



# Report to Shareholders

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**TORONTO, February 23, 2000** – Royal Bank of Canada today reported record financial results for the first quarter ended January 31, 2000 which reflect significant growth of Royal Investment Services (formerly called wealth management) and solid performance from its personal & commercial banking and corporate & investment banking segments.

The results also show Royal Bank's cost reduction program, announced February 1999, is progressing well. "I would like to thank our employees for their efforts this quarter. While we recognize there is more work to be done, we are headed in the right direction," said John E. Cleghorn, Chairman and Chief Executive Officer.

Highlights using U.S. GAAP, except where indicated, are:

- > Record quarterly net income of \$515 million, 17% higher than the core net income a year ago.
- > Record net income, on a cash basis, of \$533 million, up 16% from core net income, on a cash basis, in last year's first quarter.
- > Record fully diluted earnings per share of \$1.57, 24% higher than core earnings per share a year ago.
- > Record earnings per share, on a cash basis, of \$1.63, up 22% from core earnings per share, on a cash basis, a year ago.
- > Return on common equity of 18.4%, the highest since the second quarter of 1998, and within the target range of 17–20%.
- > Return on common equity, on a cash basis, of 20.3%, up from core return on common equity, on a cash basis, of 17.8% a year ago.
- > Efficiency ratio of 62.4% (using Canadian GAAP), significantly better than in the first quarter of 1999, demonstrates progress towards meeting the objective of 59.5% exiting this year.
- > Core revenue growth of 10%, in excess of the targeted mid-single digit growth rate, with 23% growth in Royal Investment Services (wealth management).
- > Further decline in impaired loans.

**The bank's financial results and discussion are prepared in accordance with U.S. generally accepted accounting principles (GAAP).** Canadian GAAP financial statements and financial highlights are also provided on pages 18–24. To facilitate comparability, an explanation of significant differences between U.S. and Canadian GAAP is provided on pages 6–7.

QUARTERLY HIGHLIGHTS – CORE\* RESULTS

	Q1/00	Q4/99	Q1/99
<b>U.S. GAAP</b>			
Net income (millions)	\$ 515	\$ 479	\$ 440
Net income, on a cash basis (millions)	\$ 533	\$ 496	\$ 458
Fully diluted EPS	\$ 1.57	\$ 1.40	\$ 1.27
EPS, on a cash basis	\$ 1.63	\$ 1.46	\$ 1.34
Return on common equity	18.4%	16.6%	16.0%
Return on common equity, on a cash basis	20.3%	18.3%	17.8%
<b>Canadian GAAP</b>			
Net income (millions)	\$ 527	\$ 484	\$ 453
Net income, on a cash basis (millions)	\$ 544	\$ 501	\$ 469
Fully diluted EPS	\$ 1.58	\$ 1.39	\$ 1.30
EPS, on a cash basis	\$ 1.67	\$ 1.48	\$ 1.37
Return on common equity	18.7%	16.6%	16.6%
Return on common equity, on a cash basis	20.4%	18.3%	18.2%

\*Excluding one-time items.

There were no one-time items during the first quarter of 2000, therefore, core results are equivalent to reported results. Those one-time items relating to the first and fourth quarters of 1999 are shown on page 12 (U.S. GAAP) and page 20 (Canadian GAAP).

As shown in the quarterly highlights table, in the first quarter of 2000, core net income was \$515 million, up 17% from a year ago and up 8% from the fourth quarter of 1999. Core fully diluted earnings per share were \$1.57, up 24% from a year ago and 12% from last quarter. The increase in earnings resulted from very strong growth in non-interest revenues (other income) and better efficiency. All the operating segments recorded solid double-digit earnings growth over a year ago. Royal Investment Services (previously called wealth management) in particular had exceptional results, recording earnings growth of 80%.

Core return on common equity was 18.4%, up substantially from 16.0% a year ago and 16.6% last quarter.

Net income from international operations accounted for 35% of total earnings in the first quarter.

Gross impaired loans were down \$90 million or 5% from last quarter.

The bank added \$40 million to the general allowance (accumulated general provisions), bringing it to \$1,120 million or .75% of risk-adjusted assets, up from .72% last quarter.

FIRST QUARTER 2000 PERFORMANCE  
VERSUS OBJECTIVES

**Objective 1: Valuation**

Maintain valuation levels (share price/book value and share price/earnings) that are in the top quartile of the TSE Banks and Trusts Index.

**Performance:** Share price/book value of 1.7 times at January 31, 2000 – in first quartile. Share price/earnings of 9.9 times (based on analysts' average earnings estimate for 2000), in second quartile.

**Objective 2: Earnings growth**

Grow core fully diluted earnings per share (i.e., excluding one-time items) by 12–14%.

**Performance:** Core fully diluted earnings per share up 24%.

**Objective 3: Return on common equity**

Achieve a return on equity within medium-term goal range of 17–20%.

**Performance:** Return on common equity of 18.4%.

**Objective 4: Revenue growth**

Achieve revenue growth in the mid-single digits and maintain or enhance market shares in personal banking products and mutual funds.

**Performance:** Core revenue growth of 10%. Market shares (compared to all financial institutions in Canada) up to 15.3% from 15.2% three months ago for residential mortgages and to 16.8% from 16.6% for personal loans, but remained flat at 15.7% for personal deposits and declined to 8.3% from 8.6% for mutual funds.

**Objective 5: Expense growth**

Contain expenses to allow achievement of a 59.5% efficiency ratio (using Canadian GAAP) exiting the fourth quarter of 2000.

**Performance:** Core efficiency ratio of 62.4% (using Canadian GAAP) improved from 64.4% a year ago and 65.2% in 1999.

### Objective 6: Portfolio quality

Achieve a ratio of specific provisions for credit losses to average loans (including bankers' acceptances) and reverse repurchase agreements of .30–.40%.

**Performance:** .30%, at the bottom of the target range.

### Objective 7: Capital management

Maintain strong capital ratios while completing the 3.5% share repurchase program announced in May 1999.

**Performance:** Capital ratios remained strong, even while 5.0 million common shares were repurchased during the quarter, for total repurchases since June 1999 of 10.2 million shares. Common equity to risk adjusted assets of 7.1% and Tier 1 capital ratio of 8.1%, both unchanged from October 31, 1999. Total capital ratio of 11.4%, up 20 basis points from last quarter.

## CHAIRMAN'S MESSAGE

This quarter, we met or surpassed virtually all of the targets we'd set for this year. Return on common equity of 18.4% was within our 17–20% target range. Growth in core fully diluted earnings per share of 24% was well above the 12–14% target. Similarly, revenue growth of 10% exceeded the objective of growth in the mid-single digits. Expense growth was contained to a rate 300 basis points below the rate of revenue growth, despite ongoing investments in strategic initiatives and higher performance-related compensation. Without these costs, expenses would have been lower than the level of core expenses a year ago. Our efficiency (cost-to-revenue) ratio improved considerably to 62.4% (using Canadian GAAP). We continue to target an efficiency ratio of 59.5% as we exit this year, and are encouraged by the progress to date.

I highlight some outstanding accomplishments – a 970 basis point improvement in Royal Investment Services' cost-to-revenue ratio, a 1% decline in core expenses in personal & commercial banking matched by a 7% growth in core revenues, and a record 23% return on common equity in corporate & investment banking.

On the asset quality front, the provision for credit losses ratio this quarter was at the low end of our target range, impaired loans continued to decline, and we added \$40 million to our general allowance. Capital ratios remained strong and in line with our medium-term goals, even as we repurchased 5.0 million shares during the quarter for \$315 million.

As for valuation, our share price to book value remains in the first quartile. However, share price to earnings has dropped to the second quartile, and we're determined to regain our earlier standing. We will do that through strong financial performance, growth in key businesses and geographic markets, and a serious commitment to providing the best quality service to our customers by meeting their needs for convenience, speed and value.

In that regard, we continue to invest in high-growth areas such as electronic commerce and the Internet, and in businesses with solid growth and profit potential such as wealth management, insurance and selected elements of corporate & investment banking and personal & commercial banking.

We've been rated the number one bank in the world for Internet capability by Lafferty Group, while Security First Network Bank has been rated the top Internet bank in the U.S. for five consecutive quarters by Gomez Advisors. Our Internet customers in Canada are growing at the rate of about 12,000 per week and are now approaching 700,000. PrimeStreet, our recently launched Internet small business loan auction firm in the United States, will give us access to the large U.S. small business market in a creative way. We plan to bring the model into Canada.

Our recently announced acquisition of the trust business of Ernst & Young in Jersey will make us the largest trust operation in the Channel Islands. And our purchase of the individual life insurance and annuity business of Prudential of America Life Insurance Co. (Canada) will increase our annual premiums by 15% to over \$1 billion, give us access to a base of high net worth clients and generate revenue and cost synergies. We have the largest insurance operation among the Canadian banks and it generates strong and growing profits.

The credit for our exceptional performance this quarter goes to our employees, who have made tremendous efforts to improve our cost competitiveness, care for our customers and grow our business.

I look forward to reporting on our progress for the remainder of the year.



John E. Cleghorn  
Chairman and Chief Executive Officer

## RESULTS BY BUSINESS SEGMENT

(TABLES ON PAGES 11–12)

Contributions to this quarter's core net income were 53% from personal & commercial banking, 22% from Royal Investment Services, 27% from corporate & investment banking and (2)% from the "Other" segment. These compared to 50%, 15%, 27% and 8%, respectively, a year ago.

During the quarter, the bank re-allocated \$1.1 billion of common equity from the "Other" segment to the three operating segments to further underpin operational and strategic risk – approximately \$450 million to personal & commercial banking, about \$250 million to Royal Investment Services (formerly called wealth management) and approximately \$450 million to corporate & investment banking.

Core business segment results are provided on page 12. The discussion below refers to those core numbers (i.e., excluding one-time items).

### PERSONAL & COMMERCIAL BANKING

> First quarter net income was \$273 million, up 22% from a year ago as revenue growth of 7% and a 1% reduction in expenses more than offset a \$30 million increase in the general provision. Specific provisions for credit losses were virtually unchanged from a year ago. Return on common equity (ROE) was 19.5%, up slightly from a year ago despite the capital re-allocation mentioned above. The efficiency ratio improved substantially to 60.6% from 65.7% a year ago, despite higher expenses related to growing Atlanta-based Security First Network Bank.

