacation, university tuition, or retirement, is critical to understanding the degree of risk you are prepared to assume and the return on capital objectives for your portfolio.

Things to think about: Most investment advice complaints escalated to this office consist of situations where a portfolio has declined in value. These situations highlight the importance of regularly reviewing your investment account statements and understanding your income objectives and risk tolerances. Understand the role of a financial planner or investment advisor and your own responsibility in decision-making. Review your risk tolerance and investment objectives with your financial

planner or investment advisor; it may be useful for you to discuss the investment industry's standard practice *Know Your Client* form with your investment advisor. Review your investment objectives and risk tolerance on a regular basis, particularly as you experience material lifestyle changes, which may impact both your risk tolerance and return objectives and your funding requirements.

Why should I keep my banker aware of my small and medium-sized business results?

Growing a small or medium-sized business requires energy and creativity. Sometimes, the pressures from meeting payrolls or production and contract deadlines

means you are not monitoring your cash flow regularly or effectively.

Things to think about: Respond to requests for information from your banker or, better still, anticipate that your banker will have questions if your cash flows have changed. Compare your actual financial results to your projected results and understand the reasons for differences. Structure debt repayments to match the estimated useful life of assets and cash flow streams.

Early intervention and explanation will ensure your lender is aware of your financial progress and is not surprised by financial results. Work with trusted financial and legal advisors and consultants to understand cash flows, balance sheet structures, and determine whether restructuring loan repayments is an option.

Recommended reading: The websites of most financial services providers provide useful and detailed guides for most banking products and services.

Statistics and Analysis

Fiscal Year 2005

We respond to client calls on a “live” and “voicemail” basis. We advise clients of the RBC problem escalation choices as follows:

“You have reached the Office of the Ombudsman for RBC Financial Group. The Office of the Ombudsman provides an impartial appeal process for clients of RBC Financial Group. Experience has shown that problem resolution is generally achieved by RBC and this office deals with complaints only after they have been investigated and responded to by RBC. If your issue has not been responded to, you have these options:

- If your issue concerns a matter relating to RBC Insurance, please call 1-888-726-6666;
- If your issue concerns a matter relating to RBC Centura, please call 1-800-593-1012;
- For all other areas, please call the RBC Customer Relations Centre at 1-800-769-2540, Option 3.

If you are not satisfied with RBC’s response, this office will review your issue. If this is the case, please leave your name and telephone number including area code and you will be contacted within the next business day. You may address your complaint in writing by sending it to us care of P.O. Box 1, Royal Bank Plaza, Toronto, Ontario, M5J 2J5, Canada or through email at ombudsman@rbc.com .”

While not included in the statistics in this report, we note that over the fourth quarter of fiscal 2005, this office received a daily average of three to four “phishing” emails, a type of fraud designed to trick individuals into disclosing confidential information for the purposes of identity theft. This reminds us of the importance of safeguarding our privacy and exercising caution when communicating or conducting business over the internet.

Our objective for fiscal 2006 is to reduce the number of pending cases; we are working with RBC to shorten the time required to close case assessments. In addition, we will solicit feedback from clients when closing assessments with the intent of obtaining an objective measure of the quality of service we provide.

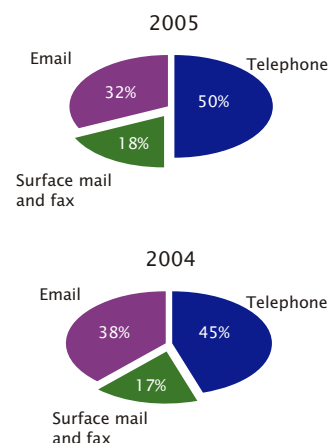
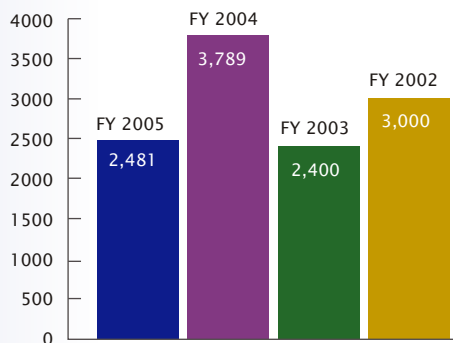
The analysis below provides a statistical overview of our contacts over the last four fiscal years (RBC's fiscal year ends on October 31).

A. Contacts

In fiscal 2005, the Ombudsman's Office was contacted by 2,481 individuals. Approximately 450 of these callers contacted our office more than once to solicit our assistance in resolving their issue in a timely fashion with RBC. Thus there were 2,900 contacts to this office on specific complaint-related issues. Of the 2,481 individuals, 50 per cent contacted us by phone, 32 per cent via email, 11 per cent by surface mail or letters, and seven per cent by fax. During the same 12 month period, the Ombudsman's website recorded 5,483 user hits and 40,000 page views.

Of the total inquiries received, 65 per cent were referred to the RBC Customer Relations Centre to allow RBC to formally respond to clients and express what the business had done to resolve the complaint before further escalation.

