ROYAL BANK OF CANADA

2000 Annual Report

People to People

Building Relationships in the New Economy

What's Inside

Corporate Profile

As one of Canada's premier financial services institutions, we have leading positions in many Canadian markets. In all, our people serve 10 million individual and business customers worldwide.

Canada

We are the leading provider of residential mortgages, business financing and deposits. Our investment dealer, RBC Dominion Securities, has the highest market share in most of its domestic markets and we are the third-largest provider of mutual funds (first among banks). We own the second-largest discount broker, Royal Bank Action Direct, and have by far the largest custody operations. We are the largest Canadian bank-owned insurer and one of the fastest growing in the country. We are the leader in travel insurance and creditor products and we have a major presence in the global reinsurance market. Our domestic delivery network includes more than 1,300 branches and other units, and 4,500 bank machines. Alternative delivery channel provider Royal Direct allows online and telephone account access and is currently used by more than 1.26 million online and 2 million telephone customers.

Internationally

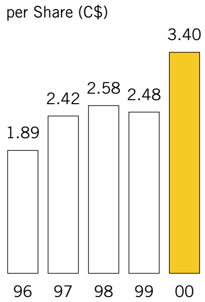
We provide corporate and investment banking, trade finance, correspondent banking, treasury and securities custody services to business customers. Our U.S. operations include Atlanta-based Security First Network Bank, New York-based Bull & Bear Securities Inc., Prism Financial Corporation of Chicago, and Liberty Life Insurance Company and Liberty Insurance Services Corporation based in Greenville, South Carolina. We expect to complete the acquisition of Minneapolis-based retail brokerage and investment banking firm Dain Rauscher Corporation in the first quarter of fiscal 2001. We have a retail network in the Caribbean and our acquisition of Ernst & Young Trust Company (Jersey) Limited expanded our substantial global private banking operations. Our international network includes 300 offices in more than 30 countries.

Financial Highlights (U.S. GAAP)

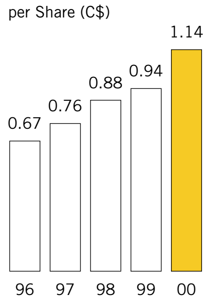
(C$ millions, except per share and percentage amounts)	% growth 2000/1999	2000	1999	1998	1997	1996
Earnings						
Net interest income (1)	3%	**$ 5,307**	$ 5,152	$ 5,101	$ 5,032	$ 4,675
Non-interest revenue	22	**6,680**	5,491	4,997	4,288	3,266
Gross revenues (1)	13	**11,987**	10,643	10,098	9,320	7,941
Provision for credit losses	(9)	**691**	760	575	380	570
Non-interest expenses	7	**7,628**	7,141	6,510	6,071	5,167
Net income	28	**2,208**	1,725	1,772	1,654	1,330
Return on common equity	400 bp	**19.3%**	15.3%	17.6%	18.3%	15.7%
Return on common equity, cash basis (2)	430 bp	**20.2%**	15.9%	18.3%	19.1%	16.2%
Economic profit (3)	111%	**717**	340	461	382	130
Balance sheet and off-balance sheet data						
Loans	9%	**$ 167,812**	$ 154,050	$ 157,392	$ 149,955	$ 133,643
Assets	8	**294,054**	273,298	281,074	247,079	227,477
Deposits	10	**206,237**	187,897	180,005	173,229	161,817
Common equity	8	**11,296**	10,435	9,748	8,878	8,025
Assets under administration	21	**1,175,200**	967,800	829,200	783,300	522,100
Assets under management	13	**92,300**	81,600	73,400	67,700	51,200
Capital ratios (Canadian basis) (4)						
Common equity to risk-adjusted assets	20 bp	**7.3%**	7.1%	6.2%	5.8%	6.0%
Tier 1 capital	50 bp	**8.6%**	8.1%	7.4%	6.8%	7.0%
Total capital	80 bp	**12.0%**	11.2%	10.5%	10.0%	9.4%
Capital ratios (U.S. basis) (5)						
Common equity to risk-adjusted assets	20 bp	**7.2%**	7.0%	6.1%	5.8%	6.0%
Tier 1 capital	20 bp	**7.8%**	7.6%	6.8%	6.4%	6.8%
Total capital	60 bp	**11.3%**	10.7%	10.1%	9.8%	9.5%
Common share information (6)						
Shares outstanding (in thousands)						
End of year	(2)%	**602,398**	617,768	617,581	616,671	621,059
Average basic	(3)	**606,389**	626,158	617,324	617,812	628,242
Average fully diluted	(4)	**609,865**	632,305	633,626	632,052	628,242
Earnings per share						
Basic	37	**$ 3.42**	$ 2.50	$ 2.64	$ 2.46	$ 1.89
Fully diluted	37	**3.40**	2.48	2.58	2.42	1.89
Cash basis, basic (2)	37	**3.57**	2.61	2.74	2.57	1.95
Cash basis, fully diluted (2)	37	**3.55**	2.60	2.69	2.52	1.95
Share price						
High	16	**$ 48.88**	$ 42.13	$ 46.10	$ 38.23	$ 22.20
Low	(8)	**27.25**	29.65	28.75	22.00	14.88
Close	52	**48.30**	31.73	35.55	37.68	22.15
Dividends per share	21	**1.14**	0.94	0.88	0.76	0.67
Book value per share – year-end	11	**18.75**	16.89	15.78	14.40	12.92
Market capitalization ($ billions)	48	**29.1**	19.6	22.0	23.2	13.8
Number of:						
Employees (full-time equivalent)	(5)%	**49,232**	51,891	51,776	48,816	46,205
Automated banking machines	–	**4,569**	4,585	4,317	4,248	4,215
Service delivery units						
Canada	(5)	**1,333**	1,410	1,422	1,453	1,493
International (7)	209	**306**	99	106	105	103

(1) Taxable equivalent basis.
(2) Cash basis return on common equity, earnings per share and fully diluted earnings per share are computed by adding back to net income the after-tax amount of amortization of goodwill and other intangibles.
(3) Economic Profit is cash operating earnings (i.e., net income available to common shareholders excluding the impact of one-time items and amortization of goodwill and other intangibles) less a charge for the cost of common equity.
(4) Using guidelines issued by the Superintendent of Financial Institutions Canada and Canadian GAAP financial information.
(5) Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information.
(6) On October 5, 2000, the bank paid a stock dividend of one common share on each issued and outstanding common share. The effect is the same as a two-for-one share split. All common share information has been restated to reflect this stock dividend.
(7) International service delivery units include branches, specialized business centres, representative offices, agencies and subsidiaries.

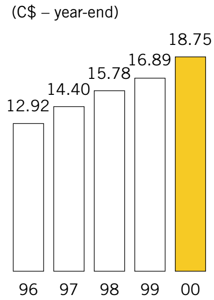
Fully Diluted Earnings per Share (C$)



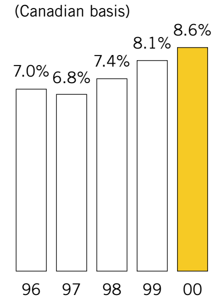
Dividends per Share (C$)



Book Value per Share (C$ – year-end)



Tier 1 Capital Ratio (Canadian basis)



John E. Cleghorn
Chairman & Chief Executive Officer

Building Relationships in the New Economy

We believe that building strong relationships with all our stakeholders, particularly our customers, is critical to our growth and prosperity. Technology and global competition have made it vital for us to forge stronger bonds with our customers, to meet their needs at their convenience, either online or face-to-face. We are focused on meeting this continuous challenge of managing relationships in this new economy. Our significant achievements over the past year – both financial and strategic – are a solid indication of our success and potential.

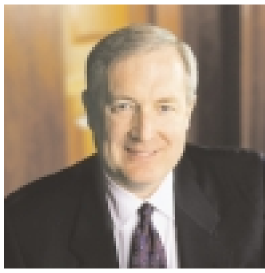
Financial Performance

I am proud of the terrific performance of our people throughout the organization – especially in the areas of revenue growth and cost control. We recorded solid double-digit revenue growth for the full year, with Wealth Management growing at twice the bank's average growth, and our other businesses also making strong contributions to the top-line growth. We met two aggressive cost management targets – savings of $400 million by the end of the year and an operating efficiency ratio of 59.5 per cent (using Canadian GAAP) exiting the fourth quarter. It required tremendous effort on the part of our team to achieve those objectives and we're aiming to improve our cost competitiveness even further.

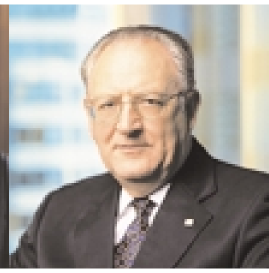
Our Vision is to be Canada's premier financial services provider, with committed people working as a team to create customer and shareholder value.

Our Focus is on improving performance in each of our businesses to achieve consistent and superior returns for our shareholders.

Our Key Priorities are strong financial performance, international expansion, eBusiness leadership and growth of high-return or high-P/E multiple businesses.



Peter W. Currie
Vice-Chairman
Chief Financial Officer



Gordon J. Feeney
Deputy Chairman

Anthony S. Fell
Deputy Chairman, Royal Bank
Chairman
RBC Dominion Securities

Suzanne B. Labarge
Vice-Chairman
Chief Risk Officer

As you will note on page 5, we met virtually all the financial objectives we had established for this year and have set even more aggressive targets for 2001, notably in the areas of earnings and revenue growth. We pursued our strategic priorities of international expansion, eBusiness leadership and growth of high-return or high-price-earnings multiple businesses with vigour, as detailed on pages 6 to 9.

International Expansion

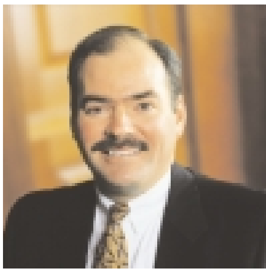
We took a number of steps to grow our operations and expand our presence in the United States. Through the acquisitions of Prism Financial, Liberty Life and Liberty Insurance Services (which closed on November 1, 2000) and Dain Rauscher Corporation (expected to close in the first quarter of our 2001 fiscal year), we are developing a presence in mortgage financing, insurance and full-service brokerage, while strengthening our investment banking capabilities.

We are pursuing cross-selling opportunities amongst all our U.S. subsidiaries, including Atlanta-based Security First Network Bank, using our successful cross-selling experience in Canada. Having flourished as a diversified financial services provider in Canada for well over a decade, we expect to apply that same teamwork in the United States. Each of our business segments is looking at expansion opportunities on a North American basis and we expect to further build our U.S. presence, both organically and through selective acquisitions.

In Europe, we are taking an even more focused approach and have expanded our Corporate & Investment Banking platform by hiring a structured finance team in London. Our Wealth Management platform expanded when it purchased Ernst & Young's private banking operations in Jersey, Channel Islands.

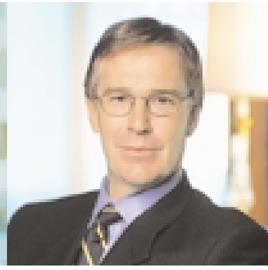
eBusiness Leadership

Our Canadian online client base continues to grow rapidly and more than doubled during the year to over 1.2 million customers. We introduced wireless banking in 2000 and entered into a host of eBusiness partnerships to bring more online services to our clients.



Martin J. Lippert
Vice-Chairman
Chief Information Officer

W. Reay Mackay
Vice-Chairman
Wealth Management



Gordon M. Nixon
Deputy Chairman & CEO
RBC Dominion Securities

James T. Rager
Vice-Chairman
Personal & Commercial Banking

W. James Westlake
President & CEO
RBC Insurance

Growth of High-Return Businesses

Our primary focus is on Wealth Management, but all business segments have selected areas for priority growth. The Transaction Processing businesses, which attract high-P/E multiples, were brought together under a separate umbrella this year. We continue to restructure or sell lower performing businesses, such as the corporate card business sold to U.S. Bancorp earlier this year, while pursuing joint ventures where appropriate. For example, we have formed a joint venture (Moneris Solutions) with Bank of Montreal to provide North American merchants with card-based transaction processing services.

Shareholder Returns

To help us maximize shareholder value, we are measuring the Economic Profit of our businesses, in addition to using traditional measures such as return on equity and earnings growth. Economic Profit is cash operating earnings less a charge for the cost of common equity employed. Our total Economic Profit more than doubled this year and has grown at a compound annual rate of 53 per cent in the last five years. Details are provided on page 23.

For our shareholders, we announced a stock dividend during the year, which has the same effect as a two-for-one share split. Our last share split took place in 1990. We also raised our common share dividends twice this year, for a total increase of 21 per cent. On November 21, we announced a further 10 per cent increase in our quarterly common share dividend effective the first quarter of 2001.

Our shareholders benefited from a 56 per cent total return on their Royal Bank shareholdings in 2000. Our share price, relative to book value and to earnings projected by analysts for 2001, is now the highest among the six largest Canadian banks. We are aiming to build upon this position, through strong financial performance and the continued pursuit of our strategic priorities.

John E. Cleghorn
Chairman & Chief Executive Officer
December 12, 2000

Performing Against Objectives

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 2.6 times at October 31, 2000 – in first quartile. Share price/earnings of 13.1 times (based on analysts' average earnings estimate for 2001), also in first 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 29% from 1999.

Objective 3: Return on Common Equity

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

Performance:

Return on common equity of 19.3% in 2000.

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 14%, well in excess of the objective. Market shares (compared to all financial institutions in Canada) for personal loans unchanged at 16.3% compared to a year ago, but down to 15.3% from 15.4% for residential mortgages, to 15.7% from 15.8% for personal deposits, and to 8.1% 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:

Using Canadian GAAP, operating efficiency ratio (i.e., excluding expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) of 59.5% in the fourth quarter, in line with the target and significantly improved from 64.8% a year ago. Total efficiency ratio of 64.5% in the fourth quarter, an improvement from 67.1% a year ago (on a core basis).

Objective 6: Portfolio Quality

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

Performance:

.32%.

Objective 7: Capital Management

Maintain strong capital ratios, while completing the 3.5% share repurchase program announced in May 1999 (the program was expanded in February 2000 to 6% of outstanding shares).

Performance:

Capital ratios remained strong, even while 19.7 million common shares were repurchased during the year (the share repurchase program expired June 23, 2000). Total repurchases since June 1999 were 30.2 million shares or 4.8% of shares outstanding in June 1999. Common equity to risk-adjusted assets of 7.3%, up from 7.1% at October 31, 1999. Tier 1 capital ratio of 8.6% and Total capital ratio of 12.0%, up 50 and 80 basis points, respectively, from October 31, 1999.

2001 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 and record share price growth above the average for the TSE Banks and Trusts Index.

Objective 2: Earnings Growth

Grow fully diluted earnings per share by 10–15%.

Objective 3: Return on Common Equity

Achieve a return on common equity of 18–20%.

Objective 4: Revenue Growth

Achieve revenue growth of over 10%.

Objective 5: Expense Growth

Grow operating expenses at a lower rate than operating revenues. (1)

Objective 6: Portfolio Quality

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

Objective 7: Capital Management

Maintain strong capital ratios.

(1) Operating expenses exclude expenses of strategic initiatives, Stock Appreciation Rights and one-time expenses, while operating revenues exclude revenues associated with strategic initiatives and one-time revenues.

Medium-Term (3–5 year) Goals (1)	New	Old
Profitability		
Return on common equity	20%+	17–20%
Earnings per share growth	15%+	n.a.
Revenue growth	8–10%	n.a.
Efficiency (2)	n.a.	59.5%
Specific provisions for credit losses (3)	.30–.40%	.35–.45%
Dividend payout ratio (4)	30–40%	30–40%
Capital adequacy (Canadian GAAP)		
Common equity to risk-adjusted assets	7%	7%
Tier 1 capital	8%	8%
Total capital	11–12%	11–12%

(1) Using U.S. GAAP, except capital ratios and specific provisions for credit losses ratio, which are under Canadian GAAP.
(2) Non-interest expenses as a percentage of gross revenues on a taxable equivalent basis. See page 34 for discussion.
(3) As a percentage of average loans (including reverse repurchase agreements) and bankers' acceptances.
(4) Common share dividends as a percentage of net income after preferred share dividends.

Pursuing Our Strategies

International Expansion

All of Royal Bank's businesses have global mandates. We are focused on building an integrated, broad-based financial services company in the U.S., expanding via acquisitions, alliances and organic growth. We expect to continue growing international revenues and earnings – in 2000, 16 per cent of revenues and 30 per cent of net income originated outside Canada.

We are targeting areas where we have a competitive advantage and can generate value and growth for our shareholders, searching for manageable acquisitions that extend our business lines and core competencies. Generally, acquisitions should be cash accretive within three years. Over the past year, we have announced or completed investments of over $3 billion to build international operations, including the acquisitions of Liberty Life Insurance Company and Liberty Insurance Services Corporation, which closed on November 1, 2000, and Dain Rauscher Corporation, which is expected to close in the first quarter of our 2001 fiscal year.

Personal & Commercial Financial Services

Chicago-based Prism Financial Corporation, acquired in April for US$115 million, originates, sells and brokers residential mortgage loans. It has been one of the fastest-expanding mortgage companies in the US$4.5-trillion mortgage market, growing over 300 per cent since 1997. Prism has a rapidly expanding Internet origination capability and a successful online private labelling strategy.

In August, Prism announced its purchase of AMRESCO's Builder Finance Group, allowing the Group to offer financing to home builders who have relationships with Prism, and Prism mortgages to Group customers.

Insurance

The US$580-million acquisition of Greenville, S.C.-based Liberty provides a U.S. platform to expand into other forms of insurance and distribution, a stable earnings stream, a presence in both the growing direct and emerging fee-based administration businesses and a well-known brand in the Southeastern U.S. Liberty also presents cross-selling opportunities to customers of Prism and Security First Network Bank.

Wealth Management

In September, we announced the US$1.456-billion acquisition of Minneapolis-based Dain Rauscher Corporation. It is a recognized U.S. brand that will provide an established U.S. presence in full-service retail brokerage and investment banking and a foundation for further growth.

We became one of the largest international trust companies in the Channel Islands, following our January acquisition of Ernst & Young Trust Company (Jersey) Limited, adding approximately 4,000 trust clients based largely in Europe and southern Africa and £6 billion in assets under administration.

Corporate & Investment Banking

In addition to expected benefits from the Dain Rauscher purchase, our goal in the U.S. is to grow by building or hiring teams and through niche acquisitions in areas where we have some expertise. We have hired investment banking and research teams in the energy, high-yield and telecommunications areas. Outside North America, we will continue to develop our successful niche operations. We want to build our credit derivatives and global equity derivatives operations in Europe, while adding to our structured finance team in London.

eBusiness Leadership

Royal Bank's goal is to be the leading electronic business financial company in Canada with a presence around the world, by building global eBusiness products and services and trusted relationships that continually draw customers to us. Our strategy is to partner with leading organizations to leverage the full potential of the Internet by making services more convenient, powerful and accessible for customers.

Our integrated banking and brokerage capabilities and partnerships, including that with AOL Canada, Inc., announced in July 1999, have increased our online customer base to 1.26 million as of October 31, 2000 – an increase of almost 140 per cent in 12 months. Clients are performing online transactions at a rate of 27 million per year.

In July 2000, we became the first Canadian financial institution to announce an account aggregation service. With CashEdge, clients will be able to track all of their accounts at any financial institution online through a single password at *royalbank.com.* We also introduced wireless banking with Montreal-based Microcell Solutions Inc., allowing Canadian clients to bank online using Microcell's Fido-branded digital cellular phones. In June, we strengthened our commitment to wireless service with our 20 per cent equity investment in Sona Innovations Inc., a new Toronto-based company bringing wireless banking and brokerage to the Palm personal digital assistant and other wireless devices.

Our business customers will soon profit from our recently announced superhorizontal electronic marketplace with TradeMC, an online trading hub potentially reducing the cost of such supplies as office equipment and industry-specific capital goods, and opening up new international markets for vendors. This complements our alliance in May with Montreal-based Mediagrif Interactive Technologies, to build industry-focused electronic marketplaces, bringing specialized industry buyers and sellers together from around the world.

All of our eBusiness initiatives are anchored by a robust technology infrastructure. We were one of 100 companies worldwide recognized by *CIO* magazine, a technology publication for IT professionals (*www.cio.com*), for our excellence in customer relationship management (CRM) strategy and the resulting innovative customer service capabilities. Our CRM efforts and WorldProtect®, RBC Insurance's Internet application for online travel insurance sales, both received a prestigious Award of Excellence from the Canadian Information Productivity Awards. CIPA, Canada's largest business awards program, honours companies that leverage and promote information technology as a strategic management tool (*www.cipa.com*).

On the strength of our Web site, *royalbank.com*, we were named the world's top-ranked bank for electronic finance by U.K.-based Lafferty Group, a leading provider of business intelligence. *Royalbank.com* also received Media Metrix Canada's rating of Canadians' most popular financial services Web site destination for July. In August, our Atlanta subsidiary, Security First Network Bank, was rated "best overall" Internet bank in the U.S. for the seventh consecutive quarter by Gómez Advisors, an independent electronic commerce research firm (*www.gomez.com*). Gómez also ranked Royal Bank Action Direct best among bank-owned self-directed brokerage firms in Canada in September.

Growth of Our Businesses

In September, Royal Bank was named Canada's "Bank of the Year" by *Financial Times*' *The Banker* magazine in the London-based publication's inaugural global awards for the best banks in the world.

Personal & Commercial Financial Services

In November 1999, Royal Bank's four Telephone/ Internet Banking Call Centres were certified by the International Organization for Standardization (*www.iso.ch*), making Royal Bank the first North American financial institution to achieve certification for meeting ISO 9001 quality standards.

In March, Royal Bank Ventures Inc.'s incubated start-up, PrimeStreet Corporation, completed its first round of venture capital financing. The Boston company, a leading-edge enabler of online credit solutions for companies serving the small business market, secured US$38 million, the largest first-round financing for a business-to-business e-commerce company to date.

In May, Royal Bank purchased Chicago-based Bank One's Canadian retail credit card business and in June, with Bank of Montreal (including U.S.-based Harris Bank), announced a joint venture merchant card services company, called Moneris Solutions, to provide North American merchants with card-based transaction processing services. Earlier, in April, the bank sold its commercial card business to U.S. Bancorp, based in Minneapolis, and entered a distribution agreement for co-branded corporate and purchasing cards.

Insurance

In May, Royal Bank acquired the Canadian individual life insurance and annuity business of Prudential of America Life Insurance Co. (Canada), and a 15 per cent interest in PPI Partners, a leading provider of insurance and related financial products to high net worth Canadians.

Wealth Management

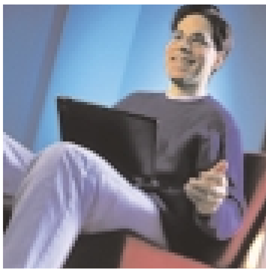
In December 1999, Royal Bank Action Direct extended the trading hours for investors who want to trade on the Nasdaq extended session.

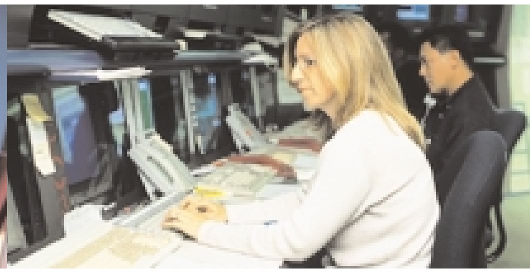
In March, Royal Bank Action Direct Internet investment service was enhanced with the introduction of NetAction 2.0. Clients receive customized access to the markets, an express sign-in page, online password selection and single-click navigation to all key services.

In June, Royal Mutual Funds Inc. launched Royal Select Choices Portfolios™, Royal e-Commerce Fund™ and Royal Canadian Bond Index Fund™. The first gives investors easy, no-load access to some of the best brand name fund companies in Canada: AGF Funds, C.I. Mutual Funds, Fidelity Investments, Mackenzie Financial, Trimark Investments and Royal Mutual Funds.

In September, Royal Bank and Globe Interactive, part of Toronto-based Thomson Corporation, announced an exclusive alliance to provide individual investment clients with immediate online access to *globeandmail.com* breaking news, mutual fund and equity information. Royal Investment Services is the only investment services provider in Canada to offer this service to its clients.

In September, RBC DS Online, an Internet-based service for retail brokerage clients, was launched. It offers a range of services to RBC Dominion Securities clients including: real-time quotes, access to third-party U.S. equity research, RBC DS research, business news and market information. For clients who want more, RBC DS Online provides access to their bank and full-service and self-service brokerage accounts.





Corporate & Investment Banking

In 2000, RBC Dominion Securities' (RBC DS') mergers and acquisitions capability was highly ranked by several independent international sources including *Euromoney* magazine, which named the firm best domestic M&A house in Canada, and U.S.-based *The Daily Deal*, which called RBC DS Canada's "dealmaker at the top of the league tables." RBC DS again advised on the majority of Canada's M&A transactions including BCE Inc.'s spin-off of Nortel Networks, and the acquisitions of Donohue Industries by Abitibi-Consolidated, Clearnet Communications by TELUS Corporation and Trimark Financial by AMVESCAP PLC.

In October, RBC DS was ranked the No. 1 investment bank by TSE 300 corporations and top institutional investors, and as producer of best broker research by fund managers, in Tempest Consultants' *2000 Reuters Survey of Canadian Companies*. The survey reveals that RBC DS outperformed not only its domestic competitors but also the wide field of U.S. investment banks now active in the Canadian market.

At the end of 2000, RBC DS introduced its award-winning Internet-based trading platform, FX Direct®, to the Australasian marketplace. Previously launched in the Americas and Europe, it is now one of the world's first 24-hour foreign exchange Internet dealing services. As well, the firm's innovative online debt distribution system, *newissueDirect*, offered Canada's first "e-bond" on the Web.

Transaction Processing

In 2000, Royal Bank, using the Royal Trust brand, continued to achieve top rankings in international custody surveys. The bank was top-rated among Canadian custodians for the 12th consecutive year (*Global Custodian*, Agent Bank Review 2000); named No. 1 in Canada for subcustody service quality for the fifth year running (*GSCS Benchmarks*, 2000 Review of Subcustodian Services); No. 2 in the world for quality of global custody service (R&M Consultants, Global Custody Survey 2000); and No. 3 worldwide for global custody service quality (*Global Investor*, Global Custody Survey 2000).

In March, Royal Bank announced an agreement with Atlanta-based Magnet Communications to develop specialized online banking and Web-based cash management services for North American businesses. In May, the bank announced a joint venture with Bottomline Technologies of Portsmouth, N.H., to create Web-based custody and related product applications for institutional investors.

In April, Royal Bank announced it would provide custody and settlement services directly through CREST, the electronic settlement system for British and Irish securities, with the goal of providing a global platform of integrated solutions to bank and fund manager clients. In August, approximately 9,000 client positions representing $19 billion in assets under administration were transferred from Bank of New York Europe into CREST under Royal Bank.

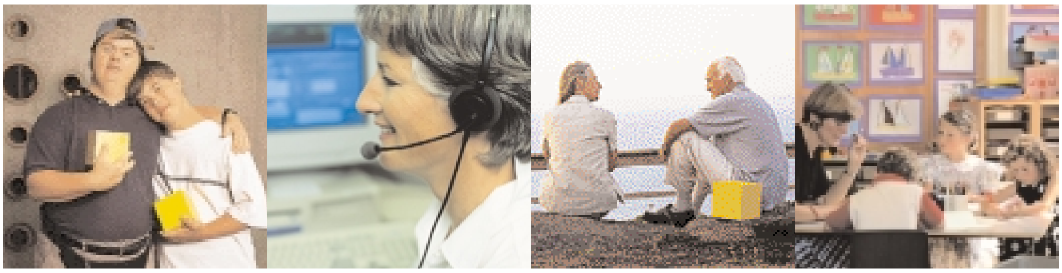
In August, Royal Bank became the first bank in Canada to offer client banks access to returned item images on the Internet. The Report Direct™ service has improved client access to information and reduced investigations.

In August, Royal Bank's Global Securities Services announced that it had acquired the performance measurement business of SEI Investments Canada. Known as the Funds Evaluation Service, this business measures and evaluates investment portfolio performance for more than 300 institutional clients.

Serving Our Stakeholders

Strong Relationships

Royal Bank's success is due to the strong relationships we build with our customers, shareholders, employees and communities. Our employees' personal attention to customers, our creation of a positive, healthy workplace for employees, our accountability and responsibility to shareholders and our commitment to communities reflect our values and are a strong foundation for our future.



Our Customers

We are committed to helping our customers achieve their goals. Our strategy is to provide a seamless and integrated client experience, whether our customers deal with us through our branch or ATM network, via telephone or the Internet. We use customer information management, surveys and focus groups to deepen and build relationships. Client surveys confirm our significant progress in customer problem resolution.

Office of the Ombudsman

Prompt, efficient attention to complaints is an integral component of our commitment to customer care. For concerns not resolved through the bank's established problem management process, the Ombudsman provides an impartial dispute resolution channel. More information is available at branches, online at *royalbank.com/ombudsman* or by contacting the office at: P.O. Box 1, Royal Bank Plaza, Toronto, Ontario, Canada, M5J 2J5. Tel: 1-800 ROYAL-42 or 416-974-4591. Fax: 416-974-6922. E-mail: *ombudsman@royalbank.com*.

Our Shareholders

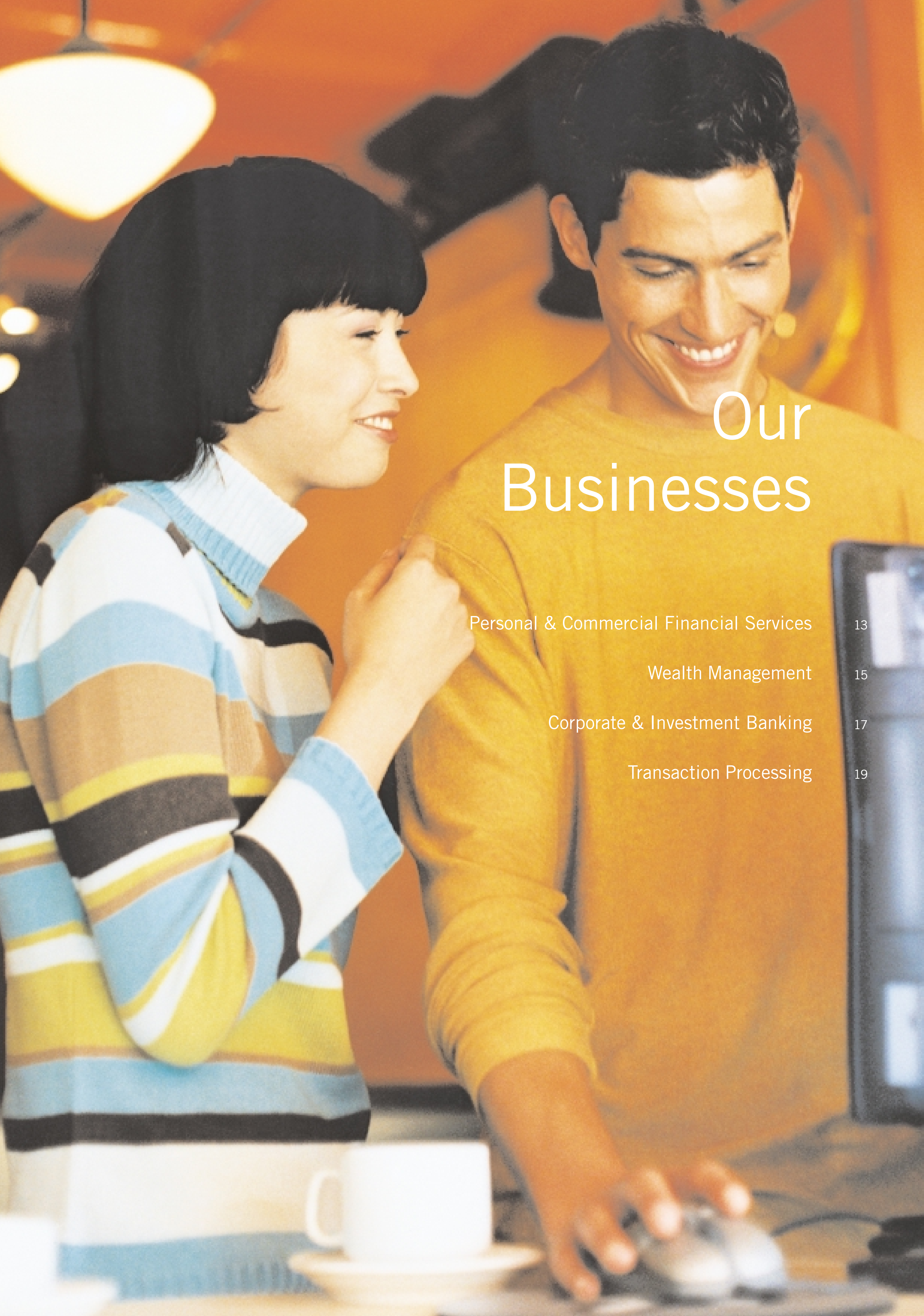
We are focused on maximizing shareholder value through strong financial performance and returns, eBusiness leadership, international expansion and growth of high-return or high-P/E multiple businesses. We also use Economic Profit as a measure of business performance. This past year, shareholders benefited from a 56 per cent total return on their share holdings and, of all Canadian banks, the highest share price relative to book value and 2001 earnings projected by analysts. We aim to retain this valuation leadership.

Our Employees

We value and deliver leading-edge workplace practices, employee development, competitive market-driven compensation and diversity. Our people are high performers who welcome new challenges and create new ideas to better serve our stakeholders. Our focus on aggressive business goals is matched by a commitment to build a workplace that gives employees opportunities to learn and develop as leaders and creative thinkers. We are pleased that approximately 85 per cent of eligible employees own Royal Bank shares through the Royal Employee Savings and Share Ownership Plan.

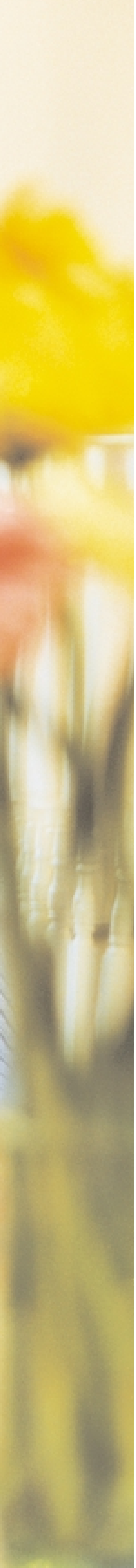
Our Communities

In 2000, for the fifth consecutive year, *Report on Business Magazine* named Royal Bank top corporation in Canada for "corporate responsibility." Our support ranges from grants to youth, education, health and other community enhancement projects: our donations totalled more than $26 million this year. We also invested over $15 million in amateur athletics, the arts and community events. But it goes beyond money. The contributions that really make a difference are from our employees: thousands of people, sharing their time, skills and knowledge to help communities right across Canada and the world. For more information, visit our Web site *royalbank.com/community*.



Our Businesses

Person to Person
Building Foundations



Personal & Commercial Financial Services

Objectives

We provide personal and commercial banking services and insurance, operating primarily under the Royal Bank and RBC Insurance brands. Our objective is to grow profitable relationships in Canada and the U.S. with each one of our personal and business customers by delivering a tailored and personalized customer experience.

Strategies

Our people are building customer relationships and growing revenues by accelerating customer segmentation initiatives, improving sales effectiveness, developing electronic offerings and relationships and pursuing a buy/build approach in the U.S. We will continue to aggressively manage costs through lowered costs of purchased goods and services, simplified product lines and by offering our customers numerous service and delivery options.

Personal & Commercial Banking

We are the largest provider of personal and business deposits and residential mortgage financing, serving nearly 10 million individual and business customers across Canada, with an increasing presence in the U.S. and a significant Caribbean network. Our expertise in customer relationship management, data warehousing and predictive modelling enables us to organize and segment our customers based on several factors, including client life/business stage, risk, complexity of financial needs, and channel, product and service preference. This segmentation allows our employees to better understand customers' needs and major life events, and to provide targeted marketing offers and customized financial advice.

Card Services

We are one of Canada's largest providers of Visa credit cards, debit cards and merchant services, and are piloting technology that will make us a smart card leader. Future strong growth will be driven by alliances, acquisitions and affinity marketing.

RBC Insurance

We are one of Canada's leading insurance providers, bringing travel, out-of-country medical assistance, life, health, creditor, home, auto and reinsurance products and services to more than three million customers across North America. In November 2000, we acquired Greenville, S.C.-based Liberty Life and Liberty Insurance Services. The purchase will provide us with opportunities to gain a significant foothold in the U.S. insurance market and to cross-sell products and services across the bank's U.S. businesses. In Canada, we are focused on growing our brand identity and core businesses. In May, we acquired the life insurance and annuity business of Prudential of America Life Insurance Co. (Canada). We are also exploring select growth opportunities outside North America as well as new eBusiness offerings.

Emerging Businesses

Royal Bank Ventures Inc.

A unique national science and technology commercialization firm, focused on select Canadian high-growth and emerging sectors, we were rated the No. 2 Venture Capital Firm in Canada by the *Financial Post* (July 2000).

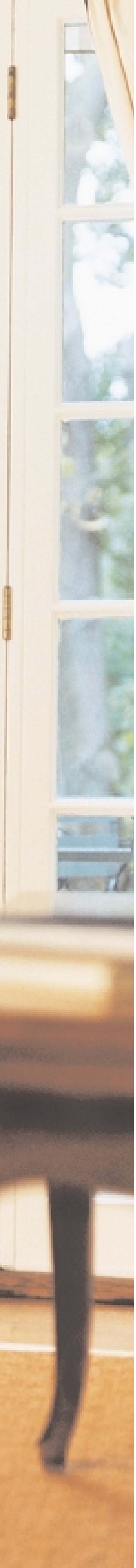
Prism Financial Corporation

Acquired in April 2000, Chicago-based Prism was the 13th largest retail mortgage originator in the U.S. in 1999. Prism employs a three-pronged growth strategy focused on internal expansion, selective acquisitions and Internet partnerships.

Security First Network Bank

The World's First Internet Bank™, Atlanta-based SFNB provides a broad range of banking services via the Internet, telephone and a physical presence in Atlanta and Clearwater, Florida. SFNB supports the U.S. retail banking needs of all Royal Bank businesses.


Generation to Generation
Building the Future



Wealth Management

Objectives

Royal Investment Services™ is committed to building a world-class wealth management enterprise that continues to maximize shareholder return while safeguarding client assets.

Strategies

By offering an array of products that fit our clients' investment needs through each stage of their life, and through acquisitions and alliances, we will continue to grow the assets under our care. We will enhance our distribution and investment capabilities by sharing skills and best practices amongst our employees and through strategic use of technology. We will continue to train and promote our people because they are the backbone of our organization and our partners in success. We will proactively manage risk exposure by fostering a heightened awareness and commitment amongst all employees.

Canadian Private Client Group

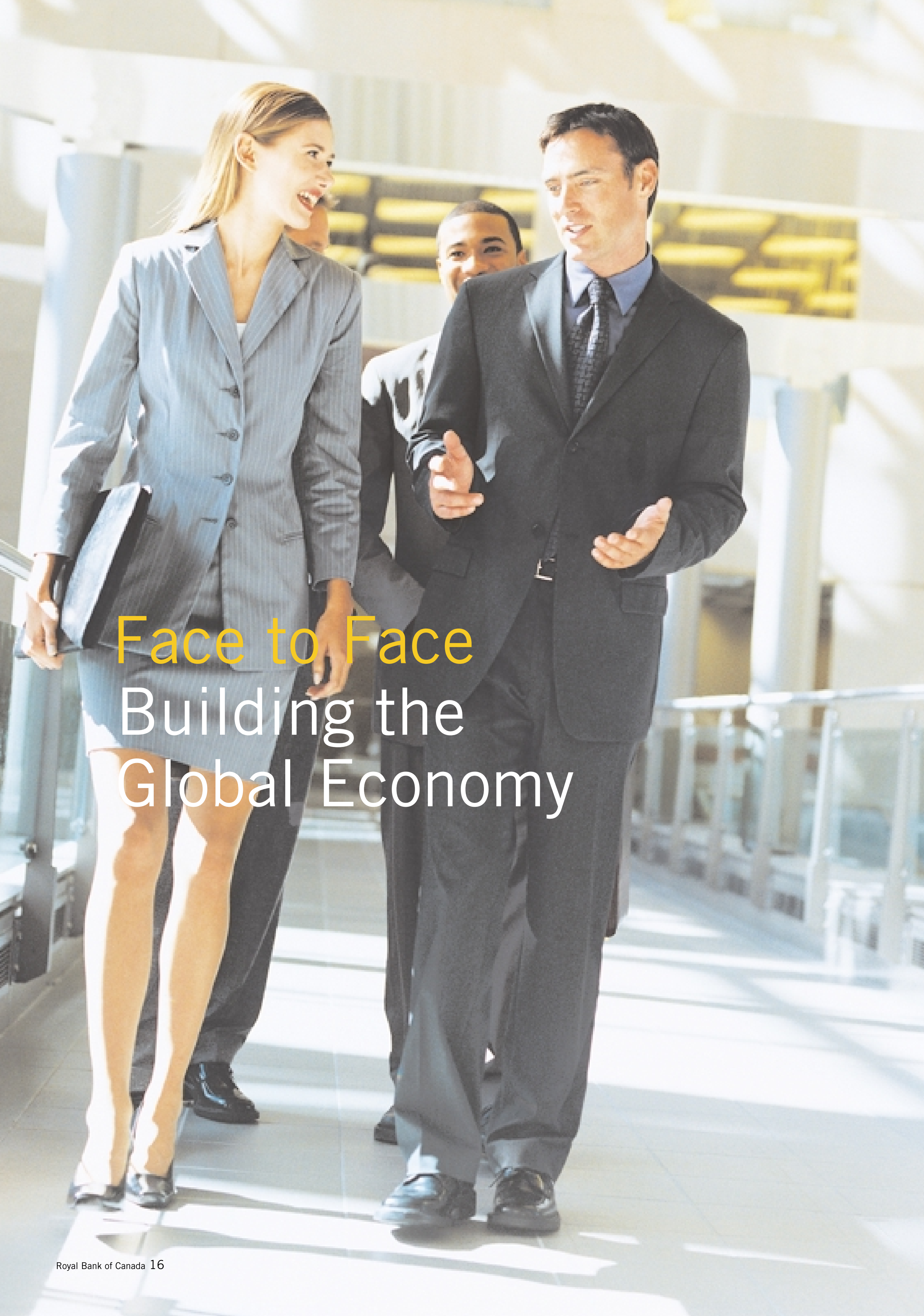
Our core strategy is to serve clients at each stage of their investment needs in the manner in which they choose, to realize greater asset consolidation and client loyalty. Four businesses make up this group. **Royal Bank Action Direct** is the second-largest Canadian self-directed brokerage service, with currently over 75 per cent of all trades coming through electronic channels. It dramatically increased its number of accounts and transaction volumes over the past year. **Private Client Division** is our full-service brokerage with over 1,450 investment advisors and $108 billion in assets under administration across Canada. **Royal Financial Planning**™ is the foundation for our new Personal Financial Advisor program offered through Royal Bank branches. **RBC Private Counsel** is our investment counselling business for clients who desire discretionary investment services.

Global Private Banking

Serving international and Canadian clients with international private banking and offshore investment advice and products, we have the largest global private banking business among the Canadian banks. This business has grown significantly over the last several years and ranks as one of the top 20 global private banking service providers in the world. With particular strength in the British Isles, Latin America and Asia, it is well positioned for continued growth.

Royal Investment Management™

We are one of Canada's largest investment managers as measured by assets under management. Our strengths are providing excellence in client service and product offering, and consistent, above-average investment performance. **Royal Mutual Funds** is Canada's largest no-load fund family and the largest fund family of all Canadian banks. Its growth will be driven by strengthening client relationships, new distribution channels, continued investment in education (financial planning, product knowledge) and timely product development.



Face to Face
Building the Global Economy

Corporate & Investment Banking

Objectives

Our goal is to expand RBC Dominion Securities' ability to deliver consistently superior financial services to corporations and institutions around the world, using our strong leadership position in the Canadian market as a foundation for the specialized expertise we offer in selected products and industry sectors worldwide.

Strategies

In virtually all of our businesses, our people compete with global providers. Our ongoing strategy is to direct our effort and resources to those products and industry sectors in which we can demonstrate world-class expertise and deliver superior value to clients and shareholders. Globally, we will build on our strength in equity derivatives, Eurobonds, foreign exchange and credit products, while expanding fully integrated service to the energy, technology, communications and mining industries.

Global Banking

In 2000, we integrated our corporate and investment banking businesses, creating the Global Banking division, to offer a full range of capital and advisory services managed along global industry and product lines. We are now focusing our growth on products and services with international scope, as reflected in the expansion of our Houston energy group and the New York communications and technology team, and the launch of equity private placement and global structured finance teams. We continue to lead the Canadian market in nearly all of our businesses and anticipate more aggressive international expansion in the coming year.

Global Equity

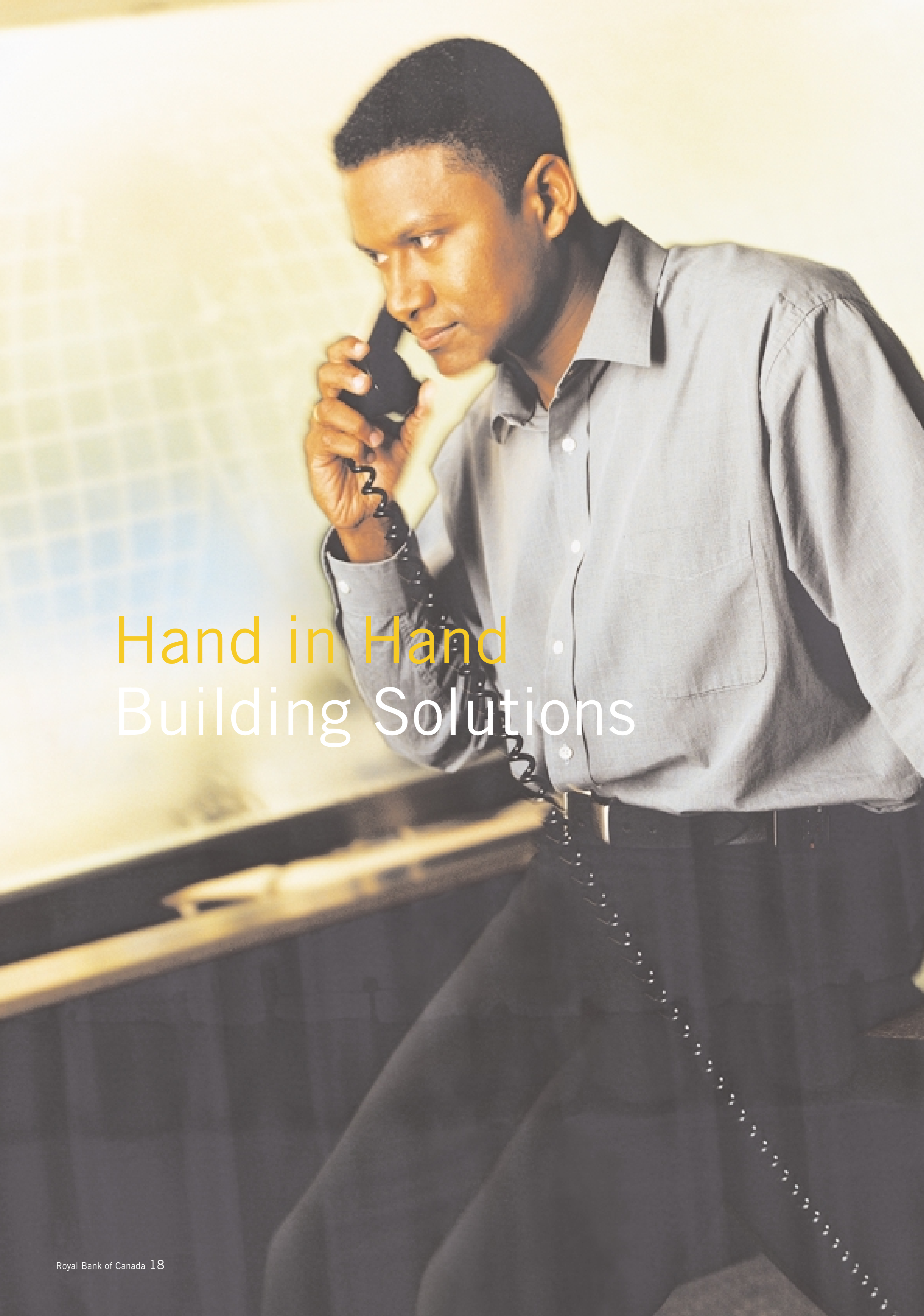
We sustained our strong performance in sales, trading and research in Canadian equities worldwide. We also expanded our North American research capability and experienced considerable growth in our Global Equity Derivatives (GED) business, now expanding further in Europe and Asia. With a list of innovative products such as structured notes and clone funds, and growing expertise in alternative assets, GED will continue to drive our emergence as a creative North American boutique.

Global Markets

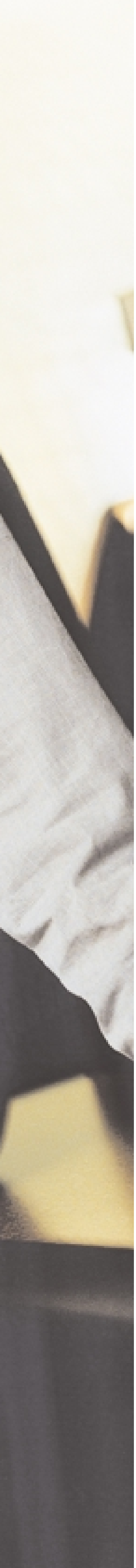
Our position as Canada's top-rated dealer for fixed income, money markets and foreign exchange was unchanged in 2000. The division further increased its global competitiveness through expansion of its Eurobond business, launch of high-yield debt and credit derivatives teams and realignment of its trading network around hubs in Toronto, London and Sydney. We will continue to grow our Eurobond and electronic delivery capabilities in the year ahead.