### ROYAL INVESTMENT SERVICES (FORMERLY WEALTH MANAGEMENT)

> Net income was \$115 million, up 80% from a year ago, with earnings more than doubling in the private client division (full-service brokerage), Action Direct (discount brokerage) and personal wealth management. Other businesses also recorded double-digit earnings growth. Action Direct's revenues, number of accounts and assets under administration were up 109%, 28%, and 51%, respectively, over a year ago. The bank's total assets under administration were up 19% from a year ago to \$1.0 trillion, while assets under management rose 12% to \$86 billion at January 31, 2000. The segment's ROE was 43.2%, up 570 basis points from a year ago, despite substantially higher common equity allocated to the segment this quarter to underpin operational risk. The efficiency ratio fell 970 basis points to 71.3% as expenses grew at one-third the rate of revenues.

### CORPORATE & INVESTMENT BANKING

> Net income was \$139 million, up 19% from a year ago as revenues grew 7%, non-interest expenses 4% and the provision for credit losses declined despite a \$10 million general provision this quarter. ROE strengthened to 23.0% from 21.5% in the first quarter of 1999, and the efficiency ratio improved 190 basis points to 58.8%.

### OTHER

> Net income was \$(12) million versus \$36 million a year ago.

## RESULTS OF OPERATIONS

### REVENUES

Total revenues were \$2.8 billion in the first quarter, up \$259 million or 10% over the level of core revenues a year ago. Royal Investment Services, personal & commercial banking and corporate & investment banking accounted for approximately 46%, 39%, and 15%, respectively, of the total revenue growth.

### NET INTEREST INCOME

Taxable equivalent net interest income was \$1.3 billion, up 1% from a year ago.

The net interest margin was 1.84%, compared to 1.87% a year ago and 1.94% last quarter. The decline from last quarter reflected substantial growth of the global equity derivatives business in corporate & investment banking, which led to higher cost of funds and therefore lower net interest income. This business generates trading revenues included in non-interest revenues (other income).

### NON-INTEREST REVENUES

Core non-interest revenues were \$1.5 billion, up \$252 million or 20% from a year ago. Fees from capital markets (full-service brokerage, discount brokerage and institutional business) were up 50%, from insurance 39%, from card services 32%, from trading 28%, from foreign exchange activities 26%, and from investment management and custodial activities 19%. These reflected favourable market conditions, the bank's strong positions in these businesses and efforts to provide customers with excellent service and products suited to their needs.

As a percentage of total revenues, non-interest revenues were 55%, up from 50% a year ago. The bank's objective is to continue to grow the proportion of non-interest revenues.

## NON-INTEREST EXPENSES

Core non-interest expenses increased \$114 million or 7% from the first quarter of 1999. Contributing to this increase were higher expenses related to strategic initiatives – largely expansion of Security First Network Bank, Royal Investment Services and segments of corporate & investment banking in the U.S. These expenses totalled \$53 million, up from \$8 million in the first quarter of 1999. Greater performance-based compensation costs, largely relating to strong results from capital markets activities, increased expenses by \$106 million.

Base non-interest expenses (i.e., excluding expenses related to strategic initiatives, performance-based compensation and one-time items) were down 3% from last year's first quarter.

The core efficiency ratio was 63.3% (62.4% using Canadian GAAP) versus 65.3% (64.4% using Canadian GAAP) a year ago and 68.1% (67.1% using Canadian GAAP) last quarter.

The bank continues to target a 59.5% core efficiency ratio (using Canadian GAAP) exiting the fourth quarter of 2000. Overhead functions are being consolidated, after-sales servicing and administrative activities removed from branches and centralized, costs of purchased goods and services reduced, international corporate lending operations downsized, and domestic branches re-configured.

## CREDIT RISK MANAGEMENT

### IMPAIRED LOANS

Impaired loans (before deducting the allowance for credit losses) were \$1.6 billion or 1.0% of related loans at January 31, 2000, down \$90 million from \$1.7 billion or 1.1% last quarter.

Impaired loans in Canada were \$1.3 billion or .98% of related loans, compared to \$1.4 billion or 1.1% last quarter.

International impaired loans were \$.3 billion or 1.23% of related loans versus \$.3 billion or 1.3% in the fourth quarter of last year. Impaired loans in Asia were \$129 million and in Latin America \$10 million, both virtually unchanged from last quarter.

## PROVISION FOR CREDIT LOSSES

(\$ millions)	Q1/00	Q4/99	Q1/99
Specific provisions	\$ 133	\$ 5	\$ 175
General provision	\$ 40	\$ 230	\$ –
Total provision for credit losses	\$ 173	\$ 235	\$ 175
Core provision for credit losses*	\$ 173	\$ 145	\$ 175

\*Excluding one-time items.

As shown in the table, the provision for credit losses was \$173 million, largely unchanged from a year ago. While specific provisions were \$42 million lower, the bank recorded a \$40 million general provision this quarter. This brought the total general allowance (accumulated general provisions) to \$1,120 million or .75% of risk-adjusted assets at January 31, 2000, up from \$1,080 million or .72% last quarter.

In the past, the bank estimated the provision for credit losses at the beginning of a year and recorded it evenly over the quarters, adjusting the amount as the year progressed and estimates changed. Now the bank is recording provisions as losses are identified in the quarter. This may cause greater variability in the provision for credit losses from quarter to quarter than was the case in the past.

As a percentage of average loans (including bankers' acceptances) and reverse repurchase agreements, the specific provision for credit losses was .30% in the first quarter, at the low end of the bank's objective of .30–.40% for 2000 and compared to .40% a year ago.

The allowance for credit losses totalled \$2.0 billion or 1.2% of total loans (including bankers' acceptances) and reverse repurchase agreements at January 31, 2000, compared to \$1.9 billion or 1.2% last quarter. During the quarter, net charge-offs (charge-offs, net of recoveries) were \$124 million or .32% of average loans, versus .62% in 1999.

## BALANCE SHEET AND CAPITAL MANAGEMENT

### ASSETS

Total assets were \$272 billion at January 31, 2000, up 2% from a year ago and down 1% from last quarter.

Compared to last quarter, loans, derivative-related amounts and other assets increased, while most other categories decreased.

Total loans (before deducting the allowance for credit losses) increased \$3.6 billion from October 31, 1999. Business and government loans and acceptances increased by \$1.8 billion or 3%, personal loans were up \$1.0 billion or 4%, and residential mortgages increased \$.8 billion or 1%.

## DEPOSITS

Total deposits were \$192 billion, up 2% from last quarter, with higher international interest-bearing deposits and domestic non-interest bearing deposits.

## CAPITAL

Total capital (shareholders' equity and subordinated debentures) was \$17.5 billion, up \$1.0 billion from a year ago and \$490 million from last quarter. The increase from last quarter largely reflected \$320 million of internally generated capital and \$500 million of debentures issued, offset by \$315 million of common shares repurchased.

In May 1999, the bank announced its intention to repurchase up to 3.5% of its public common share float in a normal course issuer bid through the facilities of the Toronto and Montreal stock exchanges. During the one-year period beginning June 25, 1999 and ending June 23, 2000, the bank may purchase up to 10.9 million shares in the open market at market prices. During this quarter, the bank repurchased 5.0 million common shares for \$315 million, at an average price of \$63.51 per share. Total repurchases since June 1999 were 10.2 million common shares for \$648 million, at an average price of \$63.53 per share.

Capital strength for Canadian banks is regulated pursuant to guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) based on standards issued by the Bank for International Settlements. OSFI indicates that a Canadian bank should attain Tier 1 and Total capital ratios of at least 7% and 10%, respectively.

At January 31, 2000, using OSFI guidelines and Canadian GAAP financial information, the bank's Tier 1 capital ratio was 8.1%, unchanged from last quarter, while the Total capital ratio was 11.4%, up from 11.2% at October 31, 1999. Both ratios met the bank's medium-term (3–5 year) capital goals of 8% for Tier 1 capital and 11–12% for Total capital. The bank also met its third medium-term capital ratio goal of 7% for common equity to risk-adjusted assets, with a ratio of 7.1% at January 31, 2000, unchanged from last quarter. Risk-adjusted assets were \$150.1 billion, up 1% from last quarter.

Using guidelines issued by the U.S. Federal Reserve Board and U.S. GAAP financial information, the bank's Tier 1 and Total capital ratios at January 31, 2000 were 7.6% and 10.9%, respectively.

## U.S. AND CANADIAN GAAP – SIGNIFICANT DIFFERENCES

(in millions of Canadian dollars)	Three months ended	As at	
	January 31, 2000	January 31, 2000	
	Net Income	Shareholders' Equity	Assets
<b>Canadian GAAP</b>	\$ 527	\$ 12,635	\$270,010
Reclassification of securities <sup>(1)</sup>	–	(79)	(79)
Postretirement benefits other than pensions <sup>(2)</sup>	(8)	(136)	104
Pension benefits <sup>(3)</sup>	(3)	(30)	(30)
Trade date accounting <sup>(4)</sup>	–	–	26
Other <sup>(6)</sup>	(1)	32	1,863
<b>U.S. GAAP</b>	<b>\$ 515</b>	<b>\$ 12,422</b>	<b>\$271,894</b>

(in millions of Canadian dollars)	Three months ended	As at	
	January 31, 1999	January 31, 1999	
	Net Income	Shareholders' Equity	Assets
<b>Canadian GAAP</b>	\$ 361	\$ 12,231	\$ 267,136
Reclassification of securities <sup>(1)</sup>	–	57	64
Postretirement benefits other than pensions <sup>(2)</sup>	(8)	(99)	76
Pension benefits <sup>(3)</sup>	(4)	(25)	(25)
Trade date accounting <sup>(4)</sup>	–	–	(487)
Merger consummation costs <sup>(5)</sup>	14	–	–
Other <sup>(6)</sup>	(1)	32	70
<b>U.S. GAAP</b>	<b>\$ 362</b>	<b>\$ 12,196</b>	<b>\$ 266,834</b>

(in millions of Canadian dollars)	Three months ended	As at	
	October 31, 1999	October 31, 1999	
	Net Income	Shareholders' Equity	Assets
<b>Canadian GAAP</b>	\$ 484	\$ 12,615	\$ 270,650
Reclassification of securities <sup>(1)</sup>	–	(85)	(85)
Postretirement benefits other than pensions <sup>(2)</sup>	(11)	(128)	97
Pension benefits <sup>(3)</sup>	5	(27)	(27)
Trade date accounting <sup>(4)</sup>	–	–	2,327
Other <sup>(6)</sup>	1	33	336
<b>U.S. GAAP</b>	<b>\$ 479</b>	<b>\$ 12,408</b>	<b>\$ 273,298</b>

