



Royal Bank of Canada

/ Notice of Annual Meeting
of Common Shareholders
February 22, 2002

/ Management Proxy Circular



Information for Shareholders

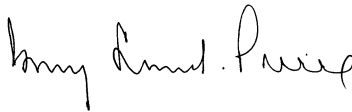
/ Dear Shareholder:

The Bank's Annual Meeting of Common Shareholders will be held at the Metro Toronto Convention Centre, North Building, John W.H. Bassett Theatre, 255 Front Street West, Toronto, Ontario, on Friday, February 22, 2002 at 9:00 a.m. (Eastern Time).

At this meeting, we will be voting on a number of important matters. We hope you will take the time to consider the information on these matters set out in this Circular. It is important that you exercise your vote, either in person at the meeting or by completing and sending in your proxy.

We invite you to join us at this meeting. There will be an opportunity to ask questions and meet with management, the Board of Directors and your fellow shareholders.

Yours sincerely,



Guy Saint-Pierre, o.c.
Chairman of the Board



Gordon M. Nixon
President & Chief Executive Officer

/ Notice of Annual Meeting of Common Shareholders of Royal Bank of Canada

Date: Friday, February 22, 2002

Time: 9:00 a.m. (Eastern Time)

Place: Metro Toronto Convention Centre
North Building
John W.H. Bassett Theatre
255 Front Street West
Toronto, Ontario

Business of the Meeting of Common Shareholders:

- (1) Receipt of the Financial Statements of the Bank for the year ended October 31, 2001 and the Auditors' Report on the statements;
- (2) Election of Directors;
- (3) Appointment of Auditors;
- (4) Consideration of a special resolution to confirm an amendment to Section 1.1 of By-law Two increasing the maximum aggregate remuneration payable to directors of the Bank;
- (5) Consideration of the Shareholder Proposals set out in Schedule 'C' to the Management Proxy Circular; and
- (6) Consideration of any other business, which may be properly brought before the meeting of Common Shareholders.

By order of the Board of Directors



Jane E. Lawson
Senior Vice-President & Secretary
January 17, 2002

Important

On January 4, 2002, the record date for the meeting, 675,030,306 Common Shares were outstanding, being the number of "eligible votes" as defined in the *Bank Act*.

Shareholders who are unable to be present at the Annual Meeting of Common Shareholders are requested to complete and sign the enclosed form of proxy. Please return it promptly in the envelope provided or forward it by facsimile to (416) 981-9803 or toll-free to 1-888-665-5666, so that your shares will be represented whether or not you attend. Proxies should be received at the Toronto office of Computershare Trust Company of Canada, the Transfer Agent, no later than 5:00 p.m. (Eastern Time) on Wednesday, February 20, 2002 or hand-delivered at the registration table on the day of the meeting prior to the commencement of the meeting.

/ Management Proxy Circular

As of December 19, 2001, except as otherwise provided

This Management Proxy Circular is furnished in connection with the solicitation by the management of Royal Bank of Canada of proxies for use at the Bank's Annual Meeting of Common Shareholders.

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Who is soliciting my proxy?

The management of the Bank is soliciting your proxy for use at the Annual Meeting of Common Shareholders.

What will I be voting on?

You will be voting on:

- Election of directors of the Bank (see page 6),
- Appointment of Deloitte & Touche LLP and PricewaterhouseCoopers LLP as the Bank's auditors (see page 10),
- A special resolution to confirm an amendment to Section 1.1 of By-law Two on maximum aggregate remuneration payable to directors (see page 10), and
- Shareholder Proposals (see page 10).

How will these matters be decided at the meeting?

A simple majority of the votes cast, by proxy or in person, will constitute approval of matters voted on at the meeting, except as otherwise specified.

As required by the *Bank Act*, the special resolution referred to above must be confirmed by an affirmative vote of not less than two-thirds of the votes cast by proxy or in person.

How many votes do I have?

Subject to the voting restrictions noted below, you will have one vote for every Common Share of the Bank you own at the close of business on January 4, 2002, the record date for the meeting.

To vote shares you acquired subsequent to the record date, you must, not later than 10 days before the meeting:

- request that the Bank add your name to the voters' list, and
- produce properly endorsed share certificates or otherwise establish that you own the shares.

Voting restrictions

Shares cannot be voted either in person or by proxy if they are beneficially owned by:

- the government of Canada or of a province,
- the government of a foreign country or of any political subdivision of a foreign country,
- an agency of any of these entities,
- any person who has acquired a significant interest in any class of shares of the Bank (more than 10% of the class) without the approval of the Minister of Finance, or

- any person who has a significant interest in any class of shares of the Bank (more than 10% of the class) and who has a significant interest in any class of shares of another widely held bank with equity of \$5 billion or more.

In addition, no person and no entity controlled by any person may cast votes in respect of any shares beneficially owned by the person or the entity that represent, in the aggregate, more than 20% of the eligible votes.

How many shares are eligible to vote?

The number of Common Shares outstanding on January 4, 2002, being the number of "eligible votes" as defined in the *Bank Act*, is indicated under the heading "Important" in the Notice of Meeting.

To the knowledge of the Bank's directors and officers, as of December 19, 2001, no person owned or exercised control or direction over more than 10% of the outstanding Common Shares.

How do I vote?

If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the meeting or by proxy, as explained below.

If your shares are held in the name of a nominee, please see the instructions below under the headings "How can a Non-Registered Shareholder vote by mail?" and "How can a Non-Registered Shareholder vote in person at the meeting?"

Voting by proxy

Whether or not you attend the meeting, you can appoint someone else to vote for you as your proxyholder. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder. The persons named in the enclosed form of proxy are directors or officers of the Bank. **However, you can choose another person to be your proxyholder, including someone who is not a shareholder of the Bank. You may do so by deleting the names printed on the proxy and inserting another person's name in the blank space provided, or by completing another proper form of proxy.**

How will my proxy be voted?

On the proxy form, you can indicate how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you.

If you have specified on the proxy form how you want your shares to be voted on a particular issue (by marking FOR, AGAINST or WITHHOLD) then your proxyholder must vote your shares accordingly.

If you have not specified on the proxy form how you want your shares to be voted on a particular issue, then your proxyholder can vote your shares as he or she sees fit.

Unless contrary instructions are provided, Common Shares represented by proxies received by management will be voted: FOR the election as directors of the proposed nominees whose names are set out on the following pages, FOR the appointment of Deloitte & Touche LLP and PricewaterhouseCoopers LLP as auditors, FOR the special resolution to confirm the amendment to Section 1.1 of By-law Two, FOR management's proposals generally, and AGAINST the Shareholder Proposals set out in Schedule 'C'.

What if there are amendments or if other matters are brought before the meeting?

The enclosed proxy form gives the persons named on it authority to use their discretion in voting on amendments or variations to matters identified in the Notice.

As of the time of printing of this Circular, management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons named on the enclosed proxy form will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy form with respect to such matters.

What if I change my mind and want to revoke my proxy?

You can revoke your proxy at any time before it is acted upon. You can do this by stating clearly, in writing, that you want to revoke your proxy and by delivering this written statement to the Head Office of the Bank not later than the last business day before the day of the meeting, or to the Chairman of the meeting on the day of the meeting or any adjournment.

Who counts the votes?

Proxies are counted by Computershare Trust Company of Canada, the Transfer Agent of the Bank.

Is my vote confidential?

The Transfer Agent preserves the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to comply with legal requirements.

How are proxies solicited?

The Bank's management requests that you sign and return the proxy form to ensure your votes are exercised at the meeting. The solicitation of proxies will be primarily by mail. However, the directors, officers and regular employees of the Bank may also solicit proxies by telephone, in writing or in person. The Bank may also use the services of outside firms to solicit proxies. The cost of proxy solicitation will be paid by the Bank, including the cost of an outside firm, Georgeson Shareholder Communications Canada, estimated to be approximately \$30,000.

How can a Non-Registered Shareholder vote by mail?

If your shares are not registered in your own name, they will be held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how to vote your shares. Consequently, unless you have previously informed your nominee that you do not wish to receive material relating to shareholders' meetings, you will have received this Circular in a mailing from your nominee, together with a proxy form or request for voting instructions. Each nominee has its own signing and return instructions, which you should follow carefully to ensure your shares will be voted. If you are a Non-Registered Shareholder who has voted by mail and want to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedure to follow.

How can a Non-Registered Shareholder vote in person at the meeting?

Since the Bank does not have access to the names of its Non-Registered Shareholders, if you attend the meeting, the Bank will have no record of your shareholdings or of your entitlement to vote, unless your nominee has appointed you as proxyholder. Therefore, if you are a Non-Registered Shareholder and wish to vote in person at the meeting, please insert your own name in the space provided on the proxy form or request for voting instructions sent to you by your nominee. By doing so, you are instructing your nominee to appoint you as proxyholder. Then follow the signing and return instructions provided by your nominee. Do not otherwise complete the form, as you will be voting at the meeting.

Financial statements

The consolidated financial statements for the year ended October 31, 2001 are included in the Annual Report, which has been mailed to shareholders with this Circular.

Election of directors

The number of directors to be elected is 19. Each director will be elected to hold office until the next Annual Meeting of Common Shareholders or until such office is earlier vacated. The persons named on the enclosed form of proxy intend to vote for the election of the proposed nominees whose names are set out in the following pages and who are now directors of the Bank.

The following pages set out the names of proposed nominees for election as directors, together with their age, municipality of residence, year first elected or appointed as a director, principal occupation, other principal directorships and committee memberships. Also indicated for each person proposed as a director, is the number of Common Shares beneficially owned, directly or indirectly, or over which control

or direction was exercised on December 19, 2001 and, as of the same date, the number of Directors' Deferred Stock Units credited to the account of the director under the Directors' Deferred Stock Unit Plan and the number of options held by each director under the Director Stock Option Plan. See the description of these Plans under "Section 3: Disclosure of compensation and other information" in this Circular. Gordon M. Nixon⁽¹⁾ and Cecil W. Sewell, Jr. receive no Directors' Deferred Stock Units under the Directors' Deferred Stock Unit Plan and no options under the Director Stock Option Plan. Except where required for qualification as a director of a subsidiary, none of the directors of the Bank holds shares of its subsidiaries. The Board of Directors does not have an executive committee.

A "Record of attendance by directors" at meetings of the board and its committees during the 12 months ended October 31, 2001 is set out in Schedule 'A' to this Circular.

(1) Options granted to Mr. Nixon under the Stock Option Plan for eligible employees of the Bank are reported under "Officers' remuneration" in this Circular.



W. Geoffrey Beattie, 41, of Toronto, Ontario, has served on the board of the Bank since May 23, 2001. Mr. Beattie is President of The Woodbridge Company Limited (a holding company) and Deputy Chairman and a director of The Thomson Corporation. Prior to April 1998, Mr. Beattie was a partner at the law firm of Torys. Mr. Beattie is also a director of Bell Globemedia Inc. and a Trustee of the University Health Network.

Member of the Human Resources Committee

500 Common Shares
619 Deferred Stock Units
6,000 Options



George A. Cohon, o.c., o.ont., 64, of Toronto, Ontario, has served on the board of the Bank since June 1, 1988. Mr. Cohon is the Founder and Senior Chairman and a director of McDonald's Restaurants of Canada Limited (a quick service restaurants company) and Founder and Senior Chairman of McDonald's – Russia. He is a director of Astral Media Inc. He is the founding patron of Ronald McDonald Houses, the founder of Ronald McDonald Children's Charities of Canada and Russia and Co-Chairman of the Toronto Santa Claus Parade.

