

OFFICE OF THE
OMBUDSMAN

ANNUAL REPORT
FISCAL YEAR 2006

Open Communication

Overview

The Office of the Ombudsman helps resolve conflict in an independent and impartial private forum. Our dispute resolution specialists are trained in listening, fact-finding and mediation. An objective perspective, independent of parties to a dispute, enables us to help each party present its case on an equal footing and find solutions. We engage in dispute resolution globally, across all RBC businesses. We will also make recommendations to RBC to improve operations and products and services that enrich the client experience.

Ombudsman's Message

The Ombudsman will provide thorough, unbiased reviews that reflect fairness and the interests of both the client and RBC.

Open communication is paramount to every successful relationship. If people are not committed to being open and honest, it is impossible to hold others or ourselves accountable when things don't go as planned. Clarity and transparency is critical.

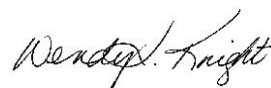
My objective as Ombudsman is to assist all parties in a dispute so that a reasonable conclusion can be reached, taking into account all circumstances surrounding each issue. The reviews undertaken by this office address any perceived imbalance of power or resources, particularly on the part of the RBC client. We weigh all the evidence equally and listen not only to what the parties are saying, but also question what they may not be saying.

To be objective, an Ombudsman must conduct assessments with an independent mindset and be neither an advocate for the client or for the organization for which he or she is employed. The role is to look beyond the established positions of both parties and break down barriers, emotional or otherwise, to reach a level of mutual understanding. This independence allows me to assure RBC clients that our assessment of their complaints is completed within a framework that promotes both fairness and natural justice. Our reports to clients reflect our assessment of their situation as we see it. Our independent conclusions are formed on the basis of our impartiality and are without influence by either party.

Achieving resolution requires all participants to be open minded and willing to consider each other's interests. The clear identification of interests can level the playing field and uncover fresh alternatives for resolution. Resolutions, unfortunately, will not exist for every complaint. We know from experience that not all clients or bankers will agree with our opinions and dispute assessments. These differences of opinion reflect the increasingly complex nature of client complaints.

The Ombudsman will provide thorough, unbiased reviews that reflect fairness and the interests of both the client and RBC. We strive to provide an environment where both the client and the banker receive more information than they previously had. An environment where the client has a full understanding of RBC's processes and the reasons for the actions undertaken. And an environment where the banker has an enriched appreciation of the client's concerns. This is our commitment.

For a summary of the most frequently raised issues go to <http://www.rbc.com/ombudsman/index.html>. The web site also includes "things to think about" - information about protecting and enhancing the relationship between a client and a financial institution provider.



Wendy Knight
Ombudsman

Statistics and Analysis

The analysis below provides a statistical overview of our contacts in fiscal 2006 with comparative data to previous fiscal years (fiscal years end on 31 October).

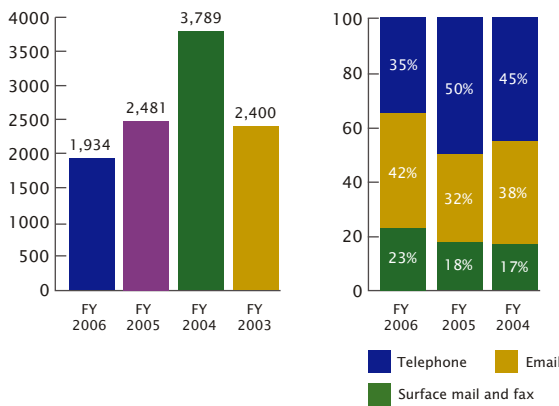
A. Contacts

In fiscal 2006, the Ombudsman’s office received 1,934 direct contacts, a 22% reduction in total contacts from fiscal 2005. We are encouraged by this trend, which we believe reflects an increased focus by RBC to resolve client issues at an early stage.

Over 42% of our 2006 contacts were made via e-mail, 35% were by telephone, with the remaining 23% received via surface mail or fax. During the same 12 month period, we welcomed 32,433 visitors to the Ombudsman’s website.