- (1) Under U.S. GAAP, securities are classified as trading account (carried at estimated current market value), available for sale (carried at estimated current market value) or held to maturity (carried at amortized cost). The net unrealized gain (loss) on available for sale securities, net of hedging activities and related income taxes, is reported as other comprehensive income within shareholders' equity. Under Canadian GAAP, securities are classified as investment account (carried at amortized cost) or trading account (carried at estimated current market value). Classifying securities in accordance with U.S. GAAP decreased securities by \$148 million, increased the related deferred income taxes included in other assets by \$60 million, increased other assets by \$9 million as a result of marking to market the instruments which hedge available for sale securities, and decreased shareholders' equity by \$79 million as at January 31, 2000.
- (2) Under U.S. GAAP, the costs of postretirement benefits other than pensions are accrued over the working lives of employees in a manner similar to pension costs. Under Canadian GAAP, these costs are charged to income as incurred. The after-tax cost of providing postretirement benefits other than pensions in excess of the expenditures recognized under Canadian GAAP decreased net income under U.S. GAAP by \$8 million for the three months ended January 31, 2000. The cumulative pre-tax cost increased other liabilities by \$240 million, the related deferred income taxes increased other assets by \$104 million and shareholders' equity decreased by \$136 million as at January 31, 2000.
- (3) Under U.S. GAAP, the assumed discount rate used to determine pension costs reflects the rate at which the pension benefit obligation could effectively be settled at the beginning of the fiscal year. Under Canadian GAAP, a long-term weighted average discount rate is used to determine pension costs. The application of U.S. GAAP to the bank's pension accounting decreased net income by \$3 million for the three months ended January 31, 2000 due to a lower discount rate under U.S. GAAP. The cumulative pre-tax cost decreased other assets by \$53 million, the related deferred income taxes increased other assets by \$23 million and shareholders' equity decreased by \$30 million as at January 31, 2000.
- (4) Under U.S. GAAP, trade date accounting for securities is used for both the balance sheet and the income statement. The bank's practice under Canadian GAAP is settlement date accounting for the balance sheet and trade date accounting for the income statement. The application of trade date accounting to the bank's balance sheet decreased securities by \$786 million, increased other assets by \$812 million and increased other liabilities by \$26 million as at January 31, 2000.
- (5) Under U.S. GAAP, costs incurred to effect a business combination accounted for as a pooling of interests are expensed as incurred. As a result, merger consummation costs of \$24 million incurred in 1998 to effect the proposed merger with Bank of Montreal were charged to income in 1998 under U.S. GAAP. Under Canadian GAAP, these costs were deferred as other assets, and were to be charged directly to retained earnings when the merger was consummated. Following the rejection of the proposed merger by the Minister of Finance in December 1998, the deferred costs amounting to \$24 million plus additional costs of \$12 million were charged to income in the first quarter of 1999 under Canadian GAAP. The \$36 million charged to income under Canadian GAAP exceeded, by \$24 million, the \$12 million charged to income under U.S. GAAP in the first quarter of 1999. This resulted in net income under U.S. GAAP being \$14 million higher for the three months ended January 31, 1999.
- (6) There are other differences between U.S. and Canadian GAAP, which affect net income, shareholders' equity and total assets. These differences primarily relate to the right of offset, valuations of insurance assets and liabilities, and other minor items. These items decreased net income under U.S. GAAP by \$1 million for the three months ended January 31, 2000, increased shareholders' equity by \$32 million, and increased assets and liabilities by \$1,863 million and \$1,831 million, respectively, as at January 31, 2000.

## FIRST QUARTER OPERATING HIGHLIGHTS

### PERSONAL & COMMERCIAL BANKING

- > In November, the bank launched the first-ever Canadian LensCard, the Royal Bank Visa Gold credit card with a built-in lens that magnifies text up to three-and-a-half times and helps Canadians read smaller print on sales slips, restaurant receipts, and more.
- > In December, the bank announced an affinity credit card partnership with Covenant House, Canada's largest youth shelter, providing customers with another simple and convenient way to link buying power with philanthropic habits. Four different Royal Bank Covenant House Visa cards are being offered to Covenant House supporters.
- > With the completion of its launch in New Brunswick in December, RBC Insurance became the first Canadian bank-owned insurer to bring individual home and auto insurance to customers nationally. RBC Insurance rolled out their home and auto insurance products across Canada in 17 months with the focus of building a leading direct insurance company for Canadians.
- > In December, the bank initiated a trade services agreement with Standard Chartered Bank in Asia, which will provide Royal Bank clients with fast, efficient handling of letters of credit and other trade-related services. The alliance offers seamless services to Canadian importers and their suppliers abroad, and export clients benefit from Standard Chartered's services and extensive market intelligence in Asia.
- > In January, RBC Insurance announced the acquisition of the Canadian individual life insurance and annuity business of the Prudential of America Life Insurance Co., known as PruCan, and a 15% interest in PPI Partners, a leading provider of insurance and related financial products to high net worth Canadians. This acquisition, expected to close in February 2000, moves RBC Insurance to 7th largest from 11th largest in new individual life insurance premiums in Canada.

### *E-commerce initiatives*

- > In November, the bank launched one of Canada's largest on-line shopping directories, which brings on-line merchants together with the more than 40,000 consumers who visit royalbank.com each day. On-line shoppers can now bookmark a single Internet URL ([www.royalbank.com/cards/shopping](http://www.royalbank.com/cards/shopping)) for access to more than 250 Canadian merchants with the assurance that credit card transactions are being processed through Royal Bank.
- > In November, the bank pilot launched the first digital wallet in Canada, ROYALpass, using a secure electronic wallet developed by Qpass and eHNC. ROYALpass helps Royal Bank clients eliminate lengthy order processes, the hassle of keeping track of different passwords and the general insecurity of purchasing on-line. The bank's merchant services and retail customers also like ROYALpass since it's estimated that about two-thirds of all Internet purchases are abandoned midstream, mostly due to the time required for shoppers to input all of their information.
- > In December, Royal Bank was judged "Internet Bank 2000" by Lafferty Internet Ratings, a quarterly research survey compiled by Lafferty Group, London. According to Lafferty, the bank has created and sustained the world's most advanced and sophisticated Internet financial services capability.
- > In December, Security First Network Bank (SFNB) became the first bank to reach an agreement with VerticalOne to offer personal account aggregation services to SFNB's customers. Through a single log-in and password, SFNB customers will have instant access to all their personal account information, including rewards programs, bills and bank statements (including those of third-party financial institutions). This represents the most sophisticated level of personalization and customization available on the Internet.
- > In January, SFNB announced a distribution alliance with DirectAg.com to serve its membership of American farmers. SFNB will bring a whole host of capabilities including risk and balance sheet management, regulatory compliance, vendor management, customer care, and marketing. DirectAg's members will have access to a broad range of banking services, including on-line checking, savings and credit card accounts.

- > In January, Royal Bank Ventures Inc., a wholly owned venture capital arm of Royal Bank, launched PrimeStreet, an Internet business loan auction firm in the United States, which allows lenders to provide up to US\$100,000 of financing to small businesses. PrimeStreet is officially launching with anchor banks Bank One, Mellon Bank, Enterprise Bank and SFNB and is expected to feature more than 100 financial institutions by the end of the year.
- > In January, the bank announced an agreement with Entrust Technologies to provide for an enterprise-wide PKI solution, allowing the bank to issue digital certificates to each of its 10 million customers. The digital certificates enable the bank to authenticate customers' identities on-line and eliminate the need for customers to sign documents and drop them off at a branch. With PKI and digital signatures, the bank will have the capability to deliver secure end-to-end selling and fulfilment without the need for paper-based forms.
- > Royal Bank's total Canadian on-line clients, which are being added at the rate of 12,000 per week, are now approaching 700,000, up from 530,000 at October 31, 1999. The bank's goal is to have one million on-line customers in Canada by October 31, 2000.

### **ROYAL INVESTMENT SERVICES (FORMERLY WEALTH MANAGEMENT)**

- > In November, Royal Bank Action Direct began providing extended hours trading on the NASDAQ exchange. Action Direct clients who want to participate in the NASDAQ extended sessions are able to place limit orders through Action Direct's Investment Representatives between 5:00 p.m. and 6:30 p.m. EST when the extended sessions are open.
- > In December, Royal Mutual Funds launched a new Internet tool designed to offer young and new investors a platform for investment education, planning and goal achievement. This tool, dubbed Investigate, invites visitors to investigate their personal investment needs, set goals and build the basics of good investing habits.
- > In January, the bank's global private banking division announced the acquisition of the private client trust business of Ernst & Young Trust Company (Jersey) Limited in the Channel Islands. The deal comprises a geographically diversified base of 4,000 profitable trust clients and 6 billion pounds sterling (C\$14 billion) of assets administered.

#### CORPORATE & INVESTMENT BANKING

- > During the first quarter, RBC Dominion Securities acted as advisor to Imasco Limited in its acquisition by BAT plc and sale of Shoppers Drug Mart, and was lead advisor to Nortel Networks in BCE's spinout of its Nortel holdings.
- > In mid-December, the results of the 1999 Reuters/Tempest Consultants Institutional Equity Survey were released, ranking RBC DS as the clear leader in the eyes of Canadian institutional clients. The firm was also credited with the largest number of "all-star" equity research analysts, those who number among the top three analysts in a given industry sector.
- > In the January release of the annual *Financial Post* league tables, RBC Dominion Securities once again emerged as Canada's leading underwriter. The "Top 10 by Full Credit" league tables ranked RBC DS number one in the following categories: all financings, all corporate (i.e., all corporate underwriting), corporate debt, government debt, domestic equity and domestic corporate debt.
- > In January, the merchant banking arm of the bank, Royal Bank Equity Partners, committed \$200 million to the creation of a new mezzanine financing unit that will provide mid-sized companies with an additional source of financing to support their growth strategies. Target investments will be in the \$10 million to \$40 million range with a horizon of three to seven years.

#### OTHER

- > A new business segment was launched, effective February 1, called global integrated solutions, which consolidates transaction-based services under one segment and allows for a more integrated sales relationship with business clients. This new segment combines the specialized products of payments, custody, trade finance and electronic cash management services with elements of the business the bank conducts with international banks and broker/dealers in Canada.

#### CAUTION REGARDING

##### FORWARD-LOOKING STATEMENTS

Royal Bank, from time to time, makes written and oral forward-looking statements, included in this press release, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. Such forward-looking statements include objectives for 2000 and the medium-term, and strategies to achieve those objectives, set forth herein. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Royal Bank cautions readers not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, changes in economic conditions including fluctuations in interest rates and inflation, regulatory developments, technological changes and the effects of competition in the geographic and business areas where the bank operates.