Chairman of the Public Policy Committee

Member of the Human Resources Committee

8,930 Common Shares
3,890 Deferred Stock Units
14,000 Options



Douglas T. Elix, 53, of Ridgefield, Connecticut, has served on the board of the Bank since August 22, 2000. Mr. Elix is Senior Vice-President and Group Executive of IBM Global Services, IBM Corporation (a computer company). Prior to October 1999, Mr. Elix was General Manager, Americas, IBM Global Services, IBM Corporation. Prior to January 1997, he was President of Integrated Systems Solutions Corporation (a computer company). He is also a director of IBM Global Services Australia Ltd.

Member of the Human Resources Committee

2,215 Deferred Stock Units
10,000 Options



John T. Ferguson, F.C.A., 60, of Edmonton, Alberta, has served on the board of the Bank since April 3, 1990. Mr. Ferguson is Chair of the Board and a director of TransAlta Corporation (an electric utility company), Chairman of the Board and a director of Princeton Developments Ltd. (a real estate company) and a director or officer of a number of subsidiaries of Princeton Developments Ltd. He is a director of Suncor Energy Inc., The Canadian Institute for Advanced Research, the C.D. Howe Institute and Chancellor of the University of Alberta.

Chairman of the Conduct Review and Risk Policy Committee
Member of the Public Policy Committee

5,286 Common Shares
3,369 Deferred Stock Units
14,000 Options



L. Yves Fortier, c.c., q.c., 66, of Montreal, Quebec, served on the board of the Bank from June 1986 to August 1988. Mr. Fortier was then appointed Ambassador and Permanent Representative of Canada to the United Nations. He returned to the board of the Bank on March 3, 1992. Mr. Fortier is Chairman and a senior partner of the law firm of Ogilvy Renault. He is Governor, non-executive Chairman of the Board and a director of the Hudson's Bay Company, a director of DuPont Canada Inc., Nortel Networks Corporation, NOVA Chemicals Corporation and a director or member of several not for profit organizations.

Chairman of the Human Resources Committee
Member of the Corporate Governance Committee

6,567 Common Shares
6,602 Deferred Stock Units
14,000 Options



The Hon. Paule Gauthier, p.c., o.c., o.q., q.c., 58, of Quebec, Quebec, has served on the board of the Bank since October 1, 1991. Mrs. Gauthier is a senior partner of the law firm of Desjardins Ducharme Stein Monast. She is a director of Royal Trust Corporation of Canada, The Royal Trust Company, Rothmans Inc. and Metro Inc. She is also a member of the Board of Governors of the Royal Military College of Canada, Chairman of the Security Intelligence Review Committee and President of Foundation Maison Michel Sarrazin.

Member of the Conduct Review and Risk Policy Committee
Member of the Human Resources Committee

8,362 Common Shares
5,046 Deferred Stock Units
14,000 Options



Brandt C. Louie, F.C.A., 58, of West Vancouver, British Columbia, has served on the board of the Bank since November 20, 2001. Since 1998, Mr. Louie has been President and Chief Executive Officer and a director of H.Y. Louie Co. Limited (a food retail distribution company) and from 1987 to 1998, Mr. Louie was President and Chief Operating Officer and a director of H.Y. Louie Co. Limited. In addition, since 1998, Mr. Louie has been Chairman and Chief Executive Officer and a director of London Drugs Limited (a drug retail distribution company). Mr. Louie is also Vice-Chairman and a director of IGA Canada Limited, a director of Slocan Forest Products Ltd. and a director or member of several not for profit organizations.

Member of the Conduct Review and Risk Policy Committee

8,608 Common Shares
6,000 Options



J. Edward Newall, o.c., 66, of Calgary, Alberta, has served on the board of the Bank since September 5, 1984. Mr. Newall is Chairman of the Board and a director of NOVA Chemicals Corporation (a chemicals and plastics company). He is also Chairman of the Board and a director of Canadian Pacific Railway Limited (a transportation company) and a director of Alcan Inc., BCE Inc., Bell Canada and Maple Leaf Foods Inc.

Member of the Audit Committee
Member of the Corporate Governance Committee

37,892 Common Shares
3,949 Deferred Stock Units
14,000 Options



Gordon M. Nixon, 44, of Toronto, Ontario, has served on the board of the Bank since April 1, 2001. Mr. Nixon has been President and Chief Executive Officer of the Bank since August 1, 2001. He served as President and Chief Operating Officer of the Bank from April to August 2001. Mr. Nixon was Chief Executive Officer of RBC Dominion Securities Inc. from December 1999 to April 2001, from May 1998 to December 1999 he was Head, Corporate and Investment Banking of RBC Dominion Securities Inc. and prior to that he was Head, Investment Banking of RBC Dominion Securities Inc. Mr. Nixon is a Governor of North York General Hospital and Chairman of the United Way of Greater Toronto 2002 Campaign. He is also a member of the Canadian Council of Chief Executives and serves as co-chair of that Council's committee on national policy.

66,881 Common Shares
31,897 Deferred Share
Units⁽¹⁾



David P. O'Brien, 60, of Calgary, Alberta, has served on the board of the Bank since May 7, 1996. Since October 2001, Mr. O'Brien has been Chairman and Chief Executive Officer and a director of PanCanadian Energy Corporation (an oil and gas company) and prior to that was Chairman, President and Chief Executive Officer of Canadian Pacific Limited which was reorganized into five distinctive companies, including PanCanadian Energy Corporation. Mr. O'Brien is also a director of Fairmont Hotels & Resorts Inc., Inco Limited, Air Canada, TransCanada Pipelines Limited and the C.D. Howe Institute. He is also Honorary Chairman and a director of the Canadian Council of Chief Executives and is a member of the Board of Governors of the University of Calgary.

Member of the Corporate Governance
Committee
Member of the Human Resources
Committee

28,855 Common Shares
14,000 Options



Charlotte R. Otto, 48, of Cincinnati, Ohio, has served on the board of the Bank since November 21, 2000. Ms. Otto is Global External Relations Officer of The Procter & Gamble Company (a consumer products manufacturing and marketing company). Prior to January 1999, Ms. Otto was Senior Vice-President, Public Affairs of The Procter & Gamble Company. Ms. Otto is a member of the Arthur Page Society, a National Board member of the Boys and Girls Clubs of America, President of the Cincinnati Playhouse in the Park, Vice-Chair of Downtown Cincinnati, Inc. and a member of the Greater Cincinnati Riverfront Development Authority.

Member of the Public Policy
Committee

1,758 Deferred Stock Units
10,000 Options



Robert B. Peterson, 64, of Toronto, Ontario, has served on the board of the Bank since September 10, 1992. Mr. Peterson is Chairman, President and Chief Executive Officer and a director of Imperial Oil Limited (an integrated petroleum company). He is a director of the Canadian Council of Chief Executives, Governor of Junior Achievement of Canada and Chairman of the fundraising campaign for Queen's University.

Chairman of the Audit Committee
Member of the Human Resources
Committee

5,530 Common Shares
6,678 Deferred Stock Units
14,000 Options



J. Pedro Reinhard, 56, of Midland, Michigan, has served on the board of the Bank since May 18, 2000. Mr. Reinhard is Executive Vice-President and Chief Financial Officer and a director of The Dow Chemical Company (a chemical company). He also serves on the Board of Directors of the Dow Corning Corporation and Sigma-Aldrich Corporation.

Member of the Audit Committee

3,153 Deferred Stock Units
10,000 Options

(1) Represents Deferred Share Units under the Deferred Share Unit Plan for executive officers of the Bank. See the description of the Plan under "Report on executive compensation" in this Circular.



Hartley T. Richardson, 47, of Winnipeg, Manitoba, has served on the board of the Bank since November 5, 1996. Mr. Richardson is President and Chief Executive Officer and a director of James Richardson & Sons, Limited (an investment and holding company) and he is a director or officer of a number of subsidiaries of James Richardson & Sons, Limited. He is also a director of DuPont Canada Inc., MacDonald Dettwiler and Associates, Richland Petroleum Corporation, Asia Pacific Foundation of Canada, Canadian Council of Chief Executives and the Trilateral Commission.

Member of the Conduct Review and Risk Policy Committee
Member of the Public Policy Committee

17,000 Common Shares
5,879 Deferred Stock Units
14,000 Options



Kenneth C. Rowe, F.C.I.S., 68, of Halifax, Nova Scotia, has served on the board of the Bank since November 5, 1985. Mr. Rowe is Chairman and Chief Executive Officer and a director of I.M.P. Group International Inc. (an aerospace, aviation, marine industries, avionics, surgical supplies and hotel company) and a director or officer of a number of subsidiaries of I.M.P. Group International Inc. He is also a director of Atlantic Shopping Centres Ltd., Emera Incorporated, Nova Scotia Power Incorporated and The Shaw Group Limited.

Member of the Conduct Review and Risk Policy Committee
Member of the Corporate Governance Committee

816,354 Common Shares
5,337 Deferred Stock Units
14,000 Options



Guy Saint-Pierre, o.c., 67, of Montreal, Quebec, has served on the board of the Bank since November 6, 1990. Mr. Saint-Pierre has served as Chairman of the Bank since August 1, 2001. Mr. Saint-Pierre is Chairman of the Board and a director of SNC-Lavalin Group Inc. (an engineering and manufacturing company). He is also a director of Alcan Inc., BCE Inc., Bell Canada, General Motors of Canada Limited and a director or member of several not for profit organizations.

Chairman of the Corporate Governance Committee
Member of the Human Resources Committee

37,667 Common Shares
4,827 Deferred Stock Units
14,000 Options



Cecil W. Sewell, Jr., 55, of Raleigh, North Carolina, has served on the board of the Bank since July 11, 2001. Mr. Sewell, Jr. is Chairman Emeritus and a director of RBC Centura Banks, Inc. From February 2000 to June 2001, Mr. Sewell, Jr. held the position of Chief Executive Officer of Centura Banks, Inc. (now RBC Centura Banks, Inc.). Prior to February 2000, Mr. Sewell, Jr. held a number of senior executive positions at Centura Banks, Inc. Mr. Sewell, Jr. is a director of RBC Centura Bank, Global Transpark Foundation, Inc., and a director or member of several not for profit organizations.

233,064 Common Shares
77,500 Options⁽¹⁾



Kathleen P. Taylor, 44, of Toronto, Ontario, has served on the board of the Bank since November 20, 2001. Since November 1999, Ms. Taylor has been President, Worldwide Business Operations of Four Seasons Hotels Inc. (a hotel and resort management services company). From April 1998 to November 1999, Ms. Taylor was Executive Vice-President and Chief Corporate Officer of Four Seasons Hotels Inc. Prior to April 1998, Ms. Taylor held a number of senior executive positions at Four Seasons Hotels Inc. Ms. Taylor is a member of The World Travel & Tourism Council and of the Industry Real Estate Financing Advisory Council of the American Hotel and Motel Association.

