



Overview & Investment Thesis:

- Worldwide, The Royal Bank of Canada (RBC) has more than 80,000 employees and a network of 1,741 branches and 4,964 ATMs serving over 17 million customers.
- RBC is the largest bank in Canada, 6th in North America and 17th globally (by market capitalization).

RBC's three long term strategic goals:

- In Canada, to be the undisputed leader in financial services.
- In the U.S., to be a leading provider of banking, wealth management and capital markets services, building on and leveraging RBC's existing capabilities.
- Internationally, to be a premier provider of select banking, wealth management and capital markets services in markets of choice, which it intends to address via 5 business lines:

Canadian Banking

- Reaches approximately 10 million personal and business clients via a network of 1,174 branches and ATMs.
- Almost 3 in 10 Canadian commercial businesses deal with RBC.

Wealth Management

- Provides asset management and estate and trust services directly to clients and through partners and third-party distributors. Comprises Canadian Wealth Management, U.S. & International Wealth Management and Global Asset Management.
- The largest Canadian provider of wealth management services.
- The largest mutual fund company in Canada with a 16% market share and the largest private asset manager.
- Over 4,000 financial consultants, advisors, private bankers and trust offices in 24 countries with \$222 billion assets under management.

Insurance

- The only bank in Canada to offer a suite of insurance solutions for both personal and business clients with a network of 35 branches.
- Canadian market leader in creditor and travel insurance and second largest provider of living benefits producers.
- In the U.S., RBC offers life insurance, annuity products and travel insurance and outside North America it operates a specialty reinsurance business.

International Banking

- Includes RBC's banking businesses in the U.S. and Caribbean, as well as global custody and investor services.
- Created a network of 439 branches throughout the south eastern U.S. (in North Carolina, South Carolina, Virginia, Georgia, Alabama and Florida).
- Operations in 17 countries in the Caribbean with a network of 127 branches, US\$22 billion in assets with approximately 7,000 employees serving over 1.6 million clients.
- 50% ownership in RBC Dexia IS, which offers a complete range of investor services such as custody and fund administration and has \$2.6 trillion as ets under administration.

Capital Markets

- Canada's largest investment bank with a strong and growing U.S. mid-market capital markets franchise and recognized (Bloomberg) as one of the top 15 global investment banks.
- Market share of U.S./global equity capital markets businesses ranked 12th and 19th according to Dealogic (US) and Bloomberg (global).

Business Description:

The Royal Bank of Canada's principal activity is to provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. It serves personal, business, public sector and institutional clients through offices in North America and 48 other countries around the world. In Canada, it provides personal, commercial, corporate and investment banking, wealth management and insurance cover to personal, business and public clients. In the United States, it provides personal and commercial banking, insurance, full-service brokerage and corporate and investment banking services. The operations outside North America include investment banking, trading, correspondent banking and reinsurance to corporate, institutional, public sector and business clients.

Industry Growth Drivers/Trends:

- RBC's strategy is to remain focused on growing its Canadian franchise while continuing to expand internationally.
- In our opinion, Canada is underpinned by solid fundamentals:
 - Regulatory and financial systems well structured and well managed
 - Government well positioned to provide fiscal stimulus as appropriate
 - Consumer financial positions is superior to the U.S. (i.e. lower consumer debt levels with significantly more equity invested in homes).
- In our view, well positioned to exploit weakness in competitor franchises and continues to build-out wealth management and U.S. franchises.
- In our opinion, demographic and secular trends will increase the demand for wealth management services. These trends include growth in the size of financial markets, aging populations, outsourcing of pension plans, underfunded government pension plans and increased cross-border investing.
- Financial Services in U.S. are converging and in our view, RBC platform represents a platform for growth and enable to optimize opportunistic acquisitions.

Competitive Advantages:

- Household brand name operating with an oligopolic market.
- Significant market shares in key retail products and services.
- Aggressively defends Canadian market shares using its scale and customer inertia to advantage; simultaneously upholding customer service levels to thwart competition.

Competitors:

- 4 large Canadian retail banks and all mutual fund companies in Canada and Bank of America, JPMorgan and Wells Fargo in South Eastern U.S.A.
- Onshore low cost bank entrants in Canada (e.g. ING Direct and ICICI Bank) and more traditional newer entrants (e.g. HSBC).
- Retailers (e.g. Loblaw - PC Financial).
- Investment/Wealth Management banks - e.g. Bank of America (following acquisition of Merrill Lynch), UBS and Morgan Stanley.

Barriers to Entry:

- Regulatory compliance costs include information technology (IT) and capital.
- Extensive branch network, which would be prohibitively expensive to replicate.

Customers:

- Diversified customer base.
- No single customer contributes a significant amount to total revenue.
- Diversified loan portfolio.



Officers and Directors:

Leadership team: President & Chief Executive Officer, Gordon M. Nixon; Chief Financial Officer, Janice R. Fukakusa; Chief Operating Officer, Barbara G. Stymiest; Group Head Canadian Banking, David I. McKay; Group Head Wealth Management, M. George Lewis; Group Head International Banking & Insurance, W. James Westlake; Co-Group Head Capital Markets, A. Douglas McGregor; Co-Group Head Capital Markets, Mark A. Standish.

Corporate Governance:

- **15 member board** – 14 are independent, except for Gordon Nixon, CEO.
- David O'Brien, Chairman of the Board has been a board member since 1996 and is also Chairman of the Board EnCana Corporation.
- Directors are from a diverse range of backgrounds (i.e. information services, engineering, healthcare, food, energy, real estate, hotels, legal and financial).

