

EMPLOYEE ENGAGEMENT - QUARTERLY CALL

Rod Schaaf, Regional President

Thank you very much (Operator), and hello to everyone listening in from Ontario North & East. As always, I appreciate you taking the time to call in from across the region, and welcome to our Quarterly Call. In addition to sharing some of the information you're used to hearing – for example, RBC's financial results in Q1, and more specifically, how Ontario North and East has performed in this Quarter, I want you to know that this is a special call – for you, for me, and for our entire leadership team.

Because today we're going to talk about YOU – our employees. As you know, our three priorities are client, revenue and employee. But we wouldn't enjoy success with the first two if we didn't have you and your commitment to this company, this brand, to your leaders and each other. So today we're going to spend much of our time talking about the critical need for employee engagement – a way of operating and thinking that many of you are already faithfully doing – without even knowing it! Employee engagement is both something you feel and something you do. And I'll define it in a couple of minutes. But please know that it's also something that is non-negotiable. No company can survive without the majority of its employees being committed to – and engaged in – in the company's success, and therefore, in their own. But more on that later.

First, let's take a quick look back at the last call. Most recently, we talked about efficiency and effectiveness and how those two simple things can improve our productivity tremendously. As you'll remember – efficiency means doing the right activities with excellence. And effectiveness means doing the right activities for our roles. We want these words and this concept to be clear-cut and straightforward. Because in discussing them, we want to bring you clarity and simplicity when it comes to working on your own Personal Action Plans.

Because that clarity will put power in your own hands to make simple, yet significant changes. Let's face it – we all want to control our own fate as much as we can. By embracing these two words and applying them to your own role, you can do just that.

To give you an example of efficiency and effectiveness, you'll also remember that in the same call, we heard from a Regional Vice President who outlined the very simple plan he follows during his branch visits. And what we learned was that efficiency and effectiveness not only leads to taking on the right responsibility for your role, but it also EMPOWERS you – just like clarity does.

By asking for skill building and coaching when you think you need it, you're taking responsibility for your own growth and performance – it means that YOU have control of your own career, your success, your improvements, and your accomplishments.

But again, before we get into the detail, let's do a little sharing of the numbers – successes to celebrate, opportunities to leverage, and areas where we can't take our foot off that pedal I call momentum.

First, let's start with just a bit of information about how the bank is doing overall, then Canadian Banking, specifically, and most importantly how we're doing here in North & East and what we must do to continue growing.

Here's the big picture, and many of you have already heard these numbers from Gord Nixon, so I won't spend a lot of time here. As you might expect, given the economy, our numbers are down, but still relatively solid compared to some of our competitors and other large companies – and one reason is because of the strength of the Canadian businesses and the value of our diversified business mix. In Q1 of this year over Q1 of last, we were down 15% overall, but we still earned more than \$1 billion this quarter for our shareholders.

As Gord Nixon said: "In today's uncertain environment, we have the resources, the expertise, and the discipline to help our clients create a path forward." Most of the "resources" Gord is referring to are people resources – YOU. And he said as much at the company's annual meeting a little more than a month ago. To quote a personal note Gord sent out to all employees recently, "I'm very proud that in the midst of difficult economic and market conditions, you remained focused on the needs of our client and set us apart from our competitors." That praise that is much deserved.

On the Canadian Banking side, we're doing a little better and holding our own. Our net income was up 3% in Q1 of this year vs. Q1 of last – or \$23 million. This result reflected a number of issues – things like volume growth across all businesses and effective cost management. And as we'll talk about a little later, cost management is another phrase -- and a goal -- you're going to hear about on a regular basis going forward.

Our leader in Canadian Banking, Dave McKay, had his own message to the staff, and I quote: “While we continue to feel the effects of the economic downturn, we can all be proud of these very strong results. Canadians are looking to RBC – now more than ever – to provide relevant, differentiated advice and you continue to do a great job of guiding clients through these tough economic times”

We received more good news in Canadian Banking on an issue we're all familiar with and dedicated to. A recent Q1 Synovate survey (the benchmark survey in the banking industry that measures client loyalty and customer excellence) showed RBC secured a top spot, tied with 2 other banks, in the area of Client Loyalty. Improving Client Loyalty has been a key focus for Canadian Banking for many years. It's a measurement that reflects how successful we are in providing and improving the client experience in all of its key dimensions – superior service, value for money, relevant and insightful advice, and access and convenience. The Synovate survey results showed some outstanding strengths in our competitive performance – the first of which is the Likelihood to Recommend score where we now share a leadership position with TD and BMO.

As Dave said “LTR is the best measure of client loyalty, so I’m tremendously proud of this achievement.”