Member of the Audit Committee

6,000 Options



Victor L. Young, o.c., 56, of St. John's, Newfoundland, has served on the board of the Bank since April 2, 1991. Mr. Young is Executive-in-Residence at the Faculty of Business Administration at Memorial University. Mr. Young is a director of BCE Inc., McCain Foods Limited and Churchill Falls (Labrador) Corporation (CFLCO). He is also Deputy Chairman of the Memorial University Opportunity Fund Campaign and Chairman of the "Give to Feel Good" Healthcare Fundraising Campaign.

Member of the Audit Committee
Member of the Conduct Review and Risk Policy Committee

6,108 Common Shares
2,915 Deferred Stock Units
14,000 Options

(1) Represents options granted to Mr. Sewell, Jr., concurrent with the acquisition of Centura Banks, Inc., and options granted under the Stock Option Plan for employees of the Bank and subsidiaries.

Appointment of auditors

The persons named in the enclosed proxy form intend to vote for the reappointment of Deloitte & Touche LLP and PricewaterhouseCoopers LLP as auditors of the Bank, to hold office until the next Annual Meeting of Common Shareholders.

The *Bank Act* requires Common Shareholders of the Bank to appoint one firm of accountants, and permits the appointment of two firms of accountants, to be auditors of the Bank. The firm of Deloitte & Touche LLP has served as one of the Bank's two auditing firms for the previous five-year period. The firm of PricewaterhouseCoopers LLP has similarly served except for the period between November 1, 1996 and March 5, 1998 when KPMG LLP served as one of the Bank's two auditing firms.

Auditors' fees

For the year ended October 31, 2001, Deloitte & Touche LLP and its affiliates were paid \$4,396,000 for audit services, no fees for financial information systems design and implementation, and \$8,633,000 for all other services. PricewaterhouseCoopers LLP and its affiliates were paid \$4,650,000 for audit services, \$3,347,000 for financial information systems design and implementation, and \$7,800,000 for all other services. The Audit Committee has considered whether the provision of these financial information systems design and implementation and other services is compatible with maintaining the auditors' independence.

By-law amendment relating to directors' remuneration

The *Bank Act* requires that the Bank's By-laws contain a provision fixing the aggregate of amounts that may be paid to all directors in respect of directors' remuneration during a fixed period of time.

Section 1.1 of By-law Two of the Bank now provides that not more than \$2,000,000 may be paid in the aggregate as remuneration to all directors in any year. This limit was approved by the holders of Common Shares of the Bank in January 1997, and has remained unchanged since then. Given the increasing burden of responsibility which goes with membership on a board, the growing scope and complexity of the Bank's business and of the regulatory environment and the increased workload of directors on committees of the board, it is recommended that shareholders approve an increase in the amount of remuneration which may be paid to directors in any year from the funds of the Bank to \$3,000,000.

In addition, the Bank has in place a Director Stock Option Plan, approved by the shareholders in February 2000, which is designed to enhance the alignment of the interests of the directors of the Bank with those of the shareholders.

This Plan is described under "Section 3: Disclosure of compensation and other information – Director Stock Option Plan". In addition to the aggregate limit of 650,000 Common Shares of the Bank which may be issued pursuant to the exercise of options granted under the Plan and the fixed numbers of Common Shares in respect to which options may be granted to new directors (6,000 Common Shares) and to each director on an annual basis (4,000 Common Shares) already approved by the shareholders, it is considered appropriate to have the shareholders fix a maximum number of Common Shares in respect of which options may be granted to all directors in any year.

On December 11, 2001, the Board of Directors authorized an amended and restated Section 1.1 of By-law Two of the By-laws of the Bank to give effect to the foregoing. The amended form of Section 1.1 of By-law Two is not effective until confirmed by special resolution of the shareholders. A special resolution requires the affirmative vote of not less than two-thirds of the votes cast by holders of Common Shares present in person or represented by proxy. The Board of Directors recommends that shareholders vote in favour of the special resolution.

The special resolution which will be presented for consideration is as follows:

"THAT the replacement of existing Section 1.1 of By-law Two with the following amended and restated Section 1.1 of By-law Two is confirmed:

'A maximum amount of \$3,000,000 from the funds of the Bank may be paid in each fiscal year to the directors of the Bank to remunerate them for their services as such, in such proportions as the directors may determine. In addition, the number of Common Shares of the Bank in respect of which stock options may be granted in each fiscal year to the directors of the Bank in their capacity as such under the Director Stock Option Plan approved from time to time by the shareholders of the Bank is limited to 130,000 Common Shares on a current basis as may be adjusted to reflect changes to the capital of the Bank.' "

Shareholder Proposals

Set out in Schedule 'C' to this Circular are the Shareholder Proposals that have been submitted for consideration at the meeting of Common Shareholders.

The outside date for submission of proposals by shareholders to the Bank for inclusion in next year's Proxy Circular in connection with next year's Annual Meeting of Shareholders will be November 25, 2002.

Directors' remuneration

Directors who are also officers of the Bank or its subsidiaries receive no remuneration as directors.

Annual retainers and attendance fees are paid to other members of the Board of Directors on the following basis:

(i) annual board retainer	\$30,000
(ii) committee chairpersons (excluding regional director committees) receive an additional annual retainer	\$10,000
(iii) annual committee retainer (excluding committee chairpersons and regional director committees)	\$3,000
(iv) each board or committee meeting attended (except as otherwise indicated below)	\$1,500
(v) each regional director committee meeting attended (to a maximum of two)	\$1,000
(vi) Chairman of the Board – additional annual retainer	\$250,000

In order to provide competitive compensation and recognize the increasing complexity of the Bank's operations, the Bank's aim is to set director compensation at a level comparable to the top 25% of the country's largest corporations and financial institutions. Foreign directors are paid the same face amounts in U.S. dollars. No increase in directors' remuneration is planned during the fiscal year ending October 31, 2002. Directors are reimbursed for transportation and other expenses incurred for attendance at board and committee meetings.

Other information

To encourage directors to align their interests with those of shareholders by having an investment in the Bank, the Bank has in place the following Plans:

Directors' Deferred Stock Unit Plan

Under the Directors' Deferred Stock Unit Plan, directors may receive 50% or 100% of their fees in the form of Directors' Deferred Stock Units ("DDSUs"), each of which has a value

equal to the market value of a Bank Common Share at the time DDSUs are credited to the directors. The value of a DDSU, when converted to cash, is equivalent to the market value of a Bank Common Share at the time the conversion takes place. DDSUs attract dividends in the form of additional DDSUs at the same rate as dividends on Bank Common Shares. A director cannot convert DDSUs to cash until the director ceases to be a member of the board. In fiscal 2001 an amount of \$929,722 in directors' fees was deferred by directors and invested in DDSUs.

Share ownership guidelines

Directors are required to hold Bank Common Shares or DDSUs with a value of not less than six times the basic annual retainer. In the case of directors who do not participate in the Directors' Deferred Stock Unit Plan, the basic annual retainer, net of tax, is paid in Common Shares until guideline levels are achieved.

Directors' Share Purchase Plan

The Directors' Share Purchase Plan allows directors to have the entire amount, or a portion, of their annual retainer and attendance fees paid by way of Bank Common Shares. All administration costs as well as any brokerage fees associated with the purchase and registration of the Common Shares are paid by the Bank.

Director Stock Option Plan

Only directors of the Bank who are neither officers nor employees of the Bank or any of its subsidiaries may participate in the Director Stock Option Plan. A maximum of 650,000 Common Shares are issuable pursuant to the exercise of options granted under the Plan. The Plan provides for grants of options to purchase 6,000 Common Shares to each newly appointed or elected director and for annual grants of options to purchase 4,000 Common Shares, following each meeting of shareholders of the Bank at which directors are elected. The exercise price for options is set at the market value of the Bank Common Shares at the time of grant. Options granted under the Plan may be exercised for a period of 10 years from the date of the grant, subject to termination at an earlier date upon the retirement from the board or death of their holder. The Director Stock Option Plan will terminate on March 1, 2005 unless renewed with the approval of the Common Shareholders of the Bank.

Report on executive compensation

Overview

Compensation is one of the main tools used by the Bank to attract, retain and motivate employees with the skills and commitment needed to enhance shareholder value. This is particularly true for the most senior officers who have a very significant influence on corporate performance.

The Board of Directors of the Bank assigns the task of reviewing overall compensation policies and recommending compensation for senior Bank executives to the Human Resources Committee (the “Committee”).

This review includes the Chief Executive Officer and senior officers of the Bank, including those whose compensation is set forth under the Summary Compensation Table. In this document, such officers are referred to as the “Named Executive Officers” of the Bank.

The Committee consists of eight directors who are neither officers nor former officers of the Bank. The Board of Directors as a whole reviews the recommendations of the Committee and has final approval on compensation matters for senior officers and on major policy changes.

In order to provide competitive compensation opportunities to the Bank’s senior officers, the Committee reviews compensation practices at 20 widely held Canadian companies including other major Canadian banks and U.S. competitor banks, based on the advice of external compensation advisors. Total compensation is targeted at the 75th percentile of the comparator group when the Bank has strong performance as measured against its plan and the competition.

The compensation package for senior executive officers consists of three elements:

- Base salary and benefits
- Annual Incentive Programs
- Long-Term and Mid-Term Incentive Programs

Base salary

The Committee annually reviews the individual salaries of the Named Executive Officers. Salaries are adjusted, as needed, based on individual performance, responsibility and experience to ensure that they reflect the contribution expected from each officer. In establishing base salaries, the Committee uses a benchmark of the average base salaries paid to the most senior executive officers of the comparator group.

Annual Incentive Programs

The *RBC Annual Incentive Program* provides opportunities for most of the employees to earn incentive bonuses based on individual contribution and the overall financial performance of the Bank in relation to planned return on equity and earnings per share growth compared to 15 comparable North American financial institutions. A range of incentive bonus opportunity is determined for each employee, based on the employee’s position. The more influence an employee has on the Bank’s ability to meet its plans, the greater the amount of the compensation that is at risk. The actual incentive bonus for the Named Executive Officers who participate is based on their individual contribution reviewed against a variety of factors including judgment, managerial performance and overall contribution to the Bank’s success.

Mr. C.M. Winograd and other eligible employees of RBC Capital Markets participate in incentive programs based on the profitability of RBC Capital Markets. These programs reflect the compensation practices in the investment industry. Individual bonuses are determined based upon the performance of each business unit and the employee’s personal contribution. Set percentages of the amount of the bonus are deferred. The deferred component is paid out in equal instalments over a three-year period and its value is linked to the performance of Bank Common Shares over the same period.

Mr. I. Weiser and other eligible employees of RBC Dain Rauscher participate in incentive programs based on the profitability of RBC Dain Rauscher. These programs reflect the compensation practices of the U.S. investment industry. Individual bonuses are determined based on the performance of RBC Dain Rauscher and the employee’s contribution to those results. The incentive program also includes a deferral component for senior officers and key contributors who are required to defer between 10% and 20% of their salary and annual bonus in excess of \$100,000 U.S. The amount deferred is matched with a company contribution which varies with RBC Dain Rauscher performance, and which can range from 15% to 50% of the amount deferred. All mandatory deferred amounts and matching contributions are subject to vesting provisions.

Deferred Share Unit Plan

The purpose of the *Deferred Share Unit Plan* is to increase the alignment of senior management and shareholders' interests by linking short-term cash incentive rewards to the future value of Bank Common Shares. Under the Plan, each participant may elect to receive all or a percentage of his or her annual incentive bonus in the form of deferred share units ("DSUs"). A participant must elect to participate in the Plan prior to the beginning of the fiscal year. When bonus awards are determined at the end of the fiscal year, the amount elected is converted to DSUs, which have a value equal to the market price of Bank Common Shares at the beginning of the fiscal year.