Ownership:

TD 6.6%, Barclays 4.1%, BNS 3.8%, RBC 3.7%, Harris Financial 3.5%, IG Investment 3.5%, Jarislowsky 2.6%, CIBC 2.3%, Fidelity 1.8%, Great West 1.1%, Mackenzie 1.0%.

Capital Allocation/Uses:

Capital levels for Canadian banks are regulated pursuant to OSFI which targets currently a Tier 1 capital ratio of 7% and a Total Capital ratio of 10%. RBC is committed to value enhancement by maintaining strong capital ratios through internal capital generation, the issuance of capital (as evidenced in December 2008/January 2009) and controlled growth in risk-adjusted assets. Tactical/in-full acquisitions are funded internally (e.g. Phillips, Hager & North Investment Management Ltd. acquired on May 1, 2008 elevated RBC to #1 mutual fund company in Canada). RBC is also maintaining a progressive dividend policy but in our opinion, is likely to forego dividend increases or acquisitions until the global market's assets and earnings visibility improve.

Key Products:

- RBC's goal in Canada is to be the undisputed leader in financial services and aggressively defends its market shares across all its core products and services.
- #1 or #2 in many Canadian markets including personal and commercial banking and domestic debt capital markets and equity research.
- RBC Dexia IS is one of the world's dozen largest global custodians with sufficient scale to competitively price its custody and fund administration products.
- Canadian market leader in creditor and travel insurance.

Sourced from 2008 Annual Report & Company Material.

Business Mix:

Net Income	2006	2007	2008
Canadian Banking	45%	46%	58%
Wealth Management	13%	14%	15%
Insurance	6%	8%	8%
International Banking	5%	4%	(3%)
Capital Markets	29%	24%	26%
Corporate Support	2%	4%	(4%)

Geographic Mix	2006	2007	2008
Canada	67%	71%	88%
U.S.A.	16%	14%	3%
RoW	17%	15%	9%
Customer Loans/Deposits	61%	65%	66%

Credit Exposure	2006	2007	2008
Residential Mortgages	44%	44%	41%
Personal Loans	21%	19%	20%
Credit Cards	3%	3%	3%
Small Business	1%	1%	1%
Real Estate & Related	7%	8%	8%
Agriculture	3%	2%	2%
Automotive	1%	1%	1%
Consumer Goods	2%	2%	2%
Energy	3%	3%	3%
Non-bank Financial Services	2%	3%	3%
Forest Products	1%	1%	0%
Industrial Products	2%	2%	2%
Mining & Metals	0%	1%	1%
Technology & Media	1%	1%	1%
Transportation & Environment	1%	1%	1%
Other	7%	7%	8%
Sovereign	0%	0%	1%
Bank	1%	1%	2%

Interest Earning Assets	2006	2007	2008
Bank Deposits	2%	3%	4%
Treasury	40%	36%	33%
Trading Assets	13%	13%	8%
Loans to Consumers	45%	48%	55%

Financial Statement Summary: (\$MM, years ended December 31)

Income Statement	2004	2005	2006	2007	2008
Net Interest Income	6,693	6,770	6,762	7,702	9,360
Other Income	10,666	12,445	13,875	14,760	12,222
Provisions for Credit Losses	(347)	(455)	(429)	(791)	(1,595)
Non-Interest Expenses	(11,020)	(11,388)	(11,495)	(12,473)	(12,351)
Taxes	(1,232)	(1,278)	(1,403)	(1,392)	(1,369)
Net Income	2,772	3,349	4,668	5,404	4,454
EPS	2.15	2.61	3.65	4.24	3.41
Diluted EPS	2.12	2.60	3.61	4.19	3.38
Dividend per Share	1.01	1.18	1.44	1.82	2.00
Balance Sheet					
Common Equity	17,372	19,147	21,073	22,389	28,095
Book Value per Share	13.57	14.88	16.52	17.58	20.98

Key Profitability Ratios and Figures:

Y/E December 31	2006	2007	2008
Tier 1 Capital Ratio	9.6%	9.4%	9.0%
Total Capital Ratio	11.9%	11.5%	11.1%
Assets-to-Capital Multiple	19.7x	20.0x	20.0x
Efficiency Ratio (Costs/Income)	68.0%	65.2%	64.8%
PCLs % of Average Loans	0.21%	0.33%	0.55%
Loan Loss Reserve of Loans	0.57%	0.51%	0.68%
Loan Loss Reserve Impaired Assets	180%	141%	79%
Return on Average Equity	23.5%	24.6%	18.0%
S&P Senior Rating of Debt	AA-	AA-	AA-

This research and information, including any opinion, is based on various sources believed to be reliable but it cannot be guaranteed to be current accurate or complete. It is for information only, and is subject to change without notice. The financial highlights reflect the different assumptions, views and analytical methods of the analysts who prepared them. This Business Brief is not an offer to sell or a solicitation of an offer to buy the security. The security discussed in the Business Brief may not be eligible for sale in some jurisdictions. If you are not a Canadian resident, this material should not have been delivered to you. The information presented in the Business Brief should not be considered personal investment advice. As each individual's situation is different, you should consult with your own professional investment, accounting, legal and/or tax advisers prior to acting on the basis of the material in the Business Brief. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are trademarks of Portland Holdings Inc.

Certain statements included in this document constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts, but reflect the Portfolio Management team's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Portfolio Management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

Portland Investment Counsel Inc.

1375 Kerns Road • P.O. Box 5104 • Burlington, Ontario L7R 0B8 • Tel: 1-888-710-4242 • Fax: 1-866-722-4242

www.portlandinvestmentcounsel.com • info@portlandic.com