The survey also confirmed that RBC secured the top spot in Branch Service, tied with TD, and we’ve made some significant gains in the “Value for Money” ranking, with our position improving significantly from Q3. In the same study, RBC Canadian Private Banking was ranked number one among domestic and international banks for best overall private banking services in Canada. RBC Private Banking was also ranked as the top domestic private bank for the second consecutive year.

As you might expect, Dave is extremely proud of these results, and on behalf of his entire leadership team, he wants to thank everyone in the field and in national office for their outstanding contributions. On behalf of the leadership team here at ONE, I’d like to extend my own congratulations and thank you for your efforts.

And now on to our own Q1 results here in Ontario North & East. The great news here is that we’re number one in cost management year over year. And to remind you, this refers to NIE or non-interest expenses – in other words, the growth in our revenue minus the growth in our NIE. So when we start talking about cost management, it’s clear that we understand it and are already living and breathing it. The challenge – keeping it up!

Our month over month volume is still increasing, but make no mistake – we can’t falter by becoming complacent.

Our momentum is increasing, but the consistency of that growth HAS to be maintained – it is critical that we don't let up. For example, in January, we were #1 in month over month volume growth. But we're still in 6th place overall year to date. We have so much room to grow, and we've got many of the right people to help make it happen. That's why I'm so excited about the opportunities – because although, yes, we're still in 8th place in terms of Market Contribution and Revenue year to date, we can change that number. We have the CONTROL, the POWER, and the RESOURCES in place to change that number.

As we discussed in our last call – and probably in the one before that – we can continue to build that momentum in volumes – both in activities and results. I'm asking you again to accelerate your personal performance as I am myself.

There are several ways to make sure we keep increasing volumes – the drivers of our success. Sustainability. Momentum. Follow through. Personal commitment. Persistence. Pride. A sense of urgency. And taking responsibility for the best you can be in your role. And the other obvious way to increase volumes? Enhance your discovery skills and build your knowledge to offer the best solution for each client. Offering the right advice, the right expertise, the right recommendations, and knowing when it's time to refer clients to our partners shows them that we understand their needs, their goals, their objectives. Our business can only increase when a client feels important and is happy with the service, the advice, and the comprehensive solutions you can offer them.

And all of that leads to something I've mentioned previously – that is, that we need to look at volumes more broadly and with a more balanced approach. Last time, I challenged our definition of “volumes”. We've always thought of them as the 4 key planning lines. In other words, mortgages, loans, registered investments and non registered investments. Plus a few other measures that turn into revenue. As you now know, my revised definition of “volumes” is volumes in our activities – for example: Increased volume in contact management and financial reviews. Or improved volume in our number of products and services such as Visas, long term funds, insurance, and leasing. Or increased volumes in partner referrals.

When you think of increasing the volume of activities you do, that will naturally lead to volume of results. The more volume of contact we have with our clients often means more valuable advice, more referrals and more discussion about product alternatives that best suit their needs. And ultimately, that leads to an increase in business from our customers and increased revenue.

We CAN do this. YOU can do this. By growing our volumes month over month, you're showing me that you know how. Now show me some more....and more... and more... Try and pick up the pace. Because as I mentioned 3 months ago, we can't afford to sit back on our laurels. If we do, the same trend will repeat itself and it will be impossible to catch up. If you don't think you have all the skills you need, ASK for coaching. If there's another reason you think your productivity might not be optimal, discuss it with your manager.

That's what efficiency and effectiveness -- which lead to productivity – is all about. It's about removing the roadblocks that stand in your way. And we're here to help you move them.

In fact, that's a natural lead into the next two things I want to spend the rest of my time talking to you about – #1: How do we effectively “engage” you as employees and how can you engage yourselves? I'll define those words in a couple of minutes. And #2: The importance of protecting and enhancing the RBC brand – because you play such a critical role in defining our reputation, how people perceive us, and how we perceive ourselves.

We have to remember that perception is often reality, and what we say (good or bad) can have a great influence over both internal and external audiences. As a way to kick off this discussion, I'd like to introduce one of our own today who had an interesting experience that illustrates this point and drives it home. It's a pleasure to have him with us today. Let me pass it over to our colleague, Gabriel Gratton, the Branch Manager in the Cornwall Main Branch.....

GAB SPEAKS ABOUT HIS EXPERIENCE

Thanks, Rod, I'm really pleased to be participating in this call. I happened to tell Rod about a recent experience I had and he thought it was a perfect example of how brands – and particularly the RBC brand – is perceived and positioned. And how we all play a pivotal role in that perception – whether we're aware of it or not. That's why he asked me to share my story today.