The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on Bank Common Shares. The participant is not allowed to convert the DSUs until retirement, permanent disability or termination of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of Bank Common Shares at the time the conversion takes place.

Long-Term and Mid-Term Incentive Programs

The Bank's *Stock Option Plan* is designed to reward eligible employees in relation to increases in shareholder value. The Plan provides an incentive to enhance shareholder value by furthering the development, growth and profitability of the Bank and closely links pay and performance.

Options are granted by the Committee to eligible employees, including the Chief Executive Officer and other Named Executive Officers, and may be accompanied by tandem Stock Appreciation Rights ("SARs") at the discretion of the Committee. If SARs are granted, a participant may elect to exercise either an option or the corresponding SAR. Upon the exercise of a SAR, a participant receives a cash payment equal to the difference between the closing price of the Common Shares on The Toronto Stock Exchange on the last trading day immediately prior to the day of exercise of the SAR and the exercise price of the corresponding option multiplied by the number of Common Shares covered by the SAR. Upon the exercise of a SAR the corresponding option is cancelled. Similarly, upon the exercise of an option the corresponding SAR is cancelled.

Under the terms of the recent acquisition of Dain Rauscher, Mr. I. Weiser received a grant of stand-alone SARs on February 27, 2001. Upon exercise of a stand-alone SAR, the participant is entitled to receive the difference between the closing price of a Common Share on the New York Stock Exchange on the last trading day immediately prior to the day of exercise of the SAR and the exercise price of the SAR multiplied by the number of Common Shares covered by the SAR.

In September 2001, the Committee approved a new mid-term incentive arrangement, the *Performance Deferred Share Program*, for grants commencing January 2002. Under the new program, stock option grants will be reduced and grants of deferred shares will be introduced. The deferred shares vest at the end of three years. One-half of the deferred shares can be increased or decreased by 50% depending on the Bank's relative Total Shareholder Return ("TSR") compared to 15 comparable North American financial institutions.

The program will increase alignment between the interests of management and shareholders through increased opportunity to facilitate share ownership, and by rewarding the relative performance of the Bank versus other comparable North American financial institutions.

Due to the Bank's expansion in the United States, and the need to align the compensation of senior officers more closely to the North American market, in March 2001, the Committee approved a special medium-term *North American Compensation Program* for some officers, including the following Named Executive Officers: Messrs. G.M. Nixon, W.R. Mackay and J.T. Rager. The awards under this program were converted into share units, equivalent to Bank Common Shares. The share units vest over a three-year period in equal instalments of one-third per year. The units will have a value equal to the market value of Bank Common Shares on each vesting date and will be paid in either cash or Bank Common Shares at the option of the Bank.

As part of the acquisition of Dain Rauscher on January 10, 2001, Mr. I. Weiser was granted a Retention Unit Award. The award was converted into share units, equivalent to Bank Common Shares. The share units attract dividends in the form of additional share units at the same rate as dividends on Bank Common Shares. The share units vest over a three-year period in equal instalments, and are paid in cash.

Stock ownership guidelines

The Bank has guidelines for all senior officers which require holdings of Bank Common Shares, including DSUs and deferred shares, proportionate to the individual's compensation and position. The minimum stock holdings are a multiple of the last three years' average base salary and short-term incentive payments. The guidelines are as follows: Chief Executive Officer – 2.5 times, other Group Management Committee members – 1.5 times, and other senior officers – from 1.5 times to 0.5 times. Individuals are given a reasonable period of time to achieve the minimum stock holdings.

Chief Executive Officer's compensation

The Committee assesses the overall performance of the Chief Executive Officer ("CEO") on the basis of his contribution to:

- the financial performance of the Bank compared to specific objectives and targets established at the beginning of each fiscal year;
- the strategic positioning of the Bank to ensure profitable growth and success;
- the risk profile and credit quality of the Bank;
- the leadership of the organization;
- the management of succession plans to provide continuity of leadership positions, including that of the CEO; and
- the relationships with shareholders, customers, employees, governments and communities.

The Committee's objective is to provide competitive compensation for the CEO based on performance.

Mr. G.M. Nixon's base salary was established at \$900,000 and he was granted options covering 200,000 Bank Common Shares, and a medium-term North American Compensation Program award of 63,549 share units on April 1, 2001, the date he assumed his duties as President and Chief Operating Officer ("COO"). Based on his performance as President and COO (April 1 to July 31, 2001) and as President and CEO since August 1, 2001, Mr. Nixon was awarded a cash payment of \$500,000, and 10,776 DSUs (each valued at \$46.40 for 2001 fiscal year) as his short-term incentive for 2001.

Mr. Nixon received a pro-rated payment of \$980,000 in cash and 21,121 DSUs (each valued at \$46.40 for 2001 fiscal year) under the RBC Capital Markets' incentive program for his contribution to that business unit prior to his appointment as President and COO of the Bank.

Mr. J.E. Cleghorn retired from the position of Chairman and CEO on July 31, 2001, and his base salary in 2001 was \$1,200,000. Based on the CEO's performance, as measured on the above criteria and in recognition of his contribution to the creation of strong shareholder value during his tenure, Mr. Cleghorn was awarded a cash payment of \$1,750,000 and 37,716 DSUs (each valued at \$46.40 for the 2001 fiscal year) as his short-term incentive for 2001. Mr. Cleghorn also received an option grant on November 28, 2000 covering 400,000 Bank Common Shares.

Summary

The Committee is responsible for ensuring that overall compensation reflects the Bank's desired compensation principles and its financial performance. The Chairman of the Committee has direct access to the Bank's external compensation advisors. The Committee makes recommendations to the Board of Directors, which has final approval on compensation matters for senior officers and major policy changes. It is the view of the Committee that executive compensation levels are appropriate for the size of the Bank, the scope of business managed and the level of profits generated for shareholders.

The Committee members are as follows:

L.Y. Fortier, c.c., q.c., Chairman
W.G. Beattie
G.A. Cohon, o.c., o.ont.
D.T. Elix
P. Gauthier, p.c., o.c., o.q., q.c.
D.P. O'Brien
R.B. Peterson
G. Saint-Pierre, o.c.

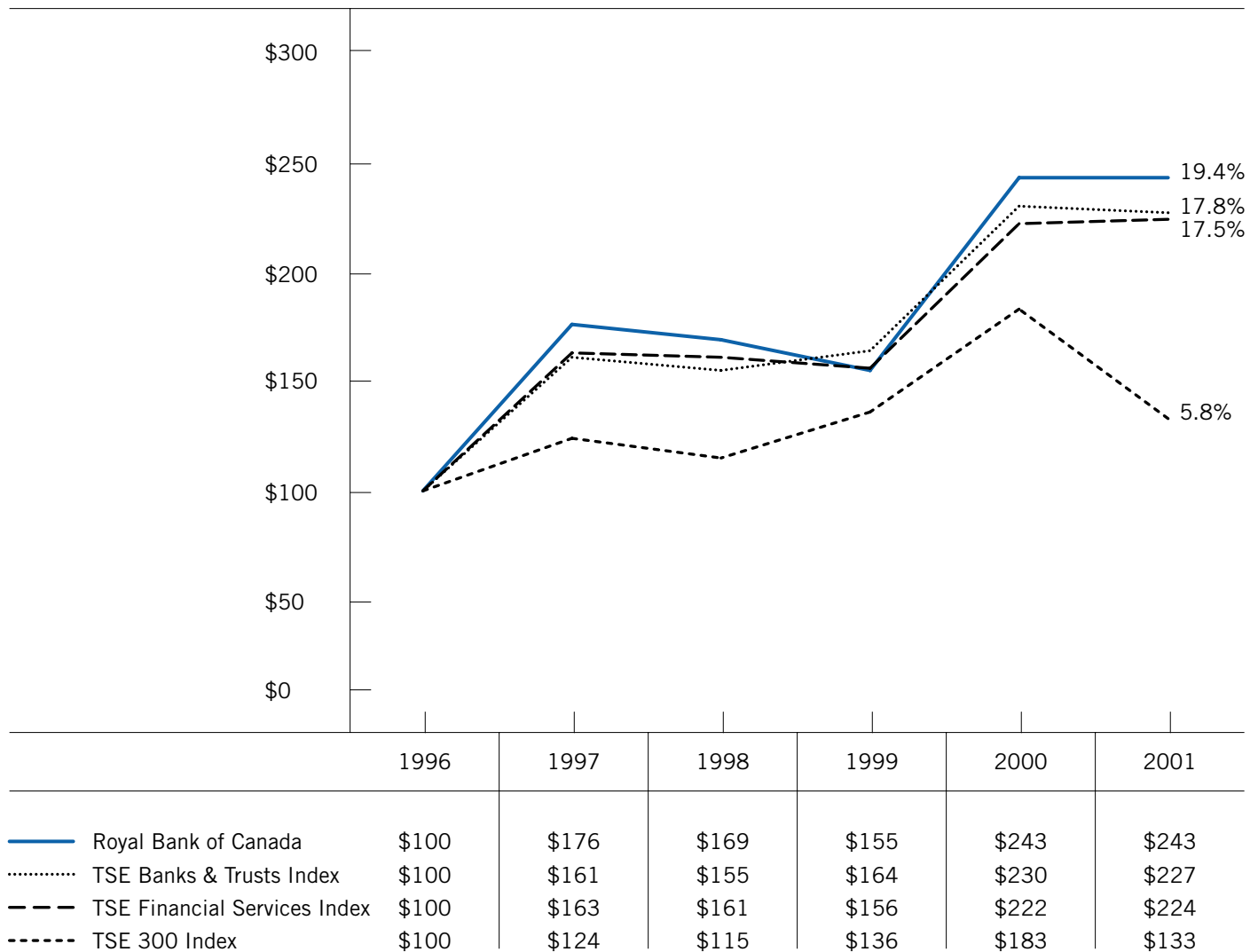
Performance graph

The following performance graph shows the cumulative return over the five-year period ending October 31, 2001 for Royal Bank of Canada's Common Shares (assuming reinvestment of dividends), compared to the TSE Banks & Trusts Index, the TSE Financial Services Index and the TSE 300 Index.

The table shows what a \$100 investment in each of these indices and in Royal Bank of Canada's Common Shares, made at the end of fiscal 1996, would be worth in each of the five years following the initial investment.

Royal Bank of Canada five-year annualized total return on \$100 investment*

(October 31, 1996–October 31, 2001)



* Assumes dividends are reinvested.

Officers' remuneration

Compensation of Named Executive Officers of the Bank

The Summary Compensation Table details compensation during the three fiscal years ended October 31, 2001, for the recently retired Chairman and Chief Executive Officer of the Bank, the President and Chief Executive Officer and the four other most highly compensated senior executive officers of the Bank measured by base salary and incentive bonuses earned during the fiscal year ended October 31, 2001.

The information includes:

- salary earned in each applicable year;
- incentive bonuses in each applicable year;

- other annual compensation, which includes perquisites and personal benefits;
- stock options granted under the Stock Option Plan;
- awards granted under the medium-term North American Compensation Program;
- deferred share units; and
- all other compensation not reported elsewhere.