Private Equity

Royal Bank Capital Partners was formed in August 2000, a merger of Royal Bank's venture capital and merchant banking businesses. A partnership with Personal & Commercial Banking, this unit will focus on IT and e-commerce, advanced materials and manufacturing technologies, life sciences, energy, telecommunications and media, and mezzanine financing, principally in North America.



Hand in Hand
Building Solutions



Transaction Processing

Objectives

Global Integrated Solutions is a new platform created to integrate specialized transaction services businesses. Our goal is to position Royal Bank to better compete in the changing marketplace of global payments, cash management, trade and securities. Our objectives are to achieve a stronger competitive position and double-digit revenue growth, manage client relationships, improve return on equity and grow revenues outside Canada.

Strategies

Our people are leveraging client relationships and our Canadian leadership to develop new business in select domestic and international markets; to grow the business through key alliances, acquisitions and partnerships; to align and build product and e-commerce solutions; and to enhance and integrate systems for improved capability, efficiencies and economies of scale.

Global Securities Services (GSS)

We are the 12th largest custodian and 12th largest holder of cross-border assets in the world. We have 44 per cent of the Canadian securities custody business. We will continue to enhance products for money managers and expand our global business, particularly in Europe, through acquisitions. We will explore alliances with other custodians to offer a pension service to U.S. multinationals, and develop new solutions in partnership with select Canadian money manager clients.

Financial Institutions

We offer a comprehensive range of correspondent banking services to banks globally and broker/dealers within Canada, including cash management, payments, clearing, trade, foreign exchange, derivatives, lending, securities lending, custody and settlement, and structured financing. We are the chief Canadian payment supplier for foreign banks in the Canadian marketplace; more than 80 of the world's top 100 banks deal with us, 53 per cent with exclusivity agreements.

Cash Management Products

We are the largest provider of cash management services to small and medium-sized enterprises and corporations in Canada. We plan to seize the opportunity for growth in this business by realigning and mobilizing our sales force and by aggressively pursuing alternate delivery options, particularly via Web-based technology. We are Web-enabling our cash management products and will continue to develop and introduce new Web-enabled solutions.

Payments Products

We have the largest volume of Canadian dollar large value payments and we process more than 20,000 transactions daily with a value in excess of $138 billion. We plan to leverage our superior processing capabilities in this area by providing white-labelled services domestically and internationally.

Trade Products

We maintain trade lines in more than 130 countries and are the largest provider of export letters of credit in Canada. To address the significant transformation caused by globalization, global trade banks and the Internet, our people are exploring strategic alliances and new markets, products and services to generate new revenue streams from North American trade flows.

Canadian Economic Outlook

Economic news around the globe continues to suggest growth indicators generally remain firm while inflationary risks are moderate. As a result, we have seen economic growth forecasts for most regions of the world point to a soft landing. The vibrant U.S. economy continues to be a key driver of global growth and this year will mark yet another in a long string of years in which the consensus forecast has underestimated the strength of the expansion.

Firm global growth, rising commodity prices, a solid U.S. expansion and a competitive currency all support an outlook of continued economic expansion in Canada. The external side will clearly remain a support for the economy but we also expect the domestic side to play a larger role than in the past. This is particularly true with respect to investment as the policy environment for an investment-related bounce in productivity is improving. A larger contribution to overall growth is also expected from fiscal policy as mounting surpluses open the door to larger than anticipated tax cuts alongside continued progress on debt reduction. Overall, we expect growth in 2000 to come in around 4.5 per cent before easing slightly to 3.5 per cent in 2001.

The actual and expected rise in investment bodes well for the Canadian economy as it sets the stage for productivity to bounce higher alongside a rising standard of living. The acceleration in productivity also suggests the speed limit at which the economy can grow before generating higher inflationary pressures. Reflecting this, as well as the favourable current inflationary readings, we suspect inflation (excluding the volatile food and energy components) will remain in the lower portion of the Bank of Canada's 1–3 per cent target range throughout the forecast horizon. In this environment, we suspect interest rates will remain little changed from current levels while the Canadian dollar gains some ground in the year ahead.

Financial Review U.S. GAAP

Caution Regarding Forward-Looking Statements

Royal Bank of Canada, from time to time, makes written and oral forward-looking statements, included in this Annual Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications, which are made pursuant to the "safe harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to the bank's objectives for 2001, and the medium term, and strategies to achieve those objectives, as well as statements with respect to the bank's beliefs, plans, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "expect," "intend," "plan," and words and expressions of similar import are intended to identify forward-looking statements.

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. The 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, the strength of the Canadian economy in general and the strength of the local economies within Canada in which the bank conducts operations; the strength of the United States economy and the economies of other nations in which the bank conducts significant operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the Board of Governors of the Federal Reserve System in the United States; changes in trade policy; the effects of competition in the markets in which the bank operates; inflation; capital market and currency market fluctuations; the timely development and introduction of new products and services by the bank in receptive markets; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); changes in tax laws; technological changes; the ability of the bank to complete strategic acquisitions and to integrate acquisitions; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; and the bank's anticipation of and success in managing the risks implicated by the foregoing.

The 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 potential events. The bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the bank.

Management's Discussion and Analysis

Overview

Management evaluates the bank's performance on a core basis (i.e., excluding one-time items) as well as on a reported basis (i.e., as reported in its consolidated financial statements on pages 53 to 76). One-time items are viewed by management as transactions that are not part of normal day-to-day business operations or are unusual in nature, thereby obscuring management's analysis of trends. There were some one-time items in 1999 (shown in Table 4 on page 24), but no significant one-time items in 2000. Throughout management's discussion and analysis, comparisons to 1999 will be based on core 1999 numbers.

Highlights

- Fully diluted earnings per share of $3.40, up 29% from 1999
- Economic Profit of $717 million, up 111%
- Revenues of $12.0 billion, up 14%
- Non-interest revenues 56% of total revenues, up from 51% in 1999
- Non-interest expenses of $7.6 billion, up 9%, and base non-interest expenses of $5.5 billion, down 2%
- Nonaccrual loans down $26 million and total provision for credit losses down $69 million or 9% from 1999
- Total allowance for credit losses up $75 million to $1,975 million
- Repurchase of 19.7 million common shares for $660 million
- Capital ratios up and common share dividends of $1.14 per share, up 21%
- International net income 30% of total net income

Financial Priorities

Revenue Growth and Diversification

In 2000, revenues increased 14%, substantially higher than the bank's objective of growth in the mid-single digits. Net interest income increased 3% and non-interest revenue was 24% higher.

Cost Control

The efficiency ratio was 63.6% in 2000 versus 66.2% in 1999, and the operating efficiency ratio (i.e., excluding costs and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) improved to 60.6% from 65.0%. The bank took $580 million out of its cost base by the end of 2000, as detailed on page 34, and reached an operating efficiency ratio (using Canadian GAAP) of 59.5% in the fourth quarter of 2000 – in line with stated objectives.

Strong Credit Quality

Nonaccrual loans fell by $26 million from last year. The provision for credit losses was $691 million, down from $760 million in 1999. The allowance for credit losses was $1,975 million at October 31, 2000, up $75 million from 1999. During the year, net charge-offs (charge-offs, net of recoveries) were $677 million or .42% of average loans, versus $958 million or .62% in 1999. During 1999, the bank had accelerated the rate of charging off problem corporate loans to be consistent with U.S. practice.

Balance Sheet and Capital Management

Using the guidelines provided by the Superintendent of Financial Institutions Canada and Canadian GAAP financial information, the Tier 1 capital ratio was 8.6%, up from 8.1% a year ago. The Total capital ratio was 12.0%, up from 11.2%. Both ratios met the bank's medium-term (3–5 year) capital ratio goals of 8% for Tier 1 capital and 11–12% for Total capital.

Table 1: **Earnings by Geographic Segment**

	2000			1999		
(C$ millions, taxable equivalent basis)	**Canada**	**International**	**Total**	Canada	International	Total
Net interest income	**$ 4,796**	**$ 511**	**$ 5,307**	$ 4,402	$ 750	$ 5,152
Non-interest revenue	**5,277**	**1,403**	**6,680**	4,277	1,214	5,491
Gross revenues	**10,073**	**1,914**	**11,987**	8,679	1,964	10,643
Provision for credit losses	**703**	**(12)**	**691**	672	88	760
Non-interest expenses	**6,470**	**1,158**	**7,628**	6,054	1,087	7,141
Income taxes (1)	**1,354**	**106**	**1,460**	854	163	1,017
Net income	**$ 1,546**	**$ 662**	**$ 2,208**	$ 1,099	$ 626	$ 1,725
Core net income (2)	**$ 1,546**	**$ 662**	**$ 2,208**	$ 1,171	$ 642	$ 1,813

(1) Includes non-controlling interest and taxable equivalent adjustment.
(2) Excludes one-time items in 1999, which are described in Table 4 on page 24.

Economic Profit

The bank measures the Economic Profit of its businesses, in addition to using a variety of other traditional measures, such as return on common equity and growth in earnings. Economic Profit measures each business segment's cash operating earnings after providing for the cost of capital committed to the segment.

Cash operating earnings is net income available to common shareholders (i.e., excluding the impact of one-time items and amortization of goodwill and other intangibles). The equity capital charge is derived by applying the cost of common equity to the amount of average common equity. The current cost of common equity is 13.5% and is management's proxy for the after-tax return required by shareholders for the use of their capital.

To create shareholder value, one must generate cash operating earnings in excess of the equity capital charge. Positive Economic Profit adds to shareholder value while negative Economic Profit destroys shareholder value.

Economic Profit measures changes in value created for the shareholders over time, and is an effective planning tool to focus attention on shareholder value growth opportunities. The objectives are to:

- Increase cash operating earnings without tying up more capital
- Target investments in projects that yield positive economic returns
- Improve overall efficiency of invested capital through re-allocation from less efficient uses
- Improve the risk-return profiles of the lines of business

Economic Profit strengthens risk management discipline, as business segments are attributed cost of capital based on their credit, market, operational and other risks. This discipline has resulted in controlled growth and returns commensurate with risks. Furthermore, Economic Profit encourages the allocation of more capital to stronger performing businesses, and less capital to businesses that are weaker performers.

As shown in Table 2 below, the bank had record Economic Profit in 2000, resulting from cash operating earnings growing at a much faster rate than average common equity. Economic Profit in 2000 was $717 million, up $377 million or 111% from $340 million in 1999. Business segment contributions were $427 million from Personal & Commercial Financial Services (1999 – $297 million), $312 million from Wealth Management (1999 – $215 million), $194 million from Corporate & Investment Banking (1999 – $135 million) and $81 million from Transaction Processing (1999 – $60 million). The Economic Profit amounts for the business segments appear in Table 3 on page 24.

Table 2: **Economic Profit** (1)

(C$ millions)	**2000**	1999	1998	1997	1996
Net income available to common shareholders (2)	**$ 2,074**	$ 1,568	$ 1,627	$ 1,523	$ 1,186
Adjustment for one-time items	**–**	88	17	–	–
Adjustment for amortization of goodwill and other intangibles	**91**	70	66	63	38
Cash operating earnings	**2,165**	1,726	1,710	1,586	1,224
Capital charge	**(1,448)**	(1,386)	(1,249)	(1,204)	(1,094)
Economic Profit (1)	**$ 717**	$ 340	$ 461	$ 382	$ 130
Economic Profit growth	**111%**	(26)%	21%	194%	–
Average common equity	**$ 10,725**	$ 10,268	$ 9,255	$ 8,303	$ 7,543
Cost of common equity	**13.5%**	13.5%	13.5%	14.5%	14.5%

(1) Economic Profit is cash operating earnings (i.e., net income available to common shareholders excluding the impact of one-time items and amortization of goodwill and other intangibles) less a charge for the cost of common equity employed.
(2) Net income less preferred share dividends.

Line of Business Results

Overview

Table 3 on page 24 shows the bank's results by business segment in 2000. Results for 1999 are shown both before and after the impact of one-time items (shown in Table 4 on page 24). There were no one-time items in 2000. The discussion below and on pages 24 to 28 refers to core amounts (i.e., excluding one-time items) for 1999.

Personal & Commercial Financial Services generated 55% of the bank's net income in 2000 and produced a return on common equity of 21.3%. A substantial contributor to the bank's successful cost-saving initiatives, this segment achieved an efficiency ratio of 59.2% and an operating efficiency ratio of 57.0%, improvements of 520 basis points and 620 basis points, respectively, from 1999.

Wealth Management generated 19% of the bank's net income. The segment's 47.8% return on common equity reflects relatively low capital requirements due to its largely fee-based business. The efficiency ratio was 73.9%, while the operating efficiency ratio was 71.2%.

Corporate & Investment Banking generated 23% of the bank's net income. Return on common equity was 20.8%, while the efficiency ratio was 62.5% and the operating efficiency ratio was 58.0%.

Transaction Processing, a newly created segment in 2000, generated 6% of the bank's net income. Return on common equity was 32.2%, while the efficiency ratio was 68.1% and the operating efficiency ratio was 68.0%.

Other largely comprises Corporate Treasury (which manages the bank's market risk position of the non-trading businesses), Systems & Technology and Real Estate Operations. In 2000, this segment recorded a net loss of $59 million.

The bank allocates capital to its business segments based on their credit, market, operational and other risks. The four operating segments' returns on common equity in 2000 were negatively impacted by the re-allocation of approximately $1.1 billion of common equity during the first quarter from the Other segment to the four business segments to underpin operational and business risks. Approximately $400 million was re-allocated to Personal & Commercial Financial Services, $250 million to Wealth Management, $450 million to Corporate & Investment Banking and $50 million to Transaction Processing.

Table 3: **Results by Business Segment**

(C$ millions, taxable equivalent basis)	2000 Personal & Commercial Financial Services	Wealth Management	Corporate & Investment Banking	Transaction Processing	Other (1)	Total	1999 Core (2)	Reported
Net interest income	$ 4,789	$ 359	$ 43	$ 160	$ (44)	$ 5,307	$ 5,152	$ 5,152
Non-interest revenue	1,729	2,138	2,287	514	12	6,680	5,386	5,491
Gross revenues	6,518	2,497	2,330	674	(32)	11,987	10,538	10,643
Provision for credit losses	649	(1)	91	(21)	(27)	691	670	760
Non-interest expenses	3,857	1,846	1,456	459	10	7,628	6,971	7,141
Income taxes	782	239	260	102	29	1,412	1,041	974
Non-controlling interest and taxable equivalent adjustment	12	–	21	–	15	48	43	43
Net income (loss)	$ 1,218	$ 413	$ 502	$ 134	$ (59)	$ 2,208	$ 1,813	$ 1,725
Net income (loss) as a % of total bank net income	55%	19%	23%	6%	(3)%	100%	100%	100%
Net income growth over prior year	26%	52%	32%	25%	n.a.	22%	1%	(3)%
Fully diluted earnings per share						$ 3.40	$ 2.63	$ 2.48
Economic Profit (3)	427	312	194	81	(297)	717	340	340
Return on common equity	21.3%	47.8%	20.8%	32.2%	(3.7)%	19.3%	16.1%	15.3%
Efficiency ratio (4)	59.2%	73.9%	62.5%	68.1%	n.a.	63.6%	66.2%	67.1%
Operating efficiency ratio (5)	57.0%	71.2%	58.0%	68.0%	n.a.	60.6%	65.0%	65.0%
Non-interest revenue as a % of gross revenues	27%	86%	98%	76%	n.a.	56%	51%	52%
Average assets	$131,900	$ 8,000	$131,900	$ 1,600	$ 10,700	$284,100	$270,000	$270,000
Average loans	125,700	2,600	31,400	1,200	(900)	160,000	155,600	155,600
Average deposits	98,900	14,400	61,900	7,600	13,300	196,100	184,800	184,800
Average common equity	5,400	800	2,300	400	1,800	10,700	10,300	10,300

(1) The Other segment comprises mainly Corporate Treasury, Systems & Technology and Real Estate Operations.
(2) Core results exclude one-time items detailed in Table 4 below. There were no one-time items in 2000.
(3) Economic Profit is defined as cash operating earnings (i.e., net income available to common shareholders excluding the impact of one-time items and amortization of goodwill and other intangibles) less a charge for the cost of common equity employed.
(4) Non-interest expenses as a percentage of gross revenues.
(5) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Table 4: **One-Time Items Affecting Business Segment Results in 1999** (1)

(C$ millions, taxable equivalent basis)	Personal & Commercial Financial Services	Corporate & Investment Banking	Other	Total
Non-interest revenue				
Gain on sale of securities (2)	$ 28	$ –	$ –	$ 28
Gain on sale of real estate	–	–	95	95
Writedown of MECA & Integrion (3)	–	–	(18)	(18)
	28	–	77	105
Provision for credit losses				
Unallocated (4)	(35)	(55)	–	(90)
	(35)	(55)	–	(90)
Non-interest expenses				
Restructuring costs	(50)	(83)	(20)	(153)
Merger costs (5)	–	–	(12)	(12)
Expenses related to the sale of real estate	–	–	(5)	(5)
	(50)	(83)	(37)	(170)
Total impact (pre-tax)	(57)	(138)	40	(155)
Total impact (after-tax)	$ (33)	$ (78)	$ 23	$ (88)
Impact on fully diluted earnings per share				$ (0.15)

(1) There were no one-time items in Wealth Management or Transaction Processing in 1999 and no one-time items at all in 2000.
(2) Related to shares received in satisfaction of a loan previously charged off.
(3) Writedowns of investments in MECA Software LLC and Integrion Financial Network LLC following the decision to migrate PC banking customers to the Internet.
(4) Recorded to allow for imperfections in models and in estimating risk.
(5) Related to the proposed merger with Bank of Montreal, which was denied by the Minister of Finance in December 1998.

Personal & Commercial Financial Services

Overview

Personal & Commercial Financial Service's net income was up 26% from a year ago.

Revenues were up 9%, with increases in all businesses, while non-interest expenses were unchanged due to a highly effective cost-reduction program, resulting in an improvement in the efficiency ratio of 520 basis points from 1999. The operating efficiency ratio (i.e., excluding expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) improved by 620 basis points from 1999 to 57.0%.

The 20% increase in the provision for credit losses was largely due to higher provisions for consumer loans.

Economic Profit was $427 million, an increase of 44% over 1999.

Return on common equity was 21.3%, up from 20.1% last year.

Core Results (1)

(C$ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	7%	**$ 4,789**	$ 4,457
Non-interest revenue	14	**1,729**	1,521
Gross revenues	9	**6,518**	5,978
Provision for credit losses			
Allocated specific	33	**539**	405
Allocated general and unallocated	(19)	**110**	135
Total provision	20	**649**	540
Non-interest expenses	–	**3,857**	3,848
Net income before income taxes	27	**2,012**	1,590
Income taxes	28	**782**	610
Non-controlling interest and taxable equivalent adjustment	–	**12**	12
Net income	26%	**$ 1,218**	$ 968
Net income as a % of total bank net income	200 bp	**55%**	53%
Economic Profit	44%	**$ 427**	$ 297
Return on common equity	120 bp	**21.3%**	20.1%
Efficiency ratio	(520)bp	**59.2%**	64.4%
Operating efficiency ratio (2)	(620)bp	**57.0%**	63.2%
Average assets	6%	**$ 131,900**	$ 123,900
Average loans	6	**125,700**	118,500
Average deposits	5	**98,900**	94,600
Average common equity	20	**5,400**	4,500

(1) Excluding one-time items in 1999 detailed in Table 4 on page 24. There were no one-time items in 2000.

(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Personal & Commercial Banking

- Solid revenue growth of 6% and strong volume growth
- Market leader in Canada in mortgages (15.3% market share) and second in personal lending (16.3%) and personal deposits (15.7%)
- Leadership position maintained in business financing (14.0% market share) and business deposits (21.2%)

(C$ millions)	% change	2000	1999
Gross revenues	6%	**$ 5,094**	$ 4,801
Average residential mortgages	6	**62,850**	59,300
Average personal loans	9	**23,600**	21,600
Average personal deposits	1	**72,500**	71,600
Average business loans	6	**36,800**	34,750
Average business deposits	14	**22,300**	19,500

Card Services

- Strong volume growth and effective cost-containment initiatives led the business to 15% earnings growth this year
- The Bank One acquisition added over 200,000 new accounts and an additional 25 affinity partners, bringing the number to over 50

(C$ millions, transactions in millions)	% change	2000	1999
Average managed assets	11%	**$ 5,307**	$ 4,770
Card spending volumes	8	**25,299**	23,350
Merchant spending volumes	13	**23,026**	20,346
No. of merchant debit transactions	22	**429**	351

Insurance

- Insurance net income was down 5% from a high level in 1999, which had reflected the release of actuarial reserves in 1999
- Total gross insurance premiums grew 22% over 1999, reflecting the acquired Canadian individual life insurance and annuity business of Prudential of America, and significant volume increases in home & auto as well as property & casualty reinsurance
- Strong growth target of $2.5 billion in annual gross premiums within five years
- Ranked in the world's top 50 reinsurers, based on net reinsurance premiums written (No. 57 in 1999), with a growing presence in the life retrocession, property & casualty and structured reinsurance businesses

(C$ millions)	% change	2000	1999
Gross insurance premiums			
Life	14%	**$ 751**	$ 659
Non-life	44	**286**	199
Other	233	**10**	3
Total	22%	**$ 1,047**	$ 861
Net income after tax			
Life	4%	**$ 116**	$ 112
Non-life	(167)	**(16)**	(6)
Other	50	**3**	2
Total	(5)%	**$ 103**	$ 108

Emerging Businesses (includes Prism Financial Corporation, Royal Bank Ventures Inc. and Security First Network Bank)

- Solid growth in Security First Network Bank's number of accounts
- Prism Financial Corporation originated $4.9 billion of mortgages since the acquisition in early April 2000
- Number of Canadian online clients, which more than doubled in 2000 over 1999, is again expected to significantly increase in 2001
- Expansion in the U.S. is creating new opportunities for cross-selling products and services among member companies

	% change	2000	1999
Security First Network Bank's No. of accounts	38%	**55,400**	40,200
Prism Financial Corporation mortgage originations ($ billions)	n.a.	**$ 4.9**	n.a.
Canadian online clients	139	**1,264,400**	530,000

Wealth Management

Overview

Royal Investment Services' net income increased by 52% over 1999, reflecting strong performances from Royal Bank Action Direct (self-directed brokerage), Private Client Division (full-service brokerage), Royal Financial Planning and Global Private Banking. The segment's contribution to the bank's net income increased to 19% from 15% in 1999. Return on common equity declined to 47.8% due to the higher allocation of capital for operational and other risks, described on page 23.

Revenue growth exceeded expense growth, resulting in a substantial improvement in the efficiency ratio. The operating efficiency ratio improved by 770 basis points from 1999 to 71.2%.

Economic Profit was $312 million, up 45% over 1999.

Assets under administration (AUA) were up 21% as a result of double-digit percentage growth in Royal Bank Action Direct, Private Client Division and Global Private Banking.

Assets under management (AUM) were up 13%, with particularly strong growth in personal assets under management.

Financial Performance by Business

Royal Bank Action Direct

- As a result of strong capital markets, especially in the first half of the year, Royal Bank Action Direct experienced significant business growth in Canada with trade volumes up 125%, number of accounts up 34% and electronic trading volumes up 196% over last year. AUA grew 49% over 1999 to $14.5 billion and revenues were up 89%

Private Client Division

- In the full-service brokerage division, AUA were up 21% and revenues increased 25% over 1999. Fee-based assets (assets that generate fees based on a percentage of the assets, rather than transaction-based commissions) represented 14% of total AUA, up from 11% in 1999

Royal Financial Planning (formerly Personal Wealth Management)

- Royal Financial Planning, in conjunction with Personal & Commercial Banking, continued to expand the Personal Financial Advisor program – a new relationship management value proposition for a segment of affluent clients in the Royal Bank and Royal Trust branch networks

RBC Private Counsel

- Formed in the first quarter of this year to provide a solution-based focus to the global investment counsel needs of domestic clients requiring discretionary investment services

Global Private Banking

- Global Private Banking experienced 22% growth in combined personal and institutional AUA and 27% growth in AUM, due in part to the Ernst & Young Channel Islands acquisitions. Revenues were up 35% over 1999

Investment Management and Personal Trust

- Investment Management AUM and Personal Trust AUA were up 13% and 9%, respectively, over 1999. Were it not for the transfer of assets to RBC Private Counsel in early 2000, Investment Management revenues would have been up 13% from 1999

Royal Mutual Funds

- At $34 billion, mutual fund balances were up 11% from 1999. Royal Mutual Funds is the third-largest Canadian mutual fund company at October 31, 2000, with 8.1% of total mutual fund assets in Canada

Core Results (1)

(C$ millions, taxable equivalent basis)	% change	2000	1999 (2)
Net interest income	34%	**$ 359**	$ 267
Non-interest revenue	27	**2,138**	1,684
Gross revenues	28	**2,497**	1,951
Provision for credit losses			
Allocated specific	80	**(1)**	(5)
Allocated general and unallocated	n.a.	**–**	5
Total provision	n.a.	**(1)**	–
Non-interest expenses	19	**1,846**	1,556
Net income before income taxes	65	**652**	395
Income taxes	94	**239**	123
Net income	52%	**$ 413**	$ 272
Net income as a % of total bank net income	400 bp	**19%**	15%
Economic Profit	45%	**$ 312**	$ 215
Return on common equity	(990)bp	**47.8%**	57.7%
Efficiency ratio	(590)bp	**73.9%**	79.8%
Operating efficiency ratio (3)	(770)bp	**71.2%**	78.9%
Average common equity	60%	**$ 800**	$ 500

(1) There were no one-time items in 2000 or 1999.
(2) 1999 results have been restated for the transfer of Global Securities Services to the Transaction Processing segment and for the revenues and costs associated with the transfer of Royal Trust branches to the Personal & Commercial Financial Services segment.
(3) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

(C$ millions)	% change	2000	1999 (1)
Assets under administration (AUA)			
Personal			
Royal Bank Action Direct	49%	**$ 14,500**	$ 9,700
Private Client Division	21	**107,700**	89,200
Personal Trust	9	**30,400**	28,000
Global Private Banking	41	**54,900**	39,000
Other (2)	(27)	**(1,400)**	(1,100)
Total personal	25	**206,100**	164,800
Institutional	5	**42,200**	40,100
	21%	**$ 248,300**	$ 204,900

(1) 1999 institutional assets under administration have been restated for the transfer of Global Securities Services to the Transaction Processing segment and for reorganizations within the Wealth Management segment.
(2) Other AUA represents assets administered by more than one business.

(C$ millions)	% change	2000	1999
Assets under management (AUM)			
Institutional	12%	**$ 36,700**	$ 32,700
Personal	17	**21,500**	18,300
Mutual funds	11	**34,100**	30,600
	13%	**$ 92,300**	$ 81,600

(C$ millions)	% change	2000	1999 (1)
Gross revenues by business			
Royal Bank Action Direct	89%	**$ 193**	$ 102
Private Client Division	25	**1,050**	840
Royal Financial Planning	40	**112**	80
RBC Private Counsel (2)	n.a.	**92**	–
Global Private Banking	35	**388**	288
Investment Management (2)	(8)	**253**	274
Royal Mutual Funds	11	**409**	367
	28%	**$ 2,497**	$ 1,951

(1) 1999 gross revenues have been restated for the transfer of Global Securities Services to the Transaction Processing segment, certain reorganizations within Wealth Management and for the revenues and costs associated with the transfer of Royal Trust branches to Personal & Commercial Financial Services.
(2) At the beginning of 2000, RBC Private Counsel began managing assets formerly managed by Investment Management.

Corporate & Investment Banking

Overview

The segment had a very strong performance in 2000. Net income grew 32% from 1999 and accounted for 23% of the bank's total net income, compared to 21% in 1999. Return on common equity improved to 20.8% from 19.7% in 1999.

Revenues were up 17%, with very strong growth in the Global Equity and Global Banking divisions. Net interest income declined due to higher funding costs from the growing equity derivatives portfolio, which are included in interest expense and reduce net interest income. The revenues from the equity derivatives portfolio are recorded in trading revenues, which are included in non-interest revenues.

Non-interest expenses, excluding variable compensation and strategic initiatives, were down $50 million or 8% versus 1999.

The operating efficiency ratio improved by 240 basis points from 1999 to 58.0%.

The provision for credit losses declined 46% reflecting the exiting of unprofitable international lending relationships over the past two years.

Economic Profit was $194 million, an increase of 44% over 1999.

Core Results (1)

(C$ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	(89)%	**$ 43**	$ 402
Non-interest revenue	44	**2,287**	1,588
Gross revenues	17	**2,330**	1,990
Provision for credit losses			
Allocated specific	(52)	**81**	168
Allocated general and unallocated	n.a.	**10**	–
Total provision	(46)	**91**	168
Non-interest expenses	19	**1,456**	1,222
Net income before income taxes	31	**783**	600
Income taxes	34	**260**	194
Non-controlling interest and taxable equivalent adjustment	(22)	**21**	27
Net income	32%	**$ 502**	$ 379
Net income as a % of total bank net income	200 bp	**23%**	21%
Economic Profit	44%	**$ 194**	$ 135
Return on common equity	110 bp	**20.8%**	19.7%
Efficiency ratio	110 bp	**62.5%**	61.4%
Operating efficiency ratio (2)	(240)bp	**58.0%**	60.4%
Average assets	4%	**$ 131,900**	$ 127,300
Average loans	(10)	**31,400**	34,800
Average deposits	2	**61,900**	60,700
Average common equity	28	**2,300**	1,800

(1) Excluding one-time items in 1999 detailed in Table 4 on page 24. There were no one-time items in 2000.

(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Global Banking Division

- Revenues were up 12% as mergers & acquisitions and advisory activity increased markedly. Lending revenues were up 2% even as assets were managed downwards by 12%, reflecting more fee-based lending activity
- Non-interest expenses excluding variable compensation and strategic initiatives were down by $25 million, as the restructuring and refocusing of the business continued

(C$ millions)	% change	2000	1999
Gross revenues	12%	**$ 855**	$ 764
Average assets	(12)	**28,500**	32,400

Global Equity Division

- The Global Equity Division generated revenues of $731 million in fiscal 2000, up 40% over fiscal 1999. Virtually all areas within the division contributed to this growth, reflecting a substantial improvement in new issue activity and continued expansion of our equity derivative operations

(C$ millions)	% change	2000	1999
Gross revenues	40%	**$ 731**	$ 522
Average assets	(7)	**14,300**	15,400

Global Markets Division

- Favourable foreign exchange and money market conditions helped to offset the weakness experienced in fixed income markets, and the reduced revenues from Asian restructuring conducted in 1999. FX Direct added 500 new Internet clients during the year, an increase of 135%

(C$ millions)	% change	2000	1999
Gross revenues	6%	**$ 744**	$ 704
Average assets	12	**89,100**	79,500

Transaction Processing

Overview

Global Integrated Solutions, a newly created segment, showed strong performance in 2000. Net income grew 25% from 1999 and accounted for 6% of the bank's total net income, unchanged from 1999. Return on common equity improved to 32.2% from 27.7% in 1999.

Revenues were up 7%, with Global Securities Services contributing all of the growth.

Non-interest expenses rose 5% during 2000. The operating efficiency ratio improved by 150 basis points from 1999 to 68.0%.

The provision for credit losses fell by $27 million, reflecting recoveries for prior years' losses on loans to international banks.

Economic Profit was $81 million, an increase of 35% over 1999.

Core Results (1)

(C$ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	(5)%	$ **160**	$ 168
Non-interest revenue	12	**514**	459
Gross revenues	7	**674**	627
Provision for credit losses			
Allocated specific	(450)	**(21)**	6
Total provision	(450)	**(21)**	6
Non-interest expenses	5	**459**	436
Net income before income taxes	28	**236**	185
Income taxes	31	**102**	78
Net income	25%	$ **134**	$ 107
Net income as a % of total bank net income	–	**6%**	6%
Economic Profit	35%	$ **81**	$ 60
Return on common equity	450 bp	**32.2%**	27.7%
Efficiency ratio	(140)bp	**68.1%**	69.5%
Operating efficiency ratio (2)	(150)bp	**68.0%**	69.5%
Average common equity	–	$ **400**	$ 400

(1) There were no one-time items in 2000 or 1999.
(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Global Securities Services

Global Securities Services (GSS) is Canada's largest custodian, and a recognized provider of custody and related securities services to corporate and institutional investors worldwide:

- GSS operates from 11 locations throughout the world, with a global custody network spanning more than 80 markets
- Revenues and client assets under administration grew 28% and 22%, respectively, over 1999
- GSS continues to achieve top rankings in international custody surveys. It is
  - Top-rated among Canadian custodians for the 12th consecutive year (*Global Custodian*, Agent Bank Review 2000)
  - No. 2 in the world for quality of global custody service for investment managers (R&M Consultants, Global Custody Survey 2000)
  - No. 3 for global custody service quality worldwide (*Global Investor*, Global Custody Survey 2000)

(C$ millions)	% change	2000	1999
Gross revenues	28%	$ **360**	$ 280
Assets under administration	22	**920,000**	755,000

Financial Institutions, Cash Management, Payments & Trade

Cash management, payment and trade products and services are provided to the small and medium enterprises, commercial, corporate and financial institution segments.

- Revenues decreased 10% from 1999 due largely to certain revenues being reported in Corporate & Investment Banking in 2000 rather than in Global Integrated Solutions. Excluding this transfer, revenues were unchanged from 1999
- Payment volumes grew 11% over 1999

(C$ millions, volumes in thousands)	% change	2000	1999
Gross revenues	(10)%	$ **314**	$ 347
Payment volumes	11	**4,690**	4,220
Payment errors (per 10,000 payments)	(15)	**.82**	.97

Financial Priority: Revenue Growth and Diversification

Highlights

- Revenue growth of 14%, substantially higher than the objective for 2000 of growth in the mid-single digits
- Net interest income up 3%
- Net interest margin of 1.87%, down 4 basis points from 1999
- Non-interest revenues up 24%
- Non-interest revenues 56% of total revenues, up from 51% in 1999

Net Interest Income

Net interest income was up 3% from 1999 to $5.3 billion. The increase stemmed from higher volumes of interest-earning assets, particularly retail loans. As well, the spread between the prime rate and core deposit funding costs widened slightly during the year as the average Canadian prime rate increased to 7.05% from 6.49% in 1999.

However, net interest income was reduced due to higher funding costs from the growing equity derivatives portfolio, which are included in interest expense and reduce net interest income. The revenues from the equity derivatives portfolio are recorded in trading revenues, which are included in non-interest revenues.

As shown in Table 5 below, the net interest margin declined by 4 basis points from last year to 1.87%, as the benefits of a wider spread between the prime rate and core deposits and other items were more than offset by the above-mentioned growth in global equity derivatives.

Table 5: **Change in Net Interest Margin**

	2000	1999
Net interest margin (1)	**1.87%**	1.91%
Components of change from prior year		
Growth in global equity derivatives	**(.08)%**	(.04)%
Prime-core deposit spread	**.03**	.01
Other	**.01**	(.01)
Total change from prior year	**(.04)%**	(.04)%

(1) Net interest income, on a taxable equivalent basis, as a percentage of average total assets.

Non-Interest Revenue

As shown in Table 6 on page 30, non-interest revenues were $6.7 billion, up $1.3 billion or 24% from 1999 (excluding one-time revenues in 1999 shown in Table 4 on page 24). Non-interest revenues accounted for 56% of total revenues, up from 51% in 1999.

Non-interest revenues were up 14% in Personal & Commercial Financial Services, rose 27% in Wealth Management, increased by 44% in Corporate & Investment Banking and rose by 12% in Transaction Processing.

Most categories of non-interest revenues grew over 1999. Capital market fees rose substantially, reflecting higher revenues from full-service brokerage, discount brokerage and mergers & acquisitions activity. The growth in trading revenues is discussed on page 30. Higher investment management and custodial fees reflected growth in assets under management and under administration. The growth in card service revenues partially stemmed from the return to the consolidated balance sheet of previously-securitized credit card receivables, the acquisition of Bank One's Canadian credit card portfolio and increased dollar volumes of transactions. The growth in foreign exchange revenues reflected increased market share. Mutual fund revenue growth reflected net growth in mutual fund assets of $3.5 billion during 2000.

Outlook

- The bank is targeting revenue growth of over 10% in 2001, under the expectations that capital markets will not strengthen or weaken significantly from the level in early December 2000, retail loan volumes will increase next year and the net interest margin will remain relatively unchanged

Table 6: **Non-Interest Revenue**

(C$ millions)	2000	1999	1998	2000 vs 1999 Increase (decrease)		1999 vs 1998 Increase (decrease)	
Capital market fees	**$ 1,810**	$ 1,209	$ 1,118	**$ 601**	**50%**	$ 91	8%
Trading revenues	**1,540**	1,106	760	**434**	**39**	346	46
Deposit and payment service charges	**756**	688	664	**68**	**10**	24	4
Investment management and custodial fees	**684**	547	495	**137**	**25**	52	11
Mutual fund revenues	**528**	479	447	**49**	**10**	32	7
Card service revenues	**420**	362	305	**58**	**16**	57	19
Securitization revenues	**104**	220	226	**(116)**	**(53)**	(6)	(3)
Foreign exchange revenues, other than trading	**299**	243	218	**56**	**23**	25	11
Credit fees	**212**	189	183	**23**	**12**	6	3
Revenues from insurance activities	**151**	174	113	**(23)**	**(13)**	61	54
Gain (loss) on sale of securities	**(11)**	18	66	**(29)**	**(161)**	(48)	(73)
Loss on disposal of premises and equipment	**(16)**	(5)	(32)	**(11)**	**(220)**	27	84
Other	**203**	156	187	**47**	**30**	(31)	(17)
Total core (i.e., excluding one-time gains)	**6,680**	5,386	4,750	**1,294**	**24**	636	13
One-time gains (1)	**–**	105	247	**(105)**	**(100)**	(142)	(57)
Total	**$ 6,680**	$ 5,491	$ 4,997	**$ 1,189**	**22%**	$ 494	10%

(1) One-time gains in 1999 are described in Table 4 on page 24. One-time gains in 1998 of $247 million consisted of a $277 million gain on sale of LDC Brady bonds offset by other charges aggregating $30 million.

Trading Revenues

Trading revenues include gains and losses on securities and derivatives that the bank trades actively, or expects to hold for short periods, and whose values are marked-to-market daily. A description of trading revenues included in net interest income and non-interest revenues is provided in footnotes (1) and (2) to Table 7 on page 31.

Trading revenues recorded in net interest income decreased by $370 million and in non-interest revenues increased by $434 million during 2000, partially due to the equity derivatives portfolio. As mentioned on page 29, funding costs from the growing equity derivatives portfolio are included in net interest income and the revenues are recorded in non-interest revenue. Total trading revenues were up $64 million or 6% in 2000, reflecting strong overall growth in the equity derivatives business and active markets in 2000. The bank continues to avoid large proprietary trading positions and conducts the majority of trading to accommodate clients in the major G7 markets and currencies.

With respect to products, as shown in Table 7 on page 31, revenues from equity, commodity and precious metal contracts increased 51% due to growth in the equity derivatives business. Trading revenues from foreign exchange contracts rose 4%, while those from interest rate risk management contracts were 75% higher. Revenues from debt instruments shrank 39% due to additional costs of funding the inventory and weakness in all fixed income markets – in Canada, the U.S. and Europe – reflecting widening credit spreads and greater volatility. The size of the bank's high-yield bond trading portfolio was less than US$100 million at October 31, 2000, with approximately 60% of this amount in the telecommunications sector.

Table 7: **Trading Revenues**

(C$ millions)	2000	1999	1998
Net interest income (1)	$ (365)	$ 5	$ 179
Non-interest revenue (2)	1,540	1,106	752
Total	$ 1,175	$ 1,111	$ 931
By product			
Debt instruments (3)	$ 257	$ 423	$ 389
Equity, commodity and precious metal contracts	496	329	224
Foreign exchange contracts (4)	301	290	267
Interest rate risk management contracts (5)	121	69	51
Total	$ 1,175	$ 1,111	$ 931

(1) Includes interest earned on trading securities and other cash instruments held in the trading portfolios less funding costs associated with trading-related derivative and security positions. Net interest income for 1999 reflects reclassification of interest expenses to net interest income from non-interest revenue of $125 million. Net interest income prior to 1999 has not been restated to reflect this reclassification. A similar reclassification in 1998 would have resulted in a transfer of $50 million of interest expense to net interest income from non-interest revenue. Total trading revenues did not change as a result of the reclassification.
(2) Primarily includes realized and unrealized gains and losses on trading securities, derivative instruments and foreign exchange trading activities.
(3) Includes Canadian government securities and corporate debt instruments.
(4) Includes foreign exchange spot, forward, futures and options contracts.
(5) Includes swaps, interest rate options, interest rate futures, forward rate agreements and related cash instruments used to hedge the trading derivatives portfolios.

Table 8: **Change in Net Interest Income**

	2000 vs 1999 Increase (decrease) due to changes in			1999 vs 1998 Increase (decrease) due to changes in		
(C$ millions, taxable equivalent basis)	average volume (1)	average rate (1)	Net change	average volume (1)	average rate (1)	Net change
Assets						
Deposits with other banks						
Canada	$ 51	$ (11)	$ 40	$ 6	$ 13	$ 19
International	(38)	132	94	105	(105)	–
Securities						
Trading account	286	6	292	254	(172)	82
Available for sale	107	28	135	112	(30)	82
Held to maturity	(6)	10	4	22	2	24
Assets purchased under reverse repurchase agreements	(2)	187	185	(120)	(156)	(276)
Loans						
Canada						
Residential mortgage	122	(15)	107	282	(75)	207
Personal	216	129	345	158	4	162
Credit card	139	40	179	28	5	33
Business and government	24	83	107	27	(364)	(337)
International	(326)	740	414	(596)	491	(105)
Total interest income	$ 573	$ 1,329	$ 1,902	$ 278	$ (387)	$ (109)
Liabilities						
Deposits						
Canada	$ 114	$ 466	$ 580	$ (78)	$ 132	$ 54
International	226	615	841	233	(383)	(150)
Obligations related to securities sold short	(32)	134	102	32	(35)	(3)
Obligations related to assets sold under repurchase agreements	(13)	134	121	22	(95)	(73)
Subordinated debentures	42	16	58	(15)	(38)	(53)
Other interest-bearing liabilities	(47)	92	45	6	59	65
Total interest expense	290	1,457	1,747	200	(360)	(160)
Net interest income	$ 283	$ (128)	$ 155	$ 78	$ (27)	$ 51

(1) Volume/rate variance is allocated on the percentage relationship of changes in balances and changes in rates to the total net change in net interest income on a taxable equivalent basis.

Table 9: **Net Interest Income on Average Assets and Liabilities**

	2000			1999			1998		
(C$ millions, taxable equivalent basis)	**Average balances** (1)	**Interest** (2)	**Average rate**	Average balances (1)	Interest (2)	Average rate	Average balances (1)	Interest (2)	Average rate
Assets									
Deposits with other banks									
Canada	**$ 3,225**	**$ 164**	**5.09%**	$ 2,244	$ 124	5.53%	$ 2,133	$ 105	4.92%
International	**14,885**	**811**	**5.45**	15,694	717	4.57	13,549	717	5.29
	18,110	**975**	**5.38**	17,938	841	4.69	15,682	822	5.24
Securities									
Trading account	**39,111**	**1,435**	**3.67**	31,315	1,143	3.65	24,768	1,061	4.28
Available for sale (3)	**17,824**	**1,040**	**5.83**	15,982	905	5.66	14,011	823	5.87
Held to maturity	**1,057**	**71**	**6.72**	1,161	67	5.77	779	43	5.52
	57,992	**2,546**	**4.39**	48,458	2,115	4.36	39,558	1,927	4.87
Assets purchased under reverse repurchase agreements	**21,729**	**1,078**	**4.96**	21,769	893	4.10	24,444	1,169	4.78
Loans (4)									
Canada									
Residential mortgage	**59,860**	**3,891**	**6.50**	57,979	3,784	6.53	53,682	3,577	6.66
Personal	**26,949**	**2,290**	**8.50**	24,347	1,945	7.99	22,368	1,783	7.97
Credit card	**3,559**	**405**	**11.38**	2,297	226	9.84	2,009	193	9.61
Business and government	**34,381**	**1,506**	**4.38**	33,799	1,399	4.14	33,278	1,736	5.22
	124,749	**8,092**	**6.49**	118,422	7,354	6.21	111,337	7,289	6.55
International	**24,927**	**3,446**	**13.82**	27,705	3,032	10.94	33,584	3,137	9.34
	149,676	**11,538**	**7.71**	146,127	10,386	7.11	144,921	10,426	7.19
Total interest-earning assets	**247,507**	**16,137**	**6.52**	234,292	14,235	6.08	224,605	14,344	6.39
Non-interest-bearing deposits with other banks	**525**			666			394		
Customers' liability under acceptances	**10,281**			9,508			10,033		
Other assets	**27,724**			27,531			28,623		
Allowance for credit losses	**(1,937)**			(1,997)			(2,155)		
Total assets	**$ 284,100**	**$ 16,137**	**5.68%**	$ 270,000	$ 14,235	5.27%	$ 261,500	$ 14,344	5.49%
Liabilities and shareholders' equity									
Deposits (5)									
Canada	**$ 107,533**	**$ 5,060**	**4.71%**	$ 104,919	$ 4,480	4.27%	$ 106,784	$ 4,426	4.14%
International	**71,024**	**3,997**	**5.63**	66,498	3,156	4.75	61,933	3,306	5.34
	178,557	**9,057**	**5.07**	171,417	7,636	4.45	168,717	7,732	4.58
Obligations related to securities sold short	**14,195**	**656**	**4.62**	15,015	554	3.69	14,168	557	3.93
Obligations related to assets sold under repurchase agreements	**11,873**	**653**	**5.50**	12,169	532	4.37	11,724	605	5.16
Subordinated debentures	**5,129**	**344**	**6.71**	4,499	286	6.36	4,711	339	7.20
Other interest-bearing liabilities	**3,042**	**120**	**3.94**	5,574	75	1.35	3,936	10	.25
Total interest-bearing liabilities	**212,796**	**10,830**	**5.09**	208,674	9,083	4.35	203,256	9,243	4.55
Non-interest-bearing deposits	**17,509**			13,379			9,971		
Acceptances	**10,281**			9,508			10,033		
Other liabilities	**30,811**			25,958			27,013		
	271,397	**10,830**	**3.99**	257,519	9,083	3.53	250,273	9,243	3.69
Shareholders' equity									
Preferred	**1,978**			2,213			1,972		
Common	**10,725**			10,268			9,255		
Total liabilities and shareholders' equity	**$ 284,100**	**$ 10,830**	**3.81%**	$ 270,000	$ 9,083	3.36%	$ 261,500	$ 9,243	3.53%
Net interest income as a % of total average assets	**$ 284,100**	**$ 5,307**	**1.87%**	$ 270,000	$ 5,152	1.91%	$ 261,500	$ 5,101	1.95%
Net interest income as a % of total average interest-earning assets									
Canada	**$ 179,982**	**$ 4,796**	**2.66%**	$ 168,842	$ 4,402	2.61%	$ 161,648	$ 4,409	2.73%
International	**67,525**	**511**	**.76**	65,450	750	1.15	62,957	692	1.10
Total	**$ 247,507**	**$ 5,307**	**2.14%**	$ 234,292	$ 5,152	2.20%	$ 224,605	$ 5,101	2.27%

(1) Calculated on a daily basis.
(2) Interest income includes loan fees (2000 – $274 million; 1999 – $250 million; 1998 – $195 million). The taxable equivalent adjustment is based on the Canadian tax rate of 42.8% for 2000, 43.0% for 1999 and 42.9% for 1998.
(3) Tax-exempt securities had average balances of $2,848, $2,017 and $1,152 million, interest earned of $63, $83 and $87 million and average rates of 2.21%, 4.12% and 7.55% for 2000, 1999 and 1998, respectively.
(4) Average balances include nonaccrual loans.
(5) Deposits include savings deposits with average balances of $34, $33 and $42 billion, interest expense of $0.7, $0.6 and $0.7 billion and average rates of 2.06%, 1.82% and 1.67% for 2000, 1999 and 1998, respectively. Deposits also include time deposits with average balances of $38, $37 and $47 billion, interest expense of $2.0, $2.0 and $2.6 billion and average rates of 5.26%, 5.41% and 5.53% for 2000, 1999 and 1998, respectively.

Financial Priority: Cost Control

Highlights

- Non-interest expenses up 9% from 1999, 430 basis points below the growth rate of revenues
- Base non-interest expenses down 2%
- Efficiency ratio of 63.6% versus 66.2% in 1999
- Operating efficiency ratio (i.e., excluding costs and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) of 60.6%, 440 basis points better than in 1999
- Removed $580 million of costs from the expense base by the end of 2000, compared to objective of $400 million

Performance

As shown in Table 10 below, core non-interest expenses (i.e., excluding one-time expenses in 1999 mentioned in Table 4 on page 24) were up $657 million or 9% from 1999. There were a number of factors that accounted for this increase. The bank incurred expenses relating to strategic initiatives of $390 million in 2000, up $259 million from last year. These largely related to acquisitions such as Prism Financial, private banking operations of Ernst & Young in Jersey, Channel Islands, insurance operations of Prudential of America Life Insurance Co. (Canada), hiring of teams in investment banking outside Canada and growth of North American eBusiness initiatives. Additionally, appreciation in the bank's share price during 2000 resulted in a $52 million expense for Stock Appreciation Rights (SARs) that were granted under the Stock Option Plan in November 1999. There was no such expense recorded in 1999. Operating non-interest expenses (i.e., excluding costs of strategic initiatives and SARs and one-time expenses) were up 5% from 1999 as shown in Table 11 on page 34.

Performance-related compensation costs were up $453 million this year, largely due to much stronger results in Corporate & Investment Banking and Wealth Management. Base non-interest expenses (operating non-interest expenses less performance-related compensation) were actually down 2% from 1999 as also shown in Table 11.