A few weeks ago, I had the opportunity to participate in three different meetings in a two-week period because I sit on a number of community boards that discuss local initiatives, fundraising, and so on. Some of these boards and committees also have representation from our competitors. And during these meeting our competitors were very vocal about their concerns, their cost constraints, and warned the community not to expect as much financial support from them as usual.

Some of the banks were openly negative about how they were doing during these challenging times. Others were quieter, but were still sending a less than positive message about their company and the future.

The first experience was a community luncheon meeting and a BMO area manager was present. He was very vocal and openly vented about BMO's cost cutting, and his frustration with cost management. He also talked about the fact that they were expecting far more from their staff.

The second was a meeting of the local United Way; where a Scotia bank leader sits as a director of that board. Scotia bank had recently made a large donation pledge to the United Way just before Christmas and although the Scotia representative was gracious in his presentation to the charity, he essentially expressed his relief that he was even able to get the donation approved and the cheque cut. He also talked and joked about counting stationery and paperclips, and suggested that the non-profits in the community shouldn't expect too much from his bank this year in the way of donations and sponsorships.

The third meeting was a Chamber of Commerce board meeting. Various local media were in attendance and the media vented by assuming and projecting that they would experience a decline in ad space purchased by large corporations represented in the city. The CIBC representative in attendance was not as vocal as other competitors in my previous examples but his tone was still very negative and pessimistic about corporate spending, the economy, and the recession. Naturally the media only fuelled that fire.

In all of these cases, the atmosphere was very uncomfortable, and I'm sure that many people came away with less than positive perceptions of these banks. I'm also certain that the managers of these leaders would not be happy with the way their people had represented their bank, its brand, and what it stood for.

ROD: GAB, WHAT WERE YOU THINKING WHEN HEARING THESE COMMENTS?

Honestly, I was very surprised to see that these senior leaders were expressing frustration, negativity and concern in these public forums, and I wondered why they didn't stop to think about the impact their remarks would have on their brand – particularly when they were speaking in front of some pretty important Centers of Influence of our community – for example, many established business leaders, members of our local media, School Board Trustees, Executive Directors of Charities and lastly our Mayor.

When it came time for me to share RBC's perspective, I was obviously a little uncomfortable. I didn't want to negate or not acknowledge the things that had been said by the other banks, but I had to be true to the RBC brand and share our positive story.

I said that yes, we were probably going to look at some cost cutting measures as all companies are, but that none of them would ever be noticed by the client. And I was much more positive about our present and our future.

I talked about the fact that we still have markets that are growing despite the challenging economy. I mentioned the denovos that were planned, and finally, I referenced 3 large donations that RBC had recently made in the community – donations that included over \$30,000 to an After School Grants Program, \$11,000 to the Foodbank, and a \$10,000 contribution to the United Way. I was also proud to share that RBC sponsors the Olympic Torch Relay and that it was stopping in our community. There's no question that there were a lot of raised eyebrows when I made these comments -- particularly when I mentioned that we still had growing markets and new branches opening.

However, at the end of the day, I knew I was representing the RBC brand and it was my job to leave a positive impression. And because I feel good about RBC and had great things to say, the perception of RBC that people came away with was overwhelmingly positive – particularly compared to the open concern and frustration expressed by the 3 other banks.

The bottom line is, I'm proud to work for RBC. I'm proud that we're still one of Canada's biggest corporate donors, despite these tough economic times. And I'm proud we're still growing. BUT even if I felt differently, I would never have expressed my frustration and concerns in a public forum. This was a great and unexpected learning for me, and I hope others can benefit from it as well.

Thanks again for having me, Rod.....

ROD SPEAKS.....

Gab, many thanks for sharing what truly is a critical issue that we all need to be aware of – especially during challenging times. There's always talk about the “power of the written word”, but I can assure you that negative chatter, gossip, and innuendo are just as damaging for any company -- as, unfortunately, our competitors will probably find out in Gab's community in the weeks to come.

I think the key lesson here is that these people allowed themselves to vent – in front of very important leaders in their community. And we can't allow ourselves that luxury. First of all, we have much less to be frustrated and concerned about than most of our competitors, and secondly, I think we're more professional than that; more savvy than that. And I think we care more about our company than that. You play a crucial role in protecting, enhancing, and “talking up” the RBC brand – you have so much more influence on our future than you think. As I said earlier, perception often BECOMES reality.

What we say – what YOU say – helps determine how people feel about this company. The impact of your words and attitude – both inside and outside RBC – have a powerful effect on so many people, including yourself. You have to look at the authority and the weight of your own words and ask yourself if you're being as positive as you can be. As constructive as you can be. And as upbeat and confident as you can be.