Summary Compensation Table

Name and principal position	Year	Annual compensation			Long-term compensation		
		Salary (\$)	Bonus (\$) ^(b)	Other annual compensation (\$) ^(c)	Securities under options/SARs granted (# of shares)	Restricted shares or restricted share units (\$)	All other compensation (\$) ^(h)
J.E. Cleghorn Retired Chairman and Chief Executive Officer ^(a)	2001	883,333	1,750,000	88,717	400,000	37,716 share units based on \$1,750,000 Note (d)	26,227
	2000	1,081,667	1,500,000	86,407	400,000	48,208 share units based on \$1,500,000	32,403
	1999	978,333	1,000,000	86,034	300,000	–	3,418
G.M. Nixon President and Chief Executive Officer ^(a)	2001 (RBC) (April 1, 2001 to Oct. 31, 2001)	525,000	500,000	–	200,000	10,776 share units based on \$500,000 Note (d)	15,238
	2001 (RBC Capital Markets) (Nov. 1, 2000 to Mar. 31, 2001)	125,833	980,000	–	N/A	63,549 share units Note (e)	–
	2000	302,000	8,000,000	–	N/A	21,121 share units based on \$980,000 Note (d) Note (f)	–
W.R. Mackay Vice-Chairman	2001	591,667	600,000	75,363	200,000	64,350 share units Note (e)	17,749
	2000	545,833	500,000	19,353	140,000	16,069 share units based on \$500,000	16,340
	1999	525,000	237,500	1,469	200,000	6,910 share units based on \$237,500	13,895

Summary Compensation Table

Name and principal position	Year	Annual compensation			Long-term compensation		
		Salary (\$)	Bonus (\$) ^(b)	Other annual compensation (\$) ^(c)	Awards		
					Securities under options/SARs granted (# of shares)	Restricted shares or restricted share units (\$)	All other compensation (\$) ^(h)
J.T. Rager Vice-Chairman	2001	591,667	400,000	15,254	140,000	8,621 share units based on \$400,000 Note (d) 64,350 share units Note (e)	17,749
	2000	533,333	500,000	16,240	140,000	16,069 share units based on \$500,000	15,995
	1999	425,000	237,500	17,381	54,000	6,910 share units based on \$237,500	13,003
C.M. Winograd Vice-Chairman	2001	279,350	3,525,000	–	N/A	25,323 share units based on \$1,175,000 Note (d) Note (f)	–
I. Weiser Chairman & CEO RBC Dain Rauscher	2001	241,250 U.S.	3,000,000 U.S. Note (i)	78,924 U.S.	15,000 SARs	193,467 share units Note (j)	449,400 U.S. Note (k)

- (a) Mr. J.E. Cleghorn retired as Chairman and Chief Executive Officer of the Bank on July 31, 2001. Mr. G.M. Nixon was appointed President and Chief Operating Officer on April 1, 2001 and President and Chief Executive Officer on August 1, 2001.
- (b) Excludes any part of bonus paid in the form of deferred share units (“DSUs”).
- (c) The amounts in this column represent perquisites and other taxable benefits. These amounts include costs for leased automobiles for Mr. J.E. Cleghorn of \$46,120, Mr. W.R. Mackay of \$29,014 and Mr. I. Weiser of \$13,568 U.S., and the cost of financial counselling services for Mr. I. Weiser of \$27,000 U.S.
- (d) The DSUs awarded for fiscal 2001 are based on the share price of \$46.40 which was the average closing price of Bank Common Shares for the last five trading days of fiscal 2000. Aggregate holdings of DSUs as at October 31, 2001 and their value are as follows: Mr. J.E. Cleghorn 67,350 DSUs with a value of \$3,151,957, Mr. W.R. Mackay 96,195 DSUs with a value of \$4,501,936, Mr. J.T. Rager 28,022 DSUs with a value of \$1,311,414, Mr. C.M. Winograd 296,411 DSUs with a value of \$13,872,034. Additional DSUs are credited to reflect dividends paid on Bank Common Shares.
- (e) The initial value of the medium-term North American Compensation Program of \$3,000,000 was issued on March 1, 2001 to each of Messrs. W.R. Mackay and J.T. Rager and converted into 64,350 share units, which had an aggregate value of \$3,011,583 each as of October 31, 2001. The award for Mr. G.M. Nixon was issued on April 1, 2001 and converted into 63,549 share units, which had an aggregate value of \$2,974,072 as of October 31, 2001. One-third of the share units vest and are payable annually. The number of share units was determined based on the award amount divided by the average closing price of Bank Common Shares traded on The Toronto Stock Exchange for the five trading days immediately preceding the date of each award. The units do not attract dividends.
- (f) Mr. C.M. Winograd participates in the RBC Capital Markets incentive program. Mr. Winograd was awarded 180,000 units for fiscal 2001 which had a value of \$1,942,200, all of which was deferred. Deferred amounts are adjusted to reflect the variation in market price, including deemed reinvestment of dividends. The cumulative deferred amount as at October 31, 2001 was \$2,912,262. The amount deferred is payable at the rate of one-third per year and will be paid in Bank Common Shares at the then prevailing price. Mr. G.M. Nixon also had participated in the plan prior to his appointment as President and COO of the Bank. Mr. Nixon was awarded 180,000 units for fiscal 2001 which had a value of \$1,121,508 at the time of his ceasing employment with RBC Capital Markets on his appointment as President and COO of the Bank. At that time, Mr. Nixon was required to redeem his units under this program for a cumulative amount of \$3,983,120 which Mr. Nixon chose to receive as 42,983 Bank Common Shares representing the net after-tax proceeds of the cumulative amount.
- (g) Mr. G.M. Nixon was awarded 180,000 units under the RBC Capital Markets incentive program for fiscal 2000, which had a value of \$2,160,000, all of which was deferred.
- (h) The amounts in this column represent the Bank’s contributions under the Royal Employee Savings and Share Ownership Plan. These officers participate in the plan on the same basis as all other Bank employees. Under this plan, employees can contribute up to a specified percentage of their salary towards the purchase of Bank Common Shares, with the Bank contributing additional Common Shares to the extent of 50% of eligible contributions up to 3% of the employee’s salary.
- (i) The amount shown under the Bonus column reflects a contractual guarantee in connection with the purchase of Dain Rauscher in January 2001.
- (j) The amount reflected is the Retention Unit Award in connection with the purchase of Dain Rauscher in January 2001. The value of a Retention Unit equals the value of a Bank Common Share and vests over a three-year period. Additional units are credited to reflect dividends. The initial value of the award of \$6,500,000 U.S. was issued on January 10, 2001 and converted into 193,467 Retention Units. The aggregate holding of Retention Units as at October 31, 2001 is 194,826 with a value of \$5,747,367 U.S.
- (k) The amount reflects employer contributions under the mandatory deferred incentive program of Dain Rauscher in connection with the purchase of Dain Rauscher in January 2001.

Stock Option Plan

The table below shows stock option grants made to the Named Executive Officers under the Bank's Stock Option Plan during the financial year ended October 31, 2001. The Committee grants options to eligible employees, including the Chief Executive Officer and other Named Executive Officers, for the purchase of a set number of Bank Common Shares at an exercise price being the higher of the market value of the shares based on the weighted average of the trading prices of a board lot of shares on The Toronto Stock Exchange for (i) the five-trading-day period ending immediately before the option grant and (ii) the day of the option grant. Each option may be exercised over a 10-year period; 25% of the options granted vest

one year after the date of grant and an additional 25% per year over the following three years.

In the case of Mr. I. Weiser, the table shows stand-alone SARs granted on February 27, 2001. The SARs vest in equal portions over three years, starting on the first anniversary of the grant. Upon exercise of a stand-alone SAR, the participant is entitled to receive the difference between the closing price of the Common Shares of the Bank on the New York Stock Exchange on the last trading day immediately prior to the day of exercise of the SAR and the exercise price of the SAR multiplied by the number of Common Shares covered by the SAR.

Option/SAR grants during the most recently completed financial year

Name	Securities under options/SARs granted (#)	% of total options/SARs granted to employees in fiscal 2001	Exercise or base price (\$)/Common Share	Market value of securities underlying options/SARs on the date of grant (\$)/Common Share	Expiration date
J.E. Cleghorn (Retired)	400,000	6.69%	49.28	49.28	Nov. 28, 2010
G.M. Nixon	200,000	3.34%	47.54	47.54	Apr. 2, 2011
W.R. Mackay	200,000	3.34%	49.28	49.28	Nov. 28, 2010
J.T. Rager	140,000	2.34%	49.28	49.28	Nov. 28, 2010
I. Weiser	15,000 SARs ⁽¹⁾	7.1% ⁽¹⁾	30.82 U.S.	30.82 U.S.	Feb. 27, 2006

(1) The number and percentage of total SARs granted in the above table relate only to stand-alone SARs provided to selected employees of RBC Dain Rauscher.

The following table shows for each Named Executive Officer: the number of Bank Common Shares acquired through stock options during the financial year ended October 31, 2001, the aggregate value realized upon exercise, and the number of Bank Common Shares covered by unexercised options under the Stock Option Plan of the Bank as at October 31, 2001. Value realized upon exercise is the difference between the fair market value of the Bank Common Shares on the exercise date and the exercise price of the option.

Value of unexercised in-the-money options at financial year-end is the difference between the exercise price of the options and the fair market value of the Bank Common Shares on October 31, 2001, which was \$46.80 per share.

Value of unexercised in-the-money SARs held by Mr. I. Weiser at financial year-end is the difference between the exercise price of the SARs and the fair market value of the Bank Common Shares on October 31, 2001, which was \$29.50 U.S. per share.

Aggregated option/SAR exercises during the most recently completed financial year and financial year-end option values

Name	Securities acquired at exercise (#)	Aggregate value realized (\$)	Unexercised options/SARs at October 31, 2001 (#)		Value of unexercised in-the-money options/SARs at October 31, 2001 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
J.E. Cleghorn (Retired)	nil	nil	1,045,000	925,000	19,314,250	5,751,000
G.M. Nixon	nil	nil	nil	200,000	0	0
W.R. Mackay	nil	nil	135,000	405,000	1,250,975	2,194,925
J.T. Rager	45,700	742,605	75,000	336,100	554,010	2,498,631
I. Weiser	⁽¹⁾ nil	nil	418,349	nil	12,341,296 U.S.	0
	⁽²⁾ nil	nil	nil	15,000	0	0

(1) Amounts shown are Royal Bank stock options resulting from the rollover of Dain Rauscher options in connection with the purchase of Dain Rauscher on January 10, 2001.

(2) Amounts shown represent stand-alone SARs provided to Mr. I. Weiser as part of the program offered to selected employees of RBC Dain Rauscher.

Pensions

Pension arrangements are in place to provide certain senior officers, including the Named Executive Officers listed below, with lifetime annual retirement income of up to 65% of their average annual compensation, inclusive of benefits from the registered defined benefit pension plan and the Canada and Quebec Pension Plans. Pensions are based on credited service and average annual compensation defined as base salary and annual short-term incentive bonus, including the amount elected to be taken in the form of DSUs, during the best 60 consecutive months in the last 10 years of employment not to exceed 145% of the final base salary or in some cases the higher of the former and final base salary plus target bonus. Normally, these pension arrangements accrue from age 40 on

the basis of certain percentages per year, as follows: 40-44, 2% per year; 45-59, 3% per year; 60-64, 2% per year up to a maximum of 65% of average annual compensation. The normal retirement age under these arrangements is 65 years.