Table 10: **Non-Interest Expenses**

(C$ millions)	2000	1999	1998	2000 vs 1999 Increase (decrease)		1999 vs 1998 Increase (decrease)	
Human resources	**$ 4,695**	$ 4,032	$ 3,638	**$ 663**	**16%**	$ 394	11%
Occupancy							
Net premises rent	**384**	262	239	**122**	**47**	23	10
Premises repairs and maintenance	**68**	88	93	**(20)**	**(23)**	(5)	(5)
Depreciation	**81**	92	92	**(11)**	**(12)**	–	–
Property taxes	**15**	41	46	**(26)**	**(63)**	(5)	(11)
Energy	**22**	33	33	**(11)**	**(33)**	–	–
	570	516	503	**54**	**10**	13	3
Equipment							
Office and computer rental and maintenance	**376**	376	329	**–**	**–**	47	14
Depreciation	**288**	297	250	**(9)**	**(3)**	47	19
	664	673	579	**(9)**	**(1)**	94	16
Communications							
Telecommunications	**225**	225	209	**–**	**–**	16	8
Marketing and public relations	**173**	182	175	**(9)**	**(5)**	7	4
Postage and courier	**170**	157	156	**13**	**8**	1	1
Stationery and printing	**127**	129	125	**(2)**	**(2)**	4	3
	695	693	665	**2**	**–**	28	4
Other							
Professional fees	**267**	274	262	**(7)**	**(3)**	12	5
Business and capital taxes	**134**	114	118	**20**	**18**	(4)	(3)
Deposit insurance	**30**	71	111	**(41)**	**(58)**	(40)	(36)
Travel and relocation	**85**	90	98	**(5)**	**(6)**	(8)	(8)
Amortization of goodwill and other intangibles	**91**	70	66	**21**	**30**	4	6
Employee training	**38**	48	60	**(10)**	**(21)**	(12)	(20)
Donations	**26**	29	25	**(3)**	**(10)**	4	16
Other	**333**	361	269	**(28)**	**(8)**	92	34
	1,004	1,057	1,009	**(53)**	**(5)**	48	5
Total core (i.e., excluding one-time expenses)	**7,628**	6,971	6,394	**657**	**9**	577	9
One-time expenses (1)	**–**	170	116	**(170)**	**(100)**	54	47
Total	**$ 7,628**	$ 7,141	$ 6,510	**$ 487**	**7%**	$ 631	10%

(1) One-time expenses in 1999 are described in Table 4 on page 24. One-time expenses of $116 million in 1998 related to a $62 million restructuring charge and other charges aggregating $54 million.

As shown in Table 12 below, the core efficiency ratio improved to 63.6% from 66.2% in 1999, while the operating efficiency ratio was 60.6%, down 440 basis points from last year. On a Canadian GAAP basis, the bank achieved an operating efficiency ratio of 59.5% in the fourth quarter of 2000, in line with the objective stated in its third quarter 2000 earnings press release.

Table 11: **Components of Non-Interest Expenses**

(C$ millions)	2000	1999	2000 vs 1999 Increase (decrease)	
Core non-interest expenses (1)	**$ 7,628**	$ 6,971	**$ 657**	**9%**
Cost of strategic initiatives	**390**	131	**259**	**198**
Cost of Stock Appreciation Rights	**52**	–	**52**	**n.a.**
Operating non-interest expenses (2)	**7,186**	6,840	**346**	**5**
Performance-related compensation	**1,662**	1,209	**453**	**37**
Base non-interest expenses (3)	**$ 5,524**	$ 5,631	**$ (107)**	**(2)%**

(1) Excludes one-time expenses in 1999 detailed in Table 4 on page 24. There were no one-time expenses in 2000.
(2) Core non-interest expenses less costs of strategic initiatives and Stock Appreciation Rights.
(3) Operating non-interest expenses less performance-related compensation.

Table 12: **Key Efficiency Ratios**

(C$ millions)	2000	1999	2000 vs 1999 Increase (decrease)	
Core non-interest expenses	**$ 7,628**	$ 6,971	**$ 657**	**9%**
Core revenues	**$ 11,987**	$ 10,538	**$ 1,449**	**14%**
Core efficiency ratio (1)	**63.6%**	66.2%	**(260)bp**	
Operating non-interest expenses	**$ 7,186**	$ 6,840	**$ 346**	**5%**
Operating revenues (2)	**$ 11,849**	$ 10,526	**$ 1,323**	**13%**
Operating efficiency ratio (3)	**60.6%**	65.0%	**(440)bp**	
Operating efficiency ratio (Canadian GAAP)	**60.0%**	64.0%	**(400)bp**	

(1) Core non-interest expenses as a percentage of total core revenues.
(2) Core revenues less revenues associated with strategic initiatives.
(3) Operating non-interest expenses as a percentage of operating revenues.

The substantial improvement in efficiency was achieved through the removal of $580 million of costs from the bank's cost base by the end of 2000. This compared to targeted cost savings of $400 million as shown below.

Cost Savings by End of 2000

(C$ millions)	Targeted	Achieved
Streamlined overhead functions	$ 100	$ 160
Enhancement of service delivery	100	150
Lower costs for purchased goods and services	100+	140
Redefinition of international corporate lending operations	75	80
Network reconfiguration	35	50
Total	$ 400+	$ 580

The bank had targeted savings of approximately $100 million from reduced overhead functions and exceeded this target by $60 million. These savings came largely from combining functions and reducing staff in businesses, geographic units and the head office.

Enhancement of service delivery refers to the removal and centralization of after-sales servicing and administrative activities from the bank's branches. The targeted cost savings from these efforts were approximately $100 million, and $150 million were realized.

Approximately a quarter of the $400 million of cost savings was targeted from lower procurement costs. The bank achieved $140 million in savings from these sourcing initiatives.

The returns from international corporate lending have been volatile and insufficient to warrant an extensive and expensive network outside Canada. Savings of $80 million were achieved by the end of 2000 from the restructuring of international corporate banking and global financial institutions operations.

With approximately 90% of routine transactions now conducted through electronic channels, branches have increasingly become sales and advice outlets. The branch network was rationalized and restructured, for total cost savings of $50 million by the end of 2000.

These changes resulted in 3,504 fewer people, excluding 845 non-commissioned employees at Prism Financial Corporation, which was acquired in April 2000. The annual attrition level prior to 2000 has run around 5% or 2,500 people.

The bank believes that changes in business mix make an efficiency ratio for the entire bank an inappropriate measure of cost performance. Therefore, in future, the efficiency ratio for the bank as a whole will not be measured. Instead, emphasis will be placed on the operating efficiency ratio of each business segment and possibly other cost measures that may be appropriate for some of the segments. Operating efficiency ratios for the segments appear in the tables on pages 24 to 28.

The bank is aiming to further improve its cost competitiveness.

Outlook

- In 2001, the bank expects to grow operating expenses at a lower rate than operating revenues

Income and Other Taxes

Income and other taxes reported in Table 13 below were $2.0 billion in 2000, comprising income taxes of $1,440 million (including a taxable equivalent adjustment) and other taxes of $557 million. Income taxes increased by $431 million over 1999, largely due to the $933 million increase in net income before income taxes, while other taxes were up $19 million as a result of higher goods and services tax and sales taxes, payroll taxes, provincial capital taxes and business taxes, which more than offset a decline in property taxes attributable to the sale of real estate in 1999.

As shown below and in note 8 of the consolidated financial statements on page 68, the effective income tax rate increased from 36.0% in 1999 to 38.8% in 2000.

In addition to the income and other taxes reported in the consolidated income statement, the bank recorded income tax benefits of $17 million in 2000 (1999 – expense of $108 million) in shareholders' equity related to unrealized gains and losses on available for sale securities (net of hedging activities) and unrealized foreign currency translation gains and losses (net of hedging activities).

Table 13: **Taxes**

(C$ millions)	**2000**	1999	1998
Income taxes			
Consolidated statement of income	**$ 1,412**	$ 974	$ 1,128
Taxable equivalent adjustment	**28**	35	37
	1,440	1,009	1,165
Other taxes			
Goods and services tax and sales taxes	**208**	187	182
Payroll taxes	**188**	176	171
Provincial capital taxes	**108**	98	95
Property taxes (1)	**16**	55	63
Business taxes	**26**	16	23
Insurance premium taxes	**11**	6	6
	557	538	540
Total	**$ 1,997**	$ 1,547	$ 1,705
Effective income tax rate (2)	**38.8%**	36.0%	37.9%
Effective total tax rate (3)	**47.3%**	47.2%	48.0%

(1) Includes amounts netted against non-interest revenue regarding investment properties.
(2) Income taxes reported in the consolidated statement of income, as a percentage of net income before taxes.
(3) Total income taxes and other taxes as a percentage of net income before income taxes and other taxes expressed on a taxable equivalent basis.

Financial Priority: Strong Credit Quality

Highlights

- Nonaccrual loans down 2% to $1,678 million
- Nonaccrual loans to total loans of 1.0%, down from 1.1% in 1999
- Provision for credit losses down 9% from 1999 to $691 million
- Allocated specific provision ratio of .36%, up from .34% in 1999
- Net charge-offs ratio of .42%, versus .62% in 1999
- Allowance for credit losses up $75 million to $1,975 million

Nonaccrual Loans

Loans are generally classified as nonaccrual under circumstances described in note 1 of the consolidated financial statements on page 58.

As indicated in Table 14 below, nonaccrual loans declined $26 million from 1999 to $1,678 million at October 31, 2000. This reflects net additions of $813 million and charge-offs and adjustments of $839 million.

As shown in Table 15 on page 38, nonaccrual loans in Canada were down $18 million, comprising a $41 million decrease in business and government loans, partially offset by a $23 million increase in consumer loans. Within business and government nonaccrual loans in Canada, there were substantial decreases in the commercial real estate and forest products and energy sectors, and a considerable increase in the transportation and environmental sector. The increase in consumer nonaccrual loans resulted from small increases in both the residential mortgage and personal loans portfolios. International nonaccrual loans decreased $8 million as reductions in Asia and Europe more than offset an increase in the U.S. One corporate client accounted for a significant portion of the increase in nonaccrual loans in the transportation and environmental sector, both in Canada and internationally.

As a percentage of related loans (before deducting the allowance for loan losses), nonaccrual loans declined to 1.0% from 1.1% a year ago, with lower ratios both in Canada and internationally.

Outlook

- The bank does not expect a significant change in the level of nonaccrual loans in 2001, based upon its expectation of continued sound economic growth in Canada, albeit at a lower rate than in 2000

Table 14: **Change in Nonaccrual Loans**

(C$ millions)	**2000**	1999	1998	1997	1996
Nonaccrual loans at beginning of year	**$ 1,704**	$ 2,001	$ 1,819	$ 2,376	$ 2,944
Additions	**965**	990	1,271	705	1,013
Reductions	**(152)**	(247)	(643)	(624)	(629)
	813	743	628	81	384
Charge-offs and adjustments	**(839)**	(1,040)	(446)	(638)	(952)
Nonaccrual loans at end of year	**$ 1,678**	$ 1,704	$ 2,001	$ 1,819	$ 2,376

Provision for Credit Losses

The provision for credit losses is charged to income by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management, as discussed in the Allowance for Credit Losses section below.

The provision for credit losses was $691 million in 2000, down $69 million or 9% from 1999, as shown in Table 16 on page 39. In Canada, the allocated specific provision for credit losses declined in the business and government loan portfolio but increased in the consumer loan portfolio during 2000.

Provisions on personal loans rose largely due to higher provisions on student loans, growth of the personal loan portfolio, higher than expected losses on loans booked in 1999, and an increase to bring the coverage ratio (allowance for loan losses as a percentage of nonaccrual loans) to the previous year's level. Accelerated charge-offs of personal loans in early 2000, to bring the bank in line with U.S. practice, had caused a decline in the allowance for loan losses on personal loans. (The bank had accelerated the charge-offs of corporate loans in 1999.) The cause of the higher than expected losses on personal loans booked in 1999 has been identified and remedial action taken, with benefits expected to be realized in 12 to 15 months.

Higher provisions on credit card loans stemmed from the purchase of the Canadian credit card portfolio of Bank One, the return to the consolidated balance sheet of previously-securitized credit card receivables, growth in card volumes and a planned change in the risk profile of the business to accelerate volume growth. Despite these higher provisions, credit card net income was up 15% in 2000.

Internationally, the allocated specific provision decreased as recoveries in Asia and Europe more than offset increases in the United States.

The allocated specific provision amounted to .36% of average loans (including bankers' acceptances), up from .34% in 1999. Under Canadian GAAP, the ratio was .32%, up from .30% in 1999 and compared to a goal of .30–.40% for 2000.

Outlook

- In 2001, the bank is targeting a ratio of specific provisions for credit losses to average loans (including reverse repurchase agreements) and bankers' acceptances of .30–.40% (using Canadian GAAP), unchanged from its goal for 2000. This is based upon the bank's expectation of continued sound economic growth in Canada, albeit at a lower rate than in 2000

Allowance for Credit Losses

The allowance for credit losses is maintained at a level sufficient to absorb probable losses in the loan and off-balance sheet portfolios. The individual elements as well as the overall allowance are evaluated on a quarterly basis. This evaluation is based on continuing assessments of problem accounts, recent loss experience and changes in other factors, including the composition and quality of the portfolio, economic conditions and regulatory requirements. The allowance is increased by the provision for credit losses, which is charged to income, and reduced by the amount of charge-offs net of recoveries.

The determination of the allowance for credit losses is based upon estimates derived from historical analysis, adjusted for management's judgment relating to current assumptions. Therefore, the allowance for credit losses will inevitably differ from actual losses incurred in the future. To minimize these differences, management assesses the methodology and all significant assumptions on a regular basis.

As shown in Table 17 on page 40, the allowance for credit losses increased $75 million between 1999 and 2000. Net charge-offs decreased from $958 million to $677 million, largely due to a $299 million decrease in domestic business and government loan charge-offs. During 1999, the bank had accelerated the rate of charging off problem corporate loans to be consistent with U.S. practice.

The bank has entered into a five-year agreement with a AAA rated reinsurer to provide capital if exceptional losses occur in the bank's loan portfolio. The agreement requires the reinsurer to purchase up to $200 million in Non-cumulative first preferred shares at the October 27, 2000 market price, should the general allowance for credit losses (allocated general and unallocated allowances) be drawn below a certain level. In management's view, if these shares had been issued currently, based on existing regulatory guidelines, they would qualify as Tier 1 capital. The sale of the securities would mitigate the impact of loan losses on the capital base of the bank through the replenishment of capital.

The allowance for credit losses comprises four components – allocated specific, allocated country risk, allocated general and unallocated – as described in note 1 of the consolidated financial statements on page 58.

Allocated Specific

Allocated specific allowances are maintained to provide for the most likely losses on loans that have become nonaccrual. Allocated specific allowances for business and government loans are established on an individual borrower basis. Allocated specific allowances for residential mortgages, personal loans and small business loans are determined on a portfolio basis using historical loss experiences on nonaccrual loans. No allocated specific allowance is maintained for credit cards, as these balances are charged off after 180 days if no payment has been received.

Allocated Country Risk

Allocated country risk allowances are maintained with respect to exposures to certain less developed countries based on an overall assessment of the outstanding exposure and underlying economic conditions in those countries.

Allocated General

The allocated general allowance reflects the best estimate of probable losses that exist within that portion of the portfolio that has not yet been specifically identified as nonaccrual. This amount is determined based on the application of statistical expected loss factors to outstanding and undrawn facilities. The expected loss factors have been determined by assessing statistical loss migrations, adjusted to reflect management's judgment regarding items that impact the quality of the portfolio.

Unallocated

The unallocated allowance is determined through management's assessment of probable losses that are in the portfolio but not adequately captured in the determination of the allocated specific, allocated country risk and allocated general allowances. This assessment includes consideration of current economic and business conditions and regulatory requirements affecting key lending operations. It also reflects management's acknowledgement of the imprecise and subjective elements involved in modelling credit risk.

Prior to October 31, 1999, the allocated general and unallocated allowances did not exist as separate components.

Table 15: **Nonaccrual Loans**

(C$ millions)	**2000**	1999	1998	1997	1996
Canada					
Atlantic provinces	**$ 115**	$ 77	$ 60	$ 64	$ 61
Quebec	**198**	259	261	378	544
Ontario	**572**	438	543	583	1,020
Prairie provinces	**129**	198	161	369	390
British Columbia	**355**	415	485	83	52
Total Canada	**1,369**	1,387	1,510	1,477	2,067
Consumer					
Residential mortgage	**185**	173	166	166	188
Personal	**247**	236	217	153	117
	432	409	383	319	305
Business and government					
Small business (1)	**248**	232	130	144	117
Transportation and environmental	**185**	21	13	287	303
Forest products	**184**	233	383	79	250
Commercial real estate	**90**	186	182	348	599
Agriculture (1)	**53**	62	47	46	51
Information technology and media	**44**	57	43	18	13
Consumer goods	**37**	43	55	43	112
Industrial products	**28**	19	25	68	58
Financial services	**20**	16	121	8	11
Commercial mortgages	**16**	25	22	43	88
Energy	**–**	38	6	2	–
Other	**32**	46	100	72	160
	937	978	1,127	1,158	1,762
Total Canada	**1,369**	1,387	1,510	1,477	2,067
International					
United States	**145**	41	18	42	22
Europe	**46**	58	59	43	86
Latin America	**9**	10	4	20	1
Caribbean	**48**	47	62	71	83
Asia	**33**	127	308	132	54
	281	283	451	308	246
Less developed countries (LDCs)	**28**	34	40	34	63
Total international	**309**	317	491	342	309
Business and government					
Transportation and environmental	**56**	–	1	3	2
Commercial real estate	**4**	5	12	31	33
Consumer goods	**2**	18	119	115	70
Industrial products	**83**	38	76	30	54
Financial services	**41**	89	90	46	68
Energy	**14**	23	31	14	1
Other	**109**	144	162	103	81
Total international	**309**	317	491	342	309
Total	**$ 1,678**	$ 1,704	$ 2,001	$ 1,819	$ 2,376
Nonaccrual loans as a % of related loans (including acceptances) (2)					
Canada					
Residential mortgage	**.30%**	.30%	.30%	.31%	.39%
Personal	**.91**	.97	.99	.76	.66
Business and government loans and acceptances	**1.97**	2.24	2.52	2.72	4.36
	.97	1.07	1.21	1.25	1.89
International	**1.15**	1.28	1.49	1.07	1.27
Total	**1.00%**	1.11%	1.27%	1.21%	1.78%

(1) The 2000 amounts include government guaranteed portions of nonaccrual loans of $101 million in small business (1999 – $79 million) and $6 million in agriculture (1999 – $5 million). Previously, only the non-guaranteed portion was considered nonaccrual.

(2) Loans in Canada include all loans booked in Canada, regardless of currency or residence of borrower.

Table 16: **Provision for Credit Losses**

(C$ millions)	**2000**	1999	1998	1997	1996
Provision for credit losses					
Canada					
Atlantic provinces	**$ 58**	$ 32	$ 35	$ 37	$ 36
Quebec	**22**	71	63	149	186
Ontario	**342**	52	144	13	153
Prairie provinces	**64**	95	53	29	86
British Columbia	**40**	192	132	37	3
Total Canada	**526**	442	427	265	464
Consumer					
Residential mortgage	**–**	4	9	12	56
Personal	**301**	172	171	114	99
Credit card	**102**	55	28	65	76
	403	231	208	191	231
Business and government					
Small business	**105**	113	48	51	73
Transportation and environmental	**56**	7	(27)	(9)	53
Information technology and media	**19**	(16)	(20)	5	(34)
Consumer goods	**7**	11	23	(29)	50
Agriculture	**4**	2	4	1	(1)
Commercial mortgages	**2**	8	6	18	26
Industrial products	**2**	(10)	(6)	12	5
Financial services	**–**	5	113	1	(1)
Energy	**(8)**	12	1	(1)	(1)
Commercial real estate	**(17)**	9	(30)	(78)	(43)
Forest products	**(36)**	81	76	86	103
Other	**(11)**	(11)	31	17	3
	123	211	219	74	233
Total Canada	**526**	442	427	265	464
International					
United States	**99**	45	(7)	(8)	(13)
Europe	**(9)**	21	10	(24)	(19)
Latin America	**2**	2	(2)	7	–
Caribbean	**3**	–	3	7	4
Asia	**(50)**	20	124	83	34
Total international	**45**	88	128	65	6
Business and government					
Transportation and environmental	**42**	–	(1)	1	–
Consumer goods	**(7)**	(10)	(5)	46	17
Industrial products	**34**	31	9	5	21
Financial services	**(21)**	2	36	(2)	1
Energy	**(2)**	–	21	4	1
Commercial real estate	**1**	2	(2)	(1)	(28)
Other	**(2)**	63	70	12	(6)
Total international	**45**	88	128	65	6
Allocated specific provision	**571**	530	555	330	470
Allocated country risk provision	**–**	–	(80)	–	(300)
Allocated general provision (1)	**73**	n.a.	n.a.	n.a.	n.a.
Total allocated provision (1)	**644**	n.a.	n.a.	n.a.	n.a.
Unallocated provision (1)	**47**	n.a.	n.a.	n.a.	n.a.
Total	**$ 691**	$ 760	$ 575	$ 380	$ 570
As a % of related average loans (including acceptances)					
Canada					
Residential mortgage	**–%**	.01%	.02%	.02%	.12%
Personal	**1.12**	.71	.76	.59	.60
Credit card	**2.87**	2.39	1.39	1.84	2.20
Business and government loans and acceptances	**.28**	.49	.51	.19	.61
	.39	.35	.35	.24	.44
International	**.18**	.31	.37	.22	.03
Total allocated specific provision	**.36%**	.34%	.36%	.23%	.37%
Total provision for credit losses	**.43%**	.49%	.37%	.27%	.45%
As a % of average loans (including acceptances) and reverse repurchase agreements					
Total allocated specific provision	**.31%**	.30%	.31%	.21%	.36%
Total provision for credit losses	**.38%**	.43%	.32%	.24%	.43%

(1) The allocated general provision and the unallocated provision totalled $230 million in 1999, $100 million in 1998, $50 million in 1997 and $400 million in 1996. These were not separated into the allocated general and unallocated components.

Table 17: **Allowance for Credit Losses**

(C$ millions)	**2000**	1999	1998	1997	1996
Allowance at beginning of year	**$ 1,900**	$ 2,066	$ 2,118	$ 2,235	$ 2,669
Provision for credit losses	**691**	760	575	380	570
Charge-offs					
Canada					
Residential mortgage	**(11)**	(14)	(17)	(34)	(46)
Personal	**(372)**	(236)	(163)	(138)	(133)
Credit card	**(150)**	(65)	(52)	(98)	(104)
Business and government	**(225)**	(524)	(250)	(361)	(542)
	(758)	(839)	(482)	(631)	(825)
International, excluding LDCs	**(81)**	(229)	(29)	(28)	(124)
LDC exposures	**–**	(4)	(325)	(10)	(186)
	(839)	(1,072)	(836)	(669)	(1,135)
Recoveries					
Canada					
Residential mortgage	**–**	2	6	9	11
Personal	**44**	31	26	21	21
Credit card	**48**	10	24	32	28
Business and government	**48**	66	80	62	65
	140	109	136	124	125
International	**22**	5	8	17	9
	162	114	144	141	134
Net charge-offs	**(677)**	(958)	(692)	(528)	(1,001)
Adjustments	**61**	32	65	31	(3)
Allowance at end of year	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Net charge-offs (excluding LDCs) as a % of average loans	**.42%**	.61%	.24%	.36%	.64%
Net charge-offs as a % of average loans	**.42%**	.62%	.45%	.37%	.79%
Allocation of allowance (1)					
Canada					
Residential mortgage	**$ 46**	$ 53	$ 50	$ 52	$ 65
Personal	**403**	344	156	92	77
Credit card	**88**	60	–	–	–
Business and government	**664**	748	604	562	775
	1,201	1,205	810	706	917
International	**333**	389	366	313	258
Allocated allowance for loan losses (2)	**1,534**	1,594	n.a.	n.a.	n.a.
Unallocated allowance for loan losses (2)	**337**	290	n.a.	n.a.	n.a.
Total allowance for loan losses	**1,871**	1,884	2,026	1,769	1,875
Allowance for off-balance sheet and other items (3)	**98**	–	–	–	–
Allowance for tax-exempt securities	**6**	16	40	30	34
Allowance for country risk securities	**–**	–	–	319	326
Total allowance for credit losses	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Composition of allowance					
Allocated specific	**$ 747**	$ 786	$ 1,176	$ 932	$ 1,091
Allocated country risk	**28**	34	40	436	444
Allocated general (2)	**863**	790	n.a.	n.a.	n.a.
Total allocated allowance for credit losses (2)	**1,638**	1,610	n.a.	n.a.	n.a.
Unallocated allowance for credit losses (2)	**337**	290	n.a.	n.a.	n.a.
Total allowance for credit losses	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Percentage of loans to total loans					
Canada					
Residential mortgage	**37%**	38%	36%	35%	36%
Personal	**16**	16	14	14	13
Credit card	**3**	2	1	2	3
Business and government	**28**	28	28	28	30
	84	84	79	79	82
International	**16**	16	21	21	18
Total	**100%**	100%	100%	100%	100%
Allowance for loan losses as a % of loans (including acceptances)	**1.1%**	1.2%	1.3%	1.2%	1.4%
Allowance for loan losses as a % of loans (including acceptances) and reverse repurchase agreements	**1.0%**	1.1%	1.1%	1.1%	1.3%
Allowance for loan losses as a % of nonaccrual loans (coverage ratio), excluding LDCs	**112%**	112%	103%	94%	77%

(1) As a result of a change in methodology in 1999, the allowance for loan losses in 2000 and 1999 includes amounts for the allocated general allowance, which have been allocated to loan categories. These amounts total $765 million (1999 – $790 million) and have been allocated as follows: for Canada – residential mortgages $18 million (1999 – $11 million), personal $207 million (1999 – $174 million), credit cards $88 million (1999 – $60 million), business and government $321 million (1999 – $370 million), and international $131 million (1999 – $175 million). The amounts prior to 1999 do not include the allocated general allowance.

(2) The allocated general and the unallocated allowance totalled $850 million in 1998, $750 million in 1997 and $700 million in 1996. These were not separated into the allocated general and unallocated components prior to October 31, 1999.

(3) During 2000, the allowance for off-balance sheet and other items was separated and reported under other liabilities. Previously, the amount was included in the allowance for loan losses.

Financial Priority: Balance Sheet and Capital Management

Highlights

- Strong growth in consumer loans
- Deposits increased at a faster rate than in 1999
- Internally generated capital of $1.4 billion
- Issued $1.2 billion of subordinated debentures and $650 million of innovative Tier 1 capital (RBC TruCS)
- Repurchased 19.7 million common shares for $660 million

As shown in Table 18 below, cash resources decreased by $3.4 billion or 15% from 1999. In 1999, cash resources had been significantly increased in preparation for potential disruptions relating to the Year 2000 issue.

Total consumer loans (residential mortgage, personal and credit card loans) were up $8.5 billion or 10% from 1999. Residential mortgages were up 6% and personal loans were up 11%. Credit cards increased $2.0 billion or 75%, partially reflecting the bank's decision, in light of market conditions, to return to the consolidated balance sheet $1.2 billion of previously-securitized credit card receivables funded by commercial paper, and the purchase of the $430 million Canadian credit card portfolio of Bank One in 2000. Business and government loans and acceptances increased by $5.3 billion or 8%. Loans in Asia and Latin America were lower, as shown in Table 21 on page 47.

Deposits increased by 10% during 2000, with the increase almost equally distributed between international and Canadian deposits. Interest-bearing deposits accounted for over two-thirds of the total increase. Further details on deposits are provided in Table 25 on page 52.

Changes in capital are discussed on page 42.

Table 18: **Balance Sheet Growth**

(C$ millions)	2000		1999	
Components of growth in assets over prior year				
Cash resources	**$ (3,436)**	**(15)%**	$ 6,647	41%
Securities (1)	**7,527**	**14**	10,198	24
Assets purchased under reverse repurchase agreements	**(1,969)**	**(10)**	365	2
Loans				
Residential mortgage (1)	**3,742**	**6**	2,774	5
Personal	**2,764**	**11**	2,494	11
Credit card	**2,000**	**75**	721	37
Business and government loans and acceptances	**5,256**	**8**	(9,331)	(12)
	13,762	**9**	(3,342)	(2)
Allowance for loan losses	**13**	**1**	142	7
	13,775	**9**	(3,200)	(2)
Other assets	**4,859**	**19**	(21,786)	(46)
Total change over prior year	**$ 20,756**	**8%**	$ (7,776)	(3)%
Components of growth in liabilities and shareholders' equity over prior year				
Deposits				
Canada				
Non-interest-bearing	**$ 5,135**	**30%**	$ 2,493	17%
Interest-bearing	**3,683**	**3**	3,280	3
International				
Non-interest-bearing	**197**	**30**	236	55
Interest-bearing	**9,325**	**16**	1,883	3
	18,340	**10**	7,892	4
Other liabilities	**(302)**	**–**	(16,331)	(19)
Subordinated debentures	**1,229**	**27**	509	12
Non-controlling interest	**600**	**583**	(396)	(79)
Shareholders' equity	**889**	**7**	550	5
Total change over prior year	**$ 20,756**	**8%**	$ (7,776)	(3)%

(1) Reflects mortgage securitization balances of $0.5 billion (1999 – $3.2 billion) that have been transferred to securities.

Outlook

- The bank expects consumer loan growth in 2001 to remain solid but to moderate somewhat from 2000

Capital Management

Capital management requires balancing the desires for strong, competitive capital ratios and for maintaining high debt ratings with the need to also provide solid returns to shareholders. In striving for this balance, the bank considers expected levels of risk-adjusted assets and balance sheet assets, future investment plans and the costs and terms of current and potential capital issues.

The bank is committed to maintaining strong capital ratios through internal capital generation, the issuance of capital instruments when appropriate and controlled growth in risk-adjusted assets.

Balance Sheet Capital

Total balance sheet capital, which includes shareholders' equity and subordinated debentures, was $19.1 billion at October 31, 2000, up $2.1 billion from a year ago. The most significant factors behind the increase were $1.4 billion of internally generated capital and the net issuance of $0.6 billion of capital during 2000.

In January and August 2000, the bank issued $500 million and $700 million of subordinated debentures, respectively. Debentures of $20 million matured during the year.

In April 2000, the bank issued $50 million of common equity upon the conversion of Class C shares of the bank's wholly owned subsidiary, Royal Bank DS Holding Inc., that had been issued on November 1, 1996, in connection with the acquisition of Richardson Greenshields.

In July 2000, the bank issued $650 million of RBC TruCS, a form of innovative Tier 1 capital, which is reported as non-controlling interest in subsidiaries on the consolidated balance sheet.

On February 23, 2000, the bank received stock exchange approval to amend its normal course issuer bid, increasing the number of common shares that could be purchased during the 12-month period ending June 23, 2000, from 3.5% to 6.0% of its common share float in June 1999 (when the repurchase program was implemented), or 37.4 million shares. At the conclusion of the normal course issuer bid in June 2000, 30.2 million common shares had been repurchased since June 1999 at a cost of approximately $990 million, of which 19.7 million common shares were repurchased during fiscal 2000, at a cost of approximately $660 million.

In August 2000, the bank announced a stock dividend of one common share for each outstanding common share. The effect of this one-for-one stock dividend was the same as that of a two-for-one split of the bank's common stock. The common shares commenced trading on a post-stock dividend basis on September 25, 2000, (the record date) on the Toronto and Swiss Stock Exchanges, on September 26, 2000, on the London Stock Exchange, and on October 6, 2000, on the New York Stock Exchange.

Common share dividends were $689 million, up $101 million from 1999, and preferred share dividends were $134 million, down $23 million. The bank announced two increases in its quarterly common share dividend during the year, representing 25% growth, from $0.24 to $0.30. The dividend payout ratio (common share dividends as a percentage of net income less preferred share dividends) was 33% in 2000 and 37% in 1999. The target payout ratio is 30–40%.

On September 28, 2000, the bank announced that it had signed a definitive merger agreement with Dain Rauscher Corporation (described on page 6) and mentioned that it would issue common shares of approximately $500 million, innovative Tier 1 capital up to $750 million as well as subordinated debentures. Subsequently, on December 6, 2000, the bank issued $750 million of innovative Tier 1 capital (RBC TruCS). In addition, the bank announced on November 30, 2000, that it had filed a preliminary prospectus for the issuance of common shares.

Regulatory Capital

Capital strength for Canadian banks is regulated pursuant to guidelines issued by the Superintendent of Financial Institutions Canada (OSFI), based on standards issued by the Bank for International Settlements (BIS) and Canadian GAAP financial information.

Regulatory capital, which differs from capital recorded on the consolidated balance sheet, is allocated into two tiers. Tier 1 capital comprises the more permanent form of capital. The components of Tier 1 and Tier 2 capital are shown in Table 19 on page 43.

Regulatory capital ratios are calculated by dividing Tier 1 and Total capital by risk-adjusted assets. Risk-adjusted assets, as shown in Table 20 on page 44, are determined by applying risk weights to balance sheet assets and off-balance sheet financial instruments according to the relative credit risk of the counterparty. Risk-adjusted assets also include an amount for the market risk exposure associated with the bank's trading portfolio.

The bank's policy is to remain well capitalized so as to provide a safety net for the variety of risks that it is exposed to in the conduct of its business. In 1999, OSFI formally established risk-based capital targets for deposit-taking institutions in Canada. These targets are a Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. As at October 31, 2000, the bank's Tier 1 and Total capital ratios were 8.6% and 12.0%, respectively, compared to 8.1% and 11.2% at October 31, 1999. As mentioned in footnote (5) of Table 19 on page 43, the bank's pro forma capital ratios at October 31, 2000, after giving effect to acquisitions of Dain Rauscher Corporation, Liberty Life Insurance Company and Liberty Insurance Services Corporation, the issuance of $500 million of common shares and $750 million of innovative Tier 1 capital, and the adoption of the new accounting standard on employee future benefits would have been: common shareholders' equity to risk-adjusted assets of 7.3%; Tier 1 capital ratio of 8.0%; and Total capital ratio of 11.0%.

The bank also monitors the common equity to risk-adjusted assets ratio. This ratio was 7.3% at October 31, 2000, up from 7.1% at October 31, 1999.

The bank's capital ratios on a U.S. basis, calculated using guidelines issued to U.S. banks by the Board of Governors of the Federal Reserve System (FRB) and using U.S. GAAP financial information, are provided in Table 19 on page 43.

Pending Developments

In 1999, BIS issued a proposal for a new capital adequacy framework to replace the previous Capital Accord of 1988, under which the bank is currently regulated. This proposal continues to be at the discussion phase and a further consultative paper is expected early in 2001. It is difficult at this stage to estimate the impact of these proposed amendments on the bank's regulatory capital requirements. Implementation of final proposals is not likely to occur prior to 2002.

Table 19: **Capital Ratios** (1)

(C$ millions)	2000	1999	1998
Tier 1 capital			
Common equity	**$ 11,504**	$ 10,606	$ 9,748
Non-cumulative preferred shares	**2,037**	2,009	2,144
Non-controlling interest in subsidiaries			
RBC TruCS	**650**	–	–
Other	**23**	22	247
Goodwill	**(647)**	(611)	(546)
	13,567	12,026	11,593
Tier 2 capital			
Permanent subordinated debentures	**457**	441	463
Other subordinated debentures (2)	**5,138**	4,040	3,419
General allowance (3)	**1,188**	1,080	850
Non-controlling interest in subsidiaries	**1**	2	172
	6,784	5,563	4,904
Investments in unconsolidated subsidiaries and substantial investments (4)	**(1,307)**	(891)	(17)
Total capital	**$ 19,044**	$ 16,698	$ 16,480
Risk-adjusted assets	**$ 158,364**	$ 149,078	$ 157,064
Capital ratios (5)			
Common equity to risk-adjusted assets	**7.3%**	7.1%	6.2%
Tier 1 capital to risk-adjusted assets	**8.6%**	8.1%	7.4%
Total capital to risk-adjusted assets	**12.0%**	11.2%	10.5%
Assets-to-capital multiple (6)	**15.3**	16.5	16.7
U.S. basis (5), (7)			
Tier 1 capital to risk-adjusted assets	**7.8%**	7.6%	6.8%
Total capital to risk-adjusted assets	**11.3%**	10.7%	10.1%
Equity to assets (8)	**4.5%**	4.6%	4.3%
Tier 1 leverage (9)	**4.2%**	4.1%	4.0%

(1) Using guidelines issued by the Superintendent of Financial Institutions Canada, based on standards issued by the Bank for International Settlements and Canadian GAAP financial information.

(2) Subordinated debentures that are within five years of maturity are subject to straight-line amortization to zero during their remaining term and, accordingly, are included above at their amortized value.

(3) The general allowance for credit losses may be included in Tier 2 capital up to a maximum of .75% of risk-adjusted assets. On October 27, 2000, the bank entered into a five-year agreement with a AAA rated reinsurer, which requires the reinsurer to purchase up to $200 million of Non-cumulative first preferred shares at the October 27, 2000 market price, should the general allowance for credit losses be drawn down below a certain level. In management's view, if these shares had been issued today they would qualify as Tier 1 capital.

(4) Relates primarily to investments in insurance subsidiaries (2000 – $960 million), which are excluded from risk-adjusted assets and deducted from Total capital beginning in 1999. Had this treatment for risk-adjusted assets and Total capital taken place in 1998, the Total capital to risk-adjusted assets ratio in that year would have been .2% lower under both the Canadian and U.S. basis. Amount also includes $5 million in 2000 for a first loss facility.

(5) On September 28, 2000, the bank and Dain Rauscher Corporation announced that they had signed a definitive merger agreement (see note 12 of the consolidated financial statements), which will increase risk-adjusted assets by approximately US$2.3 billion and reduce Tier 1 capital by approximately US$947 million. On November 1, 2000, the bank adopted the new accounting standard on employee future benefits (see note 1 of the Canadian GAAP consolidated financial statements), which will reduce Tier 1 capital in the first quarter of 2001 by $221 million. Also on November 1, 2000, the bank acquired Liberty Life Insurance Company and Liberty Insurance Services Corporation (see note 12 of the consolidated financial statements), which will reduce Total capital by US$580 million. On December 6, 2000, the bank issued $750 million of innovative Tier 1 capital (RBC TruCS). On November 30, 2000, the bank filed a preliminary prospectus providing for the issuance of $500 million of common shares, which will increase Tier 1 capital by the same amount. Had these five transactions taken place as at October 31, 2000, (assuming $500 million of issued common shares) the pro forma capital ratios would have been: common shareholders' equity to risk-adjusted assets – 7.3%; Tier 1 capital ratio – 8.0%; and Total capital ratio – 11.0%. Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information, the pro forma capital ratios would have been Tier 1 capital ratio – 7.5% and Total capital ratio – 10.4%.

(6) Total assets and specified off-balance sheet financial instruments, as determined by the Superintendent of Financial Institutions Canada, divided by Total capital.

(7) Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information.

(8) Average total shareholders' equity divided by average total assets.

(9) Tier 1 capital divided by adjusted average assets net of the allowance for credit losses (includes gross derivative-related amounts, goodwill and deferred income taxes).

Table 20: **Risk-Adjusted Assets** (1)

(C$ millions)	Balance sheet amount	Predominant risk weight (2)	Risk-adjusted balance 2000	Risk-adjusted balance 1999
Balance sheet assets				
Cash resources	$ 19,606	20%	**$ 2,763**	$ 3,785
Securities				
Issued or guaranteed by Canadian or other OECD governments	20,925	0%	**28**	23
Other	36,085	100%	**4,081**	4,379
Residential mortgages (3)				
Insured	30,491	0%	**375**	362
Conventional	32,446	50%	**17,008**	15,979
Other loans and acceptances (3)				
Issued or guaranteed by Canadian or other OECD governments	12,700	0%	**1,221**	1,119
Other	108,638	100%	**89,523**	78,206
Other assets	28,849	0%	**4,664**	5,596
	$ 289,740		**$ 119,663**	$ 109,449

	Contract amount	Credit conversion factor	Credit equivalent amount	Predominant risk weight (2)	2000	1999
Off-balance sheet financial instruments						
Credit instruments						
Guarantees and standby letters of credit						
Financial	$ 10,402	100%	$ 10,402	100%	**$ 8,758**	$ 9,399
Non-financial	3,256	50%	1,628	100%	**1,626**	1,311
Documentary and commercial letters of credit	456	20%	91	100%	**86**	107
Securities lending	20,333	100%	20,333	0%	**417**	313
Commitments to extend credit						
Original term to maturity of 1 year or less	97,966	0%	–	0%	**–**	–
Original term to maturity of more than 1 year	41,599	50%	20,799	100%	**18,856**	21,606
Note issuance/revolving underwriting facilities	155	50%	77	100%	**77**	63
	$ 174,167		$ 53,330		**$ 29,820**	$ 32,799

	Notional amount	Gross positive replacement cost (5)	Credit equivalent amount (6)	Predominant risk weight (2)	2000	1999
Derivatives (4)						
Interest rate contracts						
Forward rate agreements	$ 16,518	$ 7	$ 10	20%	**$ 3**	$ 2
Swaps	530,652	4,517	7,288	20%	**1,892**	1,769
Options purchased	31,695	168	264	20%	**61**	120
	578,865	4,692	7,562		**1,956**	1,891
Foreign exchange contracts						
Forward contracts	554,867	10,878	16,943	20%	**4,741**	3,820
Swaps	63,048	2,636	5,421	20%	**1,198**	799
Options purchased	47,400	934	1,494	20%	**452**	360
	665,315	14,448	23,858		**6,391**	4,979
Other contracts (7)	14,227	1,423	2,208	50%	**772**	401
Total derivatives before netting	$ 1,258,407	20,563	33,628		**9,119**	7,271
Impact of master netting agreements		(10,498)	(14,934)		**(3,713)**	(2,946)
Total derivatives after netting		$ 10,065	18,694		**5,406**	4,325
Total off-balance sheet financial instruments			$ 72,024		**$ 35,226**	$ 37,124
General market risk					**3,475**	2,505
Total risk-adjusted assets					**$ 158,364**	$ 149,078

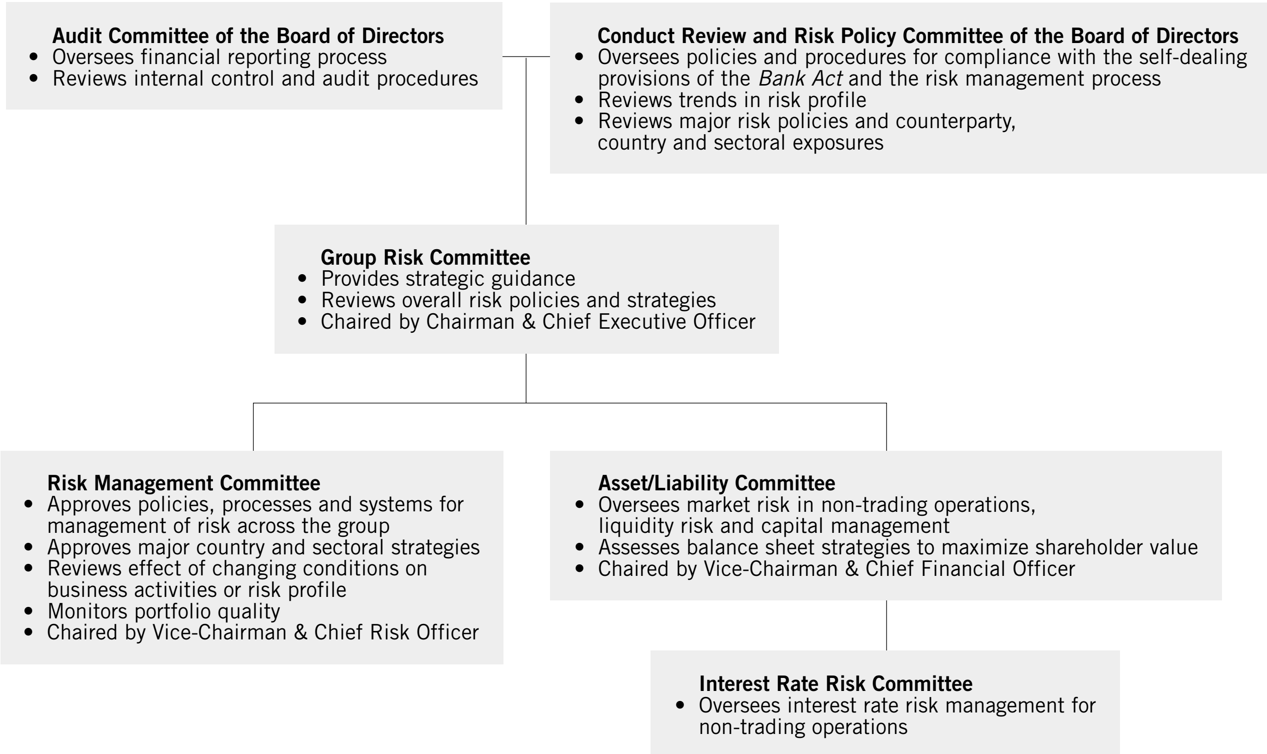
(1) Using guidelines issued by the Superintendent of Financial Institutions Canada, based on standards issued by the Bank for International Settlements and Canadian GAAP financial information.
(2) Represents the predominant counterparty risk-weighting for that category.
(3) Amounts are shown net of allowance for loan losses.
(4) Futures and some purchased options are traded on exchanges and are subject to daily margin requirements. Such instruments are excluded from the calculation of risk-adjusted assets as they are deemed to have no additional credit risk.
(5) Represents the total current replacement value of all outstanding contracts in a gain position.
(6) Consists of (i) the total positive replacement value of all outstanding contracts, and (ii) an amount for potential future credit exposure.
(7) Precious metals, commodity and equity-linked contracts.

Risk Management

Overview

The bank manages risk strategically to build shareholder value. The cornerstone of effective risk management in the bank is a strong risk management culture, which is supported by numerous strategy and policy development processes, run jointly by risk management professionals and the businesses. This partnership approach is designed to ensure strategic alignment of business, risk and resource issues.

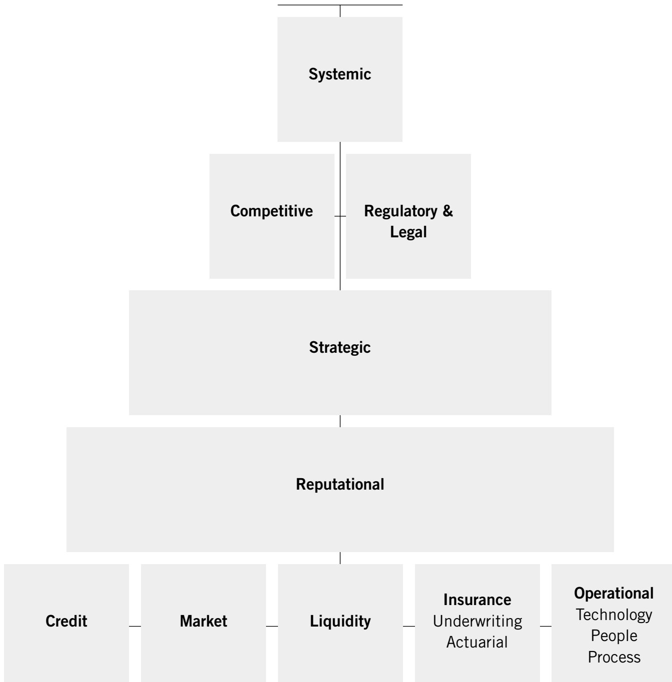
Although partnership is important, independence of the Group Risk Management function is essential. The Vice-Chairman and Chief Risk Officer, who reports directly to the Chairman and Chief Executive Officer, heads up a global function that has been structured to reflect the evolving needs and strategic initiatives of the organization. A structure of management and board committees provides oversight of the risk management process:



Introduced in 1996, and updated in 2000, the Risk Pyramid is the primary tool to assess risk across the bank. The Risk Pyramid gives the organization a common language for evaluating risk in business reviews, new businesses, new products, new initiatives, acquisitions or alliances. The Pyramid was initially developed as a communication tool and continues to serve in that capacity.

Group Risk Management professionals work in partnership with the business and functional units to identify risk, which is then measured, monitored and managed. In line with a group-wide portfolio management approach, portfolio analytical techniques are employed in an effort to optimize the risk/reward profile and ensure efficient allocation of capital within the bank.

Risk Pyramid



Credit Risk

Traditionally, credit risk is considered to be the risk of loss due to the inability or unwillingness of a counterparty to fulfill its payment obligations. However, the distinction from market risk is not clear-cut, since credit risk can also result from loss in market value due to deterioration in the financial position of a counterparty. A disciplined approach to credit risk management preserves the independence and integrity of risk assessment while being integrated into business management processes. Policies and procedures, which are communicated throughout the organization, guide the day-to-day management of credit exposure and are an essential part of the bank's business culture.

Subject to the overriding principle of portfolio diversification, the bank focuses on:

- Strategic and profitable client relationships, existing as well as prospective
- Industries where Canadian companies enjoy a particular competitive advantage or where the bank has developed special expertise
- Volume-based sectors that generate an attractive return for the risk (small business, public sector and agriculture)

The "new economy" sectors (information technology, telecommunications and media) have provided many business opportunities over the past year. The bank has actively participated in the financing of both mergers & acquisitions and new build-outs, capitalizing on the opportunities to enhance returns while rigorously applying key credit risk principles. Given the volatility of share prices of technology companies, a key priority was the need to ensure that the bank's portfolio would not be compromised in the event of low market valuations. Thus, while transactional activity in these sectors was substantial, outstanding exposure has grown only marginally.

At October 31, 2000, the bank's loans to telecommunication and cable companies was $4.8 billion, of which 66% was investment grade. Telecommunication loans alone were $3.3 billion, of which 63% were investment grade. Nonaccrual loans to the telecommunication and cable sectors were less than $5 million in 2000.

The bank continues to pursue business in sectors where it has developed an expertise (communications, media and technology, energy and mining). Increasing emphasis is placed on the risk/return balance of individual transactions as well as their impact on portfolio diversification, and particular attention is being given to the appropriate balance between "new economy" and "old economy" or resource-based sectors. Exposure to highly cyclical sectors with traditionally high debt levels (forest products and commercial real estate) continues to be closely managed.

The bank has stayed the course on exposure to emerging markets. Credit risk in Asia (excluding Japan), Latin America, Central & Eastern Europe, Middle East and Africa was reduced further although not to the significant degree of the previous year. Remaining exposure in these markets is largely to companies with significant North American operations that offer the prospect of fee-generating business in their home market. Exposure has also been reduced in other countries as increasing emphasis has been placed on the risk/return profile of each client: the bank does not intend to assume credit risk on a stand-alone basis if a relationship does not meet the overall return targets.