Royal Bank cautions that the foregoing list of important factors is not exhaustive; when relying on forward-looking statements to make decisions with respect to the bank, investors and others should carefully consider the foregoing factors and other uncertainties and events.

Royal Bank of Canada (RY) is a diversified global financial services group and a leading provider of personal and commercial banking, investment and trust services, insurance, corporate and investment banking, on-line banking, and transaction-based services including custody. The group's main business units include Royal Bank, RBC Dominion Securities, Royal Investment Services, RBC Insurance and Global Integrated Solutions. The group has 50,000 employees who serve 10 million personal, business and public sector customers in 30 countries. For more information, visit Royal Bank's Web site at [www.royalbank.com](http://www.royalbank.com).

## SELECTED FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except per share and percentage amounts)	Change from January 31 1999	As at and for the three months ended		
		January 31 2000	October 31 1999	January 31 1999
<b>Earnings</b>				
Net interest income <sup>(1)</sup>	1%	\$ 1,280	\$ 1,344	\$ 1,273
Non-interest revenue	17	1,532	1,520	1,308
Gross revenues <sup>(1)</sup>	9	2,812	2,864	2,581
Provision for credit losses	(1)	173	235	175
Non-interest expenses	(3)	1,781	1,892	1,832
Net income	42	515	479	362
Return on common equity	550 bp	18.4%	16.6%	12.9%
Return on common equity, cash basis <sup>(2)</sup>	590 bp	20.3%	18.3%	14.4%
<b>Balance sheet and off-balance sheet data</b>				
Loans	1%	\$ 157,632	\$ 154,050	\$ 155,838
Assets	2	271,894	273,298	266,834
Deposits	7	192,260	187,897	179,713
Common equity	3	10,463	10,435	10,110
Assets under administration	19	1,027,300	967,800	861,600
Assets under management	12	86,400	81,600	77,200
<b>Capital ratios (Canadian basis)<sup>(3)</sup></b>				
Common equity to risk-adjusted assets	30 bp	7.1%	7.1%	6.8%
Tier 1 capital	20 bp	8.1%	8.1%	7.9%
Total capital	10 bp	11.4%	11.2%	11.3%
<b>Capital ratios (U.S. basis)<sup>(4)</sup></b>				
Common equity to risk-adjusted assets	30 bp	7.0%	7.0%	6.7%
Tier 1 capital	30 bp	7.6%	7.6%	7.3%
Total capital	– bp	10.9%	10.7%	10.9%
<b>Common share information</b>				
Shares outstanding (thousands)				
End of period	(3)%	304,391	308,884	313,662
Average basic	(2)	306,354	311,235	313,569
Average fully diluted	(2)	309,056	313,948	316,798
Earnings per share				
Basic	53	\$ 1.58	\$ 1.41	\$ 1.03
Fully diluted	52	1.57	1.40	1.03
Cash basis <sup>(2)</sup>	50	1.63	1.46	1.09
Share price				
High	(18)	\$ 69.40	\$ 67.90	\$ 84.25
Low	(17)	54.50	59.30	65.30
Close	(24)	59.05	63.45	78.10
Dividends per share	17	0.54	0.48	0.46
Book value per share – period end	7	34.37	33.78	32.20
Market capitalization (\$ billions)	(27)	18.0	19.6	24.5
<b>Number of:</b>				
Employees (full-time equivalent)	(2,196)	49,625	51,891	51,821
Automated banking machines	267	4,689	4,585	4,422
Service delivery units:				
Canada	(20)	1,408	1,410	1,428
International <sup>(5)</sup>	3	109	99	106

(1) Taxable equivalent basis.

(2) Return on common equity, cash basis, and earnings per share, cash basis, are computed by adding back goodwill amortization after tax charged to net income in each period and reducing average common equity by the unamortized goodwill.

(3) Represents the capital ratios under guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI), calculated based on Canadian GAAP financial information.

(4) Represents the capital ratios under guidelines issued by the U.S. Federal Reserve Board, calculated based on U.S. GAAP financial information.

(5) International service delivery units include branches, specialized business centres, representative offices, agencies and subsidiaries.

EARNINGS BY BUSINESS SEGMENT<sup>(1)</sup> (UNAUDITED)

(in millions of Canadian dollars, taxable equivalent basis)	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
Net interest income	\$ 1,151	\$ 1,167	\$ 1,090	\$ 84	\$ 78	\$ 66	\$ 58	\$ 131	\$ 137	\$ (13)	\$ (32)	\$ (20)	\$ 1,280	\$ 1,344	\$ 1,273
Non-interest revenue	422	434	409	556	521	454	524	453	405	30	112	40	1,532	1,520	1,308
Gross revenues	1,573	1,601	1,499	640	599	520	582	584	542	17	80	20	2,812	2,864	2,581
Provision for credit losses	169	152	141	—	1	—	18	103	38	(14)	(21)	(4)	173	235	175
Non-interest expenses	953	1,017	1,016	456	486	421	342	345	412	30	44	(17)	1,781	1,892	1,832
Income taxes <sup>(2)</sup>	178	160	132	69	27	35	83	56	22	13	15	23	343	258	212
Net income	\$ 273	\$ 272	\$ 210	\$ 115	\$ 85	\$ 64	\$ 139	\$ 80	\$ 70	\$ (12)	\$ 42	\$ 18	\$ 515	\$ 479	\$ 362
Net income as a % of total	53	57	58	22	18	18	27	17	19	(2)	8	5	100	100	100
Return on common equity (%)	19.5	21.0	18.0	43.2	48.9	37.5	23.0	15.6	12.3	(3.8)	3.6	0.9	18.4	16.6	12.9
Efficiency ratio (%) <sup>(3)</sup>	60.6	63.5	67.8	71.3	81.1	81.0	58.8	59.1	76.0	—	—	—	63.3	66.1	71.0
Average assets (\$ billions)	127.3	126.9	121.0	8.5	9.2	8.3	130.4	129.7	133.3	10.2	9.1	7.3	276.4	274.9	269.9
Average loans (\$ billions)	121.4	121.0	115.8	2.5	2.5	2.6	30.2	32.9	40.4	—	(1.5)	(1.3)	154.1	154.9	157.5
Average deposits (\$ billions)	99.7	98.5	95.6	14.0	13.5	12.9	67.3	66.7	66.0	11.0	10.6	7.5	192.0	189.3	182.0
Average common equity (\$ billions)	5.3	4.8	4.3	1.0	0.7	0.6	2.3	1.9	2.0	1.8	3.1	3.1	10.4	10.5	10.0

(1) Personal & commercial banking comprises the personal and commercial banking business, card services, Security First Network Bank, distribution and service delivery and insurance. Royal investment services consists of global private banking, Royal Mutual Funds, investment management, private client division, global securities services, personal wealth management, Royal Private Trust and Action Direct; Corporate & investment banking comprises the corporate and investment banking business, global equity and global markets. Other consists largely of real estate operations, corporate treasury, systems and technology and the discontinued LDC business. The movements this quarter of distribution and service delivery to Personal & commercial banking from Other and results for Royal Trust branches from Royal investment services to Personal & commercial banking has resulted in the restatement of numbers for prior periods.

(2) Includes non-controlling interest and taxable equivalent adjustment.

(3) Non-interest expenses as a percentage of gross revenues.

## EARNINGS BY GEOGRAPHIC SEGMENT (UNAUDITED)

(In millions of Canadian dollars, taxable equivalent basis)	Q1/00			Q4/99			Q1/99		
	Canada	Int'l	Total	Canada	Int'l	Total	Canada	Int'l	Total
Net interest income	\$ 1,108	\$ 172	\$ 1,280	\$ 1,164	\$ 180	\$ 1,344	\$ 1,076	\$ 197	\$ 1,273
Non-interest revenue	1,244	288	1,532	1,220	300	1,520	987	321	1,308
Gross revenues	2,352	460	2,812	2,384	480	2,864	2,063	518	2,581
Provision for credit losses	160	13	173	210	25	235	154	21	175
Non-interest expenses	1,556	225	1,781	1,611	281	1,892	1,565	267	1,832
Income taxes <sup>(1)</sup>	300	43	343	231	27	258	157	55	212
Net income	\$ 336	\$ 179	\$ 515	\$ 332	\$ 147	\$ 479	\$ 187	\$ 175	\$ 362

(1) Includes non-controlling interest and taxable equivalent adjustment.

## ONE-TIME ITEMS IMPACTING BUSINESS SEGMENT RESULTS

	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
(in millions of Canadian dollars, taxable equivalent basis)															
Non-interest revenue															
Gain on sale of real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ -	\$ -	\$ 95	\$ -
Gain on sale of shares	-	-	28	-	-	-	-	-	-	-	-	-	-	-	28
	-	-	28	-	-	-	-	-	-	-	95	-	-	95	28
<b>Provision for credit losses</b>															
Addition to general provision	-	(35)	-	-	-	-	-	(55)	-	-	-	-	-	(90)	-
	-	(35)	-	-	-	-	-	(55)	-	-	-	-	-	(90)	-
<b>Non-interest expenses</b>															
Merger-related costs	-	-	-	-	-	-	-	-	-	-	-	(12)	-	-	(12)
Restructuring costs	-	-	(50)	-	-	-	-	-	(83)	-	-	(20)	-	-	(153)
Expenses related to the sale of real estate	-	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-
	-	-	(50)	-	-	-	-	-	(83)	-	(5)	(32)	-	(5)	(165)
<b>Total impact (pre-tax)</b>	-	(35)	(22)	-	-	-	-	(55)	(83)	-	90	(32)	-	-	(137)
<b>Total impact (after-tax)</b>	-	(20)	(13)	-	-	-	-	(31)	(47)	-	51	(18)	-	-	(78)
Impact on fully diluted EPS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.24)

EARNINGS BY BUSINESS SEGMENT, EXCLUDING ONE-TIME ITEMS<sup>(1)</sup> (UNAUDITED)