Because your words touch so many and they influence your own attitude, even though you may not realize it. All of us need to be diligent in protecting and honouring the RBC brand – because it determines how we perceive ourselves and our identity. This doesn't just involve how you communicate with the outside world – like clients and other members of the community. Your attitude and your outlook have an impact on ALL OF US. On the CSR in the wicket beside you; on the mortgage specialist in the lunch room; on your sales partner; on your family; your friends; and on yourself. I will feel it. And eventually, the clients will feel it. Because we are the sum of our parts.

That's why we need be very aware of what we say and the words we use. Know that what you do and say makes a difference. Because you're painting a picture – you're creating a perception. And by staying positive, you're helping the person beside you stay positive. We're not going to fall into the trap that some of our competitors have. You have the power to make that happen. And that is my “ask” of you.

Don't put up with negative attitudes at work – help your colleagues and yourself by seeing the glass as half full. Because it is. And pretty soon it will be three quarters full. It will never be half empty unless you perceive it to be.

I have my own short example to share. I was talking to one of my sales leaders (?) recently, and she said: “Well, desperate times call for desperate measures.” And I called her on that. I asked her: “Is this really a desperate time? Are you sure that's the word you want to use? Are you sure that's the impression you want to create?”

And she became quiet and thoughtful and answered: “Of course, these aren't desperate times. My mind led me to a stupid cliché and I won't use it again.” She realized that the word desperate was a heavy and scary and frantic term. And it wasn't the word she really wanted to use. It was just the first one she was able to reach for.

RBC does not deserve that word. We're optimistic, positive, and confident that we deserve to be the clients' first choice. And we're proud that we're one of the best places to work in Canada. And pleased that we remain one of Canada's largest donors. We are still growing and giving and learning, and yes, navigating through a difficult time. As Dave McKay said in a recent Globe and Mail article: “We're not retreating; we're expanding.” So let our competitors retreat. And let's derive satisfaction from that fact that we're not!

This pride and this sense of satisfaction leads me to the second theme I wanted to explore on this call. And that's the issue of employee engagement. Engagement means so many things. But essentially it's broken down into three areas – firstly, it's how you think. In other words, you're committed to, believe in, and support the goals and values of RBC. Secondly, it's how you feel – you have a sense of belonging, of pride, and you're attached to RBC. In other words, you're happy to be here! Your performance matters to you and you want to achieve your goals. And it's how you act – meaning that you're willing to go that “extra mile”, and that you intend to stay with RBC.

When you look at RBC as an example, engaged employees support the Client First vision, they believe in the company's values, they believe they have opportunities for development, and they are satisfied with both their monetary and non-monetary awards.

WHY is it so important to have engaged employees? The bottom line – research shows that companies who have employees with higher levels of engagement tend to out perform other companies financially. AND engagement has a significant impact on employee performance, efficiency, and client satisfaction. It's easy to see why smart companies work hard to ensure the majority of their employees are engaged. And the truth is that it's a win-win scenario. Engaged employees are also happier, more enthusiastic and optimistic. They know they're making a difference, a contribution, and that makes them feel good and fulfilled.

The reason that the issue of engaged employees is top of mind right now is because we're getting ready for the "Pulse Survey" – an employee survey we do once every two or three years to find out how people are feeling about themselves, their team, and the company. And both research and experience tells us that when a survey is put in the field during challenging times, companies often see some very different results. And that's natural. When there's heightened concern during a period like this, levels of employee well being and engagement are almost always impacted. So both employees and senior leaders need be extra diligent right now to ensure both parties are working at keeping everyone engaged.

Based on what you've told us, we know what we need to do to keep you engaged. We know we need to provide you opportunities for growth and advancement, for skill building, for continuing education, and for feedback. We also know that it's important for companies to share information about their organization – their strategies, their goals, their results. Both the good and the.....not so good. Engaged employees want to be "in the know" because they care. In other words, we need to be transparent about all that we do. We'd like to think we do a pretty good job at all the above, but there's no doubt we can improve. TELL US in that survey where we can improve.

We also know that there are many other things that engaged employees want and appreciate – tangible benefits. Things like RESSOP, one of the few, large remaining matched employee savings plans that exist.

And our Pension program. Most companies consider pensions a thing of the past. Things like all the good stuff that comes with Flex Benefits – an amazing program. Instead of being dictated to regarding what benefits you’re getting and how much you’re paying for them – despite how relevant they may be to your family’s life – you get to pick and choose the benefits you need most. And that also means you control your level of investment in those benefits.