Portfolio composition by product continues to shift away from traditional lending, particularly in global banking relationships. Emphasis is placed on trading activities such as foreign exchange, swaps, options, equity derivatives and fixed income products. Specialized teams in Toronto, New York, London and Sydney handle these transactions. Resident independent middle offices ensure that risk guidelines are adhered to. New products or structures must be approved by Group Risk Management in Toronto following risk analysis and stress testing. Exposure control of trading products has two levels. First, individual credit lines must be approved for every counterparty. Second, overall usage of approved lines is capped by product group, counterparty location or industry. Such limits are particularly important in the financial industry, as banks account for approximately 35% and non-bank financial institutions for a further 15% of all the bank's commercial credit authorizations.

Corporate & Investment Banking

For the large corporate client base, the bank uses a strategic approach to the management of risk. This incorporates forward-looking strategic limits for sectors, countries and clients based on risk analysis, business opportunities and the bank's risk appetite. Over the past year, portfolio rebalancing has continued with greater focus on selected strategic global industry sectors and core clients, and reduction in exposures in certain international markets. Portfolio management continues to play an ever-increasing role in optimizing the risk/reward profile through the development of comprehensive portfolio modelling techniques.

Personal & Commercial Financial Services

The overall economy has continued to allow for growth in the personal and commercial portfolios. Use of automated scoring decisioning has continued, and is being augmented by dataflows to support more sophisticated portfolio quality management, risk pricing, sensitivity testing and efficiencies. Industry specialization within the commercial portfolio was focused upon in 2000 and is expected to carry through into 2001, giving the bank the ability to enhance its services to that market.

Table 21: **Loans** (1)

(C$ millions)	**2000**	1999	1998	1997	1996	**2000**	1996
Canada							
Atlantic provinces	**$ 9,690**	$ 8,840	$ 8,052	$ 7,714	$ 7,233	**5.8%**	5.4%
Quebec	**16,191**	14,936	14,066	14,758	14,780	**9.6**	11.1
Ontario	**60,999**	54,724	51,977	48,717	45,268	**36.4**	33.9
Prairie provinces	**29,402**	25,521	23,288	22,150	17,814	**17.5**	13.3
British Columbia	**25,118**	23,141	22,295	21,646	19,782	**15.0**	14.8
Total Canada	**141,400**	127,162	119,678	114,985	104,877	**84.3**	78.5
International							
United States	**13,415**	13,060	13,717	12,725	10,540	**8.0**	7.9
Europe, Middle East and Africa	**6,544**	6,617	13,174	11,763	9,855	**3.9**	7.4
Caribbean	**2,059**	1,502	1,573	1,274	1,104	**1.2**	.8
Latin America	**1,842**	2,309	3,875	3,493	2,162	**1.1**	1.6
Asia	**1,781**	2,417	4,550	5,372	5,033	**1.1**	3.7
Australia and New Zealand	**771**	983	825	343	72	**.4**	.1
Total international	**26,412**	26,888	37,714	34,970	28,766	**15.7**	21.5
Total loans	**167,812**	154,050	157,392	149,955	133,643	**100.0%**	100.0%
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)		
Total	**$ 165,941**	$ 152,166	$ 155,366	$ 148,186	$ 131,768		
Canada							
Consumer							
Residential mortgage	**$ 61,444**	$ 58,524	$ 55,836	$ 52,835	$ 47,613	**36.6%**	35.6%
Personal	**27,207**	24,353	21,814	20,214	17,817	**16.2**	13.3
Credit card	**4,666**	2,666	1,945	2,324	3,522	**2.8**	2.7
	93,317	85,543	79,595	75,373	68,952	**55.6**	51.6
Business and government loans and acceptances							
Small business	**11,701**	10,334	8,452	7,325	6,555	**7.0**	4.9
Agriculture	**4,931**	4,217	3,851	3,479	2,988	**2.9**	2.2
Energy	**3,754**	3,350	3,442	3,845	2,349	**2.2**	1.8
Commercial mortgages	**2,961**	2,635	2,434	2,392	2,166	**1.8**	1.6
Consumer goods	**2,874**	2,086	2,802	2,787	2,813	**1.7**	2.1
Commercial real estate	**2,594**	2,400	2,523	2,872	3,285	**1.6**	2.5
Industrial products	**2,470**	2,301	2,241	2,137	1,948	**1.5**	1.5
Information technology and media	**2,338**	1,851	1,524	1,340	1,331	**1.4**	1.0
Financial services	**2,218**	1,567	1,718	1,976	1,678	**1.3**	1.2
Transportation and environmental	**1,519**	1,562	1,392	1,481	1,903	**.9**	1.4
Government	**1,385**	2,105	1,951	1,575	1,891	**.8**	1.4
Forest products	**1,362**	1,151	1,728	1,976	1,856	**.8**	1.4
Other	**7,976**	6,060	6,025	6,427	5,162	**4.8**	3.9
	48,083	41,619	40,083	39,612	35,925	**28.7**	26.9
Total Canada	**141,400**	127,162	119,678	114,985	104,877	**84.3**	78.5
International							
Consumer							
Residential mortgage	**1,540**	718	632	534	507	**.9**	.4
Personal	**812**	902	947	650	623	**.5**	.4
	2,352	1,620	1,579	1,184	1,130	**1.4**	.8
Business and government loans and acceptances							
Energy	**3,051**	3,887	4,702	3,877	2,045	**1.8**	1.5
Consumer goods	**1,111**	1,411	2,756	2,365	2,518	**.7**	1.9
Commercial real estate	**271**	464	862	926	1,078	**.2**	.8
Industrial products	**1,749**	1,325	1,881	2,589	2,633	**1.0**	2.0
Information technology and media	**4,710**	3,824	5,238	4,722	3,267	**2.8**	2.4
Financial services	**7,912**	6,937	10,896	11,359	9,559	**4.7**	7.2
Transportation and environmental	**1,487**	1,975	2,296	1,762	1,421	**.9**	1.1
Government	**167**	773	492	622	725	**.1**	.5
Automotive	**513**	878	2,264	1,771	1,243	**.3**	.9
Other	**3,089**	3,794	4,748	3,793	3,147	**1.8**	2.4
	24,060	25,268	36,135	33,786	27,636	**14.3**	20.7
Total international	**26,412**	26,888	37,714	34,970	28,766	**15.7**	21.5
Total loans	**167,812**	154,050	157,392	149,955	133,643	**100.0%**	100.0%
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)		
Total	**$ 165,941**	$ 152,166	$ 155,366	$ 148,186	$ 131,768		

(1) Based on residence of borrower.

Table 22: **Foreign Outstandings** (1)

(C$ millions)	2000	2000 % of total assets	1999	1999 % of total assets	1998	1998 % of total assets
United States – Banks	**$ 5,462**		$ 4,208		$ 2,590	
Government	**889**		486		597	
Other	**30,034**		23,865		27,008	
	36,385	**12.38%**	28,559	10.45%	30,195	10.74%
Western Europe						
United Kingdom – Banks	**4,347**		4,960		4,593	
Government	**26**		79		113	
Other	**5,791**		4,308		5,759	
	10,164	**3.46**	9,347	3.42	10,465	3.72
France – Banks	**2,379**		2,082		2,785	
Government	**45**		57		15	
Other	**1,552**		784		1,077	
	3,976	**1.35**	2,923	1.07	3,877	1.38
Germany – Banks	**5,471**		5,608		5,335	
Government	**1**		291		262	
Other	**643**		268		143	
	6,115	**2.08**	6,167	2.26	5,740	2.04
Netherlands	**1,300**	**.44**	2,060	.75	1,184	.42
Switzerland	**1,687**	**.57**	2,044	.75	1,950	.70
Other	**4,305**	**1.47**	4,309	1.57	3,956	1.41
	27,547	**9.37**	26,850	9.82	27,172	9.67
Central/Eastern Europe, Middle East and Africa						
Saudi Arabia	**225**	**.08**	255	.09	278	.10
Turkey	**109**	**.04**	80	.03	208	.07
Other	**311**	**.10**	434	.16	613	.22
	645	**.22**	769	.28	1,099	.39
Latin America						
Argentina	**324**	**.11**	437	.16	978	.35
Brazil	**75**	**.02**	160	.06	584	.21
Chile	**751**	**.26**	640	.24	851	.30
Colombia	**165**	**.06**	229	.08	347	.12
Mexico	**343**	**.12**	665	.24	1,054	.38
Other	**47**	**.01**	43	.02	111	.04
	1,705	**.58**	2,174	.80	3,925	1.40
Caribbean						
Bahamas	**1,549**	**.53**	1,674	.61	1,149	.41
Other	**1,952**	**.66**	1,236	.45	1,607	.57
	3,501	**1.19**	2,910	1.06	2,756	.98
Asia						
Japan – Banks	**634**		390		1,073	
Government	**1,599**		625		1,029	
Other	**1,000**		1,256		1,597	
	3,233	**1.10**	2,271	.83	3,699	1.32
China	**31**	**.01**	37	.01	245	.09
Hong Kong	**19**	**.01**	324	.12	872	.31
Indonesia	**16**	**.01**	94	.03	179	.06
Singapore	**336**	**.11**	411	.15	484	.17
South Korea	**338**	**.11**	462	.17	603	.21
Taiwan	**77**	**.03**	212	.08	898	.32
Thailand	**1**	**–**	45	.02	198	.07
Other	**44**	**.01**	43	.02	83	.03
	4,095	**1.39**	3,899	1.43	7,261	2.58
Australia and New Zealand	**1,775**	**.60**	2,444	.89	1,460	.52
Allowance for loan losses (2)	**(441)**	**(.15)**	(389)	(.14)	(366)	(.13)
Total	**$ 75,212**	**25.58%**	$ 67,216	24.59%	$ 73,502	26.15%

(1) Includes the following assets with borrowers or customers in a foreign country: loans, accrued interest, acceptances, interest-bearing deposits with other banks, securities, other interest-earning investments and other monetary assets including net revaluation gains on foreign exchange and derivative products. Local currency outstandings, whether or not hedged or funded by local currency borrowings, are included in country exposure outstandings. Foreign outstandings are reported based on location of ultimate risk.

(2) The allowance for loan losses includes the allocated country risk allowance and the international component of the allocated specific, the allocated general and the unallocated allowance.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes, technology or human performance, or from external events. Its impact can be financial loss, loss to reputation, loss of competitive position or regulatory censure.

While operational risk can never be fully eliminated, the bank endeavours to minimize it by ensuring that the appropriate infrastructure, controls, systems, and trained and competent people are in place throughout the group. Dedicated professionals are in place to identify and implement best industry practices in the area of operational risk management.

The bank has been proactive in developing and implementing new methodologies for the identification, assessment and management of operational risk.

Again this year, all major business units were reviewed to determine the potential for high-impact but low-probability operational loss events. This risk assessment formed the basis for the internal allocation of operational risk capital for fiscal 2001. More in-depth operational risk self-assessments were also conducted in a number of major business units, resulting in action plans taken on by the businesses to manage their risks more proactively.

The bank's focus in 2001 is on the continuous improvement of operational risk assessment tools and processes across the organization, development of operational risk quantification methodologies, and staying at the forefront of best risk management practices.

eBusiness Risk

eBusiness brings together different cultures, industry practices, processes, talents and complex value chains. With this in mind, along with the speed of eBusiness growth and technological change, the bank is keeping abreast of risk management industry best practices as they develop.

Security, privacy and the management of technology are the risks most commonly cited and the trends are closely monitored and managed within the bank. Some unique and potentially high risks include strategic/business planning; business continuity; project management; and recruitment and retention of specialized human resource skills and competencies. The bank recognizes that eBusiness risk identification and management is an evolving process that will have to keep pace with changing business models and opportunities. By establishing a focal point for eBusiness risk, the bank intends to be a leader in eBusiness governance.

Market Risk

Market risk is the risk of loss that results from changes in interest rates, foreign exchange rates, equity prices and commodity prices.

Interest Rate Risk

Interest rate risk is the potential adverse impact on the bank's earnings and economic value due to changes in interest rates. The key sources of interest rate risk to which the bank is exposed are repricing mismatch risk, credit spread risk, basis risk and options risk. Repricing mismatch risk arises when there are mismatches or gaps in the amount of assets, liabilities and off-balance sheet instruments that mature or reprice in a given period, primarily due to customers' differing term preferences. Credit spread risk arises when there are changes in the credit spread that result from changes in the market's perception of general or specific credit quality and liquidity. Basis risk arises when the differentials between various indices upon which the bank prices its products change. Options risk arises from the effect of interest rate movements and changes in volatilities on the market value of the options within the bank's portfolios.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the potential adverse impact on the bank's earnings and economic value due to currency rate movements. The bank is exposed to foreign exchange rate risk in both the spot and forward foreign exchange markets and in the options market. Spot foreign exchange risk arises when the total present value of assets in any currency does not equal the total present value of liabilities in that currency. Forward foreign exchange risk arises when, for a given currency, the maturity profile of forward purchases differs from the maturity profile of forward sales. Options risk arises from the effect of interest rate and exchange rate movements and changes in volatilities on the market value of the options within the bank's portfolios.

Equity Risk

Equity risk is the potential adverse impact on the bank's earnings due to movements in individual equity prices or general movements in the value of the stock market. The bank is exposed to equity risk from the buying and selling of equities as a principal in its brokerage business. Equity risk also results from the bank's trading activities, including the providing of tailored equity derivative transactions to clients, arbitrage trading and proprietary trading.

Commodity Risk

Commodity risk is the potential adverse impact on the bank's earnings and economic value due to movements in commodity prices. The bank's commodity risk arises primarily through exposure to movements in the price of precious metals. There is minimal exposure to commodity risk in the bank's trading portfolio.

The level of market risk to which the bank is exposed varies continually, reflecting changing market conditions, expectations of future price and market movements and the composition of the bank's trading and non-trading portfolios. The bank has established risk management policies and limits for its trading and asset/liability management activities that allow it to monitor and control the exposure to market risk resulting from these activities.

Trading Activities

The market risk associated with trading activities is a result of market-making, positioning and sales and arbitrage activities in the foreign exchange, interest rate, equity and commodity markets. The bank's trading operation has a primary role of acting as a market-maker or jobber, executing transactions that meet the financial requirements of its customers, and transferring the market risks to the broad financial market. The bank also acts as principal and uses market risk positions within the authorizations granted by the board. This risk is managed primarily through a Value-At-Risk (VAR) methodology.

VAR is a generally accepted risk measurement concept that uses statistical models to estimate within a given level of confidence the maximum loss in market value that the bank would experience in its trading portfolios from an adverse one-day movement in market rates and prices. The bank's VAR measure is based on a 99% confidence level and is an estimate of the maximum potential trading loss in 99 out of every 100 days. The bank uses an historical simulation of the previous 500 trading day scenarios to determine VAR for its trading portfolio. The graph on page 50 shows the daily net trading revenue compared to the global trading VAR amounts for the year ended October 31, 2000. Net trading revenue is defined as the sum of the mark-to-market adjustments booked on trading positions and net interest income accrued from trading assets. During fiscal 2000, the bank did not experience a day with trading losses in excess of VAR.

Table 23: **Market Risk Measures – Trading Activities** (1)

(C$ millions)	2000 Year-end	2000 High	2000 Average	2000 Low	1999 Year-end	1999 High	1999 Average	1999 Low
Global VAR by major risk category								
Equity	**$ 14**	**$ 22**	**$ 13**	**$ 6**	$ 9	$ 22	$ 16	$ 7
Foreign exchange and commodity	**4**	**11**	**5**	**2**	6	12	7	4
Interest rate	**7**	**9**	**5**	**3**	6	11	6	3
Global VAR (2)	**$ 18**	**$ 24**	**$ 16**	**$ 10**	$ 13	$ 28	$ 20	$ 10

(1) Amounts are presented on a pre-tax basis and represent one-day VAR at a 99% confidence level.
(2) Global VAR reflects the correlation effect from each of the risk categories through diversification.

In the last year, the bank expanded the scope of its interest rate products to include credit derivatives. Credit derivatives allow trading of credit risk separate from an underlying instrument. For example, credit exposure to a company can be acquired or divested through a credit derivative without actually owning a loan or bond issued by the company. Credit derivatives are one of the fastest growing over-the-counter trading products. Credit derivatives are provided to institutional and corporate clients and are also used by the bank in the management of its lending portfolio.

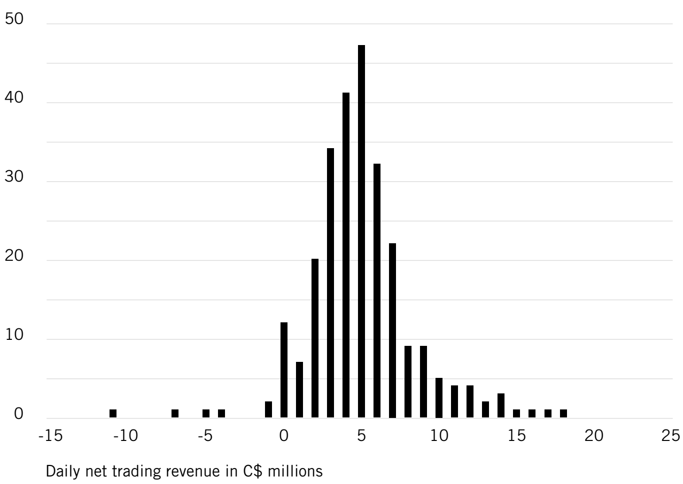
Table 23 above shows the year-end, high, average and low VAR by major risk category for the bank's combined trading activities for the years ended October 31, 2000 and 1999. The table also shows the bank's global VAR, which incorporates the effects of correlation in the movements of interest rates, exchange rates, equity prices and commodity prices and the resulting benefits of diversification within the bank's trading portfolio.

The bank also performs analysis on the potential trading losses due to stress events as a supplementary control on its market risk exposure. This is accomplished through applying historical and internally developed scenarios to the daily trading positions to monitor the effect of extreme market movements on the value of its portfolio.

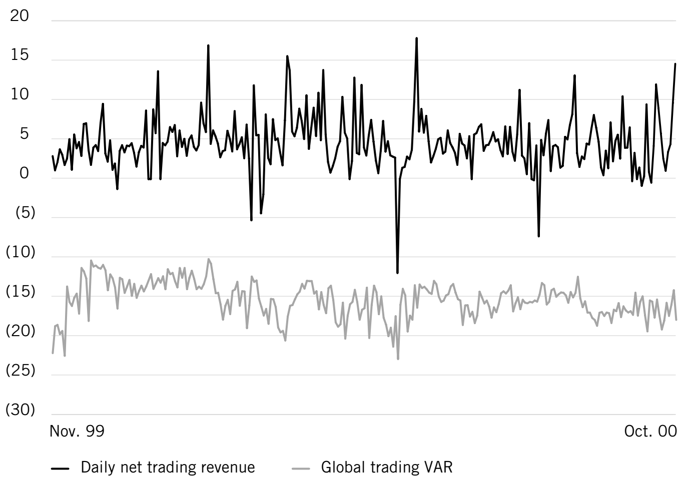
The Group Risk Management function, which is independent of the trading operations, is responsible for the daily monitoring of global trading risk exposures. The function uses the bank's VAR methodology to compare actual exposures to the limits established, to assess global risk/return trends and to alert senior management of adverse trends or positions. The function also develops and implements comprehensive risk measurement policies and risk limits that apply to trading activities.

As management recognizes that VAR is not an absolute measure of market risk, other limits are also established to control market liquidity risks, net position gap, term and volume for all products. This comprehensive market risk management framework ensures that an appropriate diversification of risks through policies is adopted on a global basis.

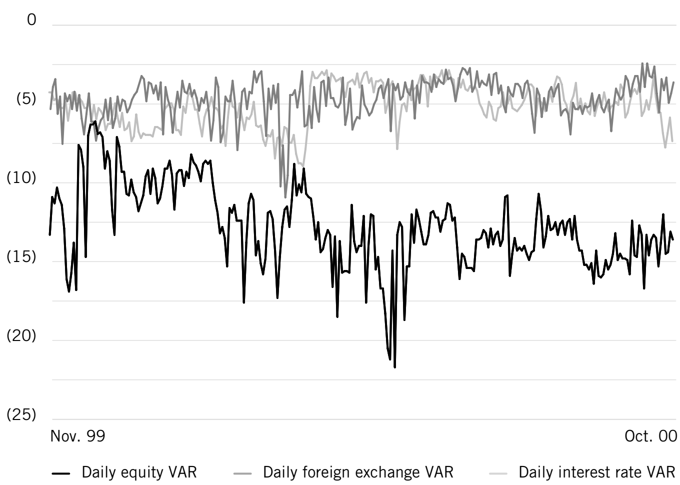
Histogram of Daily Net Trading Revenue
(number of days)



Daily Net Trading Revenue vs. Global Trading VAR
(C$ millions)



Global VAR by Major Risk Category
(C$ millions)



Asset/Liability Management Activities of the Bank's Non-Trading Portfolio
Core banking activities, such as deposit taking and lending, expose the bank to market risk, mostly in the form of interest rate risk. The risk is managed within economic value risk and net interest income risk limits approved by the Group Risk Committee. The risk limits are based on an immediate and sustained 200 basis point parallel movement in rates across all maturities. Economic value risk measures the adverse net impact on the present value of both on- and off-balance sheet assets and liabilities. The limit for economic value risk is $1.1 billion or about 10% of the bank's common equity. Net interest income risk measures the adverse impact on net interest income over the next 12 months. The net interest income risk limit is $300 million.

The Corporate Treasury function actively monitors and manages the Canadian domestic non-trading book. It also oversees a limited number of authorized units that manage their interest rate exposure at a decentralized level within established risk limits.

In managing the Canadian domestic non-trading book, the goal is to achieve a balance between reducing risk from adverse movements in interest rates and enhancing net interest income. To achieve this, derivative instruments, primarily interest rate swaps, are used to adjust the risk profile of the book taking into account the shape of the yield curve, expected changes in the level of interest rates and the current level of risk being carried. When appropriate, the bank will also purchase options to hedge some of the embedded options inherent in certain deposit and loan banking products. Embedded options allow bank customers to alter the maturity profile of their deposit or loan products. The most prevalent types of embedded options are early redemption features in certain term deposit products and prepayment options in some loan products.

The primary analytical techniques used by the bank to measure the economic value risk and net interest income risk and to manage non-trading interest rate risk are scenario analysis and starting position analysis. Scenario analysis is forward looking, and enables the bank to forecast net interest income and analyze the impact under numerous economic and interest rate scenarios. It incorporates assumptions about pricing strategies, volume and mix of new business, expected changes in the level of interest rates, changes in the shape of the yield curve and other factors such as the impact of embedded options. Starting position analysis provides the framework for measuring economic value and net interest income risk exposures against limits at a point in time. The results of the scenario and starting position analysis assist in determining the risk/return tradeoffs of potential hedging and investment strategies. This allows the bank to achieve a balance between enhancing net interest income and reducing the risk of lower earnings from adverse movements in interest rates.

Table 24 below presents the potential impact of a 100 and 200 basis point increase and decrease on the bank's economic value and on current earnings from changes in interest rates on the non-trading portfolio of the bank. These measures are based on the bank's interest rate sensitivity position at October 31, 2000, including all repricing assumptions. These measures assume that no further hedging is undertaken and that all assets and liabilities reprice by the defined amounts.

The domestic interest rate sensitivity position at October 31, 2000, including all repricing assumptions, reflects a view on future interest rate movements relative to the current yield curve. The risk position has been and is currently being actively managed to reflect the relative stability of interest rates since mid-2000. The bank's view is that medium-term and long-term rates reached a cyclical peak during the first nine months of fiscal 2000. While some short-term volatility is possible, the bank is positioning itself for fairly stable or modestly declining rates during fiscal 2001.

All interest rate measures in this section are based upon the bank's interest rate exposures at a specific time. The exposures change continually as a result of the bank's day-to-day business activities and its risk management initiatives.

Table 24: **Market Risk Measures – Non-Trading Activities**

	2000		1999	
(C$ millions)	**Economic value risk** (1)	**Net interest income risk** (1)	Economic value risk (1)	Net interest income risk (1)
100bp increase	**$ (306)**	**$ 71**	$ (267)	$ 87
100bp decrease	**241**	**(84)**	213	(91)
200bp increase	**$ (628)**	**$ 129**	$ (544)	$ 167
200bp decrease	**473**	**(170)**	416	(217)

(1) Amounts are presented on a pre-tax basis and represent changes in economic value and net interest income from changes in interest rates as at October 31.

Change in Accounting Standards for Derivatives – FAS 133

The Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), as amended by FAS 138, is effective for the bank as of November 1, 2000, and is described in note 1 of the consolidated financial statements on page 60.

Under current accounting policies, derivatives used in sales and trading activities, which represent the vast majority of all derivatives used by the bank, are already recorded on the consolidated balance sheet at fair value. FAS 133 will require that all other derivatives also be recorded on the consolidated balance sheet at fair values. Such other derivatives principally comprise derivatives used in asset/liability management activities as described above.

The primary focus of the bank's asset/liability management activities will remain the prudent management of economic value risk, while at the same time aiming to achieve accounting effectiveness under FAS 133. Adoption of the standard may result in increased volatility of reported earnings and certain balance sheet amounts. It is difficult to estimate the amount of such volatility given the nature and size of derivatives used in asset/liability management activities, the dynamics of the balance sheet items to which these derivatives relate, the likelihood of future changes in interest rates, and the possibility of further changes to authoritative guidance in the application of FAS 133. As a result, estimates of future volatility are not provided.

Liquidity Risk

The objective of liquidity management is to ensure that the bank has the ability to generate sufficient cash or its equivalents, in a timely and cost-effective manner, to meet its commitments as they fall due. Liquidity management is critical in protecting the bank's capital, maintaining market confidence and ensuring that the bank can expand into profitable business opportunities.

The bank's liquidity management framework includes policies for several key elements, such as minimum levels of liquid assets to be held at all times. The bank uses liquid assets and repurchase and reverse repurchase agreements when managing its short-term liquidity. Liquid assets and assets purchased under reverse repurchase agreements (before pledging, see next paragraph) totalled $100.7 billion or 34% of total assets at October 31, 2000, as compared to $98.8 billion or 36% of total assets at October 31, 1999. Canadian dollar liquid assets are primarily marketable securities, and much of the bank's foreign currency liquid assets are issued by highly rated foreign banks.

Policies are also in place to ensure that the bank is able to meet potential pledging requirements that may arise. At October 31, 2000, $27.1 billion of assets had been pledged as collateral, including obligations related to assets sold under repurchase agreements. For further details, see note 12 of the consolidated financial statements.

Another key element of the liquidity management framework is cash flow management. There are limits on the maximum net outflow of funds for specified time periods, particularly for key short-term time horizons. Scenario analysis is performed on the assumed behaviour of cash flows under varying conditions to assess funding requirements and is updated as needed to reflect changing conditions.

The bank's framework also incorporates liquidity contingency planning to assess the nature and volatility of funding sources and to determine alternatives to these sources. The contingency plan would be activated to ensure that the bank's funding commitments could be met in the event of general market disruption or adverse economic conditions. The plan is reviewed and updated at least annually.

Funding diversification is another key element of liquidity management. As shown in Table 25 on page 52, deposits from consumers comprise 43% of the bank's deposits, versus 46% in 1999. Business and government deposits as a percentage of total deposits remain at 46%. Consumer deposits represent the prime source of Canadian dollar deposits, while foreign currency deposits are primarily from large corporations and foreign banks, including central banks. The bank manages its liquidity through a strategically diversified portfolio of funding instruments. Diversification of funding instruments is achieved through the consideration of type and country of origin of depositors, by term and through various locations and legal entities.

In 2000, the bank broadened its funding capacity. First, it increased its wholesale funding by issuing $3,339 million of senior deposit notes in various currencies. Second, the bank issued $1.2 billion of subordinated debentures and $650 million of innovative Tier 1 capital as outlined in the Capital Management section on page 42.

These alternative activities have strengthened the bank's domestic and foreign funding presence. Their future use will be continually assessed in light of market conditions and their impact on traditional funding sources.

The bank continues to securitize $1.1 billion of credit card receivables funded by medium-term notes but, in light of market conditions, $1.2 billion of previously-securitized credit card receivables funded by commercial paper were returned to the balance sheet. Credit card receivables currently funded on-balance sheet will be continually considered for future securitization and, as a result, are a source of alternative funding and capital relief.

During 2000, the bank securitized $500 million of residential mortgages into mortgage-backed securities, which are available to support the bank's activity in the domestic clearing and payment system or can be sold to generate funds.

Table 25: **Deposits**

				2000	1999	1998
(C$ millions)	Demand	Notice	Term	**Total**	Total	Total
Personal	$ 6,591	$ 26,222	$ 56,819	**$ 89,632**	$ 87,359	$ 85,910
Business and government	24,162	8,844	61,373	**94,379**	86,223	76,107
Bank	4,684	202	17,340	**22,226**	14,315	17,988
Total	$ 35,437	$ 35,268	$ 135,532	**$ 206,237**	$ 187,897	$ 180,005
Non-interest-bearing						
Canada				**$ 22,011**	$ 16,876	$ 14,383
International				**863**	666	430
Interest-bearing						
Canada				**116,113**	112,430	109,150
International				**67,250**	57,925	56,042
Total				**$ 206,237**	$ 187,897	$ 180,005

1999 Compared to 1998

The following discussion and analysis provides a comparison of the bank's results of operations for the years ended October 31, 1999 and 1998. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 53 to 76. This portion of the management's discussion and analysis is based on amounts reported in the consolidated financial statements and does not exclude one-time items.

Business Segment Results

Personal & Commercial Financial Services' net income decreased 4% to $935 million in 1999, partially due to a restructuring charge of $50 million. Return on common equity declined 680 basis points to 19.4%, largely due to the re-allocation of common equity from the Other segment to the four operating segments to cover non-trading market risk. The efficiency ratio increased 40 basis points to 64.9% in 1999, also partially reflecting the above-mentioned restructuring charge.

Wealth Management's 1999 net income was up 9% from 1998 to $272 million. Return on common equity declined by 530 basis points to 57.7% due to the re-allocation of common equity mentioned above. The efficiency ratio increased by 160 basis points to 79.8%.

Corporate & Investment Banking's net income increased 36% in 1999 to $301 million. Return on common equity improved by 80 basis points to 15.3%. The efficiency ratio increased 320 basis points to 65.6%.

Transaction Processing's 1999 net income was up 282% to $107 million due to lower provision for credit losses. Return on common equity improved from 5.0% to 27.7%. The efficiency ratio increased 370 basis points to 69.5%.

Net Interest Income

Net interest income increased 1% to $5.2 billion in 1999 from $5.1 billion in 1998 partially due to higher volumes of interest-bearing assets, which were offset by a change in reporting for equity derivatives.

Non-Interest Revenue

Non-interest revenue increased 10% to $5.5 billion in 1999, driven by revenue gains from all of the operating segments.

Non-Interest Expenses

Non-interest expenses increased 10% to $7.1 billion. The increase was primarily caused by higher human resource and increased one-time expenses, largely related to a restructuring charge in 1999. The efficiency ratio was 67.1% in 1999 compared to 64.5% in 1998.

Taxes

The bank's income and other taxes for 1999 were $1.5 billion, for an effective total tax rate of 47.2%. Income and other taxes were $1.7 billion in 1998, while the effective total tax rate was 48.0%.

Provision for Credit Losses

The provision for credit losses increased to $760 million in 1999 from $575 million in 1998. This increase resulted largely from a higher allocated general provision and unallocated provision of $230 million in 1999 versus $100 million in 1998.

The total allowance for loan losses was $1.9 billion or 1.2% of total loans versus 1.3% in 1998.

Consolidated Financial Statements

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Royal Bank of Canada were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with United States generally accepted accounting principles. Financial information appearing throughout this Annual Report is consistent with these consolidated financial statements. Management has also prepared consolidated financial statements for Royal Bank of Canada in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada, and these consolidated financial statements have also been provided to shareholders.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, policies and procedure manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by a compliance function, which ensures that the bank and its employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of the bank's operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are neither officers nor employees of the bank. This Committee reviews the consolidated financial statements of the bank and recommends them to the board for approval. Other key responsibilities of the Audit Committee include reviewing the bank's existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues. The bank's Compliance Officer and Chief Internal Auditor have full and unrestricted access to the Audit Committee.

At least once a year, the Superintendent of Financial Institutions Canada, makes such examination and enquiry into the affairs of the bank as deemed necessary to ensure that the provisions of the *Bank Act*, having reference to the safety of the depositors and shareholders of the bank, are being duly observed and that the bank is in sound financial condition.

Deloitte & Touche LLP and PricewaterhouseCoopers LLP, independent auditors appointed by the shareholders of the bank upon the recommendation of the Audit Committee, have performed an independent audit of the consolidated financial statements and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

John E. Cleghorn
Chairman & Chief Executive Officer

Peter W. Currie
Vice-Chairman & Chief Financial Officer

Toronto, November 21, 2000

Auditors' Report

To the Shareholders of Royal Bank of Canada

We have audited the consolidated balance sheet of Royal Bank of Canada as at October 31, 2000 and 1999, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2000. These consolidated financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the bank as at October 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2000, in accordance with United States generally accepted accounting principles.

We also reported separately on November 21, 2000, to the shareholders of the bank on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the October 31, 2000 and 1999, consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada.

Deloitte & Touche LLP
PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, November 21, 2000

Consolidated Balance Sheet

As at October 31 (C$ millions)	**2000**	1999
Assets		
Cash resources		
Cash and due from banks	**$ 947**	$ 2,460
Interest-bearing deposits with other banks	**18,659**	20,582
	19,606	23,042
Securities (note 3)		
Trading account	**46,366**	35,288
Available for sale	**13,199**	16,364
Held to maturity	**698**	1,084
	60,263	52,736
Assets purchased under reverse repurchase agreements	**18,303**	20,272
Loans (note 4)		
Residential mortgage	**62,984**	59,242
Personal	**28,019**	25,255
Credit card	**4,666**	2,666
Business and government loans and acceptances	**72,143**	66,887
	167,812	154,050
Allowance for loan losses	**(1,871)**	(1,884)
	165,941	152,166
Other		
Derivative-related amounts	**19,334**	15,151
Premises and equipment (note 5)	**1,216**	1,274
Goodwill	**693**	660
Other intangibles	**208**	–
Other assets	**8,490**	7,997
	29,941	25,082
	$ 294,054	$ 273,298
Liabilities and shareholders' equity		
Deposits		
Canada		
Non-interest-bearing	**$ 22,011**	$ 16,876
Interest-bearing	**116,113**	112,430
International		
Non-interest-bearing	**863**	666
Interest-bearing	**67,250**	57,925
	206,237	187,897
Other		
Acceptances	**11,628**	9,257
Obligations related to securities sold short	**12,873**	18,740
Obligations related to assets sold under repurchase agreements	**9,005**	9,396
Derivative-related amounts	**18,574**	15,219
Other liabilities	**15,912**	15,682
	67,992	68,294
Subordinated debentures (note 6)	**5,825**	4,596
Non-controlling interest in subsidiaries	**703**	103
Shareholders' equity		
Capital stock (note 7)		
Preferred	**2,001**	1,973
Common (shares issued and outstanding – 602,397,936 and 617,767,562)	**3,074**	3,063
Retained earnings	**8,314**	7,495
Accumulated other comprehensive income	**(92)**	(123)
	13,297	12,408
	$ 294,054	$ 273,298

John E. Cleghorn
Chairman & Chief Executive Officer

Robert B. Peterson
Director

Consolidated Statement of Income

For the year ended October 31 (C$ millions)	**2000**	1999	1998
Interest income			
Loans	**$ 11,538**	$ 10,386	$ 10,426
Trading account securities	**1,435**	1,143	1,061
Available for sale and held to maturity securities	**1,083**	937	829
Assets purchased under reverse repurchase agreements	**1,078**	893	1,169
Deposits with banks	**975**	841	822
	16,109	14,200	14,307
Interest expense			
Deposits	**9,057**	7,636	7,732
Other liabilities	**1,429**	1,161	1,172
Subordinated debentures	**344**	286	339
	10,830	9,083	9,243
Net interest income	**5,279**	5,117	5,064
Provision for credit losses	**691**	760	575
Net interest income after provision for credit losses	**4,588**	4,357	4,489
Non-interest revenue			
Capital market fees	**1,810**	1,209	1,118
Trading revenues	**1,540**	1,106	752
Deposit and payment service charges	**756**	688	664
Investment management and custodial fees	**684**	547	495
Mutual fund revenues	**528**	479	447
Card service revenues	**420**	362	305
Securitization revenues	**104**	220	226
Gain (loss) on sale of securities	**(11)**	28	343
Other	**849**	852	647
	6,680	5,491	4,997
Non-interest expenses			
Human resources	**4,695**	4,096	3,688
Occupancy	**570**	564	508
Equipment	**664**	677	585
Communications	**695**	699	665
Other	**1,004**	1,105	1,064
	7,628	7,141	6,510
Net income before income taxes	**3,640**	2,707	2,976
Income taxes (note 8)	**1,412**	974	1,128
Net income before non-controlling interest	**2,228**	1,733	1,848
Non-controlling interest in net income of subsidiaries	**20**	8	76
Net income	**$ 2,208**	$ 1,725	$ 1,772
Preferred share dividends	**134**	157	145
Net income available to common shareholders	**$ 2,074**	$ 1,568	$ 1,627
Average number of common shares (in thousands)	**606,389**	626,158	617,324
Earnings per share (in dollars) (note 11)	**$ 3.42**	$ 2.50	$ 2.64
Average number of fully diluted common shares (in thousands)	**609,865**	632,305	633,626
Fully diluted earnings per share (in dollars) (note 11)	**$ 3.40**	$ 2.48	$ 2.58

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31 (C$ millions)	**2000**	1999	1998
Preferred shares			
Balance at beginning of year	**$ 1,973**	$ 2,110	$ 1,757
Issued (note 7)	**–**	296	300
Redeemed for cancellation (note 7)	**–**	(393)	–
Issuance costs	**–**	(9)	(7)
Translation adjustment on shares denominated in foreign currency	**28**	(31)	60
Balance at end of year	**2,001**	1,973	2,110
Common shares			
Balance at beginning of year	**3,063**	2,923	2,905
Issued (note 7)	**109**	192	18
Purchased for cancellation (note 7)	**(98)**	(52)	–
Balance at end of year	**3,074**	3,063	2,923
Retained earnings			
Balance at beginning of year	**7,495**	6,803	5,719
Net income	**2,208**	1,725	1,772
Preferred share dividends	**(134)**	(157)	(145)
Common share dividends	**(689)**	(588)	(543)
Premium paid on common shares purchased for cancellation (note 7)	**(562)**	(281)	–
Issuance costs	**(4)**	(7)	–
Balance at end of year	**8,314**	7,495	6,803
Accumulated other comprehensive income			
Unrealized gains and losses on available for sale securities, net of hedging activities and related income taxes (note 8)	**(56)**	(85)	56
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes (note 8)	**(36)**	(38)	(34)
	(92)	(123)	22
Shareholders' equity at end of year	**$ 13,297**	$ 12,408	$ 11,858

	2000	1999	1998
Other comprehensive income			
Net income	**$ 2,208**	$ 1,725	$ 1,772
Change in unrealized gains and losses on available for sale securities, net of hedging activities and related income taxes	**29**	(141)	(227)
Change in unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	**2**	(4)	(5)
Total other comprehensive income	**$ 2,239**	$ 1,580	$ 1,540

Consolidated Statement of Cash Flows

For the year ended October 31 (C$ millions)	2000	1999	1998
Cash flows from operating activities			
Net income	$ 2,208	$ 1,725	$ 1,772
Adjustments to determine net cash provided by (used in) operating activities			
Provision for credit losses	691	760	575
Depreciation	369	389	342
Restructuring	–	153	68
Amortization of goodwill and other intangibles	91	70	66
Gain on sale of assets	(4)	(95)	–
Change in accrued interest receivable and payable	110	(81)	95
Net loss (gain) on sale of available for sale securities	11	(28)	(343)
Changes in operating assets and liabilities			
Deferred income taxes	(206)	(27)	(65)
Current income taxes payable	(434)	487	66
Unrealized gains and amounts receivable on derivative contracts	(4,183)	15,262	(15,637)
Unrealized losses and amounts payable on derivative contracts	3,355	(14,151)	14,638
Trading account securities	(11,078)	(5,700)	(11,037)
Securities sold with recourse	(312)	(239)	(337)
Obligations related to securities sold short	(5,867)	(1,748)	7,426
Other	97	8,116	(1,993)
Net cash provided by (used in) operating activities	(15,152)	4,893	(4,364)
Cash flows from investing activities			
Change in loans	(11,728)	1,077	(7,696)
Proceeds from the maturity of held to maturity securities	500	411	885
Purchases of held to maturity securities	(114)	(405)	(737)
Proceeds from sale of available for sale securities	10,525	5,163	4,446
Proceeds from the maturity of available for sale securities	16,269	10,428	11,478
Purchases of available for sale securities	(23,640)	(20,208)	(14,114)
Change in interest-bearing deposits with other banks	1,927	(6,596)	5,406
Net acquisitions of premises and equipment	(293)	(255)	(518)
Net proceeds from sale of real estate	–	815	–
Change in assets purchased under reverse repurchase agreements	1,969	(365)	(1,265)
Net cash used in acquisition of subsidiaries	(323)	(129)	(7)
Net cash used in investing activities	(4,908)	(10,064)	(2,122)
Cash flows from financing activities			
Issue of RBC Trust Capital Securities (RBC TruCS)	650	–	–
Increase in domestic deposits	8,818	5,773	93
Increase in international deposits	9,405	2,119	5,964
Issue of subordinated debentures	1,200	700	500
Subordinated debentures matured	(20)	(123)	(72)
Issue of preferred shares	–	287	293
Preferred shares redeemed for cancellation	–	(400)	–
Issuance costs	(4)	–	–
Issue of common shares	59	17	18
Common shares redeemed for cancellation	(660)	(333)	–
Dividends paid	(791)	(735)	(662)
Change in securities sold under repurchase agreements	(391)	(1,868)	1,806
Change in liabilities of subsidiaries	281	(215)	(315)
Net cash provided by financing activities	18,547	5,222	7,625
Net change in cash and due from banks	(1,513)	51	1,139
Cash and due from banks at beginning of year	2,460	2,409	1,270
Cash and due from banks at end of year	$ 947	$ 2,460	$ 2,409

Supplemental disclosure of cash flow information			
Amount of interest paid in year	$ 10,698	$ 8,989	$ 9,163
Amount of income taxes paid in year	$ 2,007	$ 542	$ 604

Note 1: **Significant Accounting Policies**

The accompanying consolidated financial statements of Royal Bank of Canada are stated in Canadian dollars, the currency of the country in which the bank is incorporated and principally operates. These consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP) and prevailing practices within the banking industry in that country. The bank has also prepared consolidated financial statements in accordance with Canadian GAAP and these have also been provided to shareholders.

GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Certain comparative amounts have been reclassified to conform with the current year's presentation. The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The bank has accounted for the acquisition of subsidiaries using the purchase method. The equity method is used to account for investments in associated corporations or joint ventures in which the bank has significant influence or exercises joint control, respectively. These investments are reported in Other assets. The bank's share of earnings from these investments is included in Interest income from securities. Gains and losses realized on dispositions of these investments are included in Non-interest revenue.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at average rates of exchange for the year.

Unrealized foreign currency translation gains and losses (net of hedging activities and related income taxes) on investments in foreign branches, subsidiaries and associated corporations where the functional currency is other than the Canadian dollar are recorded in Other comprehensive income. On disposal of such investments, the accumulated net translation gain or loss is included in Non-interest revenue. Other foreign currency translation gains and losses (net of hedging activities) are included in Non-interest revenue.

Securities

Securities are classified at the time of purchase, based on management's intentions, as Trading account, Available for sale, or Held to maturity.

Trading account securities, which are purchased for resale over a short period of time, are stated at estimated current market value. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are recorded in Trading revenues in Non-interest revenue. Interest income accruing on Trading account securities is recorded in Interest income from securities. Interest expense accruing on interest-bearing securities sold short is recorded in Interest expense.

Available for sale securities include securities that may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in funding sources or terms, or to meet liquidity needs. These securities are carried at estimated current market value. Unrealized gains and losses on these securities and on the derivatives designated as hedges of the securities, net of taxes, are reported in Other comprehensive income. Available for sale securities include tax-exempt securities, which are customer financings that have been structured as after-tax investments rather than conventional loans in order to provide the issuers with a borrowing rate advantage. Such securities are accorded the accounting treatment applicable to loans and, if required, are reduced by an allowance for credit losses.

Held to maturity securities include debt securities that the bank has both the intent and the ability to hold until maturity and are carried at amortized cost. Premiums and discounts on Held to maturity securities are amortized to Interest income from securities using the yield method over the period to maturity of the related securities.

Gains and losses realized on disposal of Available for sale and Held to maturity securities, which are calculated on an average cost basis, and writedowns to reflect other than temporary impairment in value are included in Gain on sale of securities in Non-interest revenue.

Loans

Loans are stated net of an allowance for loan losses and unearned income, which is comprised of unearned interest and unamortized loan fees.

Loans are classified as nonaccrual when there is no longer reasonable assurance of the timely collection of principal and interest. Whenever a payment is 90 days past due, loans other than credit card balances are classified as nonaccrual unless they are fully secured or collection efforts are reasonably expected to result in repayment of debt. Credit card balances are charged off when a payment is 180 days in arrears. When a loan is identified as nonaccrual, the accrual of interest is discontinued and any previously accrued but unpaid interest on the loan is charged to the provision for loan losses. Interest received on nonaccrual loans is credited to the allowance for loan losses on that loan. Nonaccrual loans are returned to performing status when all amounts including interest have been collected, all charges for loan impairment have been reversed and the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest.

When a loan has been identified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount, measured by discounting the expected future cash flows at the effective interest rate inherent in the loan. In subsequent periods, recoveries of amounts previously charged off and any increase in the carrying value of the loan is credited to the allowance for loan losses on the consolidated balance sheet. Where a portion of a loan is charged off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt regarding the collectibility of principal and interest, and payments are not 90 days past due.

Collateral is obtained if, based on an evaluation of the customer's creditworthiness, it is considered necessary for the customer's overall borrowing facility. Collateral would normally be in the form of assets such as cash, government securities, shares, accounts receivable, inventory or fixed assets.

Assets acquired in respect of problem loans are recorded at the lower of their fair value or the carrying value of the loan at the date of transfer. Any excess of the carrying value of the loan over the fair value of the assets acquired is recognized by a charge to the allowance for loan losses.

Fees that relate to such activities as originating, restructuring or renegotiating loans are deferred and recognized on a straight-line basis as Interest income over the expected term of such loans. Where there is reasonable expectation that a loan will result, commitment and standby fees are also recognized as Interest income over the expected term of the resulting loan. Otherwise, such fees are recorded as Other liabilities and amortized to Non-interest revenue over the commitment or standby period.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit-related losses in the portfolio as well as losses that have been incurred, but are not yet identifiable. The allowance for credit losses reflects management's best estimate of losses existing in the credit portfolio at the balance sheet date. The allowance relates primarily to loans but also to deposits with other banks, derivatives, tax-exempt securities and other credit instruments such as acceptances, guarantees and letters of credit. The allowance is increased by the provision for credit losses, which is charged to income, and decreased by the amount of charge-offs, net of recoveries.

The allowance is determined based on management's identification and evaluation of problem accounts; estimated probable losses that exist on the remaining portfolio; and on other factors including the composition and quality of the portfolio, and changes in economic conditions.

Allocated Specific

Allocated specific allowances are maintained to absorb losses on both specifically identified borrowers and other more homogeneous loans that have been recognized as nonaccrual. The losses relating to identified large business and government debtors are estimated based on the present value of expected payments on an account-by-account basis. The losses relating to other portfolio-type products, excluding credit cards, are based on net charge-off experience over an economic cycle. For credit cards, no specific allowance is maintained as balances are charged off if no payment has been received after 180 days. Personal loans are generally charged off at 150 days past due. Charge-offs for other loans are generally recorded when there is no realistic prospect of full recovery.

Allocated Country Risk

Allocated country risk allowances are maintained with respect to exposures to a number of less developed countries (LDCs) based on an overall assessment of the underlying economic conditions in those countries.

Allocated General

The allocated general allowance represents the best estimate of probable losses within the portion of the portfolio that has not yet been specifically identified as nonaccrual. This amount is established through the application of expected loss factors to outstanding and undrawn facilities. The allocated general allowance for large business and government loans and acceptances is based on the application of expected default and loss factors, determined by statistical loss migration analysis, delineated by loan type and rating. For more homogeneous portfolios, such as residential mortgages, small business loans, personal loans and credit cards, the determination of the allocated general allowance is done on a product portfolio basis. The losses are determined by the application of loss ratios determined through the analysis of loss migration and charge-off trends over an economic cycle, adjusted to reflect changes in the product offerings and credit quality of the pool.

Unallocated

The unallocated allowance is based on management's assessment of probable, unidentified losses in the portfolio that have not been captured in the determination of the allocated specific, allocated country risk or allocated general allowances. This assessment includes consideration of general economic and business conditions and regulatory requirements affecting key lending operations, recent loan loss experience, and trends in credit quality and concentrations. This allowance also reflects model and estimation risks. This allowance does not represent future losses or serve as a substitute for allocated allowances.

Assets Purchased under Reverse Repurchase Agreements and Sold under Repurchase Agreements

The bank enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) and sales of securities under agreements to repurchase (repurchase agreements). These agreements are treated as collateralized lending and borrowing transactions and are carried on the consolidated balance sheet at the amounts at which the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are included in Interest income and Interest expense, respectively.

Acceptances

Acceptances are short-term negotiable instruments issued by the bank's customers to third parties, which are guaranteed by the bank. The potential liability under acceptances is reported as a liability in the consolidated balance sheet. The recourse against the customer in the case of a call on these commitments is reported as a corresponding asset of the same amount under Loans. Fees earned are reported in Non-interest revenue.