After an initial assessment by the Ombudsman, approximately 80% of the total contacts were referred to the RBC Customer Relations Centre, a specialized complaint resolution resource. Referrals to RBC are essential as they provide the bank with a final opportunity to resolve a complaint and ensure an appropriate review and senior management input. Only in unusual circumstances will the Ombudsman open an investigation into a client complaint without RBC having provided a written response of its position to the client.

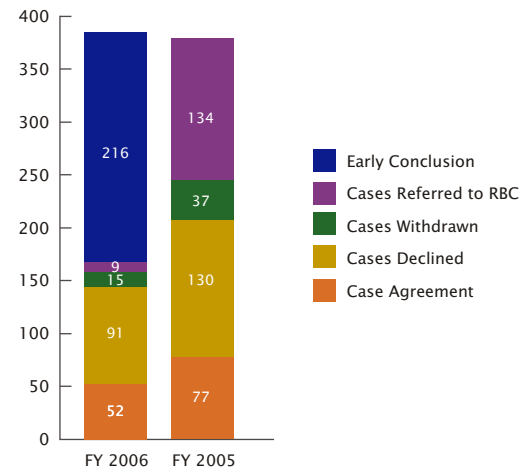
Contacts



B. Ombudsman Activity and Casework

After the initial assessment process as described in the “Contacts” section above, the Ombudsman reviewed 383 specific client concerns. Of the 129 full formal case assessments completed in 2006, full or partial resolution was achieved in 52 cases, with no agreement reached in the remainder. The majority of declined cases involved debit card complaints and investment advice issues.

Ombudsman Activity



In last year’s annual report, we highlighted our objective to reduce the time required to resolve complaints. Over the past several years, we have observed a noticeable shift in the nature of complaints brought to our office. Complaints about transactional errors are relatively straightforward to assess and adjudicate. However, an increasing number of complaints originate from less tangible root causes related to behaviours, misunderstandings, cultural differences, or personal opinions regarding the quality of advice or service provided. A full Ombudsman assessment may take up to 180 days to complete for some of these complex issues.

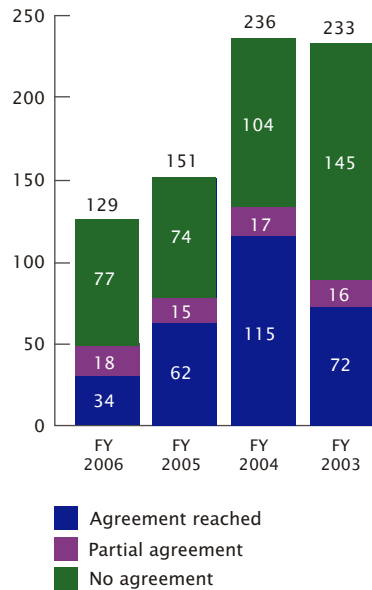
To this end, in 2006 the Ombudsman’s office took a more direct and proactive role in working with clients and RBC to mediate and resolve concerns prior to the need for a full Ombudsman assessment. The results of this approach are shown in the new *Early Conclusions category for 2006* in the Ombudsman Activity chart. *Early Conclusions* represent concerns that were resolved, withdrawn or closed prior to undertaking a more lengthy formal Ombudsman case assessment.

We also made good progress with regard to our objective of reducing the number of pending cases at fiscal year-end, which reduced to 42 as of October 31, 2006 from 62 in 2005.