Our Employee Care Program is another tremendous benefit that we don’t talk about enough, and I think we’ll include it in a future Employee Quarterly Call. This program is so comprehensive, that I can’t possibly do it justice here. But I can tell you that it provides an extensive range of work/life support and counseling in dozens of areas. Everything from parenting and childcare to financial and legal issues to health and wellness services to divorce and separation to co-worker relationships to home improvements to grief and loss – these are only a few of the issues that you can get counseling and advice on through our Employee Care Program. I encourage you to learn more about it. It’s an amazing benefit for us all.

Our engaged employees also appreciate our flex hours, our commitment to diversity, our Rewards and Recognition program and much more. And that “much more” includes an incredible commitment to both National donations and sponsorships as well as programs at the grassroots level. As Gab said, we are one of the largest charitable donors in Canada and we want you to be proud that you work for a company that cares.

Community initiatives like Foodbanks, freeskates, and Habitat for Humanity Builds all foster goodwill—in the community, in how we feel about ourselves, and how we feel about RBC. National programs like Blue Water, the Canadian Painting Competition, and our co-sponsorship of the 2010 Olympics do the same thing. And on that note, I want to share something very special with you. The first Ontario North & East employee who has been selected to Carry the Torch in our region is ????

Congratulations, ?????!! You represent us all and we know you'll do us proud. And as this employee takes his/her well deserved pats on the back, I want to give you time to call in and talk about this concept called "Employee Engagement" – or anything else on your mind. Operator, let's open the lines so people can call in....

(OPERATOR GIVES INSTRUCTIONS)

Now back to the issue of "engagement". We also know that engaged employees need three things – 1) clarity (in other words, the "what" – clarity in expectations, requirements, and goals); 2) the capability or the "how" – in other words, ensuring the employee is in the right role, has the talent, is given an opportunity to develop the skills to do the job; and 3) the motivation or the "why" which includes everything from internal drive, confidence, and passion to appropriate compensation.

We're proud of all the things we do to keep our employees engaged and committed. But we also recognize that it's not a "one size fits all" strategy. No matter what we do, there will always be those people who are "disengaged".

There are in every company. Business gurus often describe “disengaged” people as employees who are no longer productive and are no longer interested in producing or performing – for whatever reason.

But the bottom line is that having disengaged employees in the workplace isn’t a good thing – not for the company; not for the employee. Both could do better and feel better. The challenge is to “re-engage” someone who is a low producer, but has the potential to be a high producer. We will invest in low producers because they have the ability to change and be an important part of the team.

Unfortunately, the same can’t be said for people who perform far below average. The RBC culture is one of high performers, and like most companies, we can’t afford to invest in low performers who have no interest in improving. If this were your company, you’d feel the same way -- mediocre performance is not something we can accept at RBC. It goes against our values and it doesn’t allow for our passionate commitment to client first and productivity.

So if nothing can be done to “re-engage” those particular performers, what can we do about the disengaged low PRODUCERS to get them to invest in their growth and in our own? First, we need to identify them, which I don’t think takes a lot of work. Often you know who you are, and I can guarantee that your manager knows who you are. Secondly, we need to recognize they need help and determine the kind of assistance we can give them. Is it coaching and skill building?

Is there another roadblock that our employee assistance program can help with? Is the person in the wrong role and could they excel elsewhere in the company? Or perhaps the employee and the manager come to another conclusion – maybe the employee isn't in the right company. And there's no shame in that. We've all had jobs that we knew weren't the right fit. But acknowledging that possibility is the last resort. I believe and I hope that a low producer can improve dramatically with the right help and become a high producer.

In the unlikely event that the employee might do better and be happier at another organization, we must also take some responsibility and ask ourselves: "Should anyone have been in that role in the first place?" "Is the role necessary?" "Should it be more senior or junior?" "Does that role set anyone up for success?"

This kind of review and internal assessment should always be part of the process when someone leaves the organization. We need to ask ourselves tough questions about any part we might have played in the process.

Fortunately, for us at RBC, we don't often have to face the difficult problem of disengaged employees. You are among the most optimistic, enthusiastic, and engaged group of employees any organization has the pleasure of working with. But today, as sensitive as the topic may be, we wanted to be realistic and talk about how you might feel and how this challenging economy might impact your mindset.

We're not robotic – outside influences have an impact. We want to acknowledge that we understand, and ask that you, in turn, understand our need for continued engagement. As I said earlier, we're the sum of our parts, and that's why we have the capability to make a huge contribution to this company and to ourselves.

(OPERATOR'S NAME), I'd be delighted to take the first call.....