Derivatives

Derivatives are used in sales and trading activities to provide clients with the ability to manage their market risk exposures. Derivatives are also used to manage the bank's own exposures to interest, currency and other market risks. The most frequently used derivative products are foreign exchange forward contracts, interest rate and currency swaps, foreign currency and interest rate futures, forward rate agreements, and foreign currency and interest rate options.

When used in sales and trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Non-interest revenue. Market values are determined using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. A portion of the market value is deferred within Derivative-related amounts in Other liabilities and amortized to income over the life of the instruments to cover credit considerations and ongoing direct servicing costs. Unrealized gains and unrealized losses are generally reported on a gross basis as Derivative-related amounts in Other assets and Other liabilities, except where the bank has both the legal right and intent to settle these amounts simultaneously in which case they are presented on a net basis. Margin requirements and premiums paid are also included in Derivative-related amounts in Other assets, while premiums received are shown in Derivative-related amounts in Other liabilities.

When derivatives are used to manage the bank's own exposures, the income or expense is recognized over the life of the transaction as an adjustment to Interest income or Interest expense. Where derivatives have been designated and function effectively as hedges, realized gains and losses are deferred and amortized over the life of hedged assets or liabilities as adjustments to Interest income or Interest expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded principally on the straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for buildings, 3 to 10 years for hardware, 3 to 5 years for software, 7 to 10 years for furniture, fixtures and other equipment, and lease term plus first option period for leasehold improvements. Gains and losses on disposal are recorded in Non-interest revenue.

Goodwill and Other Intangibles

Goodwill represents the excess of the price paid for the acquisition of subsidiaries over the fair value of the net assets acquired and is amortized over appropriate periods of up to 20 years, except where a writedown is required to reflect permanent impairment. Identifiable, reliably measurable Other intangible assets, such as client lists, resulting from acquisition of subsidiaries are also amortized over appropriate periods of up to 20 years. An impairment review on unamortized goodwill and other intangibles is performed periodically. Such evaluation is based on various analyses including undiscounted cash flow; market value is used if a sale or disposition is being considered.

Income Taxes

The bank uses the asset and liability method whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book purposes compared with tax purposes. Accordingly, a deferred income tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income and expense are expected to be realized. Income taxes on the consolidated statement of income include the current and deferred portions of the expense. Income taxes applicable to items charged or credited to Retained earnings and Other comprehensive income are netted with such items.

Note 1: **Significant Accounting Policies** (continued)

Deferred income taxes accumulated as a result of temporary differences are included in Other assets. A valuation allowance is established to reduce deferred income tax assets to the amount expected to be realized. In addition, the consolidated statement of income contains items that are non-taxable or non-deductible for income tax purposes and, accordingly, cause the income tax provision to be different than what it would be if based on statutory rates.

Postretirement Benefits

The bank maintains a defined benefit pension plan that is available to substantially all employees after two years of service or at age 25, on a contributory or a non-contributory basis. The plan provides pensions based on years of service, contributions and average earnings at retirement. Employees of subsidiaries of the bank are generally covered by separate pension plans that offer comparable benefits. It is the bank's funding policy to annually contribute to its pension funds, the actuarially determined amounts needed to satisfy employee benefit laws. Investments held by the pension funds are primarily comprised of equity securities, bonds and debentures.

Actuarial valuations are performed each year to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement.

Pension expense consists of the aggregate of (a) the actuarially computed cost of pension benefits provided in respect of the current year's service, (b) imputed interest on the funding excess or deficiency of the plan and (c) the amortization of the funding excess existing at the date the current accounting policy commenced, experience gains and losses, and amounts arising as a result of changes in assumptions and plan amendments over the expected average remaining service life of employees.

The cumulative excess of pension fund contributions over the amounts recorded as expense is reported in Other assets, and other postretirement accrued benefit costs are reported in Other liabilities.

The bank also provides health and dental care benefits and life insurance coverage to employees who retire after 10 years of service, and to their dependents. Costs of providing these benefits are accrued over the working lives of employees in a manner similar to pension costs.

Assets under Administration and Assets under Management

The bank administers and manages assets owned by clients that are not reflected on the consolidated balance sheet. Asset management fees are earned for providing investment management services and mutual fund products. Asset administration fees are earned for providing trust, estate administration and custodial services. Fees are recognized and reported in Non-interest revenue as the services are provided.

Loan Securitization

The bank periodically securitizes loans by selling loans to special-purpose vehicles or trusts that in turn issue securities to investors. These transactions are accounted for as sales when the bank is deemed to have surrendered control over such assets and consideration other than beneficial interests in these transferred assets has been received by the bank in exchange. Gains on these transactions are recognized in Non-interest revenue provided the bank is considered to have surrendered control of the loans that have been transferred.

Fees earned by the bank to service the securitized loans are recognized as services are provided and reported in Securitization revenues in Non-interest revenue.

Insurance Operations

Earned premium, fees, claims and changes in actuarial reserves are included in Non-interest revenue. Investments are primarily included in Available for sale securities and actuarial reserves are included in Other liabilities. Investment income is included in Interest income on Available for sale and Held to maturity securities, and administrative expenses are included in Non-interest expenses.

Future Accounting Changes

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), as amended by FAS 138, is effective for the bank's fiscal year beginning November 1, 2000. Under the current accounting policy for derivatives, as described earlier in note 1, *only* derivatives used in sales and trading activities are recorded on the balance sheet at fair value. FAS 133 will require that *all* derivative instruments be recorded on the consolidated balance sheet at fair value including derivatives embedded in financial instruments or contracts that are not clearly and closely related to the economic characteristics of the host financial instrument or contract. Changes in the fair value of derivatives will be recorded in Net income or, if the derivative is designated as a cash flow hedge, in Other comprehensive income.

For fair value hedge transactions, in which the bank is hedging changes in the fair value of an asset, liability or firm commitment, changes in the fair value of the derivative instrument will generally be offset in Net income by changes in the fair value of the hedged item relating to the risk being hedged. For cash flow hedge transactions, in which the bank is hedging the variability in cash flows related to a variable rate asset, liability or a forecasted transaction, the effective portion of the changes in the fair value of the derivative instrument will be reported in Other comprehensive income. The gains and losses on the derivative instrument that will be reported in Other comprehensive income will be reclassified to Net income in the periods in which Net income is affected by the variability in the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in Net income.

On November 1, 2000, the bank will record a cumulative transition adjustment recognizing after-tax gains of $20 million in Net income and $60 million in Other comprehensive income, as more fully described below. Assets will increase by $540 million and liabilities by $460 million as a result of recording all derivative instruments and all fair value hedged items on the consolidated balance sheet at fair value.

Fair Value Hedges

On November 1, 2000, the bank will record an after-tax gain of $10 million in Net income to recognize at fair value all derivatives that are designated as fair value hedge transactions net of the difference (attributable to the hedged risks) between the carrying values and fair values of related hedged assets, liabilities and firm commitments.

Cash Flow Hedges

On November 1, 2000, the bank will record an after-tax gain of $57 million in Other comprehensive income to recognize at fair value all derivative instruments that are designated as cash flow hedge transactions.

Other

On November 1, 2000, the bank will record an after-tax gain of $10 million in Net income to recognize the fair value of derivative instruments not used in hedging. An after-tax loss of $1 million will be charged to Other comprehensive income relating to the hedging of net foreign currency investments in subsidiaries. The bank will reclassify $698 million of Held to maturity securities as Available for sale so that those securities will be eligible as hedged items in future fair value and cash flow hedge transactions. This reclassification will result in an after-tax gain of $4 million recorded in Other comprehensive income. Under the provisions of FAS 133, such reclassification will not call into question the bank's intent to hold current or future debt securities to their maturity.

Note 2: **Results by Business and Geographic Segments**

2000	**Personal & Commercial Financial Services**	**Wealth Management**	**Corporate & Investment Banking**	**Transaction Processing**	**Other**	**Total**	**Canada**	**International**
Net interest income on taxable equivalent basis	**$ 4,789**	**$ 359**	**$ 43**	**$ 160**	**$ (44)**	**$ 5,307**	**$ 4,796**	**$ 511**
Taxable equivalent adjustment	**7**	**–**	**21**	**–**	**–**	**28**	**28**	**–**
Net interest income	**4,782**	**359**	**22**	**160**	**(44)**	**5,279**	**4,768**	**511**
Provision for credit losses	**649**	**(1)**	**91**	**(21)**	**(27)**	**691**	**703**	**(12)**
Net interest income after provision for credit losses	**4,133**	**360**	**(69)**	**181**	**(17)**	**4,588**	**4,065**	**523**
Non-interest revenue	**1,729**	**2,138**	**2,287**	**514**	**12**	**6,680**	**5,277**	**1,403**
Non-interest expenses	**3,857**	**1,846**	**1,456**	**459**	**10**	**7,628**	**6,470**	**1,158**
Net income before income taxes	**2,005**	**652**	**762**	**236**	**(15)**	**3,640**	**2,872**	**768**
Income taxes	**782**	**239**	**260**	**102**	**29**	**1,412**	**1,311**	**101**
Non-controlling interest	**5**	**–**	**–**	**–**	**15**	**20**	**15**	**5**
Net income	**$ 1,218**	**$ 413**	**$ 502**	**$ 134**	**$ (59)**	**$ 2,208**	**$ 1,546**	**$ 662**
Total average assets	**$131,900**	**$ 8,000**	**$131,900**	**$ 1,600**	**$ 10,700**	**$284,100**	**$200,100**	**$ 84,000**

1999	Personal & Commercial Financial Services	Wealth Management	Corporate & Investment Banking	Transaction Processing	Other	Total	Canada	International
Net interest income on taxable equivalent basis	$ 4,457	$ 267	$ 402	$ 168	$ (142)	$ 5,152	$ 4,402	$ 750
Taxable equivalent adjustment	8	–	27	–	–	35	35	–
Net interest income	4,449	267	375	168	(142)	5,117	4,367	750
Provision for credit losses	575	–	223	6	(44)	760	672	88
Net interest income after provision for credit losses	3,874	267	152	162	(98)	4,357	3,695	662
Non-interest revenue	1,549	1,684	1,588	459	211	5,491	4,277	1,214
Non-interest expenses	3,898	1,556	1,305	436	(54)	7,141	6,054	1,087
Net income before income taxes	1,525	395	435	185	167	2,707	1,918	789
Income taxes	586	123	134	78	53	974	815	159
Non-controlling interest	4	–	–	–	4	8	4	4
Net income	$ 935	$ 272	$ 301	$ 107	$ 110	$ 1,725	$ 1,099	$ 626
Total average assets	$123,900	$ 8,900	$127,300	$ 1,800	$ 8,100	$270,000	$187,900	$ 82,100

1998	Personal & Commercial Financial Services	Wealth Management	Corporate & Investment Banking	Transaction Processing	Other	Total	Canada	International
Net interest income on taxable equivalent basis	$ 4,192	$ 336	$ 530	$ 202	$ (159)	$ 5,101	$ 4,409	$ 692
Taxable equivalent adjustment	13	–	24	–	–	37	37	–
Net interest income	4,179	336	506	202	(159)	5,064	4,372	692
Provision for credit losses	305	1	206	178	(115)	575	527	48
Net interest income after provision for credit losses	3,874	335	300	24	(44)	4,489	3,845	644
Non-interest revenue	1,336	1,570	1,150	450	491	4,997	3,729	1,268
Non-interest expenses	3,563	1,490	1,048	429	(20)	6,510	5,552	958
Net income before income taxes	1,647	415	402	45	467	2,976	2,022	954
Income taxes	669	153	132	17	157	1,128	906	222
Non-controlling interest	3	12	49	–	12	76	72	4
Net income	$ 975	$ 250	$ 221	$ 28	$ 298	$ 1,772	$ 1,044	$ 728
Total average assets	$111,400	$ 11,700	$125,000	$ 3,200	$ 10,200	$261,500	$179,900	$ 81,600

For management reporting purposes, the operations of the bank are grouped into the business segments of Personal & Commercial Financial Services, Wealth Management, Corporate & Investment Banking and Transaction Processing with the Other segment comprised mainly of Corporate Treasury, Systems & Technology and Real Estate Operations.

The business segments operate on an arm's-length basis with respect to the purchase and sale of intra-group services. Transfer pricing of funds sold or purchased, commissions, or charges and credits for services rendered are generally at market rates.

For geographic reporting purposes, Canadian-based activities of international money market units are included in International.

Note 3: **Securities**

	Term to maturity (1) Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	2000 Total	1999 Total
Trading account (2)							
Canadian government debt (3)	$ 4,680	$ 2,833	$ 1,519	$ 1,063	$ –	$10,095	$ 9,639
U.S. Treasury and other U.S. agencies	657	1,452	181	18	–	2,308	759
Other OECD government debt	380	543	140	77	–	1,140	2,174
Mortgage-backed securities	29	22	4	13	–	68	45
Other debt	9,204	2,863	1,578	2,109	–	15,754	7,854
Equities	–	–	–	–	17,001	17,001	14,817
Total trading account	14,950	7,713	3,422	3,280	17,001	46,366	35,288
Available for sale (2)							
Canadian government debt (3)							
Amortized cost	2,296	281	95	179	–	2,851	7,555
Estimated market value	2,290	282	94	177	–	2,843	7,568
Yield (4)	5.9%	6.4%	6.5%	6.8%	–	6.1%	5.3%
U.S. Treasury and other U.S. agencies							
Amortized cost	83	4	–	–	–	87	1
Estimated market value	83	4	–	–	–	87	1
Yield (4)	5.9%	6.8%	–	–	–	6.0%	4.3%
Other OECD government debt							
Amortized cost	1,135	145	33	–	–	1,313	197
Estimated market value	1,135	144	33	–	–	1,312	195
Yield (4)	1.0%	6.4%	6.2%	–	–	1.3%	4.7%
Mortgage-backed securities							
Amortized cost	198	3,774	42	77	–	4,091	4,140
Estimated market value	197	3,700	42	76	–	4,015	4,021
Yield (4)	5.9%	5.2%	5.8%	7.0%	–	5.3%	5.2%
Other debt							
Amortized cost	1,728	1,161	938	162	76	4,065	3,557
Estimated market value	1,727	1,143	869	163	72	3,974	3,504
Yield (4)	5.2%	6.4%	9.1%	6.9%	6.5%	6.6%	6.2%
Equities							
Cost	–	–	–	–	889	889	1,064
Estimated market value	–	–	–	–	968	968	1,075
Total available for sale							
Amortized cost	5,440	5,365	1,108	418	965	13,296	16,514
Estimated market value	5,432	5,273	1,038	416	1,040	13,199	16,364
Held to maturity (2)							
Other OECD government debt							
Amortized cost	91	162	8	–	–	261	388
Estimated market value	92	161	8	–	–	261	389
Yield (4)	6.0%	6.4%	6.2%	–	–	6.3%	6.0%
Other debt							
Amortized cost	183	250	4	–	–	437	696
Estimated market value	184	256	4	–	–	444	704
Yield (4)	6.5%	7.1%	6.2%	–	–	6.9%	6.3%
Total held to maturity							
Amortized cost	274	412	12	–	–	698	1,084
Estimated market value	276	417	12	–	–	705	1,093
Total carrying value of securities (2)	$20,656	$13,398	$ 4,472	$ 3,696	$18,041	$60,263	$52,736
Total estimated market value of securities	$20,658	$13,403	$ 4,472	$ 3,696	$18,041	$60,270	$52,745

(1) Actual maturities may differ from contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.
(2) Trading and Available for sale securities are carried at estimated current market value. Held to maturity securities are carried at amortized cost.
(3) Canadian government debt is comprised of securities issued or guaranteed by Canadian federal, provincial or municipal governments.
(4) The weighted average yield is based on the carrying value at the end of the year for the respective securities.

Unrealized Gains and Losses

	2000				1999			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated market value**	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Available for sale								
Canadian government debt (1)	**$ 2,851**	**$ 5**	**$ (13)**	**$ 2,843**	$ 7,555	$ 27	$ (14)	$ 7,568
U.S. Treasury and other U.S. agencies	**87**	**–**	**–**	**87**	1	–	–	1
Other OECD government debt	**1,313**	**–**	**(1)**	**1,312**	197	–	(2)	195
Mortgage-backed securities	**4,091**	**2**	**(78)**	**4,015**	4,140	3	(122)	4,021
Other debt	**4,065**	**29**	**(120)**	**3,974**	3,557	15	(68)	3,504
Equities	**889**	**102**	**(23)**	**968**	1,064	30	(19)	1,075
Total available for sale	**$13,296**	**$ 138**	**$ (235)**	**$13,199**	$16,514	$ 75	$ (225)	$16,364
Held to maturity								
Other OECD government debt	**$ 261**	**$ 1**	**$ (1)**	**$ 261**	$ 388	$ 3	$ (2)	$ 389
Other debt	**437**	**7**	**–**	**444**	696	10	(2)	704
Total held to maturity	**$ 698**	**$ 8**	**$ (1)**	**$ 705**	$ 1,084	$ 13	$ (4)	$ 1,093

(1) Canadian government debt consists of securities issued or guaranteed by Canadian federal, provincial or municipal governments.

Gross Realized Gains and Losses on Sales of Available for Sale Securities

	2000	1999	1998
Gross realized gains	**$ 106**	$ 94	$ 423
Gross realized losses	**$ 117**	$ 66	$ 80

Note 4: **Loans**

	2000	1999
Canada (1)		
Residential mortgage	**$ 61,444**	$ 58,524
Personal	**27,207**	24,353
Credit card	**4,666**	2,666
Business and government loans and acceptances	**47,616**	43,674
Total Canada	**140,933**	129,217
International (1)		
Residential mortgage	**1,540**	718
Personal	**812**	902
Business and government loans and acceptances	**24,527**	23,213
Total international	**26,879**	24,833
Total loans (2)	**167,812**	154,050
Allowance for loan losses	**(1,871)**	(1,884)
Total loans net of allowance for loan losses	**$165,941**	$152,166

(1) Loans in Canada include all loans booked in Canada, regardless of currency or residence of borrower.
(2) Loans are net of unearned income of $121 million (1999 – $144 million).

Note 4: **Loans** (continued)

Nonaccrual Loans

	2000	1999
Residential mortgage	$ 185	$ 173
Personal	247	236
Business and government loans and acceptances	301	294
	733	703
Impaired – business and government loans and acceptances (1)	945	1,001
	$ 1,678	$ 1,704
Allowance for impaired loans	$ 430	$ 497
Average balance of impaired loans (2)	$ 955	$ 1,234

(1) Impaired loans refer to the recorded investment in loans that are considered individually impaired.
(2) For the year ended October 31, 1998, the average balance of impaired loans was $1,259 million.

Allowance for Loan Losses

	2000	1999	1998
Allowance for credit losses at beginning of year (1)	$ 1,900	$ 2,066	$ 2,118
Charge-offs	(839)	(1,072)	(836)
Recoveries	162	114	144
Net charge-offs	(677)	(958)	(692)
Provision for credit losses	691	760	575
Other	61	32	65
Allowance for credit losses at end of year	$ 1,975	$ 1,900	$ 2,066
Allowance for off-balance sheet and other items (2)	(98)	–	–
Allowance for tax-exempt securities	(6)	(16)	(40)
Allowance for loan losses at end of year	$ 1,871	$ 1,884	$ 2,026

(1) Includes an allowance related to tax-exempt securities.
(2) During 2000, the allowance for off-balance sheet and other items was separated and reported under Other liabilities. Previously, the amount was included in the allowance for loan losses.

Note 5: **Premises and Equipment**

	2000			1999
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 93	$ –	$ 93	$ 111
Buildings	458	(207)	251	242
Hardware and software	1,352	(943)	409	406
Furniture, fixtures and other equipment	608	(407)	201	215
Leasehold improvements	704	(442)	262	300
	$ 3,215	$ (1,999)	$ 1,216	$ 1,274

Note 6: **Subordinated Debentures**

The debentures are unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors. All repurchases, cancellations and exchanges of subordinated debentures are subject to the consent and approval of the Superintendent of Financial Institutions Canada.

Maturity	Rate				Denominated in foreign currency	2000	1999
July 1, 2000	11.00%					$ –	$ 20
January 31, 2001	11.75%					27	27
August 15, 2001	10.75%					15	15
January 11, 2002	11.00%					41	41
March 1, 2002	10.50%					60	60
July 29, 2005		(1)	Callable	(2)	US$350	533	516
September 3, 2007	5.40%	(3)	Callable	(4)		400	400
September 3, 2008	5.45%	(5)	Callable	(4)		100	100
April 12, 2009	5.40%	(6)	Callable	(4)		350	350
June 11, 2009	5.10%	(7)	Callable	(4)		350	350
July 7, 2009	6.05%	(8)	Callable	(4)		175	175
October 12, 2009	6.00%	(9)	Callable	(4)		150	150
August 15, 2010	6.40%	(10)	Callable	(4)		700	–
April 26, 2011	8.20%	(11)	Callable	(12)		100	100
September 12, 2011	6.50%	(13)	Callable	(4)		350	350
October 24, 2011	6.75%	(14)	Callable	(2)	US$300	457	441
June 4, 2012	6.75%	(15)	Callable	(4)		500	500
November 14, 2014	10.00%					200	200
January 25, 2015	7.10%	(16)	Callable	(4)		500	–
June 8, 2023	9.30%					110	110
October 1, 2083		(17)	Callable	(18)		250	250
June 6, 2085		(19)	Callable	(2)	US$300	457	441
						$ 5,825	$ 4,596

(1) Interest at a rate of .0625% above the U.S. dollar 1-month LIBOR.
(2) Callable at the principal amount.
(3) Interest at a rate of 5.40% until September 3, 2002, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(4) Callable at greater of (i) the yield of Government of Canada bonds plus 5 basis points, or (ii) the principal amount.
(5) Interest at a rate of 5.45% until September 3, 2003, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(6) Interest at a rate of 5.40% until April 12, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(7) Interest at a rate of 5.10% until June 11, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(8) Interest at a rate of 6.05% until July 7, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(9) Interest at a rate of 6.00% until October 12, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(10) Interest at a rate of 6.40% until August 15, 2005, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(11) Interest at a rate of 8.20% until April 26, 2006, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(12) Callable at the greater of (i) the yield of Government of Canada bonds plus 10 basis points, or (ii) the principal amount.
(13) Interest at a rate of 6.50% until September 12, 2006, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(14) Interest at a rate of 6.75% until October 24, 2006, and thereafter at a rate of 1.00% above the U.S. dollar 6-month LIBOR.
(15) Interest at a rate of 6.75% until June 4, 2007, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(16) Interest at a rate of 7.10% until January 25, 2010, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(17) Interest at a rate of .40% above the 30-day Bankers' Acceptance rate.
(18) Callable at an amount not exceeding 100.5% of the principal amount plus accrued and unpaid interest up to the date of redemption.
(19) Interest at a rate of .25% above the U.S. dollar 3-month LIMEAN. In the event of a reduction of the annual dividend declared by the bank on its Common Shares, the interest payable on the debentures is reduced pro rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of Common Shares.

Repayment Schedule

The aggregate maturities of the debentures, assuming the earliest possible dates of maturity under the terms of issue, are as follows:

2001	$ 42
2002	101
2003	–
2004	–
2005	533
2006 to 2010	2,225
Thereafter	2,924
	$ 5,825

Note 7: **Capital Stock**

Authorized Capital Stock

Preferred – An unlimited number of First Preferred Shares and Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares that may be issued may not exceed $5 billion in each case.

Common – An unlimited number of shares without nominal or par value, provided that the aggregate consideration for which all common shares may be issued shall not exceed $10 billion.

Issued and Outstanding Capital Stock

	2000			1999			1998		
	Number of shares (000s)	**Amount**	**Dividends declared per share**	Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share
First Preferred									
Non-cumulative Series E	**1,500**	**$ 149**	**$ 5.38**	1,500	$ 149	$ 4.69	1,500	$ 149	$ 5.00
Non-cumulative Series F (1)	**–**	**–**	**–**	–	–	2.25	6,000	147	2.25
Non-cumulative Series G (1)	**–**	**–**	**–**	–	–	2.13	10,000	246	2.13
Non-cumulative Series H	**12,000**	**295**	**2.25**	12,000	295	2.25	12,000	295	2.25
US$ Non-cumulative Series I	**8,000**	**301**	**US 1.91**	8,000	291	US 1.91	8,000	305	US 1.91
Non-cumulative Series J	**12,000**	**294**	**1.78**	12,000	294	1.78	12,000	294	1.78
US$ Non-cumulative Series K	**10,000**	**376**	**US 1.58**	10,000	363	US 1.58	10,000	381	US 1.58
Non-cumulative Series N	**12,000**	**293**	**1.18**	12,000	293	1.18	12,000	293	0.68
Non-cumulative Series O	**6,000**	**145**	**1.38**	6,000	145	0.58	–	–	–
US$ Non-cumulative Series P	**4,000**	**148**	**US 1.44**	4,000	143	US 0.61	–	–	–
		$ 2,001			$ 1,973			$ 2,110	
Common (2)									
Balance at beginning of year	**617,768**	**$ 3,063**		617,581	$ 2,923		616,671	$ 2,905	
Issued under the Stock Option Plan	**2,700**	**59**		953	17		910	18	
Issued on the acquisition of Richardson Greenshields Limited (3)	**1,667**	**50**		9,580	170		–	–	
Issued on the acquisition of RBC Dominion Securities Limited (4)	**–**	**–**		140	5		–	–	
Purchased for cancellation (5)	**(19,737)**	**(98)**		(10,486)	(52)		–	–	
Balance at end of year	**602,398**	**$ 3,074**	**$ 1.14**	617,768	$ 3,063	$ 0.94	617,581	$ 2,923	$ 0.88

Terms of Preferred Shares

				Conversion dates	
	Dividend per share (6)	Redemption date (7)	Redemption price (8)	At the option of the bank (7), (9)	At the option of the holder (10)
First Preferred					
Non-cumulative Series E (11)	(11)	September 2, 2002	$100.00	Not convertible	Not convertible
Non-cumulative Series H	$0.562500	August 24, 2001	25.00	August 24, 2001	November 24, 2001
US$ Non-cumulative Series I	US 0.476563	November 24, 2001	US 25.00	November 24, 2001	February 24, 2002
Non-cumulative Series J	0.443750	May 24, 2003	25.00	May 24, 2003	November 24, 2003
US$ Non-cumulative Series K	US 0.393750	May 24, 2003	US 25.00	May 24, 2003	November 24, 2003
Non-cumulative Series N	0.293750	August 24, 2003	26.00	August 24, 2003	August 24, 2008
Non-cumulative Series O	0.343750	August 24, 2004	26.00	August 24, 2004	Not convertible
US$ Non-cumulative Series P	US 0.359375	August 24, 2004	US 26.00	August 24, 2004	Not convertible

(1) On October 31, 1999, the bank redeemed the First Preferred Shares **Series F** and **G**.

(2) On October 5, 2000, the bank paid a stock dividend of one Common Share on each of its issued and outstanding Common Shares. The effect is the same as a two-for-one share split. All Common Share numbers have been restated to reflect the stock dividend.

(3) During the year the bank exchanged 4,701 (1999 – 4,606,341) Class B shares and 8,008,712 (1999 – nil) Class C shares issued by its wholly owned subsidiary, Royal Bank DS Holding Inc., on the acquisition of Richardson Greenshields Limited for 1,667,334 (1999 – 9,579,166) Common Shares.

(4) On November 1, 1998, the bank acquired all of the outstanding participating preferred shares of RBC Dominion Securities Limited in exchange for 140,000 Common Shares.

(5) During the year the bank repurchased 19,736,880 (1999 – 10,485,800) Common Shares pursuant to a normal course issuer bid announced in May 1999 and amended in February 2000. Purchases were made in the open market at market prices through the facilities of the Toronto and Montreal Stock Exchanges, and in accordance with stock exchange requirements. The amount and timing of purchases were determined by the bank. Premiums paid above the average carrying value of the Common Shares were charged to retained earnings. The cost of Common Shares repurchased was $660 million (1999 – $333 million), common stock was reduced by $98 million (1999 – $52 million) and retained earnings were reduced by $562 million (1999 – $281 million).

(6) Non-cumulative preferential dividends on First Preferred Shares **Series E** are payable, as and when declared by the Board of Directors, on the 12th day of every month. Non-cumulative preferential dividends on **Series H**, **I**, **J**, **K**, **N**, **O** and **P** are payable quarterly, as and when declared by the Board of Directors, on or about the 24th day of February, May, August and November.

(7) Subject to the consent of the Superintendent of Financial Institutions Canada and the requirements of the *Bank Act*, the bank may, on or after the dates specified above, redeem First Preferred Shares. All dollar figures relating to **Series I**, **K** and **P** should be read as U.S. dollars. First Preferred Shares may be redeemed (i) for cash, in the case of First Preferred Shares **Series E**, **H**, **I**, **J**, and **K** equal to the redemption price as stated above, in the case of **Series N** at a price per share of $26, if redeemed during the 12-months commencing August 24, 2003, and decreasing by $0.25 each 12-month period thereafter to a price per share of $25 if redeemed on or after August 24, 2007, and in the case of **Series O** and **P** at a price per share of $26 if redeemed during the 12 months commencing August 24, 2004, and decreasing by $0.25 each 12-month period thereafter to a price per share of $25 if redeemed on or after August 24, 2008, or (ii) by conversion, in the case of **Series H**, **I**, **J**, and **K** into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(8) Subject to the consent of the Superintendent of Financial Institutions Canada and the requirements of the *Bank Act*, the bank may purchase First Preferred Shares for cancellation at a purchase price, in the case of the **Series E**, **H**, **I**, **J**, and **K** not exceeding the then-applicable redemption price specified above plus all declared and unpaid dividends, and, in the case of the **Series N**, **O**, and **P** at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

(9) Subject to the approval of the Toronto and Montreal Stock Exchanges, the bank may, on or after the dates specified above, convert First Preferred Shares **Series N**, **O** and **P** into Common Shares of the bank. All dollar figures relating to **Series P** should be read as U.S. dollars. First Preferred Shares may be converted into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(10) Subject to the right of the bank to redeem or to find substitute purchasers, the holder may, on or after the dates specified above, convert First Preferred Shares into Common Shares of the bank. All dollar figures relating to **Series I** and **K** should be read as U.S. dollars. **Series H**, **I**, **J**, **K**, and **N** may be converted, quarterly, into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(11) The rights, privileges, restrictions and conditions attaching to the First Preferred Shares **Series E** were amended in 1997. Holders are entitled to receive, as and when declared by the Board of Directors, a monthly non-cumulative cash dividend that (i) floats in relation to the bank's Canadian prime rate and (ii) is adjusted upwards or downwards based on changes in market trading value. The annual dividend rate applicable to any month will in no event be less than the sum of .25% plus 55% of the average prime rate or greater than the sum of .25% plus 75% of the average prime rate.

Regulatory Capital

The bank is subject to the regulatory capital requirements defined by the Superintendent of Financial Institutions Canada (OSFI), which includes the use of Canadian GAAP. Two measures of capital strength established by OSFI, based on standards issued by the Bank for International Settlements (BIS), are risk-adjusted capital ratios and the assets-to-capital multiple.

OSFI requires Canadian banks to maintain a minimum Tier 1 and Total capital ratio of 4% and 8%, respectively. However, OSFI has also formally established risk-based capital targets for deposit-taking institutions in Canada. These targets are a Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. At October 31, 2000, the bank's Tier 1 and Total capital ratios were 8.6% and 12.0%, respectively (1999 – 8.1% and 11.2%, respectively).

In the evaluation of the bank's assets-to-capital multiple, OSFI specifies that total assets, including specified off-balance sheet financial instruments, should be no greater than 20 times Total capital. At October 31, 2000, the bank's assets-to-capital multiple was 15.3 times (1999 – 16.5 times).

Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information, the bank's Tier 1 and Total capital ratios at October 31, 2000, were 7.8% and 11.3%, respectively (1999 – 7.6% and 10.7%, respectively). Using the same guidelines, at October 31, 2000, the bank's leverage ratio was 4.2% (1999 – 4.1%).

During the year, the bank issued $650 million of Trust Capital Securities (RBC TruCS), a form of innovative Tier 1 capital under both Canadian and U.S. guidelines, which are reported as Non-controlling interest in a subsidiary on the consolidated balance sheet.

Other Developments

On October 27, 2000, the bank entered into a five-year agreement with a AAA rated reinsurer, which requires the reinsurer to purchase up to $200 million of Non-cumulative first preferred shares at the October 27, 2000 market price should the general allowance for credit losses (allocated general and unallocated) be drawn down below a certain level. If these shares had been issued today they would qualify as Tier 1 capital.

On October 30, 2000, the bank filed a preliminary prospectus providing for an issuance of a second series of innovative Tier 1 capital, Trust Capital Securities (RBC TruCS), of up to $750 million.

Note 8: **Income Taxes**

	2000	1999	1998
Provision for income tax in income			
Current			
Canada – Federal	**$ 799**	$ 580	$ 501
Provincial	**349**	234	302
International	**258**	176	153
	1,406	990	956
Deferred			
Canada – Federal	**38**	(3)	144
Provincial	**9**	(3)	28
International	**(41)**	(10)	–
	6	(16)	172
	$ 1,412	$ 974	$ 1,128
Income tax expense (benefit) in shareholders' equity			
Unrealized gains and losses on available for sale securities, net of hedging activities	**20**	(105)	(170)
Unrealized foreign currency translation gains and losses, net of hedging activities	**(37)**	213	(299)
	(17)	108	(469)
Total income taxes	**$ 1,395**	$ 1,082	$ 659

Deferred Income Taxes (temporary differences)

	2000	1999	1998
Deferred income tax asset (1)			
Allowance for credit losses	**$ 514**	$ 509	$ 364
Deferred income	**274**	264	97
Premises and equipment	**83**	–	118
Deferred compensation	**78**	19	7
Tax loss carryforwards	**72**	19	233
Other	**223**	335	277
	1,244	1,146	1,096
Deferred income tax liability			
Pension expense	**(101)**	(120)	(112)
Deferred expense	**(63)**	(29)	(73)
Premises and equipment	**–**	(29)	–
Other	**(77)**	(171)	(141)
	(241)	(349)	(326)
Net deferred income tax asset	**$ 1,003**	$ 797	$ 770

(1) The bank has determined that it is more likely than not that its deferred income tax asset will be realized through a combination of future reversals of temporary differences and taxable income.

Reconciliation to Statutory Tax Rate

	2000		1999		1998	
Income taxes at Canadian statutory tax rate	**$ 1,558**	**42.8%**	$ 1,163	43.0%	$ 1,277	42.9%
Increase (decrease) in income taxes resulting from						
Lower average tax rate applicable to subsidiaries	**(303)**	**(8.3)**	(199)	(7.1)	(167)	(5.4)
Tax-exempt income from securities	**(7)**	**(.2)**	(10)	(.4)	(10)	(.4)
Other	**164**	**4.5**	20	.5	28	.8
Income taxes reported in income/effective tax rate	**$ 1,412**	**38.8%**	$ 974	36.0%	$ 1,128	37.9%

Foreign earnings of certain subsidiaries would be taxed only upon their repatriation to Canada. The bank has not recognized a deferred tax liability for these undistributed earnings as management does not currently expect them to be repatriated. Taxes that would be payable if all foreign subsidiaries' accumulated unremitted earnings were repatriated are estimated at $737 million as at October 31, 2000 (1999 – $729 million; 1998 – $696 million).

Note 9: **Employee Benefit Plans**

Pension and Other Postretirement Plans

	Pension plan		Other postretirement plans (1)	
	2000	1999	**2000**	1999
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	**$ 4,135**	$ 3,673	**$ 68**	$ 72
Actual return on plan assets	**326**	350	**3**	3
Company contributions	**13**	77	**–**	–
Plan participant contributions	**18**	19	**–**	–
Benefits paid	**(197)**	(183)	**(4)**	(7)
Experience gains	**266**	241	**–**	–
Foreign currency exchange rate changes	**(12)**	(12)	**–**	–
Change in valuation allowance	**(19)**	10	**–**	–
Transfers to other plans	**(11)**	(40)	**–**	–
Fair value of plan assets at end of year	**$ 4,519**	$ 4,135	**$ 67**	$ 68
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 3,471**	$ 3,626	**$ 574**	$ 513
Service cost	**104**	109	**17**	17
Interest cost	**254**	238	**42**	40
Plan participant contributions	**18**	19	**–**	–
Actuarial loss (gain)	**70**	(294)	**(7)**	22
Benefits paid	**(197)**	(183)	**(17)**	(18)
Transfers to other plans	**(4)**	(34)	**–**	–
Plan amendments	**15**	11	**–**	–
Foreign currency exchange rate changes	**(15)**	(9)	**–**	–
Changes in assumptions	**–**	(12)	**–**	–
Benefit obligation at end of year	**$ 3,716**	$ 3,471	**$ 609**	$ 574
Funded status				
Overfunded (underfunded) status at end of year	**$ 803**	$ 664	**$ (542)**	$ (506)
Unrecognized net actuarial loss (gain)	**(555)**	(381)	**31**	38
Unrecognized transition obligation	**(23)**	(25)	**226**	243
Other	**(9)**	3	**–**	–
Prepaid (accrued) benefit expense	**$ 216**	$ 261	**$ (285)**	$ (225)
Weighted average assumptions as at October 31				
Discount rate	**7.25%**	7.25%	**7.25%**	7.25%
Assumed long-term rate of return on plan assets	**7.0%**	7.0%	**4.75%**	4.75%
Rate of increase in future compensation	**4.4%**	4.4%	**4.4%**	4.4%

Pension Benefit Expense (2)

	2000	1999	1998
Service cost	**$ 104**	$ 126	$ 100
Interest cost	**254**	238	226
Expected return on plan assets	**(291)**	(274)	(254)
Amortization of transition asset	**(2)**	–	10
Amortization of prior service cost	**22**	(3)	–
Amortization of net pension surplus	**–**	(1)	–
Recognized net actuarial loss (gain)	**(41)**	13	23
Change in valuation allowance	**19**	(10)	14
Pension benefit expense	**$ 65**	$ 89	$ 119

Other Postretirement Benefits Expense (1)

	2000	1999	1998
Service cost	**$ 16**	$ 20	$ 20
Interest cost	**43**	40	35
Expected return on plan assets	**(3)**	(3)	(3)
Amortization of transitional asset	**17**	17	17
Recognized net actuarial loss	**–**	1	1
Other postretirement benefits expense	**$ 73**	$ 75	$ 70

(1) Includes postretirement health, dental care and life insurance. The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered for the postretirement health and life plans was 6.5% for medical and 4.5% for dental with the ultimate trend rate of 4.5%. A one percentage point increase in assumed health care cost trend rates would have increased the service and interest costs and obligation by $10 million and $83 million, respectively. A one percentage point decrease in assumed health care cost trends would have lowered the service and interest costs and the obligation by $7 million and $65 million, respectively.

(2) An assumed discount rate of 7.25% (1999 and 1998 – 6.5%) was used to determine pension expense.

Note 9: **Employee Benefit Plans** (continued)

RESSOP

The bank offers a Royal Employee Savings and Share Ownership Plan (RESSOP) to its employees, whereby the bank contributes 50% of employees' contributions to a maximum of 3% of the employee's salary in the form of common shares.

The bank contributed $39 million (1999 – $40 million; 1998 – $38 million), under the terms of RESSOP, towards the purchase of common shares. As at October 31, 2000, an aggregate of 16,475,698 common shares were held under RESSOP.

Deferred Share Unit Plan

A Deferred Share Unit Plan is offered to certain senior executive officers and non-employee directors of the bank. Under this plan, each officer may choose to receive all or a percentage of their annual incentive bonus in the form of deferred share units (DSUs). This election to participate in the plan must be made prior to the beginning of the fiscal year. The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on the common shares. Officers and directors are not allowed to convert the DSUs until termination or retirement. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the DSUs as at October 31, 2000, was $26 million (1999 – $20 million).

Deferred Bonus Plan – Corporate & Investment Banking

A Deferred Bonus Plan is offered to certain key employees of the bank. Under this plan, a percentage of each employee's annual incentive bonus is deferred and attracts dividends at the same rate as dividends on common shares. The value of the deferred bonus paid will be equivalent to the original deferred bonus adjusted for dividends and changes in the market value of common shares at the time the bonus is received. The employee will receive the deferred bonus in equal amounts on the three year-end dates following. The value of the deferred bonus as at October 31, 2000, was $81 million (1999 – $26 million).

Stock Option Plan

A Stock Option Plan is offered to certain key employees and non-employee directors of the bank. Under this plan, options are periodically granted to purchase common shares at prices not less than the market price of such shares immediately prior to the grant date. The options vest over a 4-year period and are exercisable for periods not exceeding 10 years.

For all options issued prior to 2000, the bank uses the intrinsic value method of accounting. There is no compensation expense recognized for the options since on the day of the grant the option's exercise price is not less than the market price of the underlying stock. When the options are exercised, the proceeds received are credited to common shares.

Beginning in 2000, the Stock Option Plan was amended and predominantly all new stock option grants have a Stock Appreciation Right (SAR) attached. This entitles a participant to elect to exercise either an option or the corresponding SAR. SARs can be exchanged for a cash amount equal to the difference between the exercise price and the closing price of the common shares on the day immediately preceding the day of exercise. Up to 100% of vested options can be exercised as SARs. The bank expects the SARs to be settled in cash and therefore accrues compensation expense on SARs over the vesting period equal to the excess of quoted market price at the balance sheet date over exercise price. The compensation expense recorded for the year ended October 31, 2000, in respect of this plan was $52 million.

Of the total options outstanding at October 31, 2000, 1,931,182 options, all of which are exercisable, have exercise prices ranging from $14.46 to $15.68, or $15.61 on average ($15.61 exercisable), and an average remaining contractual life of 5.9 years; 11,647,448 options (2,497,648 exercisable) have exercise prices ranging from $24.80 to $36.90, or $30.58 on average ($25.36 exercisable), and an average remaining contractual life of 9.1 years; and 12,298,400 options (4,452,600 exercisable) have exercise prices ranging from $38.22 to $43.59, or $39.32 on average ($39.43 exercisable), and an average remaining contractual life of 8.5 years.

Stock Options

	2000		1999		1998	
	Number of options (000s)	**Weighted average exercise price**	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding at beginning of year	**20,966**	**$ 32.42**	15,422	$ 28.66	10,010	$ 20.70
Granted	**8,286**	**33.09**	6,828	39.01	6,458	39.64
Exercised	**(2,700)**	**22.05**	(953)	17.83	(910)	18.86
Cancelled	**(675)**	**36.10**	(331)	35.50	(136)	30.15
Outstanding at end of year	**25,877**	**$ 33.62**	20,966	$ 32.42	15,422	$ 28.66
Exercisable at end of year	**8,881**	**$ 30.29**	5,988	$ 25.29	2,898	$ 18.84
Available for grant	**26,502**		9,113		14,310	

Pro Forma Net Income and Earnings per Share

FAS 123, *Accounting for Stock-Based Compensation*, permits either the fair value based method of accounting for an employee stock compensation plan, or the intrinsic value based method provided an entity makes pro forma disclosures of net income and earnings per share, as if the fair value method had been applied.

The bank has elected to provide pro forma disclosures, which demonstrate the effect if the bank had adopted the fair value based method of measuring outstanding stock options in 2000, 1999 and 1998 as indicated below:

	As reported			Pro forma (1)		
	2000	1999	1998	**2000**	1999	1998
Net income	**$ 2,208**	$ 1,725	$ 1,772	**$ 2,225**	$ 1,699	$ 1,756
Earnings per share	**3.42**	2.50	2.64	**3.45**	2.46	2.61
Fully diluted earnings per share	**3.40**	2.48	2.58	**3.43**	2.44	2.56

(1) Compensation expense under the fair value based method is recognized over the vesting period of the related stock options. Accordingly, the pro forma results of applying this method may not be indicative of future amounts.

In determining the pro forma disclosures above, the fair value of options granted was estimated on the date of grant using an option pricing model with the following assumptions: (i) risk-free interest rate of 6.04% (1999 – 5.10%; 1998 – 4.75%), (ii) expected option life of 10 years, (iii) expected volatility of 22% (1999 and 1998 – 23%) and (iv) expected dividends of 2.60% (1999 – 2.80%; 1998 – 2.78%). The fair value of each option granted was $10.26 (1999 – $10.93; 1998 – $10.70).

Note 10: **Restructuring Charges**

There were no restructuring charges in 2000. As at October 31, 2000, the remaining accrual balance in Other liabilities was $49 million, of which $22 million relates to staff reductions, $21 million relates to Occupancy, $2 million relates to dispositions of equipment and $4 million relates to Other expenses.

	Accrual balance 1999	Amount utilized	**Accrual balance 2000**
Human resources	$ 54	$ 32	**$ 22**
Occupancy	71	50	**21**
Equipment	5	3	**2**
Other	17	13	**4**
Total restructuring charges	$ 147	$ 98	**$ 49**

Note 11: **Earnings per Share**

	2000	1999	1998
Basic earnings per share			
Net income	**$ 2,208**	$ 1,725	$ 1,772
Dividends on preferred shares	**(134)**	(157)	(145)
Net income available to common shareholders	**$ 2,074**	$ 1,568	$ 1,627
Average number of common shares outstanding	**606,389**	626,158	617,324
	$ 3.42	$ 2.50	$ 2.64
Fully diluted earnings per share			
Net income available to common shareholders	**$ 2,074**	$ 1,568	$ 1,627
Effect of assumed conversions (1)	**2**	2	10
Net income adjusted for diluted computation	**$ 2,076**	$ 1,570	$ 1,637
Weighted average number of shares outstanding	**606,389**	626,158	617,324
Convertible Class B and C shares (1)	**736**	2,708	12,082
Stock options (2)	**2,740**	3,439	4,220
Weighted average fully diluted number of shares outstanding	**609,865**	632,305	633,626
	$ 3.40	$ 2.48	$ 2.58

(1) The convertible shares include the Class B and C shares issued by the bank's wholly owned subsidiary Royal Bank DS Holding Inc., on the acquisition of Richardson Greenshields Limited on November 1, 1996. The Class B shares are exchangeable into Royal Bank of Canada Common Shares, while the exchange of the Class C shares is determined based on the bank's average Common Share price during the 20 days prior to the date the exchange is made. During the year the bank exchanged 4,701 (1999 – 4,606,341) Class B shares and 8,008,712 (1999 – nil) Class C shares for 1,667,334 (1999 – 9,579,166) Common Shares.

(2) The dilutive effect of stock options was computed using the treasury stock method. This method computes the number of incremental shares by assuming the outstanding stock options are (i) exercised and (ii) then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of our common stock for the period. Excluded from the computation of diluted earnings per share were average options outstanding of 6,153,507 with an exercise price of $39.64; average options outstanding of 6,589,464 with an exercise price of $39.01; average options outstanding of 2,639 with an exercise price of $38.22; and average options outstanding of 393 with an exercise price of $43.59 (1999 – 6,355,830 at $39.64 and 6,237,862 at $39.01; 1998 – 5,610,082 at $39.64) as the options' exercise prices were greater than the average market price of the bank's common stock.

Note 12: **Commitments and Contingencies**

Financial Instruments with Contractual Amounts Representing Credit Risk

The primary purpose of these commitments is to ensure that funds are available to a customer as required. The bank's policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans.

Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate.

In securities lending transactions, the bank acts as an agent for the owner of a security, who agrees to lend the security to a borrower for a fee, under the terms of a pre-arranged contract. The borrower must fully collateralize the security loan at all times.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances, guarantees or letters of credit.

Financial Instruments with Contractual Amounts Representing Credit Risk

	2000	1999
Guarantees and standby letters of credit	**$ 13,658**	$ 14,130
Documentary and commercial letters of credit	**456**	585
Securities lending	**20,333**	19,833
Commitments to extend credit		
Original term to maturity of 1 year or less	**97,966**	83,425
Original term to maturity of more than 1 year	**41,599**	45,761
Note issuance/revolving underwriting facilities	**155**	125
	$ 174,167	$ 163,859

Lease Commitments

Minimum future rental commitments for premises and equipment under long-term non-cancellable leases for the next five years and thereafter are shown below.

Lease Commitments

2001	$ 249
2002	217
2003	188
2004	170
2005	157
Thereafter	921
Total	$ 1,902

Litigation

Various legal proceedings are pending that challenge certain practices or actions of the bank and its subsidiaries. Many of these proceedings are loan-related and are in reaction to steps taken by the bank and its subsidiaries to collect delinquent loans and enforce rights in collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material.

Pledged Assets

Securities with a carrying value of $27.1 billion (1999 – $31.1 billion) have been pledged as collateral for various types of funding transactions including obligations related to assets sold under repurchase agreements and obligations related to securities sold short. Included in the above amount are assets with a carrying value of $2.4 billion (1999 – $1.3 billion) that have been deposited as collateral in order to participate in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions.

Acquisitions

Liberty Life Insurance Company and
Liberty Insurance Services Corporation

On June 19, 2000, the bank announced it had reached an agreement to acquire Liberty Life Insurance Company and Liberty Insurance Services Corporation, which are the insurance subsidiaries and certain other subsidiaries of Liberty Corporation. Under the agreement, Liberty Corporation will receive proceeds of approximately US$650 million consisting of a dividend from Liberty Life Insurance Company of up to US$70 million and the balance in cash from the bank. This transaction closed on November 1, 2000, and will be accounted for using the purchase method. The excess of the purchase price over the estimated fair value of the net tangible assets acquired, which is approximately US$60 million, will first be allocated to identifiable intangible assets, with the residual excess allocated to Goodwill. Goodwill amortization will be on a straight-line basis over 15 years.

Dain Rauscher Corporation

On September 28, 2000, the bank and Dain Rauscher Corporation (Dain Rauscher) announced that they signed a definitive merger agreement by which the bank will acquire Dain Rauscher. Dain Rauscher will be renamed RBC Dain Rauscher Wessels.

As a result of the merger, each Dain Rauscher common share will convert into the right to receive US$95 in cash. The transaction is valued at US$1.456 billion. The transaction will be accounted for using the purchase method and the excess of the purchase price over the estimated fair value of the net tangible assets acquired, which is approximately US$947 million, will first be allocated to identifiable intangible assets, with the residual excess allocated to Goodwill. Goodwill amortization will be on a straight-line basis over 20 years. The merger, which is subject to regulatory approval, approval from the stockholders of Dain Rauscher and other customary closing conditions, is expected to be completed during the bank's first quarter of fiscal 2001.