	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
(in millions of Canadian dollars, taxable equivalent basis)															
Net interest income	\$1,151	\$1,167	\$1,090	\$ 84	\$ 78	\$ 66	\$ 58	\$ 131	\$ 137	\$ (13)	\$ (32)	\$ (20)	\$1,280	\$1,344	\$1,273
Non-interest revenue	422	434	381	556	521	454	524	453	405	30	17	40	1,532	1,425	1,280
Gross revenues	1,573	1,601	1,471	640	599	520	582	584	542	17	(15)	20	2,812	2,769	2,553
Provision for credit losses	169	117	141	-	1	-	18	48	38	(14)	(21)	(4)	173	145	175
Non-interest expenses	953	1,017	966	456	486	421	342	345	329	30	39	(49)	1,781	1,887	1,667
Income taxes <sup>(2)</sup>	178	175	141	69	27	35	83	80	58	13	(24)	37	343	258	271
Net income	\$ 273	\$ 292	\$ 223	\$ 115	\$ 85	\$ 64	\$ 139	\$ 111	\$ 117	\$ (12)	\$ (9)	\$ 36	\$ 515	\$ 479	\$ 440
Net income as a % of total	53	61	50	22	18	15	27	23	27	(2)	(2)	8	100	100	100
Return on common equity (%)	19.5	22.7	19.2	43.2	48.9	37.5	23.0	22.3	21.5	(3.8)	(2.8)	3.3	18.4	16.6	16.0
Efficiency ratio (%) <sup>(3)</sup>	60.6	63.5	65.7	71.3	81.1	81.0	58.8	59.1	60.7	-	-	-	63.3	68.1	65.3
Average assets (\$ billions)	127.3	126.9	121.0	8.5	9.2	8.3	130.4	129.7	133.3	10.2	9.1	7.3	276.4	274.9	269.9
Average loans (\$ billions)	121.4	121.0	115.8	2.5	2.5	2.6	30.2	32.9	40.4	-	(1.5)	(1.3)	154.1	154.9	157.5
Average deposits (\$ billions)	99.7	98.5	95.6	14.0	13.5	12.9	67.3	66.7	66.0	11.0	10.6	7.5	192.0	189.3	182.0
Average common equity (\$ billions)	5.3	4.8	4.3	1.0	0.7	0.6	2.3	1.9	2.0	1.8	3.1	3.1	10.4	10.5	10.0

(1) Personal & commercial banking comprises the personal and commercial banking business, card services, Security First Network Bank, distribution and service delivery and insurance. Royal investment services consists of global private banking, Royal Mutual Funds, investment management, private client division, global securities services, personal wealth management, Royal Private Trust and Action Direct; Corporate & investment banking comprises the corporate and investment banking business, global equity and global markets. Other consists largely of real estate operations, corporate treasury, systems and technology and the discontinued LDC business. The movements this quarter of distribution and service delivery to Personal & commercial banking from Other and results for Royal Trust branches from Royal investment services to Personal & commercial banking has resulted in the restatement of numbers for prior periods.

(2) Includes non-controlling interest and taxable equivalent adjustment.

(3) Non-interest expenses as a percentage of gross revenues.

## CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three months ended

(in millions of Canadian dollars, except per share data)

	January 31, 2000	October 31, 1999	January 31, 1999
<b>Interest income</b>			
Loans	\$ 2,685	\$ 2,625	\$ 2,690
Trading account securities	339	295	283
Available for sale and held to maturity securities	277	264	225
Assets purchased under reverse repurchase agreements	236	268	193
Deposits with banks	250	224	212
	3,787	3,676	3,603
<b>Interest expense</b>			
Deposits	2,078	1,935	2,003
Other liabilities	361	333	265
Subordinated debentures	75	72	72
	2,514	2,340	2,340
<b>Net interest income</b>	1,273	1,336	1,263
<b>Provision for credit losses</b>	173	235	175
<b>Net interest income after provision for credit losses</b>	1,100	1,101	1,088
<b>Non-interest revenue</b>			
Capital market fees	365	347	244
Trading revenues	372	258	291
Deposit and payment service charges	178	175	168
Investment management and custodial fees	151	151	127
Mutual fund revenues	125	121	117
Card service revenues	111	111	84
Securitization revenues	35	40	61
Gain on sale of securities	1	16	33
Other	194	301	183
	1,532	1,520	1,308
<b>Non-interest expenses</b>			
Human resources	1,105	1,067	1,056
Occupancy	131	132	169
Equipment	163	186	162
Communications	160	193	165
Other	222	314	280
	1,781	1,892	1,832
<b>Net income before income taxes</b>	851	729	564
Income taxes	334	248	200
<b>Net income before non-controlling interest</b>	517	481	364
Non-controlling interest in net income of subsidiaries	2	2	2
<b>Net income</b>	\$ 515	\$ 479	\$ 362
Preferred share dividends	33	41	38
<b>Net income available to common shareholders</b>	\$ 482	\$ 438	\$ 324
Average number of common shares (in thousands)	306,354	311,235	313,569
<b>Earnings per share</b> (in dollars)	\$ 1.58	\$ 1.41	\$ 1.03
Average number of fully diluted common shares (in thousands)	309,056	313,948	316,798
<b>Fully diluted earnings per share</b> (in dollars)	\$ 1.57	\$ 1.40	\$ 1.03

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

(in millions of Canadian dollars)

	January 31, 2000	October 31, 1999	January 31, 1999
<b>Assets</b>			
<b>Cash Resources</b>			
Cash and due from banks	\$ 1,091	\$ 2,460	\$ 3,372
Interest-bearing deposits with other banks	21,031	20,582	17,548
	22,122	23,042	20,920
<b>Securities</b>			
Trading account	33,701	35,288	28,715
Available for sale	14,835	16,364	13,043
Held to maturity	961	1,084	1,110
	49,497	52,736	42,868
<b>Assets purchased under reverse repurchase agreements</b>			
	15,284	20,272	17,461
<b>Loans</b>			
Residential mortgage	60,035	59,242	57,553
Personal	26,213	25,255	23,209
Credit card	2,690	2,666	2,058
Business and government loans and acceptances	68,694	66,887	73,018
	157,632	154,050	155,838
Allowance for credit losses	(1,937)	(1,884)	(2,153)
	155,695	152,166	153,685
<b>Other</b>			
Derivative-related amounts	18,050	15,151	20,160
Premises and equipment	1,256	1,274	1,810
Goodwill	597	660	605
Other intangibles	159	—	—
Other assets	9,234	7,997	9,325
	29,296	25,082	31,900
	\$ 271,894	\$ 273,298	\$ 266,834
<b>Liabilities and shareholders' equity</b>			
<b>Deposits</b>			
Canada			
Non-interest-bearing	\$ 18,218	\$ 16,876	\$ 13,900
Interest-bearing	112,807	112,430	109,582
International			
Non-interest-bearing	634	666	438
Interest-bearing	60,601	57,925	55,793
	192,260	187,897	179,713
<b>Other</b>			
Acceptances	9,105	9,257	9,649
Obligations related to securities sold short	14,794	18,740	12,560
Obligations related to assets sold under repurchase agreements	7,629	9,396	12,069
Derivative-related amounts	17,372	15,219	19,002
Other liabilities	13,240	15,785	17,313
	62,140	68,397	70,593
<b>Subordinated debentures</b>			
	5,072	4,596	4,332
<b>Shareholders' equity</b>			
Capital stock			
Preferred	1,959	1,973	2,096
Common (issued and outstanding — 304,391,406; 308,883,781 and 313,662,357)	3,032	3,063	3,096
Retained earnings	7,547	7,495	6,983
Accumulated other comprehensive income	(116)	(123)	21
	12,422	12,408	12,196
	\$ 271,894	\$ 273,298	\$ 266,834

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(in millions of Canadian dollars)	For the three months ended		
	January 31, 2000	October 31, 1999	January 31, 1999
<b>Preferred shares</b>			
Balance at beginning of period	\$ 1,973	\$ 2,385	\$ 2,110
Redeemed for cancellation	—	(393)	—
Translation adjustment on shares denominated in foreign currency	(14)	(19)	(14)
Balance at end of period	\$ 1,959	\$ 1,973	\$ 2,096
<b>Common shares</b>			
Balance at beginning of period	\$ 3,063	\$ 3,102	\$ 2,923
Issued	18	5	173
Purchased for cancellation	(49)	(44)	—
Balance at end of period	\$ 3,032	\$ 3,063	\$ 3,096
<b>Retained earnings</b>			
Balance at beginning of period	\$ 7,495	\$ 7,447	\$ 6,803
Net income	515	479	362
Preferred share dividends	(33)	(41)	(38)
Common share dividends	(164)	(149)	(144)
Issuance costs of preferred shares redeemed	—	(7)	—
Premium paid on common shares purchased for cancellation	(266)	(234)	—
Balance at end of period	\$ 7,547	\$ 7,495	\$ 6,983
<b>Accumulated other comprehensive income</b>			
Unrealized gains and losses on available for sale securities, net of hedging activities and related income taxes	\$ (79)	\$ (85)	\$ 54
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	(37)	(38)	(33)
	\$ (116)	\$ (123)	\$ 21
<b>Shareholders' equity at end of period</b>	<b>\$ 12,422</b>	<b>\$ 12,408</b>	<b>\$ 12,196</b>
<b>Comprehensive income</b>			
Net income	\$ 515	\$ 479	\$ 362
Change in unrealized gains and losses on available for sale securities, net of hedging activities and related income taxes	6	(67)	(2)
Change in unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	1	(4)	1
<b>Total comprehensive income</b>	<b>\$ 522</b>	<b>\$ 408</b>	<b>\$ 361</b>