Statistics and Analysis Continued from page 3

Case Outcomes:

Full Assessments

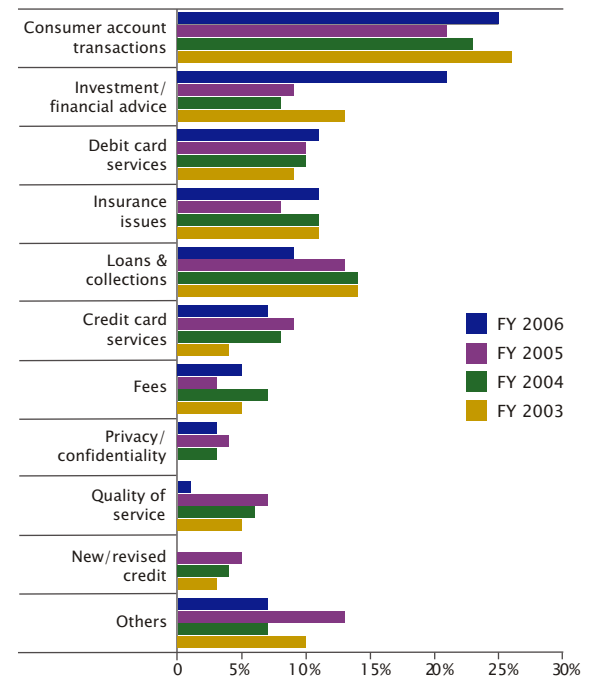


Our investigation of debit card cases where agreement was not reached, found, based on a balance of probabilities, that the complaints appeared to have resulted from improper safeguarding of Personal Identification Numbers (PINs) and the debit cards themselves. In some instances, trusted family members or friends may have inappropriately used the cardholder's card after the cardholder divulged the PIN. For information on how to safeguard your PIN and debit card, please refer to the "Helping clients make informed decisions" on the Ombudsman's website.

With regard to investment advice concerns, we observed that some of the concerns brought to the Ombudsman may have been avoided if investors better understood their individual risk appetite. It is also good practice for investors to actively monitor their investment statements with their risk appetite and market fluctuations in mind, and quickly advise RBC if they have concerns. The "Helping clients make informed decisions" section on the Ombudsman's website includes information on the importance of understanding the relationship between risk and reward.

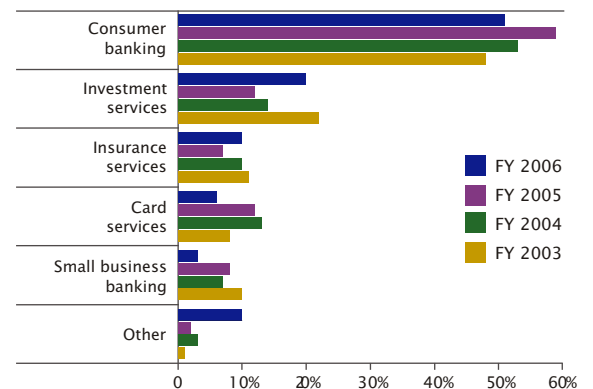
C. Main Issues

Top ten issues:



D. Business Source

Assessments closed by market segment:



Clients who are not able to resolve complaints after review by the RBC Ombudsman have the right (in Canada) to refer their complaint to one of the financial service sector Ombudservices; either the Ombudsman for Banking Services and Investments (OBSI), the General Insurance Ombudsman (GIO) or the Canadian Life and Health Insurance Ombudsman (CHLIO). In fiscal 2006, 14 declined assessments completed in our office in 2005 and 2006 were referred by clients to the OBSI, with 5 referrals to other Ombudservices.

Complaint Escalation and Appeal

1. Gather your facts including dates and names of RBC employees involved and any pertinent paperwork. Determine what action you would like RBC to take. Start where the problem began. Talk or write to the manager or area executive.
2. If your concern remains unresolved forward it to the next level.

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
custrel@rbc.com

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

For 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 RBC for unresolved issues. 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
Website: www.rbc.com/ombudsman

If your issue still remains unresolved, you have the following external Ombudsman options:

For general banking and investment matters contact the Ombudsman for Banking Services and Investments (OBSI). 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
Website: www.obsi.ca

For health, accident or travel insurance please contact Canadian Life and Health Insurance OmbudService:

Website: www.clhio.ca
Tel: 1-888-295-8112 (in Toronto: (416) 777-9002)
Fax: (416) 777-9750

For general insurance issues, please contact General Insurance OmbudService:

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

For more information see *Make a Compliment or a Complaint at*
http://www.rbc.com/ombudsman/advice_columns.html