Note 13: **Derivative Financial Instruments**

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

Derivative Product Types

The bank uses the following derivative financial instruments for both trading and non-trading purposes.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. For interest rate swaps, fixed and floating interest payments are exchanged based on a notional amount. Cross currency swaps involve the exchange of fixed or floating interest payments in one currency for the receipt of fixed or floating interest payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and principal amounts in two different currencies.

Forwards and futures are contractual obligations to buy or sell a financial instrument on a future date at a specified price. Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter market, whereas futures are standardized contracts that are transacted on regulated exchanges.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), by or at a set date, a specified amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser for this right.

Derivatives Held or Issued for Trading Purposes

Most of the bank's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers at competitive prices to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products. The bank does not deal, to any significant extent, in leveraged derivative transactions. These transactions contain a multiplier which, for any given change in market prices, could cause the change in the transaction's fair value to be significantly different from the change in fair value that would occur for a similar derivative without the multiplier.

Derivatives Held or Issued for Non-Trading Purposes

The bank also uses derivatives in connection with its own asset/liability management activities, which include hedging and investment activities.

Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities. As at October 31, 2000, the level of interest rate derivatives in place to hedge anticipated transactions, and accounted for as a hedge, was insignificant. Purchased interest rate options are used to hedge redeemable deposits and other options embedded in consumer products. Written options are used in the bank's asset/liability management activities when specifically linked to a purchased option in the form of a collar. The amount of the bank's deferred gains and losses associated with non-trading derivatives hedging anticipated transactions was insignificant.

Derivatives – Notional Amounts and Replacement Cost

The tables following provide the notional amounts and gross positive replacement cost of the bank's derivative transactions. Notional amounts, which are off-balance sheet, serve as a point of reference for calculating payments and are a common measure of business volume. The gross replacement cost of derivatives represents the total current replacement value of all outstanding transactions in a gain position, before factoring in the impact of master netting agreements.

Derivative-Related Credit Risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the bank. This market value is referred to as replacement cost since it is an estimate of what it would cost to replace transactions at prevailing market rates if a default occurred.

For internal risk management purposes, the credit risk arising from a derivative transaction is defined as the sum of the replacement cost plus an add-on that is an estimate of the potential change in the market value of the transaction through to maturity. The add-on is determined by statistically based models that project the expected volatility of the variable(s) underlying the derivative, whether interest rate, foreign exchange rate, equity or commodity price. Both the replacement cost and the add-on are continually re-evaluated over the life of each transaction to ensure that sound credit risk valuations are used.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master netting agreements. The two main categories of netting are close-out netting and settlement netting. Under the close-out netting provision, if the counterparty defaults, the bank has the right to terminate all transactions covered by the master agreement at the then-prevailing market values and to sum the resulting market values, offsetting negative against positive values, to arrive at a single net amount owed by either the counterparty or the bank. Under the settlement netting provision, all payments and receipts in the same currency and due on the same day between specified pairs of bank and counterparty units are netted, generating a single payment in each currency, due either by the bank or the counterparty unit. The bank actively encourages counterparties to enter into master netting agreements. However, measurement of the bank's credit exposure arising out of derivative transactions is not reduced to reflect the effects of netting unless the enforceability of that netting is supported by appropriate legal analysis as documented in bank policy.

To further manage derivative-related counterparty credit exposure, the bank enters into agreements containing mark-to-market cap provisions with some counterparties. Under such provisions, the bank has the right to request that the counterparty pay down or collateralize the current market value of its derivatives position with the bank. The use of collateral does not currently represent a significant credit mitigation technique for the bank in managing derivative-related credit risk.

Note 13: **Derivative Financial Instruments** (continued)

The bank subjects its derivative-related credit risks to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluation of counterparties as to creditworthiness, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process. The bank utilizes a single internal rating system for all credit risk exposure. In most cases, these internal ratings approximate the external risk ratings of public rating agencies. The table below shows replacement cost, both before and after the impact of netting, of the bank's derivatives by risk rating and by counterparty type. During 2000 and 1999, neither the bank's actual credit losses arising from derivative transactions nor the level of impaired derivative contracts were significant.

Replacement Cost of Derivative Financial Instruments by Risk Rating and by Counterparty Type

	Risk rating (1)					Counterparty type (2)			
As at October 31, 2000	AAA, AA	A	BBB	BB or lower	Total	Banks	OECD governments	Other	Total
Gross positive replacement cost (3)	$ 11,588	$ 6,693	$ 1,692	$ 590	$ 20,563	$ 13,035	$ 1,846	$ 5,682	$ 20,563
Impact of master netting agreements	(7,313)	(2,583)	(346)	(256)	(10,498)	(9,006)	–	(1,492)	(10,498)
Replacement cost (after netting agreements)	$ 4,275	$ 4,110	$ 1,346	$ 334	$ 10,065	$ 4,029	$ 1,846	$ 4,190	$ 10,065
Replacement cost (after netting agreements) – 1999	$ 4,336	$ 2,758	$ 762	$ 485	$ 8,341	$ 4,535	$ 1,390	$ 2,416	$ 8,341

(1) The bank's internal risk ratings for major counterparty types approximate those of public rating agencies. Ratings of AAA, AA, A and BBB represent investment grade ratings and ratings of BB and lower represent non-investment grade ratings.
(2) Counterparty type is defined in accordance with the capital adequacy requirements of the Superintendent of Financial Institutions Canada.
(3) Represents the total current replacement value of all outstanding contracts in a gain position, before factoring in the impact of master netting agreements.

Notional Amount of Derivatives by Term to Maturity and Replacement Cost

	Term to maturity				**2000**			1999		
	Within 1 year	**1 to 5 years**	**Over 5 years** (1)	**Total**	**Trading**	**Other than trading**	**Replacement cost** (2)	Trading	Other than trading	Replacement cost (2)
Over-the-counter (OTC) contracts										
Interest rate contracts										
Forward rate agreements	**$ 15,966**	**$ 552**	**$ –**	**$ 16,518**	**$ 16,518**	**$ –**	**$ 7**	$ 28,822	$ –	$ 19
Swaps	**157,262**	**280,770**	**92,620**	**530,652**	**477,038**	**53,614**	**4,517**	394,090	77,796	4,475
Options purchased	**20,876**	**6,658**	**4,161**	**31,695**	**31,564**	**131**	**168**	41,444	2,170	230
Options written	**19,951**	**8,068**	**4,619**	**32,638**	**32,306**	**332**	**–**	44,155	2,783	–
Foreign exchange contracts										
Forward contracts	**526,672**	**25,699**	**2,496**	**554,867**	**540,790**	**14,077**	**10,878**	616,867	8,379	8,336
Cross currency swaps	**708**	**2,144**	**2,436**	**5,288**	**4,836**	**452**	**180**	3,812	390	123
Cross currency interest rate swaps	**19,146**	**23,965**	**14,649**	**57,760**	**49,186**	**8,574**	**2,456**	36,457	11,491	1,371
Options purchased	**45,251**	**2,149**	**–**	**47,400**	**47,212**	**188**	**934**	46,425	29	826
Options written	**51,179**	**2,243**	**41**	**53,463**	**53,275**	**188**	**–**	55,599	29	–
Other contracts (3)	**11,038**	**3,694**	**1,683**	**16,415**	**16,415**	**–**	**1,423**	11,608	–	892
Exchange-traded contracts										
Interest rate contracts										
Futures – long positions	**12,218**	**2,750**	**6**	**14,974**	**14,544**	**430**	**–**	20,971	1,897	–
Futures – short positions	**16,542**	**4,196**	**11**	**20,749**	**19,949**	**800**	**–**	15,458	880	–
Options purchased	**12,117**	**–**	**–**	**12,117**	**12,117**	**–**	**–**	6,192	–	–
Options written	**18,909**	**–**	**–**	**18,909**	**18,909**	**–**	**–**	6,087	–	–
Foreign exchange contracts										
Futures – long positions	**534**	**1**	**–**	**535**	**535**	**–**	**–**	53	–	–
Futures – short positions	**15**	**2**	**–**	**17**	**17**	**–**	**–**	610	–	–
Other contracts (3)	**34,905**	**14,120**	**–**	**49,025**	**49,025**	**–**	**–**	21,191	–	–
	$ 963,289	**$ 377,011**	**$ 122,722**	**$ 1,463,022**	**$ 1,384,236**	**$ 78,786**	**$ 20,563**	$ 1,349,841	$ 105,844	$ 16,272
Impact of master netting agreements										
With intent to settle net or simultaneously (4)							**$ (27)**			(18)
Without intent to settle net or simultaneously (5)							**(10,471)**			(7,913)
							$ 10,065			$ 8,341

(1) Includes contracts maturing in over 10 years with a notional value of $12,390 million and related gross positive replacement cost of $329 million.
(2) Represents the total current replacement value of all outstanding contracts in a gain position, before factoring in the impact of master netting agreements. Exchange-traded contracts are excluded from this presentation as the credit risk associated with these instruments is minimal since they are settled in cash on a daily basis. Written options are excluded as they represent obligations of the bank and as such do not attract credit risk.
(3) Comprised of precious metals, commodity and equity-linked contracts.
(4) Impact of offsetting credit exposures on contracts where the bank has both a legally enforceable master netting agreement in place and intends to settle the contracts on either a net basis or simultaneously.
(5) Additional impact of offsetting credit exposures on contracts where the bank has a legally enforceable master netting agreement in place but does not intend to settle the contracts on a net basis or simultaneously.

Note 14: **Concentrations of Credit Risk**

Concentrations of credit risk exist if a number of customers are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the bank's performance to developments affecting a particular industry or geographic location. Management does not believe that the concentrations described below are unusual.

On-Balance Sheet Assets

Of the $168 billion (1999 – $154 billion) in total loans, 84% (1999 – 83%) relates to borrowers located in Canada with the largest provincial concentrations being Ontario – 36% (1999 – 36%) and British Columbia – 15% (1999 – 15%). No industry or foreign jurisdiction accounts for more than 10% of total loans.

Off-Balance Sheet Financial Instruments

Financial instruments with contractual amounts representing credit risk

Of the $174 billion (1999 – $164 billion) in off-balance sheet financial instruments with contractual amounts representing credit risk as at October 31, 2000, approximately 51% relates to Canada, 33% to the United States and 11% to Europe (1999 – 49%, 34% and 14%, respectively).

Included in the $174 billion of these credit instruments are commitments to extend credit totalling $140 billion (1999 – $129 billion), of which 49% relates to Canada, 33% to the United States and 11% to Europe (1999 – 46%, 35% and 16%, respectively). Of the commitments to extend credit, the largest industry concentration relates to financial institutions (37%), mining and energy (13%), transportation (11%) and manufacturing (10%) (1999 – 32%, 16%, 12% and 13%, respectively). No other industry sector accounts for more than 10% of the total.

Derivatives

Credit risk represents the current replacement value of all outstanding over-the-counter derivative contracts in a gain position without factoring in the impact of master netting agreements or the value of any collateral. Credit risk totalled $20.6 billion and $16.3 billion as at October 31, 2000 and 1999, respectively. Based on the location of the ultimate counterparty, 42% of this credit risk amount relates to Europe, 28% to the United States, 22% to Canada and 7% to Asia Pacific (1999 – 41%, 24%, 22% and 12%, respectively).

The largest concentration by counterparty type of this credit risk exposure is with banks at 61% (1999 – 68%).

Note 15: **Estimated Fair Value of Financial Instruments**

The estimated fair values are designed to approximate values at which these instruments could be exchanged in a current transaction between willing parties. However, many of the financial instruments lack an available trading market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Furthermore, due to the use of subjective judgment and uncertainties, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The estimated fair values disclosed below do not reflect the value of assets and liabilities that are not considered financial instruments such as "premises and equipment." In addition, the values of other non-financial assets and liabilities, such as intangible values of customer relationships, have been excluded.

Financial Instruments

	2000			1999		
	Book value	**Fair value**	**Difference**	Book value	Fair value	Difference
Financial assets						
Cash resources (1)	**$ 19,606**	**$ 19,606**	**$ –**	$ 23,042	$ 23,042	$ –
Securities (2)	**60,263**	**60,270**	**7**	52,736	52,745	9
Assets purchased under reverse repurchase agreements (1)	**18,303**	**18,303**	**–**	20,272	20,272	–
Loans (3)	**165,941**	**166,846**	**905**	152,166	152,170	4
Other assets (4)	**26,581**	**26,689**	**108**	22,088	22,085	(3)
Financial liabilities						
Deposits (5)	**206,237**	**207,727**	**(1,490)**	187,897	189,209	(1,312)
Acceptances (1)	**11,628**	**11,628**	**–**	9,257	9,257	–
Obligations related to securities sold short (1)	**12,873**	**12,873**	**–**	18,740	18,740	–
Obligations related to assets sold under repurchase agreements (1)	**9,005**	**9,005**	**–**	9,396	9,396	–
Other liabilities (4)	**34,136**	**34,136**	**–**	30,615	30,615	–
Subordinated debentures (6)	**5,825**	**5,809**	**16**	4,596	4,523	73

(1) Due to their short-term maturity, the carrying values of certain on-balance sheet financial instruments are assumed to approximate their fair values.
(2) The estimated fair values are provided in the Securities note to the consolidated financial statements (note 3). These are based on quoted market prices, when available. If quoted market prices are not available, fair values are estimated using quoted market prices of similar securities.
(3) For certain variable rate loans that reprice frequently, fair values are assumed to be equal to the carrying values. The fair values of other loans are estimated through a discounted cash flow calculation that applies market interest rates currently charged for similar new loans to expected maturity amounts.
(4) The carrying values of Other assets and Other liabilities approximate their fair values with the exception of amounts relating to derivative financial instruments held or issued for other than trading purposes. The net fair value over book value for these instruments is shown in Other assets.
(5) The fair values of deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the expected cash flows, using market interest rates currently offered for deposits of similar remaining maturities (adjusted for early redemptions where appropriate).
(6) The fair values of the debentures are based on quoted market prices for similar issues, or current rates offered to the bank for debt of the same remaining maturity.

Note 15: **Estimated Fair Value of Financial Instruments** (continued)

Derivative Financial Instruments (1)

	2000				1999	
	Average fair value for the year ended (2)		**Year-end fair value**		Year-end fair value	
	Positive	**Negative**	**Positive**	**Negative**	Positive	Negative
Held or issued for trading purposes						
Interest rate contracts						
Forward rate agreements	$ 10	$ 9	$ 7	$ 4	$ 19	$ 27
Swaps	3,952	4,545	3,845	4,574	3,723	4,337
Options purchased	192	–	168	–	227	–
Options written	–	161	–	136	–	203
	4,154	4,715	4,020	4,714	3,969	4,567
Foreign exchange contracts						
Forward contracts	8,620	8,185	10,683	9,722	8,272	7,857
Cross currency swaps	127	121	91	125	122	109
Cross currency interest rate swaps	1,644	1,163	2,164	1,830	1,270	955
Options purchased	723	–	934	–	826	–
Options written	–	654	–	950	–	733
	11,114	10,123	13,872	12,627	10,490	9,654
Other contracts	1,143	1,182	1,423	1,178	892	1,094
	$ 16,411	$ 16,020	$ 19,315	$ 18,519	$ 15,351	$ 15,315
Held or issued for other than trading purposes						
Interest rate contracts						
Swaps			$ 672	$ 256	$ 752	$ 301
Options purchased			–	–	3	–
Options written			–	7	–	8
			672	263	755	309
Foreign exchange contracts						
Forward contracts			195	310	64	43
Cross currency swaps			89	89	1	29
Cross currency interest rate swaps			292	252	101	334
			576	651	166	406
			$ 1,248	$ 914	$ 921	$ 715
Total gross fair values before netting			20,563	19,433	$ 16,272	$ 16,030
Impact of master netting agreements						
With intent to settle net or simultaneously (3)			(27)	(27)	(18)	(18)
Without intent to settle net or simultaneously (4)			(10,471)	(10,471)	(7,913)	(7,913)
Total			$ 10,065	$ 8,935	$ 8,341	$ 8,099

(1) The fair values of derivatives are presented on a gross basis before the impact of legally enforceable master netting agreements. The fair values of derivatives are determined using various methodologies including: quoted market prices, where available; prevailing market rates for instruments with similar characteristics and maturities; net present value analysis or other pricing models as appropriate.

(2) Average fair value amounts are calculated based on monthly balances.

(3) Impact of offsetting credit exposures on contracts where the bank has both a legally enforceable master netting agreement in place and intends to settle the contracts on either a net basis or simultaneously.

(4) Additional impact of offsetting credit exposures on contracts where the bank has a legally enforceable master netting agreement in place but does not intend to settle the contracts on a net basis or simultaneously.

Supplementary Information

Consolidated Balance Sheet

As at October 31 (C$ millions)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Assets											
Cash resources	**$ 19,606**	$ 23,042	$ 16,395	$ 21,392	$ 23,567	$ 17,710	$ 16,449	$ 10,874	$ 10,938	$ 8,820	$ 8,763
Securities	**60,263**	52,736	42,538	33,343	41,261	33,220	27,695	24,011	16,146	13,436	9,449
Reverse repurchase agreements	**18,303**	20,272	19,907	18,642	11,446	4,591	5,259	5,304	607	600	–
Loans											
Residential mortgage	**62,984**	59,242	56,468	53,369	48,120	45,131	44,109	43,781	32,609	29,105	25,734
Personal	**28,019**	25,255	22,761	20,864	18,440	16,923	16,508	16,487	15,462	14,775	14,392
Credit card	**4,666**	2,666	1,945	2,324	3,522	3,435	3,321	3,090	2,532	2,571	2,434
Business and government loans and acceptances	**72,143**	66,887	76,218	73,398	63,561	57,800	54,953	58,364	58,239	60,461	62,966
	167,812	154,050	157,392	149,955	133,643	123,289	118,891	121,722	108,842	106,912	105,526
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)	(2,003)	(2,559)	(4,255)	(3,575)	(1,958)	(2,463)
	165,941	152,166	155,366	148,186	131,768	121,286	116,332	117,467	105,267	104,954	103,063
Other											
Derivative-related amounts (1)	**19,334**	15,151	30,413	14,776	8,598	12,378	–	–	–	–	–
Premises and equipment	**1,216**	1,274	1,872	1,696	1,785	1,870	1,975	2,057	1,914	1,921	1,800
Other assets	**9,391**	8,657	14,583	9,044	9,052	5,427	5,385	5,228	3,421	2,621	2,863
	29,941	25,082	46,868	25,516	19,435	19,675	7,360	7,285	5,335	4,542	4,663
	$ 294,054	$ 273,298	$ 281,074	$ 247,079	$ 227,477	$ 196,482	$ 173,095	$ 164,941	$ 138,293	$ 132,352	$ 125,938
Liabilities and shareholders' equity											
Deposits											
Canada	**$ 138,124**	$ 129,306	$ 123,533	$ 122,721	$ 118,482	$ 114,778	$ 106,099	$ 103,755	$ 85,203	$ 80,097	$ 73,202
International	**68,113**	58,591	56,472	50,508	43,335	28,713	29,716	26,644	27,019	24,925	25,966
	206,237	187,897	180,005	173,229	161,817	143,491	135,815	130,399	112,222	105,022	99,168
Other											
Acceptances	**11,628**	9,257	10,620	10,561	7,423	6,300	6,205	6,302	5,737	7,210	10,369
Securities sold short	**12,873**	18,740	20,488	13,062	7,063	7,128	5,569	5,362	3,628	2,650	1,523
Repurchase agreements	**9,005**	9,396	11,264	9,458	16,526	4,090	5,341	2,533	787	641	29
Derivative-related amounts (1)	**18,574**	15,219	29,370	14,732	9,053	12,384	–	–	–	–	–
Other liabilities	**15,912**	15,682	12,883	10,644	12,135	10,284	7,986	8,919	5,232	5,913	5,998
	67,992	68,294	84,625	58,457	52,200	40,186	25,101	23,116	15,384	16,414	17,919
Subordinated debentures	**5,825**	4,596	4,087	4,227	3,602	3,528	3,481	3,410	3,106	3,081	2,299
Non-controlling interest in subsidiaries	**703**	103	499	531	108	107	93	86	75	73	98
Shareholders' equity											
Capital stock											
Preferred	**2,001**	1,973	2,110	1,757	1,725	1,962	2,233	2,215	1,572	1,636	1,129
Common	**3,074**	3,063	2,923	2,905	2,874	2,908	2,908	2,908	2,908	2,724	2,448
Retained earnings	**8,314**	7,495	6,803	5,719	4,825	4,194	3,476	2,823	3,041	3,421	2,893
Accumulated other comprehensive income	**(92)**	(123)	22	254	326	106	(12)	(16)	(15)	(19)	(16)
	13,297	12,408	11,858	10,635	9,750	9,170	8,605	7,930	7,506	7,762	6,454
	$ 294,054	$ 273,298	$ 281,074	$ 247,079	$ 227,477	$ 196,482	$ 173,095	$ 164,941	$ 138,293	$ 132,352	$ 125,938

(1) As the information is not reasonably determinable, amounts for years prior to 1995 have not been restated to reflect the presentation of derivative-related amounts on a gross basis.

Consolidated Statement of Income

For the year ended October 31 (C$ millions, except per share amounts)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Interest income											
Loans	**$ 11,538**	$ 10,386	$ 10,426	$ 9,354	$ 9,490	$ 9,820	$ 8,693	$ 8,156	$ 8,957	$ 10,670	$ 11,238
Securities	**2,518**	2,080	1,890	2,140	2,430	2,154	1,629	1,295	1,012	896	1,063
Assets purchased under reverse repurchase agreements (1)	**1,078**	893	1,169	568	366	237	206	91	–	–	–
Deposits with banks	**975**	841	822	1,009	922	817	479	321	421	613	666
	16,109	14,200	14,307	13,071	13,208	13,028	11,007	9,863	10,390	12,179	12,967
Interest expense											
Deposits	**9,057**	7,636	7,732	6,548	7,115	7,362	5,477	4,995	5,868	7,940	9,081
Other liabilities	**1,429**	1,161	1,172	1,139	1,126	792	761	567	322	209	145
Subordinated debentures	**344**	286	339	384	322	335	290	263	272	271	220
	10,830	9,083	9,243	8,071	8,563	8,489	6,528	5,825	6,462	8,420	9,446
Net interest income	**5,279**	5,117	5,064	5,000	4,645	4,539	4,479	4,038	3,928	3,759	3,521
Provision for credit losses	**691**	760	575	380	570	580	820	1,750	2,050	605	420
Net interest income after provision for credit losses	**4,588**	4,357	4,489	4,620	4,075	3,959	3,659	2,288	1,878	3,154	3,101
Non-interest revenue											
Capital market fees	**1,810**	1,209	1,118	1,172	764	434	567	456	356	258	264
Trading revenues	**1,540**	1,106	752	606	368	362	345	414	387	238	234
Deposit and payment service charges	**756**	688	664	690	701	681	661	649	654	601	560
Investment management and custodial fees	**684**	547	495	404	319	286	278	101	82	69	71
Mutual fund revenues	**528**	479	447	354	241	190	202	64	37	16	14
Card service revenues	**420**	362	305	332	282	278	258	203	183	197	197
Securitization revenues	**104**	220	226	9	–	–	–	–	–	–	–
Gain on sale of securities	**(11)**	28	343	37	107	17	49	169	14	11	–
Other	**849**	852	647	684	484	490	503	395	389	568	404
	6,680	5,491	4,997	4,288	3,266	2,738	2,863	2,451	2,102	1,958	1,744
Non-interest expenses											
Human resources	**4,695**	4,096	3,688	3,427	2,933	2,581	2,675	2,386	2,170	2,072	1,889
Occupancy	**570**	564	508	559	507	473	500	593	476	394	334
Equipment	**664**	677	585	605	492	506	460	473	382	335	287
Communications	**695**	699	665	587	523	461	450	377	372	372	362
Other	**1,004**	1,105	1,064	893	712	654	576	586	517	445	444
	7,628	7,141	6,510	6,071	5,167	4,675	4,661	4,415	3,917	3,618	3,316
Net income before income taxes	**3,640**	2,707	2,976	2,837	2,174	2,022	1,861	324	63	1,494	1,529
Income taxes	**1,412**	974	1,128	1,106	795	741	655	(5)	(65)	495	555
Net income before non-controlling interest	**2,228**	1,733	1,848	1,731	1,379	1,281	1,206	329	128	999	974
Non-controlling interest	**20**	8	76	77	49	23	37	29	21	16	9
Net income	**$ 2,208**	$ 1,725	$ 1,772	$ 1,654	$ 1,330	$ 1,258	$ 1,169	$ 300	$ 107	$ 983	$ 965
Preferred share dividends	**134**	157	145	131	144	164	168	154	123	103	96
Net income available to common shareholders	**$ 2,074**	$ 1,568	$ 1,627	$ 1,523	$ 1,186	$ 1,094	$ 1,001	$ 146	$ (16)	$ 880	$ 869
Earnings per share (loss)											
Basic	**$ 3.42**	$ 2.50	$ 2.64	$ 2.46	$ 1.89	$ 1.74	$ 1.59	$ 0.23	$ (0.03)	$ 1.46	$ 1.50
Fully diluted	**3.40**	2.48	2.58	2.42	1.89	1.74	1.59	0.23	(0.03)	1.45	1.48
Cash basis, basic (2)	**3.57**	2.61	2.74	2.57	1.95	1.80	1.67	0.29	0.01	1.49	1.53
Cash basis, fully diluted (2)	**3.55**	2.60	2.69	2.52	1.95	1.80	1.67	0.29	0.01	1.48	1.50

(1) Amounts for assets purchased under reverse repurchase agreements are included in loans for 1990 to 1992.

(2) Cash basis earnings per share and fully diluted earnings per share are computed by adding back to net income the after-tax amount of amortization for goodwill and other intangibles.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31 (C$ millions)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Preferred shares											
Balance at beginning of year	**$ 1,973**	$ 2,110	$ 1,757	$ 1,725	$ 1,962	$ 2,233	$ 2,215	$ 1,572	$ 1,636	$ 1,129	$ 1,134
Issued	**–**	296	300	–	–	–	–	612	–	526	–
Redeemed for cancellation	**–**	(393)	–	–	(236)	(267)	–	–	(99)	(5)	(4)
Issuance costs	**–**	(9)	(7)	–	–	–	–	(11)	–	(8)	–
Translation adjustment	**28**	(31)	60	32	(1)	(4)	18	42	35	(6)	(1)
Balance at end of year	**2,001**	1,973	2,110	1,757	1,725	1,962	2,233	2,215	1,572	1,636	1,129
Common shares											
Balance at beginning of year	**3,063**	2,923	2,905	2,874	2,908	2,908	2,908	2,908	2,724	2,448	2,307
Issued	**109**	192	18	69	–	–	–	–	184	276	141
Purchased for cancellation	**(98)**	(52)	–	(38)	(34)	–	–	–	–	–	–
Balance at end of year	**3,074**	3,063	2,923	2,905	2,874	2,908	2,908	2,908	2,908	2,724	2,448
Retained earnings											
Balance at beginning of year (1)	**7,495**	6,803	5,719	4,825	4,194	3,476	2,839	3,041	3,421	2,893	2,361
Net income	**2,208**	1,725	1,772	1,654	1,330	1,258	1,169	300	107	983	965
Dividends – preferred	**(134)**	(157)	(145)	(131)	(144)	(164)	(168)	(154)	(123)	(103)	(96)
common	**(689)**	(588)	(543)	(469)	(418)	(371)	(364)	(364)	(361)	(352)	(337)
Premium paid on common shares purchased	**(562)**	(281)	–	(160)	(136)	–	–	–	–	–	–
Issuance costs	**(4)**	(7)	–	–	(1)	(5)	–	–	(3)	–	–
Balance at end of year	**8,314**	7,495	6,803	5,719	4,825	4,194	3,476	2,823	3,041	3,421	2,893
Accumulated other comprehensive income											
Unrealized gains and losses on available for sale securities (2)	**(56)**	(85)	56	283	349	126					
Unrealized foreign currency translation gains and losses	**(36)**	(38)	(34)	(29)	(23)	(20)	(12)	(16)	(15)	(19)	(16)
	(92)	(123)	22	254	326	106	(12)	(16)	(15)	(19)	(16)
Shareholders' equity at end of year	**$ 13,297**	$ 12,408	$ 11,858	$ 10,635	$ 9,750	$ 9,170	$ 8,605	$ 7,930	$ 7,506	$ 7,762	$ 6,454
Comprehensive income											
Net income	**$ 2,208**	$ 1,725	$ 1,772	$ 1,654	$ 1,330	$ 1,258	$ 1,169	$ 300	$ 107	$ 983	$ 965
Change in unrealized gains and losses on available for sale securities, net of hedging activities and related income taxes (2)	**29**	(141)	(227)	(66)	223	126					
Change in unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes (2)	**2**	(4)	(5)	(6)	(3)	(8)	4	(1)	4	(3)	3
Total comprehensive income	**$ 2,239**	$ 1,580	$ 1,540	$ 1,582	$ 1,550	$ 1,376	$ 1,173	$ 299	$ 111	$ 980	$ 968

(1) Retained earnings at the beginning of 1994 was increased by $16 million as a result of the adoption of FAS 109, *Accounting for Income Taxes*.
(2) Effective 1995, the bank adopted FAS 115, *Accounting for Certain Investments in Debt and Equity Securities*.

Risk Profile

As at October 31 (C$ millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Nonaccrual loans											
Beginning of year	**$ 1,704**	$ 2,001	$ 1,819	$ 2,376	$ 2,944	$ 4,424	$ 7,582	$ 7,056	$ 3,924	$ 4,203	$ 3,516
Net additions (reductions)	**813**	743	628	81	384	(255)	(1,128)	1,643	3,639	909	1,822
Charge-offs and adjustments	**(839)**	(1,040)	(446)	(638)	(952)	(1,225)	(2,030)	(1,117)	(507)	(1,188)	(1,135)
End of year	**$ 1,678**	$ 1,704	$ 2,001	$ 1,819	$ 2,376	$ 2,944	$ 4,424	$ 7,582	$ 7,056	$ 3,924	$ 4,203
As a % of loans (including acceptances)	**1.0%**	1.1%	1.3%	1.2%	1.8%	2.4%	3.7%	6.2%	6.5%	3.7%	4.0%
Allowance for credit losses											
Allocated specific	**$ 747**	$ 786	$ 1,176	$ 932	$ 1,091	$ 1,439	$ 1,962	$ 2,667	$ 1,867	$ 449	$ 451
Allocated country risk	**28**	34	40	436	444	930	940	1,107	1,383	1,509	2,012
Allocated general (1)	**863**	790	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total allocated (1)	**1,638**	1,610	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Unallocated (1)	**337**	290	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235	$ 2,669	$ 3,202	$ 4,324	$ 3,575	$ 1,958	$ 2,463
Composition of allowance											
Allowance for loan losses	**$ 1,871**	$ 1,884	$ 2,026	$ 1,769	$ 1,875	$ 2,003	$ 2,559	$ 4,255	$ 3,575	$ 1,958	$ 2,463
Allowance for off-balance sheet and other items (2)	**98**	–	–	–	–	–	–	–	–	–	–
Allowance for tax-exempt securities	**6**	16	40	30	34	–	–	–	–	–	–
Allowance for country risk securities	**–**	–	–	319	326	666	643	69	–	–	–
Total	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235	$ 2,669	$ 3,202	$ 4,324	$ 3,575	$ 1,958	$ 2,463
Allowance for loan losses as a % of loans (including acceptances)	**1.1%**	1.2%	1.3%	1.2%	1.4%	1.6%	2.2%	3.5%	3.3%	1.8%	2.3%
Allowance for loan losses as a % of loans (including acceptances) and reverse repos	**1.0**	1.1	1.1	1.1	1.3	1.6	2.1	3.4	3.3	1.8	2.3
Allowance for loan losses as a % of nonaccrual loans, excluding LDCs	**112**	112	103	94	77	60	52	52	41	18	25
Provision for credit losses											
Allocated specific	**$ 571**	$ 530	$ 555	$ 330	$ 470	$ 580	$ 1,070	$ 1,775	$ 2,025	$ 705	$ 420
Allocated country risk	**–**	–	(80)	–	(300)	–	–	(250)	(300)	(100)	–
Allocated general (3)	**73**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total allocated (3)	**644**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Unallocated (3)	**47**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**$ 691**	$ 760	$ 575	$ 380	$ 570	$ 580	$ 820	$ 1,750	$ 2,050	$ 605	$ 420
Allocated specific provisions as a % of average loans (including acceptances)	**.36%**	.34%	.36%	.23%	.37%	.48%	.88%	1.64%	1.90%	.67%	.43%
Allocated specific provisions as a % of average loans (including acceptances) and reverse repos	**.31**	.30	.31	.21	.36	.46	.84	1.60	1.90	.67	.43
Provision as a % of average loans (including acceptances)	**.43**	.49	.37	.27	.45	.48	.67	1.61	1.93	.57	.43
Provision as a % of average loans (including acceptances) and reverse repos	**.38**	.43	.32	.24	.43	.46	.65	1.58	1.93	.57	.43
Net charge-offs	**$ 677**	$ 958	$ 692	$ 528	$ 1,001	$ 1,105	$ 1,979	$ 1,187	$ 547	$ 1,010	$ 1,000
As a % of average loans	**.42%**	.62%	.45%	.37%	.79%	.91%	1.63%	1.09%	.51%	.96%	1.02%

(1) The allocated general and the unallocated amounts totalled $850 million in 1998, $750 million in 1997, $700 million in 1996, $300 million in 1995, $300 million in 1994, $550 million in 1993, $325 million in 1992 and nil in 1991 and 1990. These were not separated into the allocated general and unallocated components. The amounts prior to 1999 do not include the allocated general allowance.

(2) During 2000, the allowance for off-balance sheet and other items has been separated and reported under other liabilities. Previously, the amount was included in the allowance for loan losses.

(3) The allocated general provision and the unallocated provision totalled $230 million in 1999, $100 million in 1998, $50 million in 1997, $400 million in 1996, nil in 1995, $(250) million in 1994, $225 million in 1993, $325 million in 1992 and nil in 1991 and 1990. These were not separated into the allocated general and unallocated components.

Financial Highlights

(C$ millions, except per share amounts)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Performance ratios											
Return on common equity	**19.3%**	15.3%	17.6%	18.3%	15.7%	16.2%	16.8%	2.4%	(.3)%	15.5%	17.5%
Return on common equity, cash basis (1)	**20.2**	15.9	18.3	19.1	16.2	16.8	17.6	3.0	.0	15.8	17.9
Return on assets	**.78**	.64	.68	.69	.65	.68	.70	.21	.08	.76	.79
Return on assets after preferred dividends	**.73**	.58	.62	.64	.58	.59	.60	.10	(.01)	.68	.71
Net interest margin (2)	**1.87**	1.91	1.95	2.10	2.28	2.49	2.72	2.88	2.93	2.95	2.97
Non-interest revenue as a % of gross revenues	**55.7**	51.6	49.5	46.0	41.1	37.4	38.7	37.4	34.5	33.8	32.6
Efficiency ratio (3)	**63.6**	67.1	64.5	65.1	65.1	63.9	63.1	67.4	64.3	62.5	61.9
Average balances and year-end off-balance sheet data											
Averages											
Total assets (4)	**$ 284,100**	$ 270,000	$ 261,500	$ 239,800	$ 205,200	$ 183,900	$ 166,700	$ 142,500	$ 136,200	$ 130,100	$ 121,700
Loans	**159,957**	155,635	154,954	142,349	126,849	121,069	121,741	108,562	106,376	105,231	98,414
Deposits	**196,066**	184,796	178,688	166,249	147,391	136,686	133,550	114,835	108,609	102,847	95,758
Common equity	**10,725**	10,268	9,255	8,303	7,543	6,749	5,964	6,052	6,313	5,693	4,965
Total equity	**12,703**	12,481	11,227	10,044	9,488	8,942	8,233	8,116	7,938	6,913	6,089
Assets under administration (5)	**1,175,200**	967,800	829,200	783,300	522,100	407,700	346,800	274,300			
Assets under management (5)	**92,300**	81,600	73,400	67,700	51,200	40,400	39,100	33,100			
Capital ratios (Cdn) (6)											
Tier 1 capital	**$ 13,567**	$ 12,026	$ 11,593	$ 10,073	$ 9,037	$ 8,421	$ 7,660	$ 6,910	$ 6,740	$ 6,938	$ 5,712
Total capital	**19,044**	16,698	16,480	14,705	12,069	11,913	11,525	10,941	10,483	10,686	8,525
Total risk-adjusted assets	**158,364**	149,078	157,064	147,672	128,163	121,350	120,158	117,043	114,298	113,975	115,035
Common equity/ risk-adjusted assets	**7.3%**	7.1%	6.2%	5.8%	6.0%	5.8%	5.3%	4.9%	5.2%	5.4%	4.6%
Tier 1 capital ratio	**8.6**	8.1	7.4	6.8	7.0	6.9	6.4	5.9	5.9	6.1	5.0
Total capital ratio	**12.0**	11.2	10.5	10.0	9.4	9.8	9.6	9.3	9.2	9.4	7.4
Capital ratios (U.S.) (7)											
Tier 1 capital	**$ 12,409**	$ 11,334	$ 10,796	$ 9,556	$ 8,740	$ 8,612	$ 7,660	$ 6,910	$ 6,740	$ 6,938	$ 5,712
Total capital	**17,898**	15,991	15,990	14,666	12,245	12,399	11,525	10,941	10,483	10,686	8,525
Total risk-adjusted assets	**158,594**	149,537	157,720	149,392	128,804	120,593	120,158	117,043	114,298	113,975	115,035
Common equity/ risk-adjusted assets	**7.2%**	7.0%	6.1%	5.8%	6.0%	5.9%	5.3%	4.9%	5.2%	5.4%	4.6%
Tier 1 capital ratio	**7.8**	7.6	6.8	6.4	6.8	7.1	6.4	5.9	5.9	6.1	5.0
Total capital ratio	**11.3**	10.7	10.1	9.8	9.5	10.3	9.6	9.3	9.2	9.4	7.4
Common share information (8)											
Shares outstanding (in thousands)											
As at October 31	**602,398**	617,768	617,581	616,671	621,059	628,310	628,310	628,310	628,310	612,920	586,535
Average basic	**606,389**	626,158	617,324	617,812	628,242	628,310	628,310	628,310	621,086	603,614	580,486
Average fully diluted	**609,865**	632,305	633,626	632,052	628,242	628,310	628,310	628,310	621,086	606,530	591,890
Dividends per share	**$ 1.14**	$ 0.94	$ 0.88	$ 0.76	$ 0.67	$ 0.59	$ 0.58	$ 0.58	$ 0.58	$ 0.58	$ 0.58
Book value per share	**18.75**	16.89	15.78	14.40	12.92	11.47	10.14	9.10	9.44	9.99	9.08
Share price – High (9)	**48.88**	42.13	46.10	38.23	22.20	15.69	15.94	14.44	14.50	13.75	12.85
Low (9)	**27.25**	29.65	28.75	22.00	14.88	12.94	12.57	11.00	10.75	10.25	9.88
Close (9)	**48.30**	31.73	35.55	37.68	22.15	15.07	14.19	13.63	12.07	13.50	10.38
Price/earnings multiple (10)	**11.2**	14.4	14.5	12.4	9.8	8.2	8.9	–	–	8.2	7.7
Dividend yield (11)	**3.0%**	2.6%	2.4%	2.5%	3.6%	4.1%	4.1%	4.6%	4.6%	4.8%	5.1%
Dividend payout ratio (12)	**33**	37	33	31	35	34	36	–	–	40	39
Other information											
Number of employees (13)	**49,232**	51,891	51,776	48,816	46,205	49,011	49,208	52,745	49,628	50,547	50,106
Automated banking machines	**4,569**	4,585	4,317	4,248	4,215	4,079	3,948	3,981	3,828	3,651	3,142
Service delivery units											
Canada	**1,333**	1,410	1,422	1,453	1,493	1,577	1,596	1,731	1,661	1,645	1,617
International (14)	**306**	99	106	105	103	105	97	95	83	102	48
Total	**1,639**	1,509	1,528	1,558	1,596	1,682	1,693	1,826	1,744	1,747	1,665

(1) Return on common equity, cash basis, is computed by adding back to net income the after-tax amount of amortization of goodwill and other intangibles.
(2) Net interest income as a percentage of average assets.
(3) Non-interest expenses as a percentage of taxable equivalent net interest income and non-interest revenue.
(4) As the information is not reasonably determinable, amounts for years prior to 1995 have not been restated to reflect the presentation of derivative-related amounts on a gross basis.
(5) Amounts prior to 1996 are as at September 30. Assets under administration and assets under management balances were not reported prior to 1993.
(6) Using guidelines issued by the Superintendent of Financial Institutions Canada and Canadian GAAP financial information.
(7) Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information.
(8) On October 5, 2000, the bank paid a stock dividend of one Common Share on each of its issued and outstanding Common Shares. The effect is the same as a two-for-one share split. All Common Share information has been restated to reflect this stock dividend.
(9) High and low price of Common Shares traded on The Toronto Stock Exchange during the year and the closing price on the last trading day of October.
(10) Average of high and low Common Share price divided by fully diluted earnings per share. The multiples for 1993 and 1992 are not meaningful.
(11) Dividends per Common Share divided by the average of high and low share price.
(12) Common dividends as a percentage of net income after preferred dividends. The ratios for 1993 and 1992 are not meaningful.
(13) On a full-time equivalent basis.
(14) International service delivery units since 1991 include (in addition to branches) representative offices, agencies and subsidiaries.

Quarterly Highlights

(C$ millions, except per share amounts; taxable equivalent basis)	2000 Q4	2000 Q3	2000 Q2	2000 Q1	1999 Q4	1999 Q3	1999 Q2	1999 Q1
Statement of income								
Net interest income	$ **1,381**	$ **1,300**	$ **1,346**	$ **1,280**	$ 1,344	$ 1,283	$ 1,252	$ 1,273
Provision for credit losses	**(174)**	**(172)**	**(172)**	**(173)**	(235)	(175)	(175)	(175)
Non-interest revenue	**1,720**	**1,711**	**1,717**	**1,532**	1,520	1,357	1,306	1,308
Non-interest expenses	**(2,022)**	**(1,914)**	**(1,911)**	**(1,781)**	(1,892)	(1,722)	(1,695)	(1,832)
Income taxes	**(323)**	**(360)**	**(416)**	**(341)**	(256)	(289)	(254)	(210)
Non-controlling interest	**(14)**	**(2)**	**(2)**	**(2)**	(2)	(2)	(2)	(2)
Net income	$ **568**	$ **563**	$ **562**	$ **515**	$ 479	$ 452	$ 432	$ 362
Earnings per share								
Basic	$ **0.89**	$ **0.87**	$ **0.87**	$ **0.79**	$ 0.70	$ 0.65	$ 0.63	$ 0.52
Fully diluted	**0.88**	**0.87**	**0.87**	**0.78**	0.70	0.65	0.62	0.51
Cash basis, basic (1)	**0.93**	**0.92**	**0.90**	**0.82**	0.73	0.68	0.66	0.54
Cash basis, fully diluted (1)	**0.92**	**0.91**	**0.90**	**0.81**	0.73	0.68	0.65	0.54
Performance ratios								
Return on common equity	**19.2%**	**19.5%**	**20.3%**	**18.4%**	16.6%	15.6%	15.8%	12.9%
Return on common equity, cash basis (1)	**20.1**	**20.3**	**21.1**	**19.1**	17.3	16.3	16.5	13.6
Return on assets	**.77**	**.79**	**.82**	**.74**	.69	.66	.68	.53
Return on assets after preferred dividends	**.72**	**.74**	**.78**	**.69**	.63	.60	.62	.48
Net interest margin	**1.87**	**1.81**	**1.95**	**1.84**	1.94	1.86	1.96	1.87
Non-interest revenue as a % of gross revenues	**55.5**	**56.8**	**56.1**	**54.5**	53.1	51.4	51.1	50.7
Efficiency ratio	**65.2**	**63.6**	**62.4**	**63.3**	66.1	65.2	66.3	71.0
Balance sheet								
Assets								
Cash resources and securities	$ **79,869**	$ **78,792**	$ **72,605**	$ **71,619**	$ 75,778	$ 72,187	$ 65,981	$ 63,788
Reverse repurchase agreements	**18,303**	**15,100**	**19,419**	**15,284**	20,272	25,452	22,395	17,461
Residential mortgages	**62,984**	**62,588**	**60,999**	**60,035**	59,242	59,959	58,729	57,553
Personal loans	**28,019**	**27,220**	**26,802**	**26,213**	25,255	24,369	24,193	23,209
Credit card loans	**4,666**	**4,224**	**3,270**	**2,690**	2,666	2,193	2,206	2,058
Business and government loans	**72,143**	**69,492**	**70,974**	**68,694**	66,887	68,876	69,501	73,018
Allowance for loan losses	**(1,871)**	**(1,845)**	**(1,869)**	**(1,937)**	(1,884)	(1,940)	(1,850)	(2,153)
Other assets	**29,941**	**25,144**	**27,837**	**29,296**	25,082	27,652	26,158	31,900
	$ **294,054**	$ **280,715**	$ **280,037**	$ **271,894**	$ 273,298	$ 278,748	$ 267,313	$ 266,834
Liabilities and shareholders' equity								
Deposits – Canada	$ **138,124**	$ **135,830**	$ **135,472**	$ **131,025**	$ 129,306	$ 129,036	$ 123,290	$ 123,482
Deposits – International	**68,113**	**64,237**	**63,517**	**61,235**	58,591	61,424	60,207	56,231
Other liabilities	**67,992**	**61,973**	**63,216**	**62,037**	68,294	70,625	66,648	70,491
Subordinated debentures	**5,825**	**5,091**	**5,104**	**5,072**	4,596	4,678	4,631	4,332
Non-controlling interest in subsidiaries	**703**	**690**	**39**	**103**	103	103	102	102
Total equity	**13,297**	**12,894**	**12,689**	**12,422**	12,408	12,882	12,435	12,196
	$ **294,054**	$ **280,715**	$ **280,037**	$ **271,894**	$ 273,298	$ 278,748	$ 267,313	$ 266,834
Selected average balances and off-balance sheet data								
Averages								
Total assets	$ **294,400**	$ **285,100**	$ **280,900**	$ **276,400**	$ 274,900	$ 273,300	$ 261,700	$ 269,900
Loans	**164,882**	**162,273**	**158,550**	**154,086**	154,938	155,580	154,929	157,540
Deposits	**204,362**	**197,471**	**190,649**	**191,966**	189,334	185,639	182,092	182,031
Common equity	**11,092**	**10,806**	**10,589**	**10,428**	10,466	10,433	10,222	9,977
Total equity	**13,115**	**12,823**	**12,590**	**12,438**	12,790	12,696	12,346	12,113
Assets under administration	**1,175,200**	**1,147,400**	**1,099,400**	**1,027,300**	967,800	927,600	893,800	861,600
Assets under management	**92,300**	**95,200**	**94,000**	**86,400**	81,600	81,400	79,300	77,200
Provision for credit losses								
Allocated specific	$ **134**	$ **172**	$ **132**	$ **133**	$ 5	$ 175	$ 175	$ 175
Allocated general (2)	**8**	**–**	**35**	**30**	n.a.	n.a.	n.a.	n.a.
Total allocated (2)	**142**	**172**	**167**	**163**	n.a.	n.a.	n.a.	n.a.
Unallocated (2)	**32**	**–**	**5**	**10**	n.a.	n.a.	n.a.	n.a.
Total	$ **174**	$ **172**	$ **172**	$ **173**	$ 235	$ 175	$ 175	$ 175
Nonaccrual loans as a % of loans (including acceptances)	**1.00%**	**1.06%**	**1.03%**	**1.02%**	1.11%	1.21%	1.12%	1.27%
Capital ratios (Canadian basis)								
Common equity/risk-adjusted assets	**7.3%**	**7.2%**	**7.1%**	**7.1%**	7.1%	7.1%	7.0%	6.8%
Tier 1	**8.6**	**8.5**	**8.0**	**8.1**	8.1	8.4	8.1	7.9
Total	**12.0**	**11.5**	**11.1**	**11.4**	11.2	11.6	11.4	11.3
Capital ratios (U.S. basis)								
Common equity/risk-adjusted assets	**7.2%**	**7.1%**	**7.0%**	**7.0%**	7.0%	7.0%	7.0%	6.7%
Tier 1	**7.8**	**7.9**	**7.4**	**7.6**	7.6	7.7	7.5	7.3
Total	**11.3**	**10.9**	**10.5**	**10.9**	10.7	11.1	11.0	10.9
Common share information								
Shares outstanding (in thousands)								
End of period	**602,398**	**601,628**	**604,723**	**608,783**	617,768	626,292	627,805	627,325
Average basic	**602,108**	**602,494**	**608,285**	**612,708**	622,471	627,532	627,537	627,137
Average fully diluted	**606,710**	**605,833**	**611,114**	**618,111**	627,895	633,174	633,855	633,595
Dividends per share	$ **0.30**	$ **0.30**	$ **0.27**	$ **0.27**	$ 0.24	$ 0.24	$ 0.23	$ 0.23
Book value per share	**18.75**	**18.14**	**17.71**	**17.19**	16.89	16.76	16.51	16.10
Share price – High	**48.88**	**41.13**	**38.25**	**34.70**	33.95	36.25	40.35	42.13
Low	**39.17**	**34.40**	**28.38**	**27.25**	29.65	31.40	34.23	32.65
Close	**48.30**	**39.65**	**34.95**	**29.53**	31.73	32.63	35.55	39.05
Dividend yield	**2.7%**	**3.2%**	**3.2%**	**3.5%**	3.0%	2.8%	2.5%	2.5%
Dividend payout ratio	**34**	**34**	**31**	**34**	34	37	37	45

(1) Cash basis return on common equity, earnings per share and fully diluted earnings per share are computed by adding back the after-tax amount of amortization of goodwill and other intangibles.

(2) The allocated general provision and the unallocated provision totalled $230 million in Q4/1999, and nil in Q3/1999, Q2/1999 and Q1/1999. These were not separated into the allocated general and unallocated components.