## CONDENSED AVERAGE CONSOLIDATED BALANCE SHEET, INTEREST AND RATES (UNAUDITED)

(in millions of Canadian dollars, taxable equivalent basis)	January 31, 2000			October 31, 1999			January 31, 1999		
	Average balances <sup>(1)</sup>	Interest <sup>(2)</sup>	Average rate	Average balances <sup>(1)</sup>	Interest <sup>(2)</sup>	Average Rate	Average balances <sup>(1)</sup>	Interest <sup>(2)</sup>	Average rate
<b>Assets</b>									
Interest-bearing deposits with other banks	\$ 19,767	\$ 250	5.03%	\$ 18,923	\$ 224	4.70%	\$ 17,659	\$ 212	4.76%
Securities <sup>(3)</sup>	57,078	623	4.34%	52,664	567	4.27%	45,827	518	4.48%
Assets purchased under reverse repurchase agreements	20,535	236	4.57%	25,326	268	4.20%	17,915	193	4.27%
Loans <sup>(4)</sup>	145,037	2,685	7.36%	145,532	2,625	7.16%	147,840	2,690	7.22%
<b>Total earning assets</b>	<b>242,417</b>	<b>3,794</b>	<b>6.23%</b>	<b>242,445</b>	<b>3,684</b>	<b>6.03%</b>	<b>229,241</b>	<b>3,613</b>	<b>6.25%</b>
Non-interest-bearing deposits with other banks	432	—	—	680	—	—	427	—	—
Customers' liability under acceptances	9,049	—	—	9,406	—	—	9,700	—	—
Other non-interest-earning assets	26,456	—	—	24,339	—	—	32,544	—	—
Allowance for credit losses	(1,954)	—	—	(1,970)	—	—	(2,012)	—	—
<b>Total assets</b>	<b>\$276,400</b>	<b>\$ 3,794</b>	<b>5.46%</b>	<b>\$274,900</b>	<b>\$ 3,684</b>	<b>5.32%</b>	<b>\$269,900</b>	<b>\$ 3,613</b>	<b>5.31%</b>
<b>Liabilities and shareholders' equity</b>									
Interest-bearing deposits	\$175,733	\$ 2,078	4.70%	\$174,677	\$ 1,935	4.39%	\$170,772	\$ 2,003	4.65%
Subordinated debentures	4,606	75	6.48%	4,629	72	6.17%	4,337	72	6.59%
Obligations related to securities sold short	15,817	173	4.35%	16,897	150	3.52%	13,327	134	3.99%
Obligations related to assets sold under repurchase agreements	10,100	144	5.67%	12,464	147	4.68%	12,079	119	3.91%
Other interest-bearing liabilities	4,115	44	4.25%	5,110	36	2.80%	6,641	12	0.72%
	210,371	2,514	4.75%	213,777	2,340	4.34%	207,156	2,340	4.48%
Non-interest bearing deposits	16,233	—	—	14,657	—	—	11,259	—	—
Other liabilities	28,309	—	—	24,270	—	—	29,672	—	—
Acceptances	9,049	—	—	9,406	—	—	9,700	—	—
	263,962	2,514	3.79%	262,110	2,340	3.54%	257,787	2,340	3.60%
<b>Shareholders' equity</b>									
Preferred	2,010	—	—	2,324	—	—	2,136	—	—
Common	10,428	—	—	10,466	—	—	9,977	—	—
<b>Total liabilities and shareholders' equity</b>	<b>\$276,400</b>	<b>\$ 2,514</b>	<b>3.62%</b>	<b>\$274,900</b>	<b>\$ 2,340</b>	<b>3.38%</b>	<b>\$269,900</b>	<b>\$ 2,340</b>	<b>3.44%</b>
<b>Net interest income</b>		<b>\$ 1,280</b>	<b>1.84%</b>		<b>\$ 1,344</b>	<b>1.94%</b>		<b>\$ 1,273</b>	<b>1.87%</b>

(1) Calculated on a daily basis.

(2) Interest income includes loan fees (three months ended January 31, 2000 – \$70 million, October 31, 1999 – \$62 million, and January 31, 1999 – \$60 million).

(3) Tax exempt securities had average balances of \$2,280, \$2,825 and \$1,383 million, interest earned of \$16, \$19 and \$24 million and average rates of 2.79%, 2.67% and 6.88% for the three months ended January 31, 2000, October 31, 1999 and January 31, 1999, respectively.

(4) Average balances include impaired loans.

## CREDIT RELATED INFORMATION (UNAUDITED)

(in millions of Canadian dollars)	January 31 2000	October 31 1999	July 31 1999	April 30 1999	January 31 1999
<b>Impaired loans</b>					
Residential mortgages	\$ 147	\$ 173	\$ 166	\$ 164	\$ 163
Personal loans	256	236	282	263	227
Business and government loans and acceptances	1,211	1,295	1,429	1,310	1,590
	<b>\$ 1,614</b>	<b>\$ 1,704</b>	<b>\$ 1,877</b>	<b>\$ 1,737</b>	<b>\$ 1,980</b>
<b>Impaired loans as a % of related loans</b>					
Residential mortgages	0.24%	0.29%	0.28%	0.28%	0.28%
Personal loans	0.98%	0.85%	1.06%	1.00%	0.90%
Business and government loans and acceptances	1.76%	1.94%	2.07%	1.88%	2.18%
<b>Total</b>	<b>1.02%</b>	<b>1.11%</b>	<b>1.21%</b>	<b>1.12%</b>	<b>1.27%</b>

## ALLOWANCE FOR CREDIT LOSSES

(in millions of Canadian dollars)	For the three months ended		
	January 31 2000	October 31 1999	January 31 1999
<b>Allowance at beginning of period</b>	\$ 1,900	\$ 1,954	\$ 2,066
<b>Provision for credit losses</b>	173	235	175
<b>Charge-offs</b>			
Residential mortgages	(2)	(3)	(4)
Personal loans	(65)	(59)	(65)
Credit cards	(47)	(14)	(20)
Business loans and acceptances	(51)	(248)	(36)
	<b>(165)</b>	<b>(324)</b>	<b>(125)</b>
<b>Recoveries</b>			
Residential mortgages	—	(1)	—
Personal loans	9	2	10
Credit cards	16	2	4
Business loans and acceptances	16	14	38
	<b>41</b>	<b>17</b>	<b>52</b>
<b>Net charge-offs</b>	<b>(124)</b>	<b>(307)</b>	<b>(73)</b>
Adjustments	—	18	23
<b>Allowance at end of period</b>	<b>\$ 1,949</b>	<b>\$ 1,900</b>	<b>\$ 2,191</b>
<b>Net charge-offs (excluding LDCs) as a % of average loans</b>	<b>0.32%</b>	<b>0.79%</b>	<b>0.17%</b>
<b>Net charge-offs as a % of average loans</b>	<b>0.32%</b>	<b>0.79%</b>	<b>0.18%</b>
<b>Allocation of allowance</b>			
Residential mortgages	\$ 38	\$ 42	\$ 33
Personal loans	188	170	208
Business loans and acceptances <sup>(1)</sup>	603	608	1,100
<b>Total specific allowance</b>	<b>829</b>	<b>820</b>	<b>1,341</b>
General allocated allowance <sup>(2)</sup>	820	790	—
General unallocated allowance <sup>(2)</sup>	300	290	850
	<b>\$ 1,949</b>	<b>\$ 1,900</b>	<b>\$ 2,191</b>
<b>Allowance for credit losses as a % of total loans</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.4%</b>
<b>Specific allowance for credit losses as a % of impaired loans</b>			
Residential mortgages	26%	24%	20%
Personal loans	73%	72%	92%
Business and government loans and acceptances	50%	47%	69%
<b>Total allowance (excluding LDCs) as a % of impaired loans (coverage ratio)</b>	<b>121%</b>	<b>112%</b>	<b>111%</b>

(1) Business loans and acceptances include an allowance for credit losses for securities of \$12 million (October 31, 1999 – \$16 million; January 31, 1999 – \$38 million).

(2) As of October 31, 1999, the general allowance has been separated into two components, general allocated allowance and general unallocated allowance.

## SELECTED FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except per share and percentage amounts)	As at and for the three months ended			
	Change from January 31 1999	January 31 2000	October 31 1999	January 31 1999
<b>Earnings</b>				
Net interest income <sup>(1)</sup>	1%	\$ 1,280	\$ 1,347	\$ 1,273
Other income	18	1,538	1,512	1,308
Gross revenues <sup>(1)</sup>	9	2,818	2,859	2,581
Provision for credit losses	(1)	173	235	175
Non-interest expenses	(4)	1,759	1,860	1,833
Net income	46	527	484	361
Return on common equity	580 bp	18.7%	16.6%	12.9%
Return on common equity, cash basis <sup>(2)</sup>	610 bp	20.4%	18.3%	14.3%
<b>Balance sheet and off-balance sheet data</b>				
Loans	(0)%	\$ 161,914	\$ 163,227	\$ 162,075
Assets	1	270,010	270,650	267,136
Deposits	6	190,760	187,897	179,713
Common equity	5	10,640	10,606	10,101
Assets under administration	19	1,027,300	967,800	861,600
Assets under management	12	86,400	81,600	77,200
<b>Capital ratios</b>				
Common equity to risk-adjusted assets	30 bp	7.1%	7.1%	6.8%
Tier 1 capital	20 bp	8.1%	8.1%	7.9%
Total capital	10 bp	11.4%	11.2%	11.3%
<b>Common share information</b>				
Shares outstanding (thousands)				
End of period	(3)%	304,391	308,884	313,662
Average basic	(2)	306,354	311,235	313,569
Average fully diluted	(2)	317,866	323,073	324,783
Earnings per share				
Basic	56	\$ 1.61	\$ 1.42	\$ 1.03
Fully diluted	55	1.58	1.39	1.02
Cash basis <sup>(2)</sup>	55	1.67	1.48	1.08
Share price				
High	(18)	\$ 69.40	\$ 67.90	\$ 84.25
Low	(17)	54.50	59.30	65.30
Close	(24)	59.05	63.45	78.10
Dividends per share	17	0.54	0.48	0.46
Book value per share – period end	9	34.96	34.34	32.20
Market capitalization (\$ billions)	(27)	18.0	19.6	24.5
<b>Number of:</b>				
Employees (full-time equivalent)	(2,196)	49,625	51,891	51,821
Automated banking machines	267	4,689	4,585	4,422
Service delivery units				
Canada	(20)	1,408	1,410	1,428
International <sup>(3)</sup>	3	109	99	106

(1) Taxable equivalent basis.

(2) Return on common equity, cash basis, and earnings per share, cash basis, are computed by adding back goodwill amortization after tax charged to net income in each period and reducing average common equity by the unamortized goodwill.

(3) International service delivery units include branches, specialized business centres, representative offices, agencies and subsidiaries.