Early retirement benefits are available from age 55; however the pension payable is reduced when the individual does not have 35 years of pension plan membership or if the individual is over age 60 and does not have 25 years of pension plan membership.

Upon his retirement, Mr. J.E. Cleghorn received an annual pension of \$971,491 and a one-time lump sum retirement allowance of \$30,625.

Pension plan table

Remuneration (\$) ^(a)	Years of credited service at normal retirement age of 65			
	10	15	20	25
300,000	75,000	120,000	165,000	195,000
400,000	100,000	160,000	220,000	260,000
500,000	125,000	200,000	275,000	325,000
750,000	187,500	300,000	412,500	487,500
1,000,000	250,000	400,000	550,000	650,000
1,250,000	312,500	500,000	687,500	812,500
1,500,000	375,000	600,000	825,000	975,000
1,750,000	437,500	700,000	962,500	1,137,500

(a) Average annual compensation defined as base salary plus short-term incentive bonuses including the amount elected to be taken in the form of DSUs during the best remunerated 60 consecutive months in the last 10 years of employment, not to exceed 145% of final base salary or in some cases the higher of the former and final base salary plus target bonus.

The credited years of service up to October 31, 2001 for each of the Named Executive Officers is as follows:

Name	Credited service	Normal retirement age
G.M. Nixon ^(a)	4.8 years	65
W.R. Mackay ^(a)	7.5 years	65
J.T. Rager ^(a)	12.5 years	65
C.M. Winograd ^(b)	23.9 years	65
I. Weiser ^(c)	13.8 years	65

The table indicates pension levels at various years of credited service and levels of remuneration. The accrual schedule for Mr. J.T. Rager's pension is as described in the pension plan table. Mr. W.R. Mackay accrues credited service at the rate of 2.5 years for each full year of service. Mr. G.M. Nixon's

arrangement provides for a minimum pension of 40% of average annual compensation at age 55. The minimum pension increases by 3% each year for retirement at ages 56 and 57. At age 58 and beyond, his arrangement is as illustrated in the pension plan table.

- (a) The years of credited service reflect the accrued credited service as applied in the pension table.
- (b) Mr. C.M. Winograd is a member of the pension plan for directors of RBC Dominion Securities Inc. His participation in this Canada Customs and Revenue Agency registered plan is on the same terms and conditions applicable to all directors of RBC Dominion Securities Inc., subject to the maximum pension allowed under a registered plan and an accrual rate of 2% per year of service.
- (c) Mr. I. Weiser is a member of the Dain Rauscher Retirement and Savings Plan on the same terms and conditions applicable to all participants. Employees contribute 3% of salary, matched 100% by the employer. In addition, at year-end the employer makes a variable matching contribution on the first 3% of pay deferred, at a rate ranging from 0% to 200%. For the calendar year 2000 this variable rate was 100%.

Termination of employment and change-in-control

In May 2001, the Bank adopted a change-in-control policy that covers the Named Executive Officers and certain other selected executives. The policy is designed to ensure continuity of management in the event of a major shareholder transaction involving the Bank. The change-in-control provisions for covered executives will be triggered by a major shareholder transaction and termination (except for cause) of the covered executive within 24 months of the major shareholder transaction. The severance will be paid as a lump sum according to the Bank's normal severance which is determined using a formula based on service, age, salary and short-term bonus.

The severance resulting from a change-in-control would result in payments of up to two years of salary and short-term bonus. For these purposes, a major shareholder transaction is defined as (i) an entity or individual acquiring 20% or more of the voting shares of the Bank, (ii) a change in the majority (over 50%) of the directors of the Bank, (iii) a merger or consolidation with another entity which would result in the voting shares of the Bank representing less than 60% of the combined voting power of the Bank (or subsequent entity) following the merger or consolidation, or (iv) a sale or disposition of 50% or more of the net book value of the assets of the Bank.

Indebtedness of directors and officers

Indebtedness of directors, executive officers and senior officers other than under securities purchase programs

As at December 19, 2001 aggregate indebtedness entered into for purposes other than in connection with purchase of securities (other than "routine indebtedness" under applicable Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees amounted to approximately \$1,250 million. This amount primarily reflects housing loans secured on the borrower's principal residence.

Indebtedness of directors and executive officers other than under securities purchase programs

Name and principal position	Involvement of issuer or subsidiary	Largest amount outstanding during year ended October 31, 2001 (\$)	Amount outstanding as at December 19, 2001 (\$)	
			(a)	(b)
D.R. Allgood, EVP	Bank loans	180,988	–	77,357
S. Bitove, VP and Chief Accountant	Bank loans	236,596	228,790	–
F.P. Blackburn, SVP	Bank loans	299,580	294,612	–
G.J. Feeney, Deputy Chairman (Retired)	Bank loans	383,120	–	572,384
M.J. Lagopoulos, SVP	Bank loans	338,545	334,350	–
A. Lockie, EVP	Bank loans	674,889	501,228	–

Indebtedness of directors and executive officers other than under securities purchase programs

Name and principal position	Involvement of issuer or subsidiary	Largest amount outstanding during year ended October 31, 2001 (\$)	Amount outstanding as at December 19, 2001 (\$)	
			(a)	(b)
E.G. Mitchell, EVP	Bank loans	649,687	–	634,454
G.M. Nixon, President and Chief Executive Officer	Bank loans	308,644	–	310,910
J.T. Rager, Vice-Chairman	Bank loans	477,639	–	534,929
J.H. Shaw, VP and Corporate Controller	Bank loans	218,416	136,764	10,047
W.J. Westlake, Chairman and CEO, RBC Insurance	Bank loans	300,000	–	100,252
M.W. Wilson, SVP	Bank loans	474,651	419,581	51,750
C.M. Winograd, Vice-Chairman	Bank loans	308,644	–	310,910

Note: Executive Officers are senior officers of Royal Bank of Canada: as defined under section 485.1 of the *Bank Act*, or are in charge of a principal business unit.

- (a) The amount shown in this column primarily includes a residential mortgage loan secured on the borrower's residence granted at the applicable best customer interest rate in accordance with the Bank's residential mortgage lending program. In some cases, the amount shown represents loan(s) to assist with home purchase resulting from Bank-initiated transfers, secured by collateral mortgage on borrower's residence and amortized over maximum term of 25 years. The first \$50,000 of any such loan bears interest at 1% per annum, the balance at 4%, both rates being applicable for an initial three-year period; in the fourth year, the rates are 2% and 5% per annum. Thereafter, each such loan bears interest at the rate of 3% and 6% per annum respectively. This program was discontinued December 6, 1995. Existing loans were "grandfathered". Loans granted before December 8, 1993 and which were not made in conjunction with Bank-initiated transfers bear interest at a rate per annum of 2% below the Bank's residential mortgage interest rate for the term selected, subject to a minimum of 3% per annum.
- (b) Loans for personal purposes, principally for consumer purchases, home improvements, recreational property acquisition and sundry investment. Security in conformity with the Bank's regular customer lending practices is held. Such loans are granted on a demand basis, generally subject to regular repayment schedules and bear interest at a rate based on the Bank's Prime rate. Prior to December 8, 1993 such loans were granted at rates between 3% and the Bank's Prime rate.

Indebtedness of directors, executive officers and senior officers under securities purchase programs

As at December 19, 2001 aggregate indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees and former officers, directors and employees

of the Bank or its subsidiaries made in connection with the purchase of securities of the Bank or any of its subsidiaries was approximately \$140,000.

Name and principal position	Involvement of issuer or subsidiary	Largest amount outstanding during year ended October 31, 2001 (\$)	Amount outstanding as at December 19, 2001 (\$) (a)	Financially assisted securities purchased during last completed financial year	Security for indebtedness (b)
G.J. Feeney, Deputy Chairman (Retired)	Bank loans	155,053	139,802	–	192,583

- (a) Loan(s) used to purchase Bank Common Shares pursuant to the Bank's Common Share Purchase Program (discontinued) under which loans were granted at the Bank's Prime rate; prior to December 8, 1993 such loans were granted at the rate of 5% per annum. Repayment is made over terms ranging between 5 and 10 years and shares are held as security until full repayment of the loans.
- (b) Aggregate number of Bank Common Shares pledged as security for the loan amount outstanding as at December 19, 2001.

Additional items

Corporate governance

Under the rules of The Toronto Stock Exchange, the Bank is required to disclose information relating to its system of corporate governance. The Bank's disclosure is set out in Schedule 'B' to this Circular and under the heading "Corporate governance" in the Bank's 2001 Annual Report.

Directors' and Officers' Liability Insurance

The Bank has purchased, at its expense, an integrated insurance program that includes Directors' and Officers' Liability Insurance under two sections. The first section relates to protection provided for directors and officers against liability incurred by them in their capacities as directors and officers of the Bank and its subsidiaries. This section has a limit of \$300,000,000 for each claim and an aggregate limit of \$600,000,000 for the 36 months ending June 1, 2002. There is no deductible for this section of the policy. When the Bank provides an indemnity to a director or officer, the second section applies and provides payment on behalf of the Bank under the indemnity, subject to a deductible of \$10,000,000. This section has a shared limit of \$300,000,000 for each claim and a shared aggregate limit of \$600,000,000 for the 36 months ending June 1, 2002. Premiums paid by the Bank include approximately \$717,750 per annum relating to the Directors' and Officers' Liability Insurance.

Available documentation

The Bank is a reporting issuer under the securities acts of all of the provinces of Canada and is therefore required to file financial statements and information circulars with the various securities commissions. The Bank also files an Annual Information Form with such securities commissions. Copies of the Bank's latest Annual Information Form, annual financial statements, any interim financial statements filed subsequent to the filing of the most recent annual financial statements and Management Proxy Circular may be obtained on request from the Secretary of the Bank.

Directors' approval

The Board of Directors of the Bank has approved the content and sending of this Management Proxy Circular.

December 19, 2001



Jane E. Lawson
Senior Vice-President & Secretary

SCHEDULE 'A': Record of attendance by directors

For the 12 months ended October 31, 2001

Director	Number of meetings attended	
	Board	Committees ⁽¹⁾
W. Geoffrey Beattie ⁽²⁾	6 of 6	1 of 1
George A. Cohon, O.C., O.Ont.	10 of 12	6 of 9
Douglas T. Elix	9 of 12	5 of 6
John T. Ferguson, F.C.A.	11 of 12	13 of 14
L. Yves Fortier, C.C., Q.C.	11 of 12	12 of 12
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C.	12 of 12	17 of 17
J. Edward Newall, O.C.	12 of 12	17 of 18
Gordon M. Nixon ⁽³⁾	6 of 6	14 of 15
David P. O'Brien	12 of 12	10 of 12
Charlotte R. Otto ⁽⁴⁾	9 of 11	3 of 3
Robert B. Peterson	11 of 12	17 of 17
J. Pedro Reinhard	9 of 12	10 of 10
Hartley T. Richardson	12 of 12	14 of 14
Kenneth C. Rowe, F.C.I.S.	11 of 12	14 of 18
Guy Saint-Pierre, O.C.	12 of 12	16 of 16
Cecil W. Sewell, Jr. ⁽⁵⁾	4 of 4	N/A ⁽⁶⁾
Victor L. Young, O.C.	11 of 12	17 of 18

(1) Excludes directors' attendance at regional director committee meetings.