Financial Review Canadian GAAP

Caution Regarding Forward-Looking Statements
Royal Bank of Canada, from time to time, makes written and oral forward-looking statements, included in this Annual Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications, which are made pursuant to the "safe harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to the bank's objectives for 2001, and the medium term, and strategies to achieve those objectives, as well as statements with respect to the bank's beliefs, plans, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "expect," "intend," "plan," and words and expressions of similar import are intended to identify forward-looking statements.

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. The 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, the strength of the Canadian economy in general and the strength of the local economies within Canada in which the bank conducts operations; the strength of the United States economy and the economies of other nations in which the bank conducts significant operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the Board of Governors of the Federal Reserve System in the United States; changes in trade policy; the effects of competition in the markets in which the bank operates; inflation; capital market and currency market fluctuations; the timely development and introduction of new products and services by the bank in receptive markets; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); changes in tax laws; technological changes; the ability of the bank to complete strategic acquisitions and to integrate acquisitions; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; and the bank's anticipation of and success in managing the risks implicated by the foregoing.

The 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 potential events. The bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the bank.

Management's Discussion and Analysis

Overview

Management evaluates the bank's performance on a core basis (i.e., excluding one-time items) as well as on a reported basis (i.e., as reported in its consolidated financial statements on pages 53A to 77A). One-time items are viewed by management as transactions that are not part of normal day-to-day business operations or are unusual in nature, thereby obscuring management's analysis of trends. There were some one-time items in 1999 (shown in Table 4 on page 24A), but no significant one-time items in 2000. Throughout management's discussion and analysis, comparisons to 1999 will be based on core 1999 numbers.

Highlights

- Fully diluted earnings per share of $3.47, up 30% from 1999
- Economic Profit of $767 million, up 101%
- Revenues of $12.0 billion, up 14%
- Other income 56% of total revenues, up from 51% in 1999
- Non-interest expenses of $7.6 billion, up 10%, and base non-interest expenses of $5.5 billion, down 1%
- Gross impaired loans down $26 million and total provision for credit losses down $69 million or 9% from 1999
- Total allowance for credit losses up $75 million to $1,975 million
- Repurchase of 19.7 million common shares for $660 million
- Capital ratios up and common share dividends of $1.14 per share, up 21%
- International net income 30% of total net income

Financial Priorities

Revenue Growth and Diversification

In 2000, revenues increased 14%, substantially higher than the bank's objective of growth in the mid-single digits. Net interest income increased 3% and other income was 25% higher.

Cost Control

The efficiency ratio was 63.0% in 2000 versus 65.2% in 1999, and the operating efficiency ratio (i.e., excluding costs and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) improved to 60.0% from 64.0%. The bank took $580 million out of its cost base by the end of 2000, as detailed on page 34A, and reached an operating efficiency ratio of 59.5% in the fourth quarter of 2000 – in line with stated objectives.

Strong Credit Quality

Gross impaired loans decreased by $26 million from last year. The provision for credit losses was $691 million, down from $760 million in 1999. The allowance for credit losses was $1,975 million at October 31, 2000, up $75 million from 1999. During the year, net write-offs (write-offs, net of recoveries) were $677 million or .38% of average loans and acceptances, versus $958 million or .55% in 1999. During 1999, the bank had accelerated the rate of writing off problem corporate loans to be consistent with U.S. practice, while still adhering to Canadian GAAP.

Balance Sheet and Capital Management

Using the guidelines provided by the Superintendent of Financial Institutions Canada and Canadian GAAP financial information, the Tier 1 capital ratio was 8.6%, up from 8.1% a year ago. The Total capital ratio was 12.0%, up from 11.2%. Both ratios met the bank's medium-term (3–5 year) capital ratio goals of 8% for Tier 1 capital and 11–12% for Total capital.

Table 1: **Earnings by Geographic Segment**

	2000			1999		
($ millions, taxable equivalent basis)	**Canada**	**International**	**Total**	Canada	International	Total
Net interest income	**$ 4,796**	**$ 511**	**$ 5,307**	$ 4,405	$ 750	$ 5,155
Other income	**5,311**	**1,421**	**6,732**	4,284	1,196	5,480
Gross revenues	**10,107**	**1,932**	**12,039**	8,689	1,946	10,635
Provision for credit losses	**703**	**(12)**	**691**	672	88	760
Non-interest expenses	**6,423**	**1,158**	**7,581**	5,973	1,087	7,060
Income taxes (1)	**1,387**	**106**	**1,493**	895	163	1,058
Net income	**$ 1,594**	**$ 680**	**$ 2,274**	$ 1,149	$ 608	$ 1,757
Core net income (2)	**$ 1,594**	**$ 680**	**$ 2,274**	$ 1,235	$ 624	$ 1,859

(1) Includes non-controlling interest and taxable equivalent adjustment.
(2) Excludes one-time items in 1999, which are described in Table 4 on page 24A.

Economic Profit

The bank measures the Economic Profit of its businesses, in addition to using a variety of other traditional measures, such as return on common equity and growth in earnings. Economic Profit measures each business segment's cash operating earnings after providing for the cost of capital committed to the segment.

Cash operating earnings is net income available to common shareholders (i.e., excluding the impact of one-time items and amortization of goodwill and other intangibles). The equity capital charge is derived by applying the cost of common equity to the amount of average common equity. The current cost of common equity is 13.5% and is management's proxy for the after-tax return required by shareholders for the use of their capital.

To create shareholder value, one must generate cash operating earnings in excess of the equity capital charge. Positive Economic Profit adds to shareholder value while negative Economic Profit destroys shareholder value.

Economic Profit measures changes in value created for the shareholders over time, and is an effective planning tool to focus attention on shareholder value growth opportunities. The objectives are to:

- Increase cash operating earnings without tying up more capital
- Target investments in projects that yield positive economic returns
- Improve overall efficiency of invested capital through re-allocation from less efficient uses
- Improve the risk-return profiles of the lines of business

Economic Profit strengthens risk management discipline, as business segments are attributed cost of capital based on their credit, market, operational and other risks. This discipline has resulted in controlled growth and returns commensurate with risks. Furthermore, Economic Profit encourages the allocation of more capital to stronger performing businesses, and less capital to businesses that are weaker performers.

As shown in Table 2 below, the bank had record Economic Profit in 2000, resulting from cash operating earnings growing at a much faster rate than average common equity. Economic Profit in 2000 was $767 million, up $385 million or 101% from $382 million in 1999. Business segment contributions were $469 million from Personal & Commercial Financial Services (1999 – $318 million), $313 million from Wealth Management (1999 – $220 million), $197 million from Corporate & Investment Banking (1999 – $140 million) and $82 million from Transaction Processing (1999 – $60 million). The Economic Profit amounts for the business segments appear in Table 3 on page 24A.

Table 2: **Economic Profit** (1)

($ millions)	**2000**	1999	1998	1997	1996
Net income available to common shareholders (2)	**$ 2,140**	$ 1,600	$ 1,679	$ 1,548	$ 1,286
Adjustment for one-time items	**–**	102	3	–	–
Adjustment for amortization of goodwill and other intangibles	**87**	66	62	59	38
Cash operating earnings	**2,227**	1,768	1,744	1,607	1,324
Capital charge	**(1,460)**	(1,386)	(1,229)	(1,160)	(1,061)
Economic Profit	**$ 767**	$ 382	$ 515	$ 447	$ 263
Economic Profit growth	**101%**	(26)%	15%	70%	–
Average common equity	**$ 10,814**	$ 10,264	$ 9,107	$ 8,003	$ 7,320
Cost of common equity	**13.5%**	13.5%	13.5%	14.5%	14.5%

(1) Economic Profit is cash operating earnings (i.e., net income available to common shareholders excluding the impact of one-time items and amortization of goodwill and other intangibles) less a charge for the cost of common equity employed.
(2) Net income less preferred share dividends.

Line of Business Results

Overview

Table 3 on page 24A shows the bank's results by business segment in 2000. Results for 1999 are shown both before and after the impact of one-time items (shown in Table 4 on page 24A). There were no one-time items in 2000. The discussion below and on pages 24A to 28A refers to core amounts (i.e., excluding one-time items) for 1999.

Personal & Commercial Financial Services generated 56% of the bank's net income in 2000 and produced a return on common equity of 22.1%. A substantial contributor to the bank's successful cost-saving initiatives, this segment achieved an efficiency ratio of 58.4% and an operating efficiency ratio of 56.3%, improvements of 500 basis points and 590 basis points, respectively, from 1999.

Wealth Management generated 18% of the bank's net income. The segment's 48.2% return on common equity reflects relatively low capital requirements due to its largely fee-based business. The efficiency ratio was 73.6%, while the operating efficiency ratio was 70.9%.

Corporate & Investment Banking generated 22% of the bank's net income. Return on common equity was 21.1%, while the efficiency ratio was 62.0% and the operating efficiency ratio was 57.5%.

Transaction Processing, a newly created segment in 2000, generated 6% of the bank's net income. Return on common equity was 32.2%, while the efficiency ratio was 68.1% and the operating efficiency ratio was 68.0%.

Other largely comprises Corporate Treasury (which manages the bank's market risk position of the non-trading businesses), Systems & Technology and Real Estate Operations. In 2000, this segment recorded a net loss of $45 million.

The bank allocates capital to its business segments based on their credit, market, operational and other risks. The four operating segments' returns on common equity in 2000 were negatively impacted by the re-allocation of approximately $1.1 billion of common equity during the first quarter from the Other segment to the four business segments to underpin operational and business risks. Approximately $400 million was re-allocated to Personal & Commercial Financial Services, $250 million to Wealth Management, $450 million to Corporate & Investment Banking and $50 million to Transaction Processing.

Table 3: **Results by Business Segment**

($ millions, taxable equivalent basis)	2000 Personal & Commercial Financial Services	2000 Wealth Management	2000 Corporate & Investment Banking	2000 Transaction Processing	2000 Other (1)	2000 Total	1999 Core (2)	1999 Reported
Net interest income	$ 4,789	$ 359	$ 43	$ 160	$ (44)	$ 5,307	$ 5,155	$ 5,155
Other income	1,769	2,138	2,287	514	24	6,732	5,375	5,480
Gross revenues	6,558	2,497	2,330	674	(20)	12,039	10,530	10,635
Provision for credit losses	649	(1)	91	(21)	(27)	691	670	760
Non-interest expenses	3,833	1,838	1,445	459	6	7,581	6,866	7,060
Income taxes	803	244	265	102	31	1,445	1,092	1,015
Non-controlling interest and taxable equivalent adjustment	12	–	21	–	15	48	43	43
Net income (loss)	$ 1,261	$ 416	$ 508	$ 134	$ (45)	$ 2,274	$ 1,859	$ 1,757
Net income (loss) as a % of total bank net income	56%	18%	22%	6%	(2)%	100%	100%	100%
Net income growth over prior year	28%	49%	32%	25%	n.a.	22%	2%	(4)%
Fully diluted earnings per share						$ 3.47	$ 2.66	$ 2.51
Economic Profit (3)	469	313	197	82	(294)	767	382	382
Return on common equity	22.1%	48.2%	21.1%	32.2%	(2.9)%	19.8%	16.6%	15.6%
Efficiency ratio (4)	58.4%	73.6%	62.0%	68.1%	n.a.	63.0%	65.2%	66.4%
Operating efficiency ratio (5)	56.3%	70.9%	57.5%	68.0%	n.a.	60.0%	64.0%	64.0%
Other income as a % of gross revenues	27%	86%	98%	76%	n.a.	56%	51%	52%
Average assets	$131,800	$ 8,000	$131,900	$ 1,600	$ 8,600	$281,900	$269,900	$269,900
Average loans and bankers' acceptances	125,600	2,600	53,000	1,200	(2,600)	179,800	175,600	175,600
Average deposits	98,900	14,400	61,900	7,600	11,000	193,800	184,800	184,800
Average common equity	5,400	800	2,300	400	1,900	10,800	10,300	10,300

(1) The Other segment comprises mainly Corporate Treasury, Systems & Technology and Real Estate Operations.
(2) Core results exclude one-time items detailed in Table 4 below. There were no one-time items in 2000.
(3) Economic Profit is defined as cash operating earnings (i.e., net income available to common shareholders excluding the impact of one-time items and amortization of goodwill and other intangibles) less a charge for the cost of common equity employed.
(4) Non-interest expenses as a percentage of gross revenues.
(5) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Table 4: **One-Time Items Affecting Business Segment Results in 1999** (1)

($ millions, taxable equivalent basis)	Personal & Commercial Financial Services	Corporate & Investment Banking	Other	Total
Other income				
Gain on sale of securities (2)	$ 28	$ –	$ –	$ 28
Gain on sale of real estate	–	–	95	95
Writedown of MECA & Integrion (3)	–	–	(18)	(18)
	28	–	77	105
Provision for credit losses				
General unallocated (4)	(35)	(55)	–	(90)
	(35)	(55)	–	(90)
Non-interest expenses				
Restructuring costs	(50)	(83)	(20)	(153)
Merger costs (5)	–	–	(36)	(36)
Expenses related to the sale of real estate	–	–	(5)	(5)
	(50)	(83)	(61)	(194)
Total impact (pre-tax)	(57)	(138)	16	(179)
Total impact (after-tax)	$ (33)	$ (78)	$ 9	$ (102)
Impact on fully diluted earnings per share				$ (0.15)

(1) There were no one-time items in Wealth Management or Transaction Processing in 1999 and no one-time items at all in 2000.
(2) Related to shares received in satisfaction of a loan previously written off.
(3) Writedowns of investment in MECA Software LLC and Integrion Financial Network LLC following the decision to migrate PC banking customers to the Internet.
(4) Recorded to allow for imperfections in models and in estimating risk.
(5) Related to the proposed merger with Bank of Montreal, which was denied by the Minister of Finance in December 1998.

Personal & Commercial Financial Services

Overview

Personal & Commercial Financial Service's net income was up 28% from a year ago.

Revenues were up 10%, with increases in all businesses, while non-interest expenses were relatively unchanged due to a highly effective cost-reduction program, resulting in an improvement in the efficiency ratio of 500 basis points from 1999. The operating efficiency ratio (i.e., excluding expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) improved by 590 basis points from 1999 to 56.3%.

The 20% increase in the provision for credit losses was largely due to higher provisions for consumer loans.

Economic Profit was $469 million, an increase of 47% over 1999.

Return on common equity was 22.1%, up from 20.6% last year.

Core Results (1)

($ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	7%	**$ 4,789**	$ 4,457
Other income	17	**1,769**	1,508
Gross revenues	10	**6,558**	5,965
Provision for credit losses			
Specific provision	33	**539**	405
General provision	(19)	**110**	135
Total provision	20	**649**	540
Non-interest expenses	1	**3,833**	3,782
Net income before income taxes	26	**2,076**	1,643
Income taxes	25	**803**	642
Non-controlling interest and taxable equivalent adjustment	–	**12**	12
Net income	28%	**$ 1,261**	$ 989
Net income as a % of total bank net income	300 bp	**56%**	53%
Economic Profit	47%	**$ 469**	$ 318
Return on common equity	150 bp	**22.1%**	20.6%
Efficiency ratio	(500)bp	**58.4%**	63.4%
Operating efficiency ratio (2)	(590)bp	**56.3%**	62.2%
Average assets	6%	**$ 131,800**	$ 123,800
Average loans and acceptances	6	**125,600**	118,400
Average deposits	5	**98,900**	94,600
Average common equity	20	**5,400**	4,500

(1) Excluding one-time items in 1999 detailed in Table 4 on page 24A. There were no one-time items in 2000.

(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Personal & Commercial Banking

- Solid revenue growth of 6% and strong volume growth
- Market leader in Canada in mortgages (15.3% market share) and second in personal lending (16.3%) and personal deposits (15.7%)
- Leadership position maintained in business financing (14.0% market share) and business deposits (21.2%)

($ millions)	% change	2000	1999
Gross revenues	6%	**$ 5,094**	$ 4,801
Average residential mortgages	6	**62,850**	59,300
Average personal loans	9	**23,600**	21,600
Average personal deposits	1	**72,500**	71,600
Average business loans	6	**36,800**	34,750
Average business deposits	14	**22,300**	19,500

Card Services

- Strong volume growth and effective cost-containment initiatives led the business to 15% earnings growth this year
- The Bank One acquisition added over 200,000 new accounts and an additional 25 affinity partners, bringing the number to over 50

($ millions, transactions in millions)	% change	2000	1999
Average managed assets	11%	**$ 5,307**	$ 4,770
Card spending volumes	8	**25,299**	23,350
Merchant spending volumes	13	**23,026**	20,346
No. of merchant debit transactions	22	**429**	351

Insurance

- Insurance net income was up 43%, partially from the release of actuarial reserves in 2000
- Total gross insurance premiums grew 35% over 1999, reflecting the acquired Canadian individual life insurance and annuity business of Prudential of America, and significant volume increases in home & auto as well as property & casualty reinsurance
- Strong growth target of $2.5 billion in annual gross premiums within five years
- Ranked in the world's top 50 reinsurers, based on net reinsurance premiums written (No. 57 in 1999), with a growing presence in the life retrocession, property & casualty and structured reinsurance businesses

($ millions)	% change	2000	1999
Gross insurance premiums			
Life	32%	**$ 912**	$ 693
Non-life	44	**286**	198
Other	233	**10**	3
Total	35%	**$ 1,208**	$ 894
Net income after tax			
Life	51%	**$ 145**	$ 96
Non-life	(167)	**(16)**	(6)
Other	50	**3**	2
Total	43%	**$ 132**	$ 92

Emerging Businesses (includes Prism Financial Corporation, Royal Bank Ventures Inc. and Security First Network Bank)

- Solid growth in Security First Network Bank's number of accounts
- Prism Financial Corporation originated $4.9 billion of mortgages since the acquisition in early April 2000
- Number of Canadian online clients, which more than doubled in 2000 over 1999, is again expected to significantly increase in 2001
- Expansion in the U.S. is creating new opportunities for cross-selling products and services among member companies

	% change	2000	1999
Security First Network Bank's No. of accounts	38%	**55,400**	40,200
Prism Financial Corporation mortgage originations ($ billions)	n.a.	**$ 4.9**	n.a.
Canadian online clients	139	**1,264,400**	530,000

Wealth Management

Overview

Royal Investment Services' net income increased by 49% over 1999, reflecting strong performances from Royal Bank Action Direct (self-directed brokerage), Private Client Division (full-service brokerage), Royal Financial Planning and Global Private Banking. The segment's contribution to the bank's net income increased to 18% from 15% in 1999. Return on common equity declined to 48.2% due to the higher allocation of capital for operational and other risks, described on page 23A.

Revenue growth exceeded expense growth, resulting in a substantial improvement in the efficiency ratio. The operating efficiency ratio improved by 720 basis points from 1999 to 70.9%.

Economic Profit was $313 million, up 42% over 1999.

Assets under administration (AUA) were up 21% as a result of double-digit percentage growth in Royal Bank Action Direct, Private Client Division and Global Private Banking.

Assets under management (AUM) were up 13%, with particularly strong growth in personal assets under management.

Financial Performance by Business

Royal Bank Action Direct

- As a result of strong capital markets, especially in the first half of the year, Royal Bank Action Direct experienced significant business growth in Canada with trade volumes up 125%, number of accounts up 34% and electronic trading volumes up 196% over last year. AUA grew 49% over 1999 to $14.5 billion and revenues were up 89%

Private Client Division

- In the full-service brokerage division, AUA were up 21% and revenues increased 25% over 1999. Fee-based assets (assets that generate fees based on a percentage of the assets, rather than transaction-based commissions) represented 14% of total AUA, up from 11% in 1999

Royal Financial Planning (formerly Personal Wealth Management)

- Royal Financial Planning, in conjunction with Personal & Commercial Banking, continued to expand the Personal Financial Advisor program – a new relationship management value proposition for a segment of affluent clients in the Royal Bank and Royal Trust branch networks

RBC Private Counsel

- Formed in the first quarter of this year to provide a solution-based focus to the global investment counsel needs of domestic clients requiring discretionary investment services

Global Private Banking

- Global Private Banking experienced 22% growth in combined personal and institutional AUA and 27% growth in AUM, due in part to the Ernst & Young Channel Islands acquisitions. Revenues were up 35% over 1999

Investment Management and Personal Trust

- Investment Management AUM and Personal Trust AUA were up 13% and 9%, respectively, over 1999. Were it not for the transfer of assets to RBC Private Counsel in early 2000, Investment Management revenues would have been up 13% from 1999

Royal Mutual Funds

- At $34 billion, mutual fund balances were up 11% from 1999. Royal Mutual Funds is the third-largest Canadian mutual fund company at October 31, 2000, with 8.1% of total mutual fund assets in Canada

Core Results (1)

($ millions, taxable equivalent basis)	% change	2000	1999 (2)
Net interest income	34%	**$ 359**	$ 267
Other income	27	**2,138**	1,684
Gross revenues	28	**2,497**	1,951
Provision for credit losses			
Specific provision	80	**(1)**	(5)
General provision	n.a.	–	5
Total provision	n.a.	**(1)**	–
Non-interest expenses	19	**1,838**	1,540
Net income before income taxes	61	**660**	411
Income taxes	86	**244**	131
Net income	49%	**$ 416**	$ 280
Net income as a % of total bank net income	300 bp	**18%**	15%
Economic Profit	42%	**$ 313**	$ 220
Return on common equity	(1140)bp	**48.2%**	59.6%
Efficiency ratio	(530)bp	**73.6%**	78.9%
Operating efficiency ratio (3)	(720)bp	**70.9%**	78.1%
Average common equity	60%	**$ 800**	$ 500

(1) There were no one-time items in 2000 or 1999.
(2) 1999 results have been restated for the transfer of Global Securities Services to the Transaction Processing segment and for the revenues and costs associated with the transfer of Royal Trust branches to the Personal & Commercial Financial Services segment.
(3) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

($ millions)	% change	2000	1999 (1)
Assets under administration			
Personal			
Royal Bank Action Direct	49%	**$ 14,500**	$ 9,700
Private Client Division	21	**107,700**	89,200
Personal Trust	9	**30,400**	28,000
Global Private Banking	41	**54,900**	39,000
Other (2)	(27)	**(1,400)**	(1,100)
Total personal	25	**206,100**	164,800
Institutional	5	**42,200**	40,100
	21%	**$ 248,300**	$ 204,900

(1) 1999 institutional assets under administration have been restated for the transfer of Global Securities Services to the Transaction Processing segment and for reorganizations within the Wealth Management segment.
(2) Other AUA represents assets administered by more than one business.

($ millions)	% change	2000	1999
Assets under management			
Institutional	12%	**$ 36,700**	$ 32,700
Personal	17	**21,500**	18,300
Mutual funds	11	**34,100**	30,600
	13%	**$ 92,300**	$ 81,600

($ millions)	% change	2000	1999 (1)
Gross revenues by business			
Royal Bank Action Direct	89%	**$ 193**	$ 102
Private Client Division	25	**1,050**	840
Royal Financial Planning	40	**112**	80
RBC Private Counsel (2)	n.a.	**92**	–
Global Private Banking	35	**388**	288
Investment Management	(8)	**253**	274
Royal Mutual Funds	11	**409**	367
	28%	**$ 2,497**	$ 1,951

(1) 1999 gross revenues have been restated for the transfer of Global Securities Services to the Transaction Processing segment, certain reorganizations within Wealth Management and for the revenues and costs associated with the transfer of Royal Trust branches to Personal & Commercial Financial Services.
(2) At the beginning of 2000, RBC Private Counsel began managing assets formerly managed by Investment Management.

Corporate & Investment Banking

Overview

The segment had a very strong performance in 2000. Net income grew 32% from 1999 and accounted for 22% of the bank's total net income, compared to 21% in 1999. Return on common equity improved to 21.1% from 20.0% in 1999.

Revenues were up 17%, with very strong growth in the Global Equity and Global Banking divisions. Net interest income declined due to higher funding costs from the growing equity derivatives portfolio, which are included in interest expense and reduce other income. The revenues from the equity derivatives portfolio are recorded in trading revenues, which are included in other income.

Non-interest expenses, excluding variable compensation and strategic initiatives, were down $51 million or 8% versus 1999.

The operating efficiency ratio improved by 230 basis points from 1999 to 57.5%.

The provision for credit losses declined 46% reflecting the exiting of unprofitable international lending relationships over the past two years.

Economic Profit was $197 million, an increase of 41% over 1999.

Core Results (1)

($ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	(89)%	**$ 43**	$ 402
Other income	44	**2,287**	1,588
Gross revenues	17	**2,330**	1,990
Provision for credit losses			
Specific provision	(52)	**81**	168
General provision	n.a.	**10**	–
Total provision	(46)	**91**	168
Non-interest expenses	19	**1,445**	1,212
Net income before income taxes	30	**794**	610
Income taxes	34	**265**	198
Non-controlling interest and taxable equivalent adjustment	(22)	**21**	27
Net income	32%	**$ 508**	$ 385
Net income as a % of total bank net income	100 bp	**22%**	21%
Economic Profit	41%	**$ 197**	$ 140
Return on common equity	110 bp	**21.1%**	20.0%
Efficiency ratio	110 bp	**62.0%**	60.9%
Operating efficiency ratio (2)	(230)bp	**57.5%**	59.8%
Average assets	4%	**$ 131,900**	$ 127,300
Average loans and acceptances	(6)	**53,000**	56,400
Average deposits	2	**61,900**	60,700
Average common equity	28	**2,300**	1,800

(1) Excluding one-time items in 1999 detailed in Table 4 on page 24A. There were no one-time items in 2000.

(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Global Banking Division

- Revenues were up 12% as mergers & acquisitions and advisory activity increased markedly. Lending revenues were up 2% even as assets were managed downwards by 12%, reflecting more fee-based lending activity
- Non-interest expenses excluding variable compensation and strategic initiatives were down by $26 million, as the restructuring and refocusing of the business continued

($ millions)	% change	2000	1999
Gross revenues	12%	**$ 855**	$ 764
Average assets	(12)	**28,500**	32,400

Global Equity Division

- The Global Equity Division generated revenues of $731 million in fiscal 2000, up 40% over fiscal 1999. Virtually all areas within the division contributed to this growth, reflecting a substantial improvement in new issue activity and continued expansion of our equity derivative operations

($ millions)	% change	2000	1999
Gross revenues	40%	**$ 731**	$ 522
Average assets	(7)	**14,300**	15,400

Global Markets Division

- Favourable foreign exchange and money market conditions helped to offset the weakness experienced in fixed income markets, and the reduced revenues from Asian restructuring conducted in 1999. FX Direct added 500 new Internet clients during the year, an increase of 135%

($ millions)	% change	2000	1999
Gross revenues	6%	**$ 744**	$ 704
Average assets	12	**89,100**	79,500

Transaction Processing

Overview

Global Integrated Solutions, a newly created segment, showed strong performance in 2000. Net income grew 25% from 1999 and accounted for 6% of the bank's total net income, unchanged from 1999. Return on common equity improved to 32.2% from 27.7% in 1999.

Revenues were up 7%, with Global Securities Services contributing all of the growth.

Non-interest expenses rose 5% during 2000. The operating efficiency ratio improved by 150 basis points from 1999 to 68.0%.

The provision for credit losses fell by $27 million, reflecting recoveries for prior years' losses on loans to international banks.

Economic Profit was $82 million, an increase of 37% over 1999.

Core Results (1)

($ millions, taxable equivalent basis)	% change	2000	1999
Net interest income	(5)%	**$ 160**	$ 168
Other income	12	**514**	459
Gross revenues	7	**674**	627
Provision for credit losses			
Specific provision	(450)	**(21)**	6
Total provision	(450)	**(21)**	6
Non-interest expenses	5	**459**	436
Net income before income taxes	28	**236**	185
Income taxes	31	**102**	78
Net income	25%	**$ 134**	$ 107
Net income as a % of total bank net income	–	**6%**	6%
Economic Profit	37%	**$ 82**	$ 60
Return on common equity	450 bp	**32.2%**	27.7%
Efficiency ratio	(140)bp	**68.1%**	69.5%
Operating efficiency ratio (2)	(150)bp	**68.0%**	69.5%
Average common equity	–	**$ 400**	$ 400

(1) Excluding one-time items in 1999 detailed in Table 4 on page 24A. There were no one-time items in 2000.

(2) Operating efficiency ratio excludes expenses and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues.

Financial Performance by Business

Global Securities Services

Global Securities Services (GSS) is Canada's largest custodian, and a recognized provider of custody and related securities services to corporate and institutional investors worldwide:

- GSS operates from 11 locations throughout the world, with a global custody network spanning more than 80 markets
- Revenues and client assets under administration grew 28% and 22%, respectively, over 1999
- GSS continues to achieve top rankings in international custody surveys. It is
  - Top-rated among Canadian custodians for the 12th consecutive year (*Global Custodian*, Agent Bank Review 2000)
  - No. 2 in the world for quality of global custody service for investment managers (R&M Consultants, Global Custody Survey 2000)
  - No. 3 for global custody service quality worldwide (*Global Investor*, Global Custody Survey 2000)

($ millions)	% change	2000	1999
Gross revenues	28%	**$ 360**	$ 280
Assets under administration	22	**920,000**	755,000

Financial Institutions, Cash Management, Payments & Trade

Cash management, payment and trade products and services are provided to the small and medium enterprises, commercial, corporate and financial institution segments.

- Revenues decreased 10% from 1999 due largely to certain revenues being reported in Corporate & Investment Banking in 2000 rather than in Global Integrated Solutions. Excluding this transfer, revenues were unchanged from 1999
- Payment volumes grew 11% over 1999

($ millions, volumes in thousands)	% change	2000	1999
Gross revenues	(10)%	**$ 314**	$ 347
Payment volumes	11	**4,690**	4,220
Payment errors (per 10,000 payments)	(15)	**.82**	.97

Financial Priority: Revenue Growth and Diversification

Highlights

- Revenue growth of 14%, substantially higher than the objective for 2000 of growth in the mid-single digits
- Net interest income up 3%
- Net interest margin of 1.88%, down 3 basis points from 1999
- Other income up 25%
- Other income 56% of total revenues, up from 51% in 1999

Net Interest Income

Net interest income was up 3% from 1999 to $5.3 billion. The increase stemmed from higher volumes of interest-earning assets, particularly retail loans. As well, the spread between the prime rate and core deposit funding costs widened slightly during the year as the average Canadian prime rate increased to 7.05% from 6.49% in 1999.

However, net interest income was reduced due to higher funding costs from the growing equity derivatives portfolio, which are included in interest expense and reduce net interest income. The revenues from the equity derivatives portfolio are recorded in trading revenues, which are included in other income.

As shown in Table 5 below, the net interest margin declined by 3 basis points from last year to 1.88%, as the benefits of a wider spread between the prime rate and core deposits and other items were more than offset by the above-mentioned growth in global equity derivatives.

Table 5: **Change in Net Interest Margin**

	2000	1999
Net interest margin (1)	**1.88%**	1.91%
Components of change from prior year		
Growth in global equity derivatives	**(.08)**	(.04)%
Prime-core deposit spread	**.03**	.01
Other	**.02**	(.01)
Total change from prior year	**(.03)%**	(.04)%

(1) Net interest income, on a taxable equivalent basis, as a percentage of average total assets.

Other income

As shown in Table 6 on page 30A, other income was $6.7 billion, up $1.4 billion or 25% from 1999 (excluding one-time revenues in 1999 shown in Table 4 on page 24A). Other income accounted for 56% of total revenues, up from 51% in 1999.

Other income was up 17% in Personal & Commercial Financial Services, rose 27% in Wealth Management, increased by 44% in Corporate & Investment Banking and rose by 12% in Transaction Processing.

Most categories of other income grew over 1999. Capital market fees rose substantially, reflecting higher revenues from full-service brokerage, discount brokerage and mergers & acquisitions activity. The growth in trading revenues is discussed on page 30A. Higher investment management and custodial fees reflected growth in assets under management and under administration. The growth in card service revenues partially stemmed from the return to the consolidated balance sheet of previously-securitized credit card receivables, the acquisition of Bank One's Canadian credit card portfolio and increased dollar volumes of transactions. The growth in foreign exchange revenues reflected increased market share. Mutual fund revenue growth reflected net growth in mutual fund assets of $3.5 billion during 2000.

Outlook

- The bank is targeting revenue growth of over 10% in 2001, under the expectations that capital markets will not strengthen or weaken significantly from the level in early December 2000, retail loan volumes will increase next year and the net interest margin will remain relatively unchanged

Table 6: **Other Income**

($ millions)	2000	1999	1998	2000 vs 1999 Increase (decrease)		1999 vs 1998 Increase (decrease)	
Capital market fees	$ 1,810	$ 1,209	$ 1,118	$ 601	50%	$ 91	8%
Trading revenues	1,540	1,106	756	434	39	350	46
Deposit and payment service charges	756	688	664	68	10	24	4
Investment management and custodial fees	684	547	495	137	25	52	11
Mutual fund revenues	528	479	447	49	10	32	7
Card service revenues	420	362	305	58	16	57	19
Securitization revenues	115	222	218	(107)	(48)	4	2
Foreign exchange revenues, other than trading	299	243	218	56	23	25	11
Credit fees	212	189	183	23	12	6	3
Revenues from insurance activities	191	161	113	30	19	48	42
Gain (loss) on sale of securities	(11)	18	66	(29)	(161)	(48)	(73)
Loss on disposal of premises and equipment	(16)	(5)	(32)	(11)	(220)	27	84
Other	204	156	187	48	31	(31)	(17)
Total core (i.e., excluding one-time gains)	6,732	5,375	4,738	1,357	25	637	13
One-time gains (1)	–	105	247	(105)	(100)	(142)	(57)
Total	$ 6,732	$ 5,480	$ 4,985	$ 1,252	23%	$ 495	10%

(1) One-time gains in 1999 are described in Table 4 on page 24A. One-time gains in 1998 of $247 million consisted of a $277 million gain on sale of LDC Brady bonds offset by other charges aggregating $30 million.

Trading Revenues

Trading revenues include gains and losses on securities and derivatives that the bank trades actively, or expects to hold for short periods, and whose values are marked-to-market daily. A description of trading revenues included in net interest income and other income is provided in footnotes (1) and (2) to Table 7 on page 31A.

Trading revenues recorded in net interest income decreased by $370 million and in other income increased by $434 million during 2000, partially due to the equity derivatives portfolio. As mentioned on page 29A, funding costs from the growing equity derivatives portfolio are included in net interest income and the revenues are recorded in other income. Total trading revenues were up $64 million or 6% in 2000, reflecting strong overall growth in the equity derivatives business and active markets in 2000. The bank continues to avoid large proprietary trading positions and conducts the majority of trading to accommodate clients in the major G7 markets and currencies.

With respect to products, as shown in Table 7 on page 31A, revenues from equity, commodity and precious metal contracts increased 51% due to growth in the equity derivatives business. Trading revenues from foreign exchange contracts rose 4%, while those from interest rate risk management contracts were 75% higher. Revenues from debt instruments shrank 39% due to additional costs of funding the inventory and weakness in all fixed income markets – in Canada, the U.S. and Europe – reflecting widening credit spreads and greater volatility. The size of the bank's high-yield bond trading portfolio was less than US$100 million at October 31, 2000, with approximately 60% of this amount in the telecommunications sector.

Table 7: **Trading Revenues**

($ millions)	**2000**	1999	1998
Net interest income (1)	**$ (365)**	$ 5	$ 179
Other income (2)	**1,540**	1,106	748
Total	**$ 1,175**	$ 1,111	$ 927
By product			
Debt instruments (3)	**$ 257**	$ 423	$ 385
Equity, commodity and precious metal contracts	**496**	329	224
Foreign exchange contracts (4)	**301**	290	267
Interest rate risk management contracts (5)	**121**	69	51
Total	**$ 1,175**	$ 1,111	$ 927

(1) Includes interest earned on trading securities and other cash instruments held in the trading portfolios less funding costs associated with trading-related derivative and security positions. Net interest income for 1999 reflects reclassification of interest expenses to net interest income from other income of $125 million. Net interest income prior to 1999 has not been restated to reflect this reclassification. A similar reclassification in 1998 would have resulted in a transfer of $50 million of interest expense to net interest income from other income. Total trading revenues did not change as a result of the reclassification.
(2) Primarily includes realized and unrealized gains and losses on trading securities, derivative instruments and foreign exchange trading activities.
(3) Includes Canadian government securities and corporate debt instruments.
(4) Includes foreign exchange spot, forward, futures and options contracts.
(5) Includes swaps, interest rate options, interest rate futures, forward rate agreements and related cash instruments used to hedge the trading derivatives portfolios.

Table 8: **Change in Net Interest Income**

	2000 vs 1999 Increase (decrease) due to changes in			1999 vs 1998 Increase (decrease) due to changes in		
($ millions, taxable equivalent basis)	**average volume** (1)	**average rate** (1)	**Net change**	average volume (1)	average rate (1)	Net change
Assets						
Deposits with other banks						
Canada	**$ 51**	**$ (11)**	**$ 40**	$ 6	$ 13	$ 19
International	**(38)**	**132**	**94**	105	(105)	–
Securities						
Trading account	**218**	**78**	**296**	268	(142)	126
Investment account	**127**	**23**	**150**	153	(28)	125
Loan substitute	**(19)**	**9**	**(10)**	(9)	(11)	(20)
Loans						
Canada						
Residential mortgage	**109**	**(10)**	**99**	256	(89)	167
Personal	**216**	**129**	**345**	158	4	162
Credit card	**139**	**40**	**179**	28	5	33
Business and government	**34**	**73**	**107**	20	(357)	(337)
Assets purchased under reverse repurchase agreements	**37**	**52**	**89**	(276)	45	(231)
International						
Business and government	**(347)**	**761**	**414**	(584)	479	(105)
Assets purchased under reverse repurchase agreements	**(24)**	**120**	**96**	111	(156)	(45)
Total interest income	**$ 503**	**$ 1,396**	**$ 1,899**	$ 236	$ (342)	$ (106)
Liabilities						
Deposits						
Canada	**$ 114**	**$ 466**	**$ 580**	$ (78)	$ 132	$ 54
International	**203**	**638**	**841**	233	(383)	(150)
Obligations related to securities sold short	**(32)**	**134**	**102**	32	(35)	(3)
Obligations related to assets sold under repurchase agreements	**(13)**	**134**	**121**	22	(95)	(73)
Subordinated debentures	**42**	**16**	**58**	(15)	(38)	(53)
Other interest-bearing liabilities	**(47)**	**92**	**45**	6	59	65
Total interest expense	**267**	**1,480**	**1,747**	200	(360)	(160)
Net interest income	**$ 236**	**$ (84)**	**$ 152**	$ 36	$ 18	$ 54

(1) Volume/rate variance is allocated on the percentage relationship of changes in balances and changes in rates to the total net change in net interest income on a taxable equivalent basis.

Table 9: **Net Interest Income on Average Assets and Liabilities**

($ millions, taxable equivalent basis)	**2000** Average balances (1)	Interest (2)	Average rate	1999 Average balances (1)	Interest (2)	Average rate	1998 Average balances (1)	Interest (2)	Average rate
Assets									
Deposits with other banks									
Canada	$ 3,225	$ 164	5.09%	$ 2,244	$ 124	5.53%	$ 2,133	$ 105	4.92%
International	14,885	811	5.45	15,694	717	4.57	13,549	717	5.29
	18,110	975	5.38	17,938	841	4.69	15,682	822	5.24
Securities									
Trading account	36,892	1,435	3.89	31,196	1,139	3.65	24,180	1,013	4.19
Investment account	18,495	1,062	5.74	16,278	912	5.60	13,562	787	5.80
Loan substitute	495	49	9.90	703	59	8.39	804	79	9.83
	55,882	2,546	4.56	48,177	2,110	4.38	38,546	1,879	4.87
Loans (3)									
Canada									
Residential mortgage	59,860	3,891	6.50	58,176	3,792	6.52	54,268	3,625	6.68
Personal	26,949	2,290	8.50	24,347	1,945	7.99	22,368	1,783	7.97
Credit card	3,559	405	11.38	2,297	226	9.84	2,009	193	9.61
Business and government	32,927	1,506	4.57	32,152	1,399	4.35	31,779	1,736	5.46
Assets purchased under reverse repurchase agreements	12,713	693	5.45	12,005	604	5.03	17,538	835	4.76
	136,008	8,785	6.46	128,977	7,966	6.18	127,962	8,172	6.39
International									
Business and government	24,495	3,446	14.07	27,405	3,032	11.06	33,083	3,137	9.48
Assets purchased under reverse repurchase agreements	9,016	385	4.27	9,764	289	2.96	6,906	334	4.84
	33,511	3,831	11.43	37,169	3,321	8.93	39,989	3,471	8.68
	169,519	12,616	7.44	166,146	11,287	6.79	167,951	11,643	6.93
Total interest-earning assets	243,511	16,137	6.63	232,261	14,238	6.13	222,179	14,344	6.46
Non-interest-bearing deposits with other banks	525			666			394		
Customers' liability under acceptances	10,281			9,508			10,033		
Other assets	27,583			27,465			28,694		
Total assets	$ 281,900	$ 16,137	5.72%	$ 269,900	$ 14,238	5.28%	$ 261,300	$ 14,344	5.49%
Liabilities and shareholders' equity									
Deposits (4)									
Canada	$ 107,533	$ 5,060	4.71%	$ 104,919	$ 4,480	4.27%	$ 106,784	$ 4,426	4.14%
International	70,575	3,997	5.66	66,498	3,156	4.75	61,933	3,306	5.34
	178,108	9,057	5.09	171,417	7,636	4.45	168,717	7,732	4.58
Obligations related to securities sold short	14,195	656	4.62	15,015	554	3.69	14,168	557	3.93
Obligations related to assets sold under repurchase agreements	11,873	653	5.50	12,169	532	4.37	11,724	605	5.16
Subordinated debentures	5,129	344	6.71	4,499	286	6.36	4,711	339	7.20
Other interest-bearing liabilities	3,042	120	3.94	5,574	75	1.35	3,936	10	.25
Total interest-bearing liabilities	212,347	10,830	5.10	208,674	9,083	4.35	203,256	9,243	4.55
Non-interest-bearing deposits	15,654			13,379			9,971		
Acceptances	10,281			9,508			10,033		
Other liabilities	30,829			25,864			26,962		
	269,111	10,830	4.02	257,425	9,083	3.53	250,222	9,243	3.69
Shareholders' equity									
Preferred	1,975			2,211			1,971		
Common	10,814			10,264			9,107		
Total liabilities and shareholders' equity	$ 281,900	$ 10,830	3.84%	$ 269,900	$ 9,083	3.37%	$ 261,300	$ 9,243	3.54%
Net interest income as a % of total average assets	$ 281,900	$ 5,307	1.88%	$ 269,900	$ 5,155	1.91%	$ 261,300	$ 5,101	1.95%
Net interest income as a % of total average interest-earning assets									
Canada	$ 176,418	$ 4,796	2.72%	$ 167,110	$ 4,405	2.64%	$ 159,847	$ 4,409	2.76%
International	67,093	511	.76	65,151	750	1.15	62,332	692	1.11
Total	$ 243,511	$ 5,307	2.18%	$ 232,261	$ 5,155	2.22%	$ 222,179	$ 5,101	2.30%

(1) Calculated on a daily basis.
(2) Interest income includes loan fees (2000 – $274 million; 1999 – $250 million; 1998 – $195 million). The taxable equivalent adjustment is based on the Canadian tax rate of 42.8% for 2000, 43.0 % for 1999 and 42.9% for 1998.
(3) Average balances include impaired loans and are net of the allowance for credit losses.
(4) Deposits include savings deposits with average balances of $34, $33 and $42 billion, interest expense of $0.7, $0.6 and $0.7 billion and average rates of 2.06%, 1.82% and 1.67% for 2000, 1999 and 1998, respectively. Deposits also include time deposits with average balances of $38, $37 and $47 billion, interest expense of $2.0, $2.0 and $2.6 billion and average rates of 5.26%, 5.41% and 5.53% for 2000, 1999 and 1998, respectively.

Financial Priority: Cost Control

Highlights

- Non-interest expenses up 10% from 1999, 390 basis points below the growth rate of revenues
- Base non-interest expenses down 1%
- Efficiency ratio of 63.0% versus 65.2% in 1999
- Operating efficiency ratio (i.e., excluding costs and revenues of strategic initiatives, costs of Stock Appreciation Rights and one-time expenses and revenues) of 60.0%, 400 basis points better than in 1999
- Removed $580 million of costs from the expense base by the end of 2000, compared to objective of $400 million

Performance

As shown in Table 10 below, core non-interest expenses (i.e., excluding one-time expenses in 1999 mentioned in Table 4 on page 24A) were up $715 million or 10% from 1999. There were a number of factors that accounted for this increase. The bank incurred expenses relating to strategic initiatives of $390 million in 2000, up $259 million from last year. These largely related to acquisitions such as Prism Financial, private banking operations of Ernst & Young in Jersey, Channel Islands, insurance operations of Prudential of America Life Insurance Co. (Canada), hiring of teams in investment banking outside Canada and growth of North American eBusiness initiatives. Additionally, appreciation in the bank's share price during 2000 resulted in a $52 million expense for Stock Appreciation Rights (SARs) that were granted under the Stock Option Plan in November 1999. There was no such expense recorded in 1999. Operating non-interest expenses (i.e., excluding costs of strategic initiatives and SARs and one-time expenses) were up 6% from 1999 as shown in Table 11 on page 34A.

Performance-related compensation costs were up $453 million this year, largely due to much stronger results in Corporate & Investment Banking and Wealth Management. Base non-interest expenses (operating non-interest expenses less performance-related compensation) were actually down 1% from 1999 as also shown in Table 11.

Table 10: **Non-Interest Expenses**

($ millions)	**2000**	1999	1998	**2000 vs 1999 Increase (decrease)**		1999 vs 1998 Increase (decrease)	
Human resources	**$ 4,651**	$ 3,949	$ 3,544	**$ 702**	**18%**	$ 405	11%
Occupancy							
Net premises rent	**384**	262	239	**122**	**47**	23	10
Premises repairs and maintenance	**68**	88	93	**(20)**	**(23)**	(5)	(5)
Depreciation	**81**	92	92	**(11)**	**(12)**	–	–
Property taxes	**15**	41	46	**(26)**	**(63)**	(5)	(11)
Energy	**22**	33	33	**(11)**	**(33)**	–	–
	570	516	503	**54**	**10**	13	3
Equipment							
Office and computer rental and maintenance	**376**	376	329	**–**	**–**	47	14
Depreciation	**289**	297	250	**(8)**	**(3)**	47	19
	665	673	579	**(8)**	**(1)**	94	16
Communications							
Telecommunications	**225**	225	209	**–**	**–**	16	8
Marketing and public relations	**173**	182	175	**(9)**	**(5)**	7	4
Postage and courier	**170**	157	156	**13**	**8**	1	1
Stationery and printing	**127**	129	125	**(2)**	**(2)**	4	3
	695	693	665	**2**	**–**	28	4
Other							
Professional fees	**267**	274	262	**(7)**	**(3)**	12	5
Business and capital taxes	**134**	114	118	**20**	**18**	(4)	(3)
Deposit insurance	**30**	71	111	**(41)**	**(58)**	(40)	(36)
Travel and relocation	**85**	90	98	**(5)**	**(6)**	(8)	(8)
Amortization of goodwill and other intangibles	**87**	66	62	**21**	**32**	4	6
Employee training	**38**	48	60	**(10)**	**(21)**	(12)	(20)
Donations	**26**	29	25	**(3)**	**(10)**	4	16
Other	**333**	343	280	**(10)**	**(3)**	63	23
	1,000	1,035	1,016	**(35)**	**(3)**	19	2
Total core (i.e., excluding one-time expenses)	**7,581**	6,866	6,307	**715**	**10**	559	9
One-time expenses (1)	**–**	194	92	**(194)**	**(100)**	102	111
Total	**$ 7,581**	$ 7,060	$ 6,399	**$ 521**	**7%**	$ 661	10%

(1) One-time expenses in 1999 are described in Table 4 on page 24A. One-time expenses of $92 million in 1998 related to a $62 million restructuring charge and other charges aggregating $30 million.

As shown in Table 12 below, the core efficiency ratio improved to 63.0% from 65.2% in 1999, while the operating efficiency ratio was 60.0%, down 400 basis points from last year. The bank achieved an operating efficiency ratio of 59.5% in the fourth quarter of 2000, in line with the objective stated in its third quarter 2000 earnings press release.

Table 11: **Components of Non-Interest Expenses**

($ millions)	2000	1999	2000 vs 1999 Increase (decrease)	
Core non-interest expenses (1)	$ 7,581	$ 6,866	$ 715	10%
Cost of strategic initiatives	390	131	259	198
Cost of Stock Appreciation Rights	52	–	52	n.a.
Operating non-interest expenses (2)	7,139	6,735	404	6
Performance-related compensation (3)	1,662	1,209	453	37
Base non-interest expenses	$ 5,477	$ 5,526	$ (49)	(1)%

(1) Excludes one-time expenses in 1999 detailed in Table 4 on page 24A. There were no one-time expenses in 2000.
(2) Core non-interest expenses less costs of strategic initiatives and Stock Appreciation Rights.
(3) Operating non-interest expenses less performance-related compensation.

Table 12: **Key Efficiency Ratios**

($ millions)	2000	1999	2000 vs 1999 Increase (decrease)	
Core non-interest expenses	$ 7,581	$ 6,866	$ 715	10%
Core revenues	$ 12,039	$ 10,530	$ 1,509	14%
Core efficiency ratio (1)	63.0%	65.2%	(220)bp	
Operating non-interest expenses	$ 7,139	$ 6,735	$ 404	6%
Operating revenues (2)	$ 11,901	$ 10,518	$ 1,383	13%
Operating efficiency ratio (3)	60.0%	64.0%	(400)bp	

(1) Core non-interest expenses as a percentage of total core revenues.
(2) Core revenues less revenues associated with strategic initiatives.
(3) Operating non-interest expenses as a percentage of operating revenues.

The substantial improvement in efficiency was achieved through the removal of $580 million of costs from the bank's cost base by the end of 2000. This compared to targeted cost savings of $400 million as shown below.