EARNINGS BY BUSINESS SEGMENT<sup>(1)</sup> (UNAUDITED)

(in millions of Canadian dollars, taxable equivalent basis)	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
Net interest income	\$ 1,151	\$ 1,167	\$ 1,090	\$ 84	\$ 78	\$ 66	\$ 58	\$ 131	\$ 137	\$ (13)	\$ (29)	\$ (20)	\$ 1,280	\$ 1,347	\$ 1,273
Other income	427	421	409	556	521	454	524	453	405	31	117	40	1,538	1,512	1,308
Gross revenues	1,578	1,588	1,499	640	599	520	582	584	542	18	88	20	2,818	2,859	2,581
Provision for credit losses	169	152	141	—	1	—	18	103	38	(14)	(21)	(4)	173	235	175
Non-interest expenses	940	993	1,001	453	482	418	338	343	409	28	42	5	1,759	1,860	1,833
Income taxes <sup>(2)</sup>	189	174	139	71	29	36	85	57	23	14	20	14	359	280	212
Net income	\$ 280	\$ 269	\$ 218	\$ 116	\$ 87	\$ 66	\$ 141	\$ 81	\$ 72	\$ (10)	\$ 47	\$ 5	\$ 527	\$ 484	\$ 361
Net income as a % of total	53	56	60	22	18	18	27	17	20	(2)	9	(2)	100	100	100
Return on common equity (%)	20.0	20.7	18.7	43.7	50.0	38.9	23.2	15.7	12.6	(3.2)	4.3	(0.8)	18.7	16.6	12.9
Efficiency ratio (%) <sup>(3)</sup>	59.6	62.5	66.8	70.8	80.5	80.4	58.1	58.7	75.5	—	—	—	62.4	65.1	71.0
Average assets (\$ billions)	127.2	126.7	121.0	8.5	9.2	8.3	130.4	129.7	133.3	9.5	9.2	7.2	275.6	274.8	269.8
Average loans and bankers' acceptances (\$ billions)	121.3	121.0	115.6	2.5	2.5	2.6	50.6	58.1	58.2	(1.7)	(3.3)	(2.3)	172.7	178.3	174.1
Average deposits (\$ billions)	99.7	98.5	95.6	14.0	13.5	12.9	67.3	66.7	66.0	10.2	10.6	7.5	191.2	189.3	182.0
Average common equity (\$ billions)	5.3	4.8	4.3	1.0	0.7	0.6	2.3	1.9	2.0	1.9	3.1	3.0	10.5	10.5	9.9

- (1) Personal & commercial banking comprises the personal and commercial banking business, card services, Security First Network Bank, distribution and service delivery and insurance. Royal investment services consists of global private banking, Royal Mutual Funds, investment management, private client division, global securities services, personal wealth management, Royal Private Trust and Action Direct; Corporate & investment banking comprises the corporate and investment banking business, global equity and global markets. Other consists largely of real estate operations, corporate treasury, systems and technology and the discontinued LDC business. The movements this quarter of distribution and service delivery to Personal & commercial banking from Other and results for Royal Trust branches from Royal investment services to Personal & commercial banking has resulted in the restatement of numbers for prior periods.
- (2) Includes non-controlling interest and taxable equivalent adjustment.
- (3) Non-interest expenses as a percentage of gross revenues.

## EARNINGS BY GEOGRAPHIC SEGMENT (UNAUDITED)

(In millions of Canadian dollars, taxable equivalent basis)	Q1/00			Q4/99			Q1/99		
	Canada	Int'l	Total	Canada	Int'l	Total	Canada	Int'l	Total
Net interest income	\$ 1,108	\$ 172	\$ 1,280	\$ 1,167	\$ 180	\$ 1,347	\$ 1,076	\$ 197	\$ 1,273
Other income	1,255	283	1,538	1,230	282	1,512	987	321	1,308
Gross revenues	2,363	455	2,818	2,397	462	2,859	2,063	518	2,581
Provision for credit losses	160	13	173	210	25	235	154	21	175
Non-interest expenses	1,534	225	1,759	1,579	281	1,860	1,566	267	1,833
Income taxes <sup>(1)</sup>	316	43	359	253	27	280	157	55	212
Net income	\$ 353	\$ 174	\$ 527	\$ 355	\$ 129	\$ 484	\$ 186	\$ 175	\$ 361

- (1) Includes non-controlling interest and taxable equivalent adjustment.

## ONE-TIME ITEMS IMPACTING BUSINESS SEGMENT RESULTS

	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
(in millions of Canadian dollars, taxable equivalent basis)															
<b>Other income</b>															
Gain on sale of real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ -	\$ -	\$ 95	\$ -
Gain on sale of shares	-	-	28	-	-	-	-	-	-	-	-	-	-	-	28
	-	-	28	-	-	-	-	-	-	-	95	-	-	95	28
<b>Provision for credit losses</b>															
Addition to general provision	-	(35)	-	-	-	-	-	(55)	-	-	-	-	-	(90)	-
	-	(35)	-	-	-	-	-	(55)	-	-	-	-	-	(90)	-
<b>Non-interest expenses</b>															
Merger-related costs	-	-	-	-	-	-	-	-	-	-	-	(36)	-	-	(36)
Restructuring costs	-	-	(50)	-	-	-	-	-	(83)	-	-	(20)	-	-	(153)
Expenses related to the sale of real estate	-	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-
	-	-	(50)	-	-	-	-	-	(83)	-	(5)	(56)	-	(5)	(189)
<b>Total impact (pre-tax)</b>	-	(35)	(22)	-	-	-	-	(55)	(83)	-	90	(56)	-	-	(161)
<b>Total impact (after-tax)</b>	-	(20)	(13)	-	-	-	-	(31)	(47)	-	51	(32)	-	-	(92)
<b>Impact on fully diluted EPS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$(0.28)

EARNINGS BY BUSINESS SEGMENT, EXCLUDING ONE-TIME ITEMS<sup>(1)</sup> (UNAUDITED)

	Personal & Commercial Banking			Royal Investment Services			Corporate & Investment Banking			Other			Total		
	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99	Q1 00	Q4 99	Q1 99
(in millions of Canadian dollars, taxable equivalent basis)															
Net interest income	\$1,151	\$1,167	\$1,090	\$ 84	\$ 78	\$ 66	\$ 58	\$ 131	\$ 137	\$ (13)	\$ (29)	\$ (20)	\$1,280	\$1,347	\$1,273
Other income	427	421	381	556	521	454	524	453	405	31	22	40	1,538	1,417	1,280
Gross revenues	1,578	1,588	1,471	640	599	520	582	584	542	18	(7)	20	2,818	2,764	2,553
Provision for credit losses	169	117	141	-	1	-	18	48	38	(14)	(21)	(4)	173	145	175
Non-interest expenses	940	993	951	453	482	418	338	343	326	28	37	(51)	1,759	1,855	1,644
Income taxes <sup>(2)</sup>	189	189	148	71	29	36	85	81	59	14	(19)	38	359	280	281
Net income	\$ 280	\$ 289	\$ 231	\$ 116	\$ 87	\$ 66	\$ 141	\$ 112	\$ 119	\$ (10)	\$ (4)	\$ 37	\$ 527	\$ 484	\$ 453
Net income as a % of total	53	60	51	22	18	15	27	23	26	(2)	(1)	8	100	100	100
Return on common equity (%)	20.0	22.4	19.9	43.7	50.0	38.9	23.2	22.4	21.8	(3.2)	(2.1)	3.6	18.7	16.6	16.6
Efficiency ratio (%) <sup>(3)</sup>	59.6	62.5	64.6	70.8	80.5	80.4	58.1	58.7	60.1	-	-	-	62.4	67.1	64.4
Average assets (\$ billions)	127.2	126.7	121.0	8.5	9.2	8.3	130.4	129.7	133.3	9.5	9.2	7.2	275.6	274.8	269.8
Average loans and bankers' acceptances (\$ billions)	121.3	121.0	115.6	2.5	2.5	2.6	50.6	58.1	58.2	(1.7)	(3.3)	(2.3)	172.7	178.3	174.1
Average deposits (\$ billions)	99.7	98.5	95.6	14.0	13.5	12.9	67.3	66.7	66.0	10.2	10.6	7.5	191.2	189.3	182.0
Average common equity (\$ billions)	5.3	4.8	4.3	1.0	0.7	0.6	2.3	1.9	2.0	1.9	3.1	3.0	10.5	10.5	9.9

(1) Personal & commercial banking comprises the personal and commercial banking business, card services, Security First Network Bank, distribution and service delivery and insurance. Royal investment services consists of global private banking, Royal Mutual Funds, investment management, private client division, global securities services, personal wealth management, Royal Private Trust and Action Direct; Corporate & investment banking comprises the corporate and investment banking business, global equity and global markets. Other consists largely of real estate operations, corporate treasury, systems and technology and the discontinued LDC business. The movements this quarter of distribution and service delivery to Personal & commercial banking from Other and results for Royal Trust branches from Royal investment services to Personal & commercial banking has resulted in the restatement of numbers for prior periods.

(2) Includes non-controlling interest and taxable equivalent adjustment.

(3) Non-interest expenses as a percentage of gross revenues.

## CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(in millions of Canadian dollars, except per share data)	For the three months ended		
	January 31, 2000	October 31, 1999	January 31, 1999
<b>Interest income</b>			
Loans	\$ 2,921	\$ 2,893	\$ 2,891
Securities	616	562	500
Deposits with banks	250	224	212
	<b>3,787</b>	<b>3,679</b>	<b>3,603</b>
<b>Interest expense</b>			
Deposits	2,078	1,935	2,003
Other liabilities	361	333	265
Subordinated debentures	75	72	72
	<b>2,514</b>	<b>2,340</b>	<b>2,340</b>
<b>Net interest income</b>	<b>1,273</b>	<b>1,339</b>	<b>1,263</b>
<b>Other income</b>			
Capital market fees	365	347	244
Trading revenues	372	258	291
Deposit and payment service charges	178	175	168
Investment management and custodial fees	151	151	127
Mutual fund revenues	125	121	117
Card service revenues	111	111	84
Securitization revenues	36	45	61
Gain on sale of securities	1	16	33
Other	199	288	183
	<b>1,538</b>	<b>1,512</b>	<b>1,308</b>
<b>Gross revenues</b>	<b>2,811</b>	<b>2,851</b>	<b>2,571</b>
<b>Provision for credit losses</b>	<b>173</b>	<b>235</b>	<b>175</b>
	<b>2,638</b>	<b>2,616</b>	<b>2,396</b>
<b>Non-interest expenses</b>			
Human resources	1,084	1,050	1,034
Occupancy	131	132	169
Equipment	163	186	162
Communications	160	193	165
Other	221	299	303
	<b>1,759</b>	<b>1,860</b>	<b>1,833</b>
<b>Net income before income taxes</b>	<b>879</b>	<b>756</b>	<b>563</b>
Income taxes	350	270	200
<b>Net income before non-controlling interest</b>	<b>529</b>	<b>486</b>	<b>363</b>
Non-controlling interest in net income of subsidiaries	2	2	2
<b>Net income</b>	<b>\$ 527</b>	<b>\$ 484</b>	<b>\$ 361</b>
Preferred share dividends	33	41	38
<b>Net income available to common shareholders</b>	<b>\$ 494</b>	<b>\$ 443</b>	<b>\$ 323</b>
Average number of common shares (in thousands)	306,354	311,235	313,569
<b>Earnings per share (in dollars)</b>	<b>\$ 1.61</b>	<b>\$ 1.42</b>	<b>\$ 1.03</b>
Average number of fully diluted common shares (in thousands)	317,866	323,073	324,783
<b>Fully diluted earnings per share (in dollars)</b>	<b>\$ 1.58</b>	<b>\$ 1.39</b>	<b>\$ 1.02</b>

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

(in millions of Canadian dollars)