(2) Joined the board on May 23, 2001.

(3) Joined the board on April 1, 2001.

(4) Joined the board on November 21, 2000.

(5) Joined the board on July 11, 2001.

(6) As Chairman Emeritus of RBC Centura Banks, Inc., Mr. Sewell, Jr. is not a member of any board committee.

Summary of Board and Committee meetings held

Board	12
Audit	10
Conduct Review and Risk Policy	8
Corporate Governance	6
Human Resources	6
Public Policy	3
Regional director committees of the board also held meetings as follows:	
Atlantic	2
Quebec	2
Ontario	2
Prairies	2
British Columbia	2
New York	1

Directors who are not standing for re-election on February 22, 2002, or who have retired during the year and attended meetings during the 12-month period ended October 31, 2001, are as follows:

John E. Cleghorn, O.C., F.C.A. (Retired July 31, 2001)	10 of 10 Board meetings 27 of 27 Committee meetings
G.N. (Mel) Cooper, C.M., O.B.C.	11 of 12 Board meetings 13 of 13 Committee meetings
Robert T. Stewart	12 of 12 Board meetings 19 of 19 Committee meetings
Allan R. Taylor, O.C.	12 of 12 Board meetings 10 of 13 Committee meetings
Sheelagh D. Whittaker (Retired October 1, 2001)	12 of 12 Board meetings 9 of 11 Committee meetings

Royal Bank of Canada's alignment with The Toronto Stock Exchange guidelines

Note: The Annual Report contains an overview of the Bank's corporate governance procedures and a description of the mandates and activities of the committees of the Board of Directors. In this Schedule, the Bank's governance procedures are compared with The Toronto Stock Exchange guidelines for improved corporate governance.

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
1. The board should explicitly assume responsibility for stewardship of the Bank	✓	The Board of Directors supervises the management of the Bank's business and affairs with the goal of enhancing long-term shareholder value. It delegates to management the authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.
and specifically for:		
(i) adoption of a strategic planning process;	✓	The board approves the Bank's strategic plan and makes major policy decisions. It devotes at least one day-long meeting each year to strategic planning. The board frequently discusses the Bank's strategies and their implementation at board meetings.
(ii) identification of the principal risks of the Bank's business and ensuring implementation of appropriate systems to manage those risks;	✓	The board, through its Conduct Review and Risk Policy Committee, identifies the principal risks of the Bank's businesses and ensures that those risks are effectively managed. Among other things, that Committee reviews and approves risk management policies and systems related to management of credit, foreign exchange, interest rates and securities portfolio. The board's Audit Committee reviews reports from the internal audit function and reviews and approves the internal controls and risk management policies and systems related to management of capital and liquidity.
(iii) succession planning, including appointing, training and monitoring senior management;	✓	The board's Human Resources Committee reviews succession planning for senior management, including the appointment, development and monitoring of senior management, and fosters depth in management by identifying candidates for senior positions. The Committee reports to the board annually on organizational structure and succession planning matters. The Chief Executive Officer has a written objective that makes succession planning a priority.
(iv) communications policy;	✓	<p>The board reviews and approves the contents of major disclosure documents, including the Annual Report, the Annual Information Form, Management's Discussion and Analysis and this Management Proxy Circular. Through its Public Policy Committee the board reviews policies and programs related to the image of the Bank and ensures that appropriate processes are in place for communicating with customers, employees, shareholders, the investment community and the public. In this regard:</p> <ul style="list-style-type: none"> • procedures are in place to provide timely information to investors and potential investors and to respond to investor inquiries and concerns; • the Bank maintains a capable investor relations group with the responsibility of maintaining communications with the investing public in accordance with Bank policies and procedures and legal disclosure requirements; • it is Bank policy that every shareholder inquiry should receive a prompt response from an appropriate officer;

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
(v) integrity of internal control and management information systems.	✓	<ul style="list-style-type: none"> • the Chief Executive Officer, the Chief Financial Officer and other senior executives meet periodically with financial analysts and institutional investors; • investor relations staff are also available to shareholders by telephone and fax and the Bank maintains an extensive investor relations Web site; and • quarterly earnings conference calls are broadcast live over the Internet and are accessible on a live and recorded basis via telephone. Presentations at investor conferences are promptly made available on the Internet or via telephone. <p>The board's Audit Committee requires management to implement and maintain appropriate systems of internal control, and meets with the Chief Internal Auditor and with management of the Bank to assess the adequacy and effectiveness of these systems of internal control. See also item 13.</p>
2. A majority of directors should be "unrelated" (independent of management and free from any relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Bank).	✓	<p>Currently, only 3 of the 19 persons proposed for election to the board in this Circular are "related" to the Bank as determined pursuant to the TSE guidelines:</p> <ul style="list-style-type: none"> • as President & CEO of the Bank, Mr. Gordon M. Nixon is a "related" director; • as Chairman Emeritus of RBC Centura Banks, Inc., Mr. Cecil W. Sewell, Jr. is a "related" director; • as at October 31, 2001, one director is "related" by virtue of his control of entities which, if treated as a single entity, would be a "significant borrower", as defined in regulations under the <i>Bank Act</i>. All borrowing from the Bank by directors or entities controlled by directors is on terms at least as favourable to the Bank as market terms and conditions.
3. The board has responsibility for applying the definition of "unrelated director" to each individual director and for disclosing annually the analysis of the application of the principles supporting this definition and whether the board has a majority of unrelated directors.	✓	<p>On the issue of board independence, the <i>Bank Act</i> provides that no more than two-thirds of the directors may be "affiliated" with the Bank. The definitions of "unrelated" and "unaffiliated" both focus on the nature and extent of business and other relationships between directors and the Bank. In applying the principles underlying the definition of "unrelated", the Board of Directors first determined that any director who was "affiliated" as defined in the <i>Bank Act</i> would be considered to be "related". Based on this analysis and information provided by directors as to their individual circumstances, the board determined that only 3 of the 19 persons proposed for election to the board in this Circular are "related" to the Bank. See item 2.</p>
4. The board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.	✓	<p>The Corporate Governance Committee identifies, evaluates and recommends nominees for the Board of Directors, in consultation with the Chairman and the President & CEO. In certain circumstances the Committee may retain outside consultants to conduct searches for appropriate nominees. The mandate of the Committee is described under the heading "Corporate governance" in the Annual Report.</p> <p>The Committee is composed exclusively of non-management directors, a majority of whom are "unrelated" to the Bank.</p>

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
<p>5. The board should implement a process, to be carried out by an appropriate committee, for assessing the effectiveness of the board, its committees and the contribution of individual directors.</p>	<p>✓</p>	<p>Every year, the Corporate Governance Committee reviews the credentials and performance of nominees proposed for re-election to the board. In doing so, it considers their continued qualification under applicable laws and the continued validity of their credentials.</p> <p>The Committee monitors and makes recommendations regarding the effectiveness of the system of corporate governance at the Bank, including the board program, frequency and content of meetings and the need for any special meetings, communication processes between the board and management, mandates of board committees and policies governing size and composition of the board.</p> <p>As part of this process, the directors periodically conduct a written evaluation of the performance and effectiveness of the board and its committees, along with self-assessments for board members. The resulting data is analyzed by an independent outside consultant. Director peer reviews are performed in the context of discussions between individual directors and the Chairman.</p>
<p>6. Provide an orientation and education program for new directors.</p>	<p>✓</p>	<p>The Bank prepares and updates a Director's Guide for new and existing board members. New directors meet with members of the Group Management Committee, representing the Bank's core businesses, to discuss the business functions and activities of the Bank.</p> <p>The Bank provides directors with an ongoing education program, with a focus on the corporate governance system, including roles, responsibilities and liabilities of directors. Presentations on different aspects of the Bank's operations are regularly made to the board.</p>
<p>7. The board should examine its size with a view to determining the impact upon effectiveness and should undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.</p>	<p>✓</p>	<p>The Board of Directors has carefully examined issues relating to its size. The optimal size for the board represents a balance between two opposing needs: a business need for strong geographical, professional and industry sector representation – and a need to be small enough to facilitate open and effective dialogue and decision-making.</p> <p>In this Circular, 19 nominees are proposed for election as directors at the Annual Meeting on February 22, 2002. Among those nominees are five new directors, with diversified business and international experience, who were appointed to the board during the year 2001.</p>

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
8. The Board of Directors should review the adequacy and form of compensation of directors in light of the risks and responsibilities involved in being an effective director.	✓	The mandate of the Corporate Governance Committee includes reviewing the amount and the form of compensation of directors. In making recommendations to the board for appropriate adjustments, the Committee considers the time commitment, risks and responsibilities of directors, as well as comparative data derived from a survey of board compensation at other companies, which has been analyzed by an independent outside consultant. In recommending the form of directors' compensation, the Committee seeks to align the interests of directors and shareholders. For example, the Bank has introduced director share ownership guidelines and a Director Stock Option Plan. Compensation of directors is detailed on page 11 of this Circular.
9. Committees of the board should generally be composed of outside directors, a majority of whom are unrelated.	✓	Each committee of the Board of Directors is composed solely of outside directors, a majority of whom are "unrelated".
10. The board should assume responsibility for, or assign to a committee of directors responsibility for, developing the approach to corporate governance issues. This committee would, among other things, be responsible for the response to the TSE guidelines.	✓ ✓	At the Bank, ensuring the effectiveness of the board is an ongoing process, at the centre of which is a strong, independent Corporate Governance Committee. The Committee advises and assists the board in applying governance principles and practices, and tracks developments in corporate governance, adapting best practices to the needs and circumstances of the Bank. It recommends suitable candidates for election to the board and makes recommendations concerning the board program, mandates of the board committees and policies governing the overall size, structure and composition of the board. The Committee's mandate is described under the heading "Corporate governance" in the Annual Report. The Corporate Governance Committee and the Board of Directors have reviewed and approved the Bank's response to the TSE guidelines.
11. The Board of Directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities.	✓	Position descriptions have been developed for the board, its committees, the Chairman and the President & CEO. Delegations of authority have been put in place by the board to define the limits of management's authority and responsibilities. The <i>Bank Act</i> specifies certain basic and important matters that must be dealt with by the board, for example, approval of annual financial statements and declarations of dividends. By formal resolution, the Board of Directors reserves for itself the right to make certain decisions and delegates other decisions to management. Management's discretion is limited in some matters by dollar thresholds which determine when board approval is required. For example, such thresholds exist for acquisitions and investments in new subsidiaries, capital expenditures and entering into strategic alliances, licensing or outsourcing agreements.