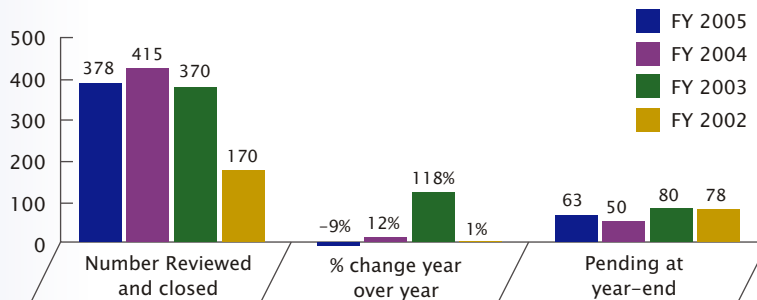
Contacts



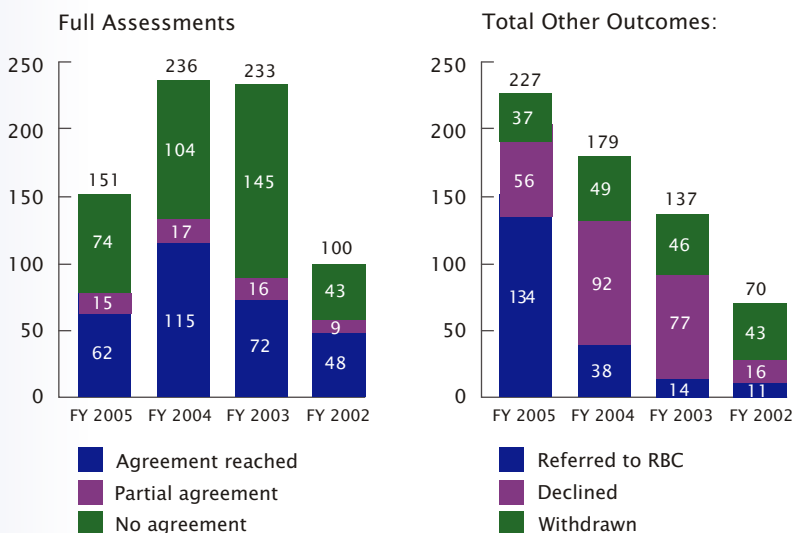
B. Cases

The overall number of complete case assessments and Ombudsman reports completed during the fiscal year was nine per cent lower than in fiscal 2004. "Other outcomes" increased by 27 per cent. This is primarily due to early intervention and preliminary investigative efforts by the Ombudsman to enhance the RBC/client relationship by finding satisfactory resolutions at an early stage, thus avoiding the time required for full investigations. When no agreement is reached, clients have the option to escalate their complaint to the Ombudsman for Banking Services and Investments (OBSI) or the appropriate insurance industry ombudsman. In fiscal 2005, 12 cases closed in our office were escalated to OBSI. During the year, OBSI completed investigations on 16 cases pending from fiscal 2004 or escalated in fiscal 2005. On October 31, 2005 year end, there were two escalations to OBSI outstanding. Of the cases closed by OBSI in 2005, the review resulted in reaching agreement with the client in three cases. The balance of the OBSI reviews concluded in agreements with the conclusion of the RBC Office of the Ombudsman. There were no cases escalated to the insurance industry ombudsman.

Case Assessments



Outcomes:

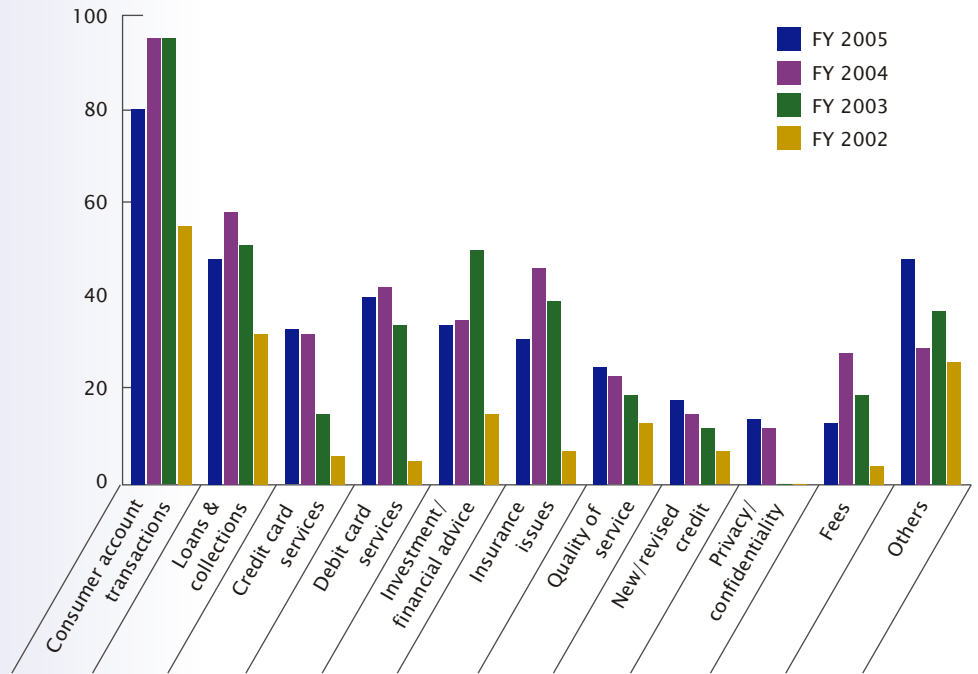


Note: "Referred to RBC for final resolution" comprise diverse types of complaints; approximately two-thirds of these complaints undergo an initial investigation by the Ombudsman and a resolution is found prior to completing the formality of the full case assessment.

C. Root Causes

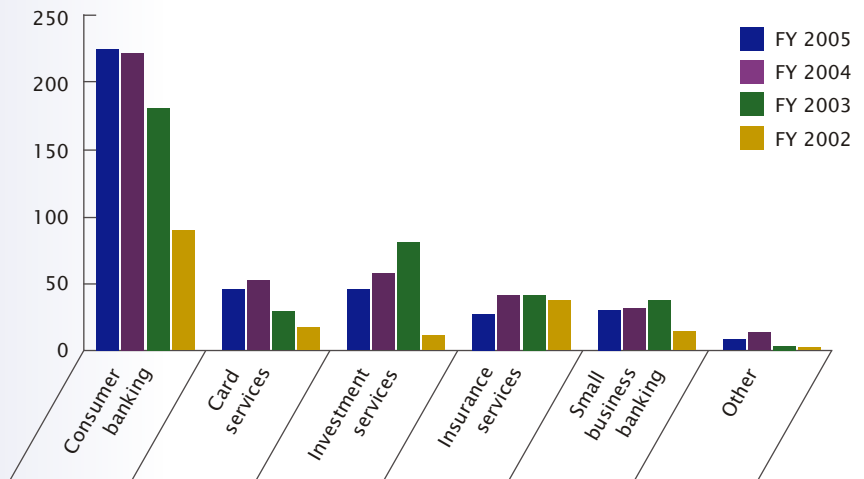
Consumer account transactions continue to comprise the higher proportion of complaints escalated for assessment.

Top ten root causes:



D. Business Source

Assessments closed by market segment:



Complaint Escalation and Appeal

1. Gather your facts including paperwork, dates and names of RBC employees involved. Determine what you'd like RBC to do. Start where the problem arose; talk or write to the manager or area executive.
2. Escalate unresolved concerns first to:

For RBC Banking and RBC Investments:

RBC Customer Relations Centre
RBC Financial Group
P.O. Box 1, Royal Bank Plaza
Toronto, ON M5J 2J5
Eng. Tel: 1-800-769-2540, option #3
Fr. Tel: 1-800-769-2541, option #3
Fax: (416) 974-3561

For RBC Insurance:

RBC Insurance Services Inc.
Customer Care Assurance
P.O. Box 213, Station A
Mississauga, ON L5A 4N9
Tel: 1-888-728-6666
Fax: 1-888-844-3331
feedback@rbcinsurance.com

RBC Centura :

RBC Centura Customer Relations
1476 Hunter Hill Road
Rocky Mount, North Carolina
27804 USA
Tel : 1-800-593-1012
Fax : 1-252-454-4092
RBCCservice@rbc.com

3. The RBC Ombudsman is the last point of appeal in the RBC for unresolved issues. After you have received a response from RBC, if the issue remains unresolved, you may appeal in writing to:

RBC Office of the Ombudsman
RBC Financial Group
P.O. Box 1, Royal Bank Plaza
Toronto, ON M5J 2J5
Tel: 1-800-769-2542 or (416) 974-4591
Fax: (416) 974-6922
ombudsman@rbc.com
www.rbc.com/ombudsman

Note: The Ombudsman does not investigate complaints about credit decisions, service fees, interest rates and other matters of general policy, issues that are in litigation, or transactions for which RBC records no longer exist (usually after six or seven years). The Ombudsman is empowered to examine commitments made by member companies of RBC Financial Group and to review their compliance with proper business procedures. Member companies of RBC Financial Group are listed at www.rbc.com.

If your issue is not resolved, you have the following options:

For general banking and investment matters, contact the Ombudsman for Banking Services and Investments (please refer to OBSI for applicable time frames for complaint submission):

Ombudsman for Banking Services and Investments
P.O. Box 896, Station Adelaide
Toronto, ON M5C 2K3
Tel: 1-888-451-4519
Fax: 1-888-422-2865
ombudsman@obsi.ca
www.obsi.ca

For health, accident or travel insurance, please contact:

Canadian Life and Health Insurance OmbudService
www.clhio.ca

For general insurance issues, please contact:

General Insurance OmbudService
10 Milner Business Court
7th Floor, Suite 701
Scarborough, ON M1B 3C6
www.gio-scad.org