	January 31, 2000	October 31, 1999	January 31, 1999
<b>Assets</b>			
<b>Cash resources</b>			
Cash and deposits with banks	\$ 1,091	\$ 2,460	\$ 2,907
Interest-bearing deposits with other banks	21,031	20,582	18,013
	22,122	23,042	20,920
<b>Securities</b>			
Trading account	32,727	32,984	29,270
Investment account	15,698	17,040	12,642
Loan substitute	491	535	760
	48,916	50,559	42,672
<b>Loans</b>			
Residential mortgage	60,035	59,242	58,131
Personal	26,213	25,255	23,209
Credit card	2,690	2,666	2,058
Business and government	59,629	57,676	63,369
Assets purchased under reverse repurchase agreements	15,284	20,272	17,461
	163,851	165,111	164,228
Allowance for credit losses	(1,937)	(1,884)	(2,153)
	161,914	163,227	162,075
<b>Other</b>			
Derivative-related amounts	18,050	15,151	20,160
Customers' liability under acceptances	9,105	9,257	9,649
Premises and equipment	1,301	1,320	1,810
Goodwill	549	611	549
Other intangibles	159	—	—
Other assets	7,894	7,483	9,301
	37,058	33,822	41,469
	\$ 270,010	\$ 270,650	\$ 267,136
<b>Liabilities and Shareholders' Equity</b>			
<b>Deposits</b>			
Personal	\$ 87,467	\$ 87,359	\$ 86,145
Business and government	87,843	86,223	78,003
Banks	15,450	14,315	15,565
	190,760	187,897	179,713
<b>Other</b>			
Acceptances	9,105	9,257	9,649
Obligations related to securities sold short	14,768	17,885	13,196
Obligations related to assets sold under repurchase agreements	7,629	9,396	12,069
Derivative-related amounts	17,357	15,219	19,002
Other liabilities	12,684	13,785	16,944
	61,543	65,542	70,860
<b>Subordinated debentures</b>	5,072	4,596	4,332
<b>Shareholders' equity</b>			
Capital stock			
Preferred	1,995	2,009	2,130
Common	3,034	3,065	3,098
Retained earnings	7,606	7,541	7,003
	12,635	12,615	12,231
	\$ 270,010	\$ 270,650	\$ 267,136

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(in millions of Canadian dollars)	For the three months ended		
	January 31, 2000	October 31, 1999	January 31, 1999
<b>Preferred shares</b>			
Balance at beginning of period	\$ 2,009	\$ 2,428	\$ 2,144
Redeemed for cancellation	—	(400)	—
Translation adjustment on shares denominated in foreign currency	(14)	(19)	(14)
Balance at end of period	\$ 1,995	\$ 2,009	\$ 2,130
<b>Common shares</b>			
Balance at beginning of period	\$ 3,065	\$ 3,104	\$ 2,925
Issued	18	5	173
Purchased for cancellation	(49)	(44)	—
Balance at end of period	\$ 3,034	\$ 3,065	\$ 3,098
<b>Retained earnings</b>			
Balance at beginning of period	\$ 7,541	\$ 7,485	\$ 6,823
Net income	527	484	361
Preferred share dividends	(33)	(41)	(38)
Common share dividends	(164)	(149)	(144)
Premium paid on common shares purchased for cancellation	(266)	(234)	—
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	1	(4)	1
Balance at end of period	\$ 7,606	\$ 7,541	\$ 7,003
Shareholders' equity at end of period	\$ 12,635	\$ 12,615	\$ 12,231

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(in millions of Canadian dollars)	For the three months ended		
	January 31, 2000	October 31, 1999	January 31, 1999
<b>Cash flows from operating activities</b>			
Net income	\$ 527	\$ 484	\$ 361
Adjustments to determine net cash provided by (used in) operating activities			
Provision for credit losses	173	235	175
Depreciation	85	109	86
Restructuring	—	—	153
Amortization of goodwill	17	18	16
Gain on sale of real estate	(6)	(95)	—
Change in accrued interest receivable and payable	45	(83)	53
Net gain on sale of investment securities	(1)	(16)	(33)
Changes in operating assets and liabilities:			
Deferred income taxes	(3)	42	(26)
Current income taxes payable	(426)	196	30
Unrealized gains and amounts receivable on derivative contracts	(2,899)	336	10,253
Unrealized losses and amounts payable on derivative contracts	2,138	6	(10,368)
Trading account securities	257	(405)	(723)
Securities sold with recourse	(50)	(46)	(55)
Obligations related to securities sold short	(3,117)	3,433	(1,208)
Other	378	(2,139)	1,254
Net cash provided by (used in) operating activities	(2,882)	2,075	(32)
<b>Cash flows from investing activities</b>			
Change in loans	(3,848)	829	558
Proceeds from sale of investment securities	4,123	2,579	480
Proceeds from the maturity of investment securities	1,894	3,927	3,325
Purchases of investment securities	(4,674)	(7,155)	(4,321)
Change in loan substitute securities	44	112	(1)
Change in interest-bearing deposits with other banks	(449)	566	(3,562)
Net acquisitions of premises and equipment other than sale of real estate	(66)	(102)	(24)
Net proceeds from sale of real estate	—	815	—
Increase in assets purchased under reverse repurchase agreements	4,988	5,180	2,446
Goodwill and other intangibles acquired	(115)	(124)	(14)
Net cash used in investing activities	1,897	6,627	(1,113)
<b>Cash flows from financing activities</b>			
Increase in deposits	2,863	(2,563)	(292)
Issue of subordinated debentures	500	—	350
Subordinated debentures matured	—	(49)	(75)
Issue of preferred shares	—	—	—
Preferred shares redeemed for cancellation	—	(400)	—
Preferred shares issuance costs	—	—	—
Issue of common shares	18	5	3
Common shares redeemed for cancellation	(315)	(278)	—
Dividends paid	(181)	(191)	(180)
Change in securities sold under repurchase agreements	(1,767)	(2,972)	805
Decrease in liabilities of subsidiaries	(1,502)	(2,874)	1,032
Net cash provided by financing activities	(384)	(9,322)	1,643
<b>Net change in cash and cash equivalents</b>	(1,369)	(620)	498
Cash and cash equivalents at beginning of period	2,460	3,080	2,409
<b>Cash and cash equivalents at end of period</b>	\$ 1,091	\$ 2,460	\$ 2,907
<b>Cash and deposits with banks</b>	\$ 1,091	\$ 2,460	\$ 2,907

# Shareholder Information

## PRINCIPAL ADDRESSES

*Toronto street address:*  
Royal Bank of Canada  
200 Bay Street  
Toronto, Ontario, Canada  
Tel: (416) 974-5151  
Fax: (416) 955-7800

*Toronto mailing address:*  
P.O. Box 1  
Royal Bank Plaza  
Toronto, Ontario  
Canada M5J 2J5

*Montreal street address:*  
1 Place Ville Marie  
Montreal, Quebec, Canada  
Tel: (514) 874-2110  
Fax: (514) 874-6582  
Telex: 055-61086

*Montreal mailing address:*  
Royal Bank of Canada  
P.O. Box 6001  
Montreal, Quebec  
Canada H3C 3A9

INTERNET  
www.royalbank.com

TRANSFER AGENT  
AND REGISTRAR

MAIN AGENT  
Montreal Trust Company  
of Canada

*Street address:*  
1800 McGill College Avenue  
Montreal, Quebec  
Canada H3A 3K9  
Tel: (514) 982-7555, or  
1-800-564-6253  
Fax: (514) 982-7635  
www.montrealtrust.com  
Telex: 055-61286

*Mailing address:*  
P.O. Box 890, Station "B"  
Montreal, Quebec  
Canada H3B 3K5

## CO-TRANSFER AGENT (U.S.A.)

The Bank of New York  
101 Barclay Street  
New York, N.Y. 10286

## CO-TRANSFER AGENT (UNITED KINGDOM)

Computershare Services plc  
Securities Services – Registrars  
P.O. Box No. 82, The Pavilions,  
Bridgwater Road, Bristol  
BS99 7NH England

## STOCK EXCHANGE LISTINGS (Symbol: RY)

## COMMON SHARES

### LISTED ON:

Canada: Toronto Stock Exchange

U.S.A.: New York Stock Exchange

Switzerland: Swiss Exchange (SWX)

U.K.: London Stock Exchange

All preferred shares are listed  
on the Toronto Stock Exchange.

## VALUATION DAY PRICE

For capital gains purposes, the  
Valuation Day (December 22,  
1971) cost base for the bank's  
common shares, adjusted for  
prior stock splits, is \$7.38  
per share.

## SHAREHOLDER CONTACT

For change of address, share-  
holders are requested to write  
to the bank's transfer agent,  
Montreal Trust Company  
of Canada, at their mailing  
address, and for dividend  
and estate transfers, share-  
holders are requested to  
call the Transfer Agent at  
(514) 982-7555, or  
1-800-564-6253.

## Other shareholder inquiries

may be directed to our  
Investor Relations  
Department, by writing to  
123 Front Street West,  
6th Floor, Toronto, Ontario,  
Canada M5J 2M2  
or by calling  
(416) 955-7806, or by  
Internet: www.royal  
bank.com/investorrelation

## DIRECT DEPOSIT SERVICE

Shareholders may have their  
dividends deposited by elec-  
tronic funds transfer directly  
to an account at any financial  
institution that is a member  
of the Canadian Payments  
Association. To arrange for  
this, please write to Montreal  
Trust Company of Canada  
at their mailing address.

## INSTITUTIONAL INVESTOR, BROKER AND SECURITY ANALYST CONTACT

Institutional investors, bro-  
kers and security analysts  
requiring financial infor-  
mation should contact the  
Senior Vice-President,  
Investor Relations, by writing  
to 123 Front Street West,  
6th Floor, Toronto,  
Ontario M5J 2M2  
or by calling (416) 955-7803  
or by fax to (416) 955-7800.

## DIVIDEND DATES FOR 2000

Subject to approval by the  
Board of Directors.

	Record dates	Payment dates
Common shares and preferred shares series H, I, J, K, N, O and P	Jan. 25 Apr. 24 Jul. 25 Oct. 25	Feb. 24 May 24 Aug. 24 Nov. 24
Preferred shares series E	Last trading day of each month	12th day of the following month

## COMMON SHARE REPURCHASE

The bank is engaged in a  
normal course issuer bid  
through the facilities of  
the Toronto Stock Exchange.  
During the one-year period  
beginning June 25, 1999, and  
ending June 23, 2000, the  
bank may repurchase up to  
18,707,963 shares in the open  
market at market prices. The  
amount and timing of the  
purchases are to be deter-  
mined by the bank.

A copy of the bank's Notice  
of Intention to file a Normal  
Course Issuer Bid may be  
obtained, without charge,  
by contacting the Secretary  
of the bank at the bank's  
Toronto mailing address.