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
<p>The board should approve or develop the corporate objectives, which the CEO is responsible for meeting.</p>	<p>✓</p>	<p>The board's position description provides that the board acts in a supervisory role and that any responsibilities not delegated to management remain with the board. The scope of the board's supervisory role expressly includes such matters as the strategic planning process, identification and management of risks, succession planning, communications policy, internal controls and governance. To support it in its supervisory role, the board expects management, among other things, to:</p> <ul style="list-style-type: none"> • undertake an ongoing review of the Bank's strategies and their implementation in light of evolving conditions; • present a comprehensive annual operating plan and regularly report on the Bank's performance and results relative to that plan; • report regularly on the Bank's business and affairs, with a focus on matters of material consequence for the Bank and its shareholders; • implement systems to identify and manage the principal risks of the Bank's businesses; and • implement and maintain appropriate systems of internal control. <p>The board approves the corporate objectives which the CEO is responsible for meeting. These objectives are set out in the Annual Report. Each Quarterly Report to Shareholders contains an analysis of the Bank's performance against these objectives.</p>
<p>12. The board should have in place appropriate structures and procedures to ensure that it can function independently of management. An appropriate structure would be to (i) appoint a Chairman of the Board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director".</p> <p>Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning responsibility for administering the board's relationship to management to a committee of the board.</p>	<p>✓</p> <p>✓</p>	<p>The Chairman of the Board is not a member of management and also serves as the Chairman of the Corporate Governance Committee.</p> <p>At the conclusion of each board meeting, the Chairman of the Board chairs a meeting of non-management directors at which any concerns may be freely expressed.</p> <p>The Chairman also serves as a liaison on corporate governance matters among the directors and between the board and senior management.</p>

TSE guidelines for improved corporate governance	Does the Bank align?	Governance procedures at Royal Bank of Canada
<p>13. The Audit Committee should be composed only of outside directors.</p> <p>The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties.</p> <p>The Audit Committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate.</p> <p>The Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>The Audit Committee, and all other committees of the board, are composed exclusively of outside directors.</p> <p>The roles and responsibilities of the Audit Committee are specifically defined by board resolution and are detailed under the heading "Corporate governance" in the Annual Report. Among other things, these include reviewing:</p> <ul style="list-style-type: none"> • the annual statement, quarterly financial statements, Annual Information Form and Management's Discussion and Analysis; • investments and transactions that could adversely affect the well-being of the Bank; • prospectuses relating to the issuance of securities by the Bank; • any significant issues reported to management by the internal audit function and management's responses to any such reports; and • the independence and the objectivity of the external auditors, including written statements as to any relationships between the external auditors and the Bank that may impact on such objectivity and independence. <p>The Audit Committee meets separately with the external auditors, the Chief Internal Auditor and senior management to discuss and review specific issues as appropriate.</p> <p>The Audit Committee, which has oversight responsibility for management reporting on internal controls, requires that management implement and maintain appropriate internal control procedures. The Committee meets with the Chief Internal Auditor and with management to assess the adequacy and effectiveness of these systems of internal control. At least once a year, the Committee reviews measures implemented to ensure compliance with the Canada Deposit Insurance Corporation's Internal Control Standards, as well as CDIC's Standards Assessment and Reporting Program and a representation letter concerning adherence by the Bank to these Standards.</p>
<p>14. The board should implement a system to enable an individual director to engage an outside advisor, at the Bank's expense in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.</p>	<p>✓</p>	<p>Individual directors may, with the approval of the Chairman of the Board, engage outside advisors at the expense of the Bank.</p>

The following four Shareholder Proposals have been submitted for consideration at the Annual Meeting of Common Shareholders.

The Association for the Protection of Quebec Savers and Investors Inc. (APEIQ), of 425 de Maisonneuve Blvd. West, Suite 1002, Montreal, Quebec H3A 3G5 has submitted one proposal. The proposal and APEIQ's supporting comments (translated from French to English) are set out in italics below.

Proposal No. 1: Maintenance of subsidiaries and tax havens

It is proposed that the Board of Directors of Royal Bank of Canada consider, in collaboration with the Canadian Bankers Association and the federal government, the advisability of maintaining its subsidiaries in tax havens and that the Board of Directors report thereon to the shareholders no later than five months prior to the holding of the general meeting in 2003.

Tax havens are a cancer on the world economy: tax evasion, money laundering, terrorism, criminal activity, illegal transactions, shelter for drug money, etc. They pose a constant threat to the legal economy. Jeffrey Robinson, an American writer, has revealed the extent of the gangrenous effect of tax havens on the world and particularly on Canada, which he describes as a "candy store" in the eyes of criminal organizations.

Banks are among the transit points, not to say the principal transit point, for the proceeds of the illegal economy. They would be acting as good "corporate citizens", in the best interests of the shareholders, if they took steps on their own initiative to block the damaging and perverse effects inflicted by the worldwide scourge of tax havens.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE AGAINST THE PROPOSAL FOR THE FOLLOWING REASONS:

The Bank and its subsidiaries arrange their business affairs in a manner that best meets the needs of the Bank, its clients and its shareholders while complying with applicable laws.

This proposal does not differentiate between the international deployment of capital and resources by the Bank or its clients to optimize their economic positions and the use of so-called tax havens by criminal elements to carry out financial activities.

The Bank, its subsidiaries and their employees are expected to comply with all laws and regulations that govern our businesses, including those in force in the various jurisdictions in which we operate. We also contribute to the effort to eliminate abuses of the global financial system by:

- implementing policies to effect compliance with the new federal laws seeking to control money laundering;
- practising "Know Your Client" rules to ensure, to the extent possible, that our clients are reputable and their business purposes legitimate;
- adhering to a Code of Conduct, which extends to every employee in every subsidiary worldwide and requires the highest possible standards of behaviour, regardless of the jurisdiction in which the business activity occurs; and
- working with international organizations to enhance policies and rules which govern the global financial system.

J. Robert (Bob) Verdun, of 29 Bristow Creek Drive, Elmira, Ontario N3B 3K6 has submitted three proposals. These proposals and Mr. Verdun's supporting comments are set out verbatim in italics below.

Proposal No. 2: Half of any shares acquired under options must be held for at least one year

It shall henceforth be the policy of the Bank to issue stock options under the following restriction: At least 50% of the shares of the Bank that are purchased with stock options must be retained by the purchaser for a minimum of one year.

Shareholder's explanation:

The primary stated objective of stock options is to enhance the alignment of the option-holder's interests with those of the Bank as a whole, and particularly of its shareholders. When an officer, director, or other insider buys shares under a stock option plan and immediately sells them into the open market, any benefit of alignment is lost. This new policy requiring the phased sale of shares purchased under options ensures that the benefiting individuals continue to have a keen interest in the ongoing success of the Bank. In a typical situation, the option holder can recoup the cost of purchasing the stock under the terms of the option, but must wait a year before reaping a substantial profit. During that year, the individual will be the owner of a substantial number of shares and will be directly affected by fluctuations in market value, clearly in alignment with the interests of the shareholders at large.

**THE BOARD OF DIRECTORS RECOMMENDS
SHAREHOLDERS VOTE AGAINST THE PROPOSAL
FOR THE FOLLOWING REASONS:**

The Bank is a strong proponent of aligning the interests of management, shareholders and the board. In line with this belief, the Bank has been a leader in Canada in establishing share ownership guidelines.

These guidelines provide that directors should own Bank Common Shares or equivalents (i.e., deferred share units, which must be held until retirement) with a value equal to six times their basic annual retainer. For officers, these guidelines require ownership of Bank Common Shares or equivalents as a multiple of the last three years' average base salary and short-term incentive payments:

- Chief Executive Officer – 2.5 times;
- other Group Management Committee members – 1.5 times; and
- other officers – from 0.5 to 1.5 times.

The Board of Directors believes these existing share ownership guidelines provide for stronger alignment than the policy suggested by the proposal.

Proposal No. 3: Publicly-traded companies controlled by the Bank shall have a majority of independent Directors

In any situation where the Bank is the controlling shareholder of a publicly-traded company, the Bank shall ensure that a majority of the Directors are clearly independent of the Bank. The majority of Directors must have no significant connections to the Bank, and must not fall within the legal definitions of “related” or “affiliated”.

Shareholder's explanation:

Offering shares of a company to the investing public is a serious matter that demands the highest standards of fairness and democratic procedure. Regardless of the percentage of voting shares actually held by a controlling corporation, the rights of the public shareholders must be paramount. This policy is essential if shareholders are to have confidence in the integrity of any publicly-traded company that is controlled by the Bank. Justice must not only be done, but it must also be seen to be done! In the absence of obvious assurance of fair corporate governance, individual shareholders are almost certain to discount the value of their investment in any Bank-controlled publicly-traded company, to the detriment of the shareholders of the Bank itself.

**THE BOARD OF DIRECTORS RECOMMENDS
SHAREHOLDERS VOTE AGAINST THE PROPOSAL
FOR THE FOLLOWING REASONS:**

The Board of Directors does not consider it in the best interests of the Bank to forfeit a fundamental right attaching to controlling positions that the Bank may hold in public companies.

The suggested discounting of value has not been demonstrated, whereas arbitrary restrictions on the Bank's ability to elect a majority of directors to the board of a public subsidiary might prevent the board of the Bank from acting in the best interests of the Bank and its shareholders.

All directors of a corporation, including any subsidiary of the Bank, are required by law to act in the best interests of that corporation and all its shareholders generally, whether those directors are representatives of a significant shareholder or not.

The TSE Committee on Corporate Governance reviewed the issue of representation of controlling shareholders on the boards of public companies. The Guidelines for Improved Corporate Governance of The Toronto Stock Exchange state that the board of every public corporation should be constituted with a majority of individuals who qualify as unrelated directors. The Committee concluded that a director who represents a significant shareholder should not be considered a related director.

The Committee stated that treating such directors as related, and requiring a majority of directors to be unrelated, would compromise the ability of the significant shareholder to exercise control, and that the ability to control, through the election to the board of individuals related to the significant shareholder, is one of the fundamental rights of the significant shareholder.

Proposal No. 4: The Bank shall not repurchase any shares of a publicly-traded spinoff company for a minimum of five years after the initial public offering

In any situation where the Bank creates a new publicly-traded company in which the Bank continues to own more than 20% of the voting shares, the Bank shall make an irrevocable commitment not to repurchase any of the shares sold in the initial public offering (IPO) for a minimum of five years from the date of the IPO, unless such purchases are made at the IPO price plus 0.5% per month for each month that has elapsed since the date of the IPO.

Shareholder's explanation:

Stock markets are subject to major fluctuations, and five years is the minimum period to fairly test the effectiveness of a new public-traded company. Investors need to have confidence that the Bank will continue to support the independent status of a spinoff enterprise for a period that is long enough for it to survive a recessionary period. This policy is essential if public shareholders are to have confidence in the integrity of any company that is controlled by the Bank. Without such assurance of a sufficient period to grow and prosper, public shareholders are almost certain to discount the value of their investment in the spinoff company, to the detriment of the shareholders of the Bank itself.

**THE BOARD OF DIRECTORS RECOMMENDS
SHAREHOLDERS VOTE AGAINST THE PROPOSAL
FOR THE FOLLOWING REASONS:**

The Board of Directors believes that the subject matter of this proposal properly falls within the areas of responsibility of the management and the board of the Bank.

When deciding to purchase or divest shares of any other company, the Bank's directors are required by law to act with a view to the best interests of the Bank. To do this, the board believes it is necessary to maintain a flexible approach, rather than to adopt arbitrary rules which might be inappropriate in a future context.

The suggested discounting of value has not been demonstrated, whereas restrictions on the Bank's ability to purchase or divest shares of another company might prevent the board of the Bank from acting in the best interests of the Bank and its shareholders.

The issue which this proposal seeks to address is not specific to the Bank. Minority shareholders are afforded protection by securities laws of general application, the actions of independent directors and the requirement for valuations, which allow such shareholders to make an informed decision.