Cost Savings by End of 2000

($ millions)	Targeted	Achieved
Streamlined overhead functions	$ 100	$ 160
Enhancement of service delivery	100	150
Lower costs for purchased goods and services	100+	140
Redefinition of international corporate lending operations	75	80
Network reconfiguration	35	50
Total	$ 400+	$ 580

The bank had targeted savings of approximately $100 million from reduced overhead functions and exceeded this target by $60 million. These savings came largely from combining functions and reducing staff in businesses, geographic units and the head office.

Enhancement of service delivery refers to the removal and centralization of after-sales servicing and administrative activities from the bank's branches. The targeted cost savings from these efforts were approximately $100 million, and $150 million were realized.

Approximately a quarter of the $400 million of cost savings was targeted from lower procurement costs. The bank achieved $140 million in savings from these sourcing initiatives.

The returns from international corporate lending have been volatile and insufficient to warrant an extensive and expensive network outside Canada. Savings of $80 million were achieved by the end of 2000 from the restructuring of international corporate banking and global financial institutions operations.

With approximately 90% of routine transactions now conducted through electronic channels, branches have increasingly become sales and advice outlets. The branch network was rationalized and restructured, for total cost savings of $50 million by the end of 2000.

These changes resulted in 3,504 fewer people, excluding 845 non-commissioned employees at Prism Financial Corporation, which was acquired in April 2000. The annual attrition level prior to 2000 has run around 5% or 2,500 people.

The bank believes that changes in business mix make an efficiency ratio for the entire bank an inappropriate measure of cost performance. Therefore, in future, the efficiency ratio for the bank as a whole will not be measured. Instead, emphasis will be placed on the operating efficiency ratio of each business segment and possibly other cost measures that may be appropriate for some of the segments. Operating efficiency ratios for the segments appear in the tables on pages 24A to 28A.

The bank is aiming to further improve its cost competitiveness.

Outlook

- In 2001, the bank expects to grow operating expenses at a lower rate than operating revenues

Income and Other Taxes

Income and other taxes reported in Table 13 below were $2.0 billion in 2000, comprising income taxes of $1,473 million (including a taxable equivalent adjustment) and other taxes of $557 million. Income taxes increased by $423 million over 1999, largely due to the $959 million increase in net income before income taxes, while other taxes were up $19 million as a result of higher goods and services tax and sales taxes, payroll taxes, provincial capital taxes and business taxes, which more than offset a decline in property taxes attributable to the sale of real estate in 1999.

As shown below and in note 8 of the consolidated financial statements on page 67A, the effective income tax rate increased from 36.5% in 1999 to 38.6% in 2000.

In addition to the income and other taxes reported in the consolidated income statement, the bank recorded income tax benefits of $37 million in 2000 (1999 – expense of $213 million) in shareholders' equity related to unrealized foreign currency translation gains and losses (net of hedging activities).

Table 13: **Taxes**

($ millions)	**2000**	1999	1998
Income taxes			
Consolidated statement of income	**$ 1,445**	$ 1,015	$ 1,175
Taxable equivalent adjustment	**28**	35	37
	1,473	1,050	1,212
Other taxes			
Goods and services tax and sales taxes	**208**	187	182
Payroll taxes	**188**	176	171
Provincial capital taxes	**108**	98	95
Property taxes (1)	**16**	55	63
Business taxes	**26**	16	23
Insurance premium taxes	**11**	6	6
	557	538	540
Total	**$ 2,030**	$ 1,588	$ 1,752
Effective income tax rate (2)	**38.6%**	36.5%	38.2%
Effective total tax rate (3)	**46.9%**	47.4%	48.0%

(1) Includes amounts netted against other income regarding investment properties.
(2) Income taxes reported in the consolidated statement of income, as a percentage of net income before taxes.
(3) Total income taxes and other taxes as a percentage of net income before income taxes and other taxes expressed on a taxable equivalent basis.

Financial Priority: Strong Credit Quality

Highlights

- Gross impaired loans down 2% to $1,678 million
- Net impaired loans to total loans at (.11)%, unchanged from 1999
- Provision for credit losses was down 9% from 1999 to $691 million
- Specific provision ratio of .32%, up slightly from .30% in 1999
- Net write-offs ratio of .38%, versus .55% in 1999
- Allowance for credit losses up $75 million to $1,975 million

Impaired Loans

Loans are generally classified as impaired under circumstances described in note 1 of the consolidated financial statements, on page 58A.

As indicated in Table 14 below, impaired loans declined $26 million from 1999 to $1,678 million at October 31, 2000. This reflects net additions of $813 million and write-offs and adjustments of $839 million.

As shown in Table 15 on page 38A, gross impaired loans in Canada were down $18 million, comprising a $41 million decrease in business and government loans, partially offset by a $23 million increase in consumer loans. Within business and government impaired loans in Canada, there were substantial decreases in the commercial real estate and forest products and energy sectors, and a considerable increase in the transportation and environmental sector. The increase in consumer impaired loans resulted from small increases in both the residential mortgage and personal loan portfolios. International gross impaired loans decreased $8 million as reductions in Asia and Europe more than offset an increase in the U.S. One corporate client accounted for a significant portion of the increase in impaired loans in the transportation and environmental sector, both in Canada and internationally.

As a percentage of related loans (after general allowance for loan losses), net impaired loans is unchanged from 1999 at (.11)%.

Outlook

- The bank does not expect a significant change in the level of impaired loans in 2001, based upon its expectation of continued sound economic growth in Canada, albeit at a lower rate than in 2000

Table 14: **Change in Gross Impaired Loans**

($ millions)	**2000**	1999	1998	1997	1996
Gross impaired loans at beginning of year	**$ 1,704**	$ 2,001	$ 1,819	$ 2,376	$ 2,944
Additions	**965**	990	1,271	705	1,013
Reductions	**(152)**	(247)	(643)	(624)	(629)
	813	743	628	81	384
Write-offs and adjustments	**(839)**	(1,040)	(446)	(638)	(952)
Gross impaired loans at end of year	**$ 1,678**	$ 1,704	$ 2,001	$ 1,819	$ 2,376

Provision for Credit Losses

The provision for credit losses is charged to income by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management, as discussed in the Allowance for Credit Losses section below.

The provision for credit losses was $691 million in 2000, down $69 million or 9% from 1999, as shown in Table 16 on page 39A. In Canada, the specific provision for credit losses declined in the business and government loan portfolio but increased in the consumer loan portfolio during 2000.

Provisions on personal loans rose largely due to higher provisions on student loans, growth of the personal loan portfolio, higher than expected losses on loans booked in 1999 and an increase to bring the coverage ratio (allowance for credit losses as a percentage of gross impaired loans) to the previous year's level. Accelerated write-offs of personal loans in early 2000, to bring the bank in line with the U.S. practice, had caused a decline in the allowance for loan losses on personal loans. (The bank had accelerated the write-offs of corporate loans in 1999.) The cause of the higher than expected losses on personal loans booked in 1999 has been identified and remedial action taken, with benefits expected to be realized in 12 to 15 months.

Higher provisions on credit card loans stemmed from the purchase of the Canadian credit card portfolio of Bank One, the return to the consolidated balance sheet of previously-securitized credit card receivables, growth in card volumes and a planned change in the risk profile of the business to accelerate volume growth. Despite these higher provisions, credit card net income was up 15% in 2000.

Internationally, the specific provision decreased as recoveries in Asia and Europe more than offset increases in the United States.

The specific provision amounted to .32% of average loans (including reverse repurchase agreements) and bankers' acceptances, up slightly from .30% in 1999 and compared to a goal of .30–.40% for 2000.

Outlook

- In 2001, the bank is targeting a ratio of specific provisions for credit losses to average loans (including reverse repurchase agreements) and bankers' acceptances of .30–.40%, unchanged from its goal for 2000. This is based upon the bank's expectation of continued sound economic growth in Canada, albeit at a lower rate than in 2000

Allowance for Credit Losses

The allowance for credit losses is maintained at a level sufficient to absorb probable losses in the loan and off-balance sheet portfolios. The individual elements as well as the overall allowance are evaluated on a quarterly basis. This evaluation is based on continuing assessments of problem accounts, recent loss experience and changes in other factors, including the composition and quality of the portfolio, economic conditions and regulatory requirements. The allowance is increased by the provision for credit losses, which is charged to income, and reduced by the amount of write-offs net of recoveries.

The determination of the allowance for credit losses is based upon estimates derived from historical analysis, adjusted for management's judgment relating to current assumptions. Therefore, the allowance for credit losses will inevitably differ from actual losses incurred in the future. To minimize these differences, management assesses the methodology and all significant assumptions on a regular basis.

As shown in Table 17 on page 40A, the allowance for credit losses increased $75 million between 1999 and 2000. Net write-offs decreased from $958 million to $677 million, largely due to a $299 million decrease in domestic business and government loan write-offs. During 1999, the bank had accelerated the rate of writing off problem corporate loans to be more in line with U.S. practice while still adhering to Canadian GAAP.

The bank has entered into a five-year agreement with a AAA rated reinsurer to provide capital if exceptional losses occur in the bank's loan portfolio. The agreement requires the reinsurer to purchase up to $200 million in Non-cumulative first preferred shares at the October 27, 2000 market price, should the general allowance for credit losses be drawn below a certain level. In management's view, if these shares had been issued currently, based on existing regulatory guidelines, they would qualify as Tier 1 capital. The sale of the securities would mitigate the impact of loan losses on the capital base of the bank through the replenishment of capital.

The allowance for credit losses comprises four components – specific, country risk, general allocated and general unallocated – as described in note 1 of the consolidated financial statements on page 59A.

Specific

Specific allowances are maintained to provide for the most likely losses on loans that have become impaired. Specific allowances for business and government loans are established on an individual borrower basis. Specific allowances for residential mortgages, personal loans and small business loans are determined on a portfolio basis using historical loss experiences on impaired loans. No specific allowance is maintained for credit cards, as these balances are written off after 180 days if no payment has been received.

Country Risk

Country risk allowances are maintained with respect to exposures to certain less developed countries based on an overall assessment of the outstanding exposure and underlying economic conditions in those countries.

General Allocated

The general allocated allowance reflects the best estimate of probable losses that exist within that portion of the portfolio that has not yet been specifically identified as impaired. This amount is determined based on the application of statistical expected loss factors to outstanding and undrawn facilities. The expected loss factors have been determined by assessing statistical loss migrations, adjusted to reflect management's judgment regarding items that impact the quality of the portfolio.

General Unallocated

The general unallocated allowance is determined through management's assessment of probable losses that are in the portfolio but not adequately captured in the determination of the specific, country risk and general allocated allowances. This assessment includes consideration of current economic and business conditions and regulatory requirements affecting key lending operations. It also reflects management's acknowledgement of the imprecise and subjective elements involved in modelling credit risk.

Prior to October 31, 1999, the general allocated and general unallocated allowances did not exist as separate components.

Table 15: **Impaired Loans**

($ millions)	2000 Gross	2000 Net (1)	1999 Gross	1999 Net (1)	1998 Net (1)	1997 Net (1)	1996 Net (1)
Canada							
Atlantic provinces	**$ 115**	**$ 65**	$ 77	$ 37	$ 24	$ 30	$ 32
Quebec	**198**	**121**	259	158	142	185	320
Ontario	**572**	**287**	438	190	80	203	437
Prairie provinces	**129**	**57**	198	109	64	278	296
British Columbia	**355**	**266**	415	287	350	45	31
Total Canada	**1,369**	**796**	1,387	781	660	741	1,116
Consumer							
Residential mortgage	**185**	**157**	173	131	116	114	123
Personal	**247**	**51**	236	66	61	61	40
	432	**208**	409	197	177	175	163
Business and government							
Small business (2)	**248**	**141**	232	134	43	42	15
Transportation and environmental	**185**	**120**	21	12	3	218	225
Forest products	**184**	**180**	233	197	285	6	144
Commercial real estate	**90**	**41**	186	109	69	184	320
Agriculture (2)	**53**	**39**	62	49	31	34	40
Information technology and media	**44**	**15**	57	32	31	9	(2)
Consumer goods	**37**	**23**	43	19	29	32	56
Industrial products	**28**	**18**	19	6	1	33	30
Financial services	**20**	**7**	16	1	(1)	1	6
Commercial mortgages	**16**	**–**	25	7	5	22	56
Energy	**–**	**–**	38	32	5	2	–
Other	**32**	**4**	46	(14)	(18)	(17)	63
	937	**588**	978	584	483	566	953
Total Canada	**1,369**	**796**	1,387	781	660	741	1,116
International							
United States	**145**	**69**	41	25	15	24	2
Europe	**46**	**7**	58	12	24	21	35
Latin America	**9**	**3**	10	3	1	13	1
Caribbean	**48**	**26**	47	28	31	39	51
Asia	**33**	**2**	127	35	54	15	19
	281	**107**	283	103	125	112	108
Less developed countries (LDCs)	**28**	**–**	34	–	–	–	–
Total international	**309**	**107**	317	103	125	112	108
Business and government							
Transportation and environmental	**56**	**25**	–	–	1	2	1
Commercial real estate	**4**	**1**	5	4	10	15	9
Consumer goods	**2**	**–**	18	2	34	29	34
Industrial products	**83**	**38**	38	15	21	(6)	4
Financial services	**41**	**(2)**	89	22	15	9	17
Energy	**14**	**(2)**	23	3	4	9	–
Other	**109**	**47**	144	57	40	54	43
Total international	**309**	**107**	317	103	125	112	108
Total before general allowance	**1,678**	**903**	1,704	884	785	853	1,224
General allowance	**–**	**(1,102)**	–	(1,080)	(850)	(750)	(700)
Total	**$ 1,678**	**$ (199)**	$ 1,704	$ (196)	$ (65)	$ 103	$ 524
Net impaired loans as a % of related loans and acceptances (3)							
Canada							
Residential mortgage		**.26%**		.22%	.21%	.22%	.26%
Personal		**.19**		.27	.28	.30	.23
Business and government loans and acceptances		**.99**		1.05	.86	.96	1.88
		.52		.55	.48	.55	.93
International		**.33**		.32	.31	.33	.44
Total before general allowance for loan losses		**.49%**		.51%	.44%	.51%	.85%
Total after general allowance for loan losses		**(.11)%**		(.11)%	(.04)%	.06%	.37%

(1) Net of specific allowance.
(2) The 2000 amounts include government guaranteed portions of impaired loans of $101 million in small business (1999 – $79 million) and $6 million in agriculture (1999 – $5 million). Previously, only the non-guaranteed portion was considered impaired.
(3) Loans in Canada include all loans booked in Canada, regardless of currency or residence of borrower. Related loans and acceptances are net of the specific allowance.

Table 16: **Provision for Credit Losses**

($ millions)	2000	1999	1998	1997	1996
Provision for credit losses					
Canada					
Atlantic provinces	$ 58	$ 32	$ 35	$ 37	$ 34
Quebec	22	71	63	149	165
Ontario	342	52	144	13	61
Prairie provinces	64	95	53	29	83
British Columbia	40	192	132	37	(3)
Total Canada	526	442	427	265	340
Consumer					
Residential mortgage	–	4	9	12	29
Personal	301	172	171	114	95
Credit card	102	55	28	65	76
	403	231	208	191	200
Business and government					
Small business	105	113	48	51	67
Transportation and environmental	56	7	(27)	(9)	53
Information technology and media	19	(16)	(20)	5	(44)
Consumer goods	7	11	23	(29)	48
Agriculture	4	2	4	1	(5)
Commercial mortgages	2	8	6	18	22
Industrial products	2	(10)	(6)	12	4
Financial services	–	5	113	1	(2)
Energy	(8)	12	1	(1)	(1)
Commercial real estate	(17)	9	(30)	(78)	(74)
Forest products	(36)	81	76	86	103
Other	(11)	(11)	31	17	(31)
	123	211	219	74	140
Total Canada	526	442	427	265	340
International					
United States	99	45	(7)	(8)	(14)
Europe	(9)	21	10	(24)	(22)
Latin America	2	2	(2)	7	–
Caribbean	3	–	3	7	2
Asia	(50)	20	124	83	34
Total international	45	88	128	65	–
Business and government					
Transportation and environmental	42	–	(1)	1	–
Consumer goods	(7)	(10)	(5)	46	14
Industrial products	34	31	9	5	21
Financial services	(21)	2	36	(2)	1
Energy	(2)	–	21	4	1
Commercial real estate	1	2	(2)	(1)	(30)
Other	(2)	63	70	12	(7)
Total international	45	88	128	65	–
Total specific provisions	571	530	555	330	340
Country risk provision	–	–	(80)	–	(300)
General allocated (1)	73	n.a.	n.a.	n.a.	n.a.
General unallocated (1)	47	n.a.	n.a.	n.a.	n.a.
Total general provision (1)	120	230	100	50	400
Total	$ 691	$ 760	$ 575	$ 380	$ 440
As a % of related average loans and acceptances					
Canada					
Residential mortgage	–%	.01%	.02%	.02%	.06%
Personal	1.12	.71	.76	.59	.57
Credit card	2.87	2.39	1.39	1.84	2.20
Business and government loans and acceptances	.22	.40	.37	.14	.33
	.36	.32	.31	.21	.31
International	.13	.23	.31	.22	–
Total specific provision	.32%	.30%	.31%	.21%	.26%
Total provision for credit losses	.38%	.43%	.32%	.25%	.34%

(1) The general provision was not separated into the allocated and unallocated components prior to November 1, 1999.

Table 17: **Allowance for Credit Losses**

($ millions)	**2000**	1999	1998	1997	1996
Allowance at beginning of year	**$ 1,900**	$ 2,066	$ 2,118	$ 2,235	$ 2,669
Provision for credit losses	**691**	760	575	380	440
Write-offs					
Canada					
Residential mortgage	**(11)**	(14)	(17)	(34)	(46)
Personal	**(372)**	(236)	(163)	(138)	(133)
Credit card	**(150)**	(65)	(52)	(98)	(104)
Business and government	**(225)**	(524)	(250)	(361)	(542)
	(758)	(839)	(482)	(631)	(825)
International, excluding LDCs	**(81)**	(229)	(29)	(28)	(124)
LDC exposures	**–**	(4)	(325)	(10)	(186)
	(839)	(1,072)	(836)	(669)	(1,135)
Recoveries					
Canada					
Residential mortgage	**–**	2	6	9	11
Personal	**44**	31	26	21	21
Credit card	**48**	10	24	32	28
Business and government	**48**	66	80	62	65
	140	109	136	124	125
International	**22**	5	8	17	9
	162	114	144	141	134
Net write-offs	**(677)**	(958)	(692)	(528)	(1,001)
Adjustments	**61**	32	65	31	127
Allowance at end of year	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Net write-offs (excluding LDCs) as a % of average loans and acceptances	**.38%**	.54%	.21%	.34%	.63%
Net write-offs as a % of average loans and acceptances	**.38%**	.55%	.39%	.34%	.77%
Allocation of allowance (1)					
Canada					
Residential mortgage	**$ 46**	$ 53	$ 50	$ 52	$ 65
Personal	**403**	344	156	92	77
Credit card	**88**	60	–	–	–
Business and government	**664**	748	604	562	775
	1,201	1,205	810	706	917
International	**333**	389	366	313	258
Allocated allowance for loan losses (2)	**1,534**	1,594	n.a.	n.a.	n.a.
General unallocated allowance for loan losses (2)	**337**	290	n.a.	n.a.	n.a.
Total allowance for loan losses	**$ 1,871**	$ 1,884	$ 2,026	$ 1,769	$ 1,875
Allowance for off-balance sheet and other items (3)	**98**	–	–	–	–
Allowance for loan substitute securities	**6**	16	40	30	34
Allowance for country risk securities	**–**	–	–	319	326
Total allowance for credit losses	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Composition of allowance					
Specific, including allowance for loan substitute securities	**$ 747**	$ 786	$ 1,176	$ 932	$ 1,091
Country risk	**28**	34	40	436	444
General allocated allowance for credit losses (4)	**863**	790	n.a.	n.a.	n.a.
General unallocated allowance for credit losses	**337**	290	n.a.	n.a.	n.a.
Total general allowance for credit losses (2)	**1,200**	1,080	850	750	700
Total allowance for credit losses	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235
Percentage of loans to total loans					
Canada					
Residential mortgage	**33%**	34%	32%	32%	33%
Personal	**15**	14	12	12	12
Credit card	**2**	1	1	1	3
Business and government	**32**	32	32	35	35
	82	81	77	80	83
International	**18**	19	23	20	17
Total	**100%**	100%	100%	100%	100%
Allowance for loan losses as a % of loans (including reverse repurchase agreements) and acceptances	**1.0%**	1.1%	1.2%	1.1%	1.3%
Allowances for loan losses as a % of gross impaired loans (coverage ratio), excluding LDCs	**112%**	112%	103%	94%	77%

(1) As a result of a change in methodology in 1999, the allowance for loan losses in 2000 and 1999 includes amounts for the general allocated allowance, which have been allocated to loan categories. These amounts total $765 million (1999 – $790 million) and have been allocated as follows: for Canada – residential mortgages $18 million (1999 – $11 million), personal $207 million (1999 – $174 million), credit cards $88 million (1999 – $60 million), business and government $321 million (1999 – $370 million), and international $131 million (1999 – $175 million). The amounts prior to 1999 do not include the general allocated allowance.

(2) The general allocated and unallocated allowance totalled $850 million in 1998, $750 million in 1997 and $700 million in 1996. These were not separated into allocated and unallocated components prior to October 31, 1999.

(3) During 2000, the allowance for off-balance sheet and other items was separated and is reported under other liabilities. Previously, this amount was included in the general allocated allowance for loan losses.

(4) Includes the allowance for off-balance sheet and other items.

Financial Priority: Balance Sheet and Capital Management

Highlights

- Strong growth in consumer loans
- Deposits increased at a faster rate than in 1999
- Internally generated capital of $1.5 billion
- Issued $1.2 billion of subordinated debentures and $650 million of innovative Tier 1 capital (RBC TruCS)
- Repurchased 19.7 million common shares for $660 million

As shown in Table 18 below, cash resources decreased by $3.4 billion or 15% from 1999. In 1999, cash resources had been significantly increased in preparation for potential disruptions relating to the Year 2000 issue.

Total consumer loans (residential mortgage, personal and credit card loans) were up $8.5 billion or 10% from 1999. Residential mortgages were up 6% and personal loans were up 11%. Credit cards increased $2.0 billion or 75%, partially reflecting the bank's decision, in light of market conditions, to return to the consolidated balance sheet $1.2 billion of previously-securitized credit card receivables funded by commercial paper, and the purchase of the $430 million Canadian credit card portfolio of Bank One in 2000. Business and government loans and acceptances increased by $5.2 billion or 8%. Loans in the United States and Asia were lower, as shown in Table 21 on page 47A.

Deposits increased by 8% during 2000, with increases in both international and Canadian deposits. Interest-bearing deposits accounted for over 80% of the total increase. Further details on deposits are provided in Table 25 on page 52A.

Changes in capital are discussed on page 42A.

Table 18: **Balance Sheet Growth**

($ millions)	2000		1999	
Components of growth in assets over prior year				
Cash resources	**$ (3,436)**	**(15)%**	$ 6,647	41%
Securities (1)	**6,451**	**13**	9,160	22
Loans				
Residential mortgage (1)	**3,742**	**6**	2,173	4
Personal	**2,764**	**11**	2,494	11
Credit card	**2,000**	**75**	721	37
Business and government	**2,870**	**5**	(7,922)	(12)
Assets purchased under reverse repurchase agreements	**(1,969)**	**(10)**	365	2
	9,407	**6**	(2,169)	(1)
Allowance for loan losses	**13**	**1**	142	7
	9,420	**6**	(2,027)	(1)
Other assets	**6,655**	**20**	(17,529)	(34)
Total change over prior year	**$ 19,090**	**7%**	$ (3,749)	(1)%
Components of growth in liabilities and shareholders' equity over prior year				
Deposits				
Personal	**$ 2,273**	**3%**	$ 1,449	2%
Business and government	**7,395**	**9**	10,116	13
Bank	**5,331**	**37**	(3,673)	(20)
	14,999	**8**	7,892	4
Other liabilities	**1,336**	**2**	(12,477)	(16)
Subordinated debentures	**1,229**	**27**	509	12
Non-controlling interest	**600**	**583**	(396)	(79)
Shareholders' equity	**926**	**7**	723	6
Total change over prior year	**$ 19,090**	**7%**	$ (3,749)	(1)%

(1) Reflects mortgage securitization balances of $0.5 billion (1999 – $3.2 billion) that have been transferred to securities.

Outlook

- The bank expects consumer loan growth in 2001 to remain solid but to moderate somewhat from 2000

Capital Management

Capital management requires balancing the desires for strong, competitive capital ratios and for maintaining high debt ratings with the need to also provide solid returns to shareholders. In striving for this balance, the bank considers expected levels of risk-adjusted assets and balance sheet assets, future investment plans and the costs and terms of current and potential capital issues.

The bank is committed to maintaining strong capital ratios through internal capital generation, the issuance of capital instruments when appropriate and controlled growth in risk-adjusted assets.

Balance Sheet Capital

Total balance sheet capital, which includes shareholders' equity and subordinated debentures, was $19.4 billion at October 31, 2000, up $2.2 billion from a year ago. The most significant factors behind the increase were $1.5 billion of internally generated capital and the net issuance of $0.6 billion of capital during 2000.

In January and August 2000, the bank issued $500 million and $700 million of subordinated debentures, respectively. Debentures of $20 million matured during the year.

In April 2000, the bank issued $50 million of common equity upon the conversion of Class C shares of the bank's wholly owned subsidiary, Royal Bank DS Holding Inc., that had been issued on November 1, 1996, in connection with the acquisition of Richardson Greenshields.

In July 2000, the bank issued $650 million of RBC TruCS, a form of innovative Tier 1 capital, which is reported as non-controlling interest in subsidiaries on the consolidated balance sheet.

On February 23, 2000, the bank received stock exchange approval to amend its normal course issuer bid, increasing the number of common shares that could be purchased during the 12-month period ending June 23, 2000, from 3.5% to 6.0% of its common share float in June 1999 (when the repurchase program was implemented), or 37.4 million shares. At the conclusion of the normal course issuer bid in June 2000, 30.2 million common shares had been repurchased since June 1999 at a cost of approximately $990 million, of which 19.7 million common shares were repurchased during fiscal 2000, at a cost of approximately $660 million.

In August 2000, the bank announced a stock dividend of one common share for each outstanding common share. The effect of this one-for-one stock dividend was the same as that of a two-for-one split of the bank's common stock. The common shares commenced trading on a post-stock dividend basis on September 25, 2000, (the record date) on the Toronto and Swiss Stock Exchanges, on September 26, 2000, on the London Stock Exchange, and on October 6, 2000, on the New York Stock Exchange.

Common share dividends were $689 million, up $101 million from 1999, and preferred share dividends were $134 million, down $23 million. The bank announced two increases in its quarterly common share dividend during the year, representing 25% growth, from $0.24 to $0.30. The dividend payout ratio (common share dividends as a percentage of net income less preferred share dividends) was 32% in 2000 and 37% in 1999. The target payout ratio is 30–40%.

On September 28, 2000, the bank announced that it had signed a definitive merger agreement with Dain Rauscher Corporation (described on page 6) and mentioned that it would issue common shares of approximately $500 million, innovative Tier 1 capital up to $750 million as well as subordinated debentures. Subsequently, on December 6, 2000, the bank issued $750 million of innovative Tier 1 capital (RBC TruCS). In addition, the bank announced on November 30, 2000, that it had filed a preliminary prospectus for the issuance of common shares.

Regulatory Capital

Capital strength for Canadian banks is regulated pursuant to guidelines issued by the Superintendent of Financial Institutions Canada (OSFI), based on standards issued by the Bank for International Settlements (BIS) and Canadian GAAP financial information.

Regulatory capital, which differs from capital recorded on the consolidated balance sheet, is allocated into two tiers. Tier 1 capital comprises the more permanent form of capital. The components of Tier 1 and Tier 2 capital are shown in Table 19 on page 43A.

Regulatory capital ratios are calculated by dividing Tier 1 and Total capital by risk-adjusted assets. Risk-adjusted assets, as shown in Table 20 on page 44A, are determined by applying risk weights to balance sheet assets and off-balance sheet financial instruments according to the relative credit risk of the counterparty. Risk-adjusted assets also include an amount for the market risk exposure associated with the bank's trading portfolio.

The bank's policy is to remain well capitalized so as to provide a safety net for the variety of risks that it is exposed to in the conduct of its business. In 1999, OSFI formally established risk-based capital targets for deposit-taking institutions in Canada. These targets are a Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. As at October 31, 2000, the bank's Tier 1 and Total capital ratios were 8.6% and 12.0%, respectively, compared to 8.1% and 11.2% at October 31, 1999. As mentioned in footnote (5) of Table 19 on page 43A, the bank's pro forma capital ratios at October 31, 2000, after giving effect to acquisitions of Dain Rauscher Corporation, Liberty Life Insurance Company and Liberty Insurance Services Corporation, the issuance of $500 million of common shares and $750 million of innovative Tier 1 capital, and the adoption of the new accounting standard on employee future benefits would have been: common shareholders' equity to risk-adjusted assets of 7.3%; Tier 1 capital ratio of 8.0%; and Total capital ratio of 11.0%.

The bank also monitors the common equity to risk-adjusted assets ratio. This ratio was 7.3% at October 31, 2000, up from 7.1% at October 31, 1999.

The bank's capital ratios on a U.S. basis, calculated using guidelines issued to U.S. banks by the Board of Governors of the Federal Reserve System (FRB) and using U.S. GAAP financial information, are provided in Table 19 on page 43A.

Pending Developments

In 1999, BIS issued a proposal for a new capital adequacy framework to replace the previous Capital Accord of 1988, under which the bank is currently regulated. This proposal continues to be at the discussion phase and a further consultative paper is expected early in 2001. It is difficult at this stage to estimate the impact of these proposed amendments on the bank's regulatory capital requirements. Implementation of final proposals is not likely to occur prior to 2002.

Table 19: **Capital Ratios** (1)

($ millions)	**2000**	1999	1998
Tier 1 capital			
Common equity	**$ 11,504**	$ 10,606	$ 9,748
Non-cumulative preferred shares	**2,037**	2,009	2,144
Non-controlling interest in subsidiaries			
RBC TruCS	**650**	–	–
Other	**23**	22	247
Goodwill	**(647)**	(611)	(546)
	13,567	12,026	11,593
Tier 2 capital			
Permanent subordinated debentures	**457**	441	463
Other subordinated debentures (2)	**5,138**	4,040	3,419
General allowance (3)	**1,188**	1,080	850
Non-controlling interest in subsidiaries	**1**	2	172
	6,784	5,563	4,904
Investments in unconsolidated subsidiaries and substantial investments (4)	**(1,307)**	(891)	(17)
Total capital	**$ 19,044**	$ 16,698	$ 16,480
Total risk-adjusted assets	**$ 158,364**	$ 149,078	$ 157,064
Capital ratios (5)			
Common equity to risk-adjusted assets	**7.3%**	7.1%	6.2%
Tier 1 capital to risk-adjusted assets	**8.6%**	8.1%	7.4%
Total capital to risk-adjusted assets	**12.0%**	11.2%	10.5%
Assets-to-capital multiple (6)	**15.3**	16.5	16.7
U.S. basis (5), (7)			
Tier 1 capital to risk-adjusted assets	**7.8%**	7.6%	6.8%
Total capital to risk-adjusted assets	**11.3%**	10.7%	10.1%
Equity to assets (8)	**4.5%**	4.6%	4.3%
Tier 1 leverage (9)	**4.2%**	4.1%	4.0%

(1) Using guidelines issued by the Superintendent of Financial Institutions Canada, based on standards issued by the Bank for International Settlements and Canadian GAAP financial information.

(2) Subordinated debentures that are within five years of maturity are subject to straight-line amortization to zero during their remaining term and, accordingly, are included above at their amortized value.

(3) The general allowance for credit losses may be included in Tier 2 capital up to a maximum of .75% of risk-adjusted assets. On October 27, 2000, the bank entered into a five-year agreement with a AAA rated reinsurer, which requires the reinsurer to purchase up to $200 million of Non-cumulative first preferred shares at the October 27, 2000 market price, should the general allowance for credit losses be drawn down below a certain level. In management's view, if these shares had been issued today they would qualify as Tier 1 capital.

(4) Relates primarily to investments in insurance subsidiaries (2000 – $960 million), which are excluded from risk-adjusted assets and deducted from Total capital beginning in 1999. Had this treatment for risk-adjusted assets and Total capital taken place in 1998, the Total capital to risk-adjusted assets ratio in that year would have been .2% lower under both the Canadian and U.S. basis. Amount also includes $5 million in 2000 for a first loss facility.

(5) On September 28, 2000, the bank and Dain Rauscher Corporation announced that they had signed a definitive merger agreement (see note 12 of the consolidated financial statements), which will increase risk-adjusted assets by approximately US$2.3 billion and reduce Tier 1 capital by approximately US$947 million. On November 1, 2000, the bank adopted the new accounting standard on employee future benefits (see note 1 of the consolidated financial statements), which will reduce Tier 1 capital in the first quarter of 2001 by $221 million. Also on November 1, 2000, the bank acquired Liberty Life Insurance Company and Liberty Insurance Services Corporation (see note 12 of the consolidated financial statements), which will reduce Total capital by US$580 million. On December 6, 2000, the bank issued $750 million of innovative Tier 1 capital (RBC TruCS). On November 30, 2000, the bank filed a preliminary prospectus providing for the issuance of $500 million of common shares, which will increase Tier 1 capital by the same amount. Had these five transactions taken place as at October 31, 2000, (assuming $500 million of issued common shares) the pro forma capital ratios would have been: common shareholders' equity to risk-adjusted assets – 7.3%; Tier 1 capital ratio – 8.0%; and Total capital ratio – 11.0%. Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information, the pro forma capital ratios would have been Tier 1 capital ratio – 7.5% and Total capital ratio – 10.4%.

(6) Total assets and specified off-balance sheet financial instruments, as determined by the Superintendent of Financial Institutions Canada, divided by Total capital.

(7) Using guidelines issued by the Board of Governors of the Federal Reserve System in the United States and U.S. GAAP financial information.

(8) Average total shareholders' equity divided by average total assets.

(9) Tier 1 capital divided by adjusted average assets net of the allowance for credit losses (includes gross derivative-related amounts, goodwill and deferred income taxes).

Table 20: **Risk-Adjusted Assets** (1)

($ millions)	Balance sheet amount	Predominant risk weight (2)	Risk-adjusted balance 2000	Risk-adjusted balance 1999
Balance sheet assets				
Cash resources	$ 19,606	20%	**$ 2,763**	$ 3,785
Securities				
Issued or guaranteed by Canadian or other OECD governments	20,925	0%	**28**	23
Other	36,085	100%	**4,081**	4,379
Residential mortgages (3)				
Insured	30,491	0%	**375**	362
Conventional	32,446	50%	**17,008**	15,979
Other loans and acceptances (3)				
Issued or guaranteed by Canadian or other OECD governments	12,700	0%	**1,221**	1,119
Other	108,638	100%	**89,523**	78,206
Other assets	28,849	0%	**4,664**	5,596
	$ 289,740		**$ 119,663**	$ 109,449

	Contract amount	Credit conversion factor	Credit equivalent amount	Predominant risk weight (2)	Risk-adjusted balance 2000	Risk-adjusted balance 1999
Off-balance sheet financial instruments						
Credit instruments						
Guarantees and standby letters of credit						
Financial	$ 10,402	100%	$ 10,402	100%	**$ 8,758**	$ 9,399
Non-financial	3,256	50%	1,628	100%	**1,626**	1,311
Documentary and commercial letters of credit	456	20%	91	100%	**86**	107
Securities lending	20,333	100%	20,333	0%	**417**	313
Commitments to extend credit						
Original term to maturity of 1 year or less	97,966	0%	–	0%	**–**	–
Original term to maturity of more than 1 year	41,599	50%	20,799	100%	**18,856**	21,606
Note issuance/revolving underwriting facilities	155	50%	77	100%	**77**	63
	$ 174,167		$ 53,330		**$ 29,820**	$ 32,799

	Notional amount	Gross positive replacement cost (5)	Credit equivalent amount (6)	Predominant risk weight (2)	Risk-adjusted balance 2000	Risk-adjusted balance 1999
Derivatives (4)						
Interest rate contracts						
Forward rate agreements	$ 16,518	$ 7	$ 10	20%	**$ 3**	$ 2
Swaps	530,652	4,517	7,288	20%	**1,892**	1,769
Options purchased	31,695	168	264	20%	**61**	120
	578,865	4,692	7,562		**1,956**	1,891
Foreign exchange contracts						
Forward contracts	554,867	10,878	16,943	20%	**4,741**	3,820
Swaps	63,048	2,636	5,421	20%	**1,198**	799
Options purchased	47,400	934	1,494	20%	**452**	360
	665,315	14,448	23,858		**6,391**	4,979
Other contracts (7)	14,227	1,423	2,208	50%	**772**	401
Total derivatives before netting	$ 1,258,407	20,563	33,628		**9,119**	7,271
Impact of master netting agreements		(10,498)	(14,934)		**(3,713)**	(2,946)
Total derivatives after netting		$ 10,065	18,694		**5,406**	4,325
Total off-balance sheet financial instruments			$ 72,024		**$ 35,226**	$ 37,124
General market risk					**3,475**	2,505
Total risk-adjusted assets					**$ 158,364**	$ 149,078

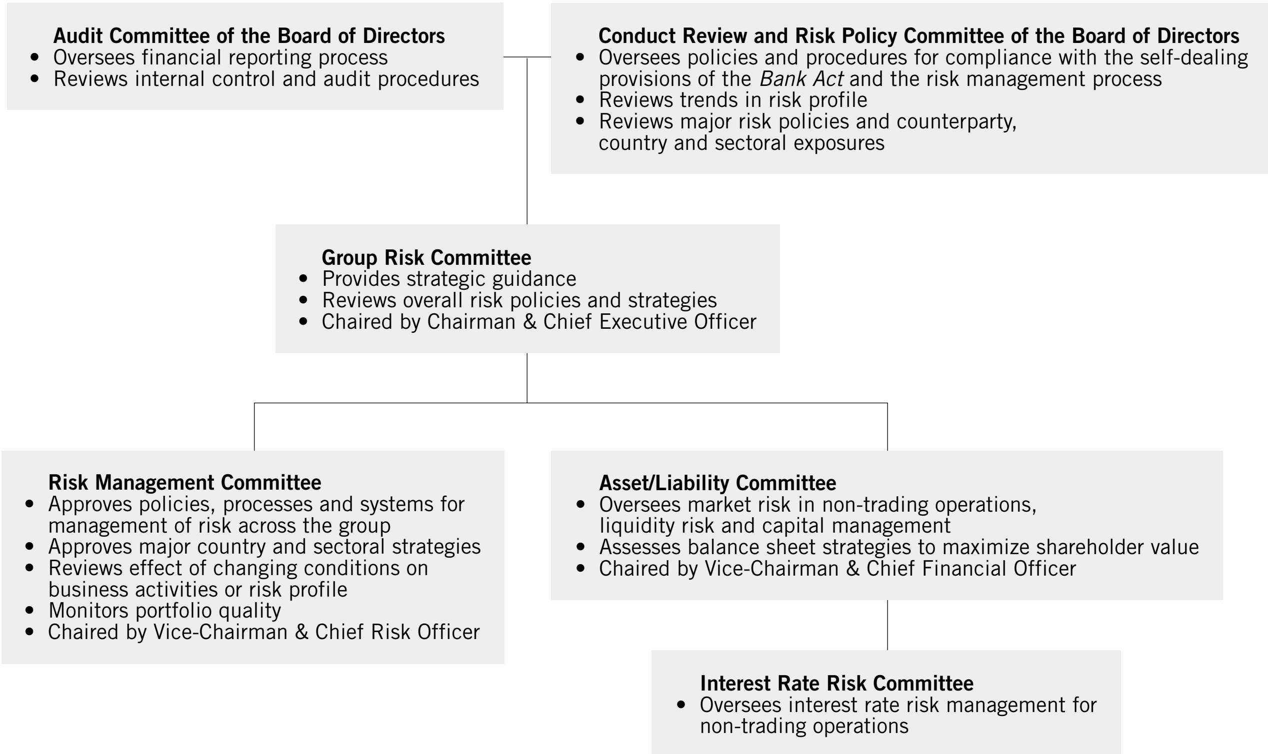
(1) Using guidelines issued by the Superintendent of Financial Institutions Canada, based on standards issued by the Bank for International Settlements and Canadian GAAP financial information.
(2) Represents the predominant counterparty risk-weighting for that category.
(3) Amounts are shown net of allowance for loan losses.
(4) Futures and some purchased options are traded on exchanges and are subject to daily margin requirements. Such instruments are excluded from the calculation of risk-adjusted assets as they are deemed to have no additional credit risk.
(5) Represents the total current replacement value of all outstanding contracts in a gain position.
(6) Consists of (i) the total positive replacement value of all outstanding contracts, and (ii) an amount for potential future credit exposure.
(7) Precious metals, commodity and equity-linked contracts.

Risk Management

Overview

The bank manages risk strategically to build shareholder value. The cornerstone of effective risk management in the bank is a strong risk management culture, which is supported by numerous strategy and policy development processes, run jointly by risk management professionals and the businesses. This partnership approach is designed to ensure strategic alignment of business, risk and resource issues.

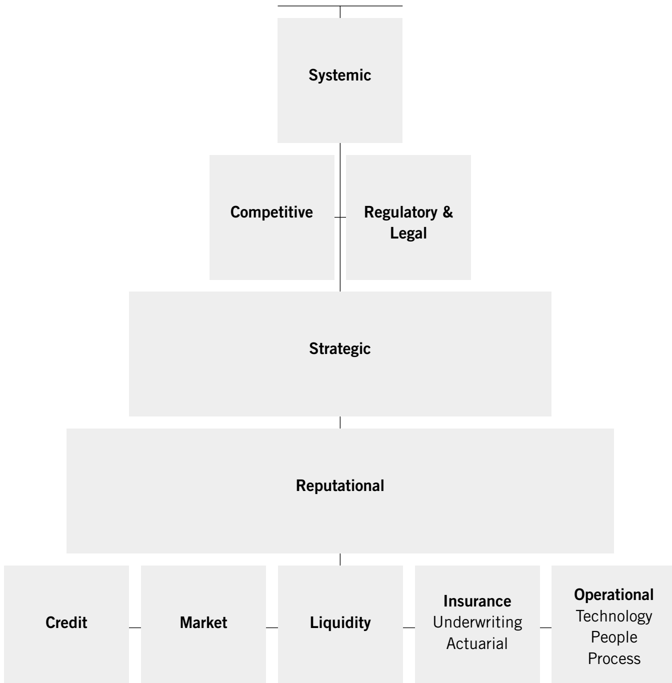
Although partnership is important, independence of the Group Risk Management function is essential. The Vice-Chairman and Chief Risk Officer, who reports directly to the Chairman and Chief Executive Officer, heads up a global function that has been structured to reflect the evolving needs and strategic initiatives of the organization. A structure of management and board committees provides oversight of the risk management process:



Introduced in 1996, and updated in 2000, the Risk Pyramid is the primary tool to assess risk across the bank. The Risk Pyramid gives the organization a common language for evaluating risk in business reviews, new businesses, new products, new initiatives, acquisitions or alliances. The Pyramid was initially developed as a communication tool and continues to serve in that capacity.

Group Risk Management professionals work in partnership with the business and functional units to identify risk, which is then measured, monitored and managed. In line with a group-wide portfolio management approach, portfolio analytical techniques are employed in an effort to optimize the risk/reward profile and ensure efficient allocation of capital within the bank.

Risk Pyramid



Credit Risk

Traditionally, credit risk is considered to be the risk of loss due to the inability or unwillingness of a counterparty to fulfill its payment obligations. However, the distinction from market risk is not clear-cut, since credit risk can also result from loss in market value due to deterioration in the financial position of a counterparty. A disciplined approach to credit risk management preserves the independence and integrity of risk assessment while being integrated into business management processes. Policies and procedures, which are communicated throughout the organization, guide the day-to-day management of credit exposure and are an essential part of the bank's business culture.

Subject to the overriding principle of portfolio diversification, the bank focuses on:

- Strategic and profitable client relationships, existing as well as prospective
- Industries where Canadian companies enjoy a particular competitive advantage or where the bank has developed special expertise
- Volume-based sectors that generate an attractive return for the risk (small business, public sector and agriculture)

The "new economy" sectors (information technology, telecommunications and media) have provided many business opportunities over the past year. The bank has actively participated in the financing of both mergers & acquisitions and new build-outs, capitalizing on the opportunities to enhance returns while rigorously applying key credit risk principles. Given the volatility of share prices of technology companies, a key priority was the need to ensure that the bank's portfolio would not be compromised in the event of low market valuations. Thus, while transactional activity in these sectors was substantial, outstanding exposure has grown only marginally.

At October 31, 2000, the bank's loans to telecommunication and cable companies was $4.8 billion, of which 66% was investment grade. Telecommunication loans alone were $3.3 billion, of which 63% were investment grade. Gross impaired loans to the telecommunication and cable sectors were less than $5 million in 2000.

The bank continues to pursue business in sectors where it has developed an expertise (communications, media and technology, energy and mining). Increasing emphasis is placed on the risk/return balance of individual transactions as well as their impact on portfolio diversification, and particular attention is being given to the appropriate balance between "new economy" and "old economy" or resource-based sectors. Exposure to highly cyclical sectors with traditionally high debt levels (forest products and commercial real estate) continues to be closely managed.

The bank has stayed the course on exposure to emerging markets. Credit risk in Asia (excluding Japan), Latin America, Central & Eastern Europe, Middle East and Africa was reduced further although not to the significant degree of the previous year. Remaining exposure in these markets is largely to companies with significant North American operations that offer the prospect of fee-generating business in their home market. Exposure has also been reduced in other countries as increasing emphasis has been placed on the risk/return profile of each client: the bank does not intend to assume credit risk on a stand-alone basis if a relationship does not meet the overall return targets.

Portfolio composition by product continues to shift away from traditional lending, particularly in global banking relationships. Emphasis is placed on trading activities such as foreign exchange, swaps, options, equity derivatives and fixed income products. Specialized teams in Toronto, New York, London and Sydney handle these transactions. Resident independent middle offices ensure that risk guidelines are adhered to. New products or structures must be approved by Group Risk Management in Toronto following risk analysis and stress testing. Exposure control of trading products has two levels. First, individual credit lines must be approved for every counterparty. Second, overall usage of approved lines is capped by product group, counterparty location or industry. Such limits are particularly important in the financial industry, as banks account for approximately 35% and non-bank financial institutions for a further 15% of all the bank's commercial credit authorizations.

Corporate & Investment Banking

For the large corporate client base, the bank uses a strategic approach to the management of risk. This incorporates forward-looking strategic limits for sectors, countries and clients based on risk analysis, business opportunities and the bank's risk appetite. Over the past year, portfolio rebalancing has continued with greater focus on selected strategic global industry sectors and core clients, and reduction in exposures in certain international markets. Portfolio management continues to play an ever-increasing role in optimizing the risk/reward profile through the development of comprehensive portfolio modelling techniques.

Personal & Commercial Financial Services

The overall economy has continued to allow for growth in the personal and commercial portfolios. Use of automated scoring decisioning has continued, and is being augmented by dataflows to support more sophisticated portfolio quality management, risk pricing, sensitivity testing and efficiencies. Industry specialization within the commercial portfolio was focused upon in 2000 and is expected to carry through into 2001, giving the bank the ability to enhance its services to that market.

Table 21: **Loans and Acceptances** (1)

($ millions)	**2000**	1999	1998	1997	1996	**2000**	1996
Canada							
Atlantic provinces	**$ 9,690**	$ 8,840	$ 8,052	$ 7,714	$ 7,233	**5.2%**	5.0%
Quebec	**16,191**	14,936	14,066	14,758	14,780	**8.7**	10.2
Ontario	**73,124**	67,120	64,566	65,538	56,333	**39.3**	38.8
Prairie provinces	**29,402**	25,521	23,288	22,150	17,814	**15.8**	12.3
British Columbia	**25,118**	23,141	22,295	21,646	19,782	**13.5**	13.6
Total Canada	**153,525**	139,558	132,267	131,806	115,942	**82.5**	79.9
International							
United States	**15,939**	17,247	17,728	12,968	10,740	**8.6**	7.4
Europe, Middle East and Africa	**9,782**	9,642	16,822	13,341	10,036	**5.2**	6.9
Caribbean	**2,059**	1,502	1,573	1,274	1,104	**1.1**	.8
Latin America	**1,842**	2,309	3,875	3,493	2,162	**1.0**	1.5
Asia	**1,781**	2,417	4,550	5,372	5,033	**1.0**	3.5
Australia and New Zealand	**1,218**	1,693	1,085	343	72	**.6**	–
Total international	**32,621**	34,810	45,633	36,791	29,147	**17.5**	20.1
Total loans and acceptances	**186,146**	174,368	177,900	168,597	145,089	**100.0%**	100.0%
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)		
Total	**$ 184,275**	$ 172,484	$ 175,874	$ 166,828	$ 143,214		
Canada							
Consumer							
Residential mortgage	**$ 61,444**	$ 58,524	$ 56,437	$ 52,835	$ 47,613	**33.0%**	32.8%
Personal	**27,207**	24,353	21,814	20,214	17,817	**14.6**	12.3
Credit card	**4,666**	2,666	1,945	2,324	3,522	**2.5**	2.4
	93,317	85,543	80,196	75,373	68,952	**50.1**	47.5
Business and government loans and acceptances							
Small business	**11,701**	10,334	8,452	7,325	6,555	**6.3**	4.5
Agriculture	**4,931**	4,217	3,851	3,479	2,988	**2.7**	2.1
Energy	**3,754**	3,350	3,442	3,845	2,349	**2.0**	1.6
Commercial mortgages	**2,961**	2,635	2,434	2,392	2,166	**1.6**	1.5
Consumer goods	**2,874**	2,086	2,802	2,787	2,813	**1.5**	1.9
Commercial real estate	**2,594**	2,400	2,523	2,872	3,285	**1.4**	2.3
Industrial products	**2,470**	2,301	2,241	2,137	1,948	**1.3**	1.3
Information technology and media	**2,338**	1,851	1,524	1,340	1,331	**1.3**	.9
Financial services	**2,218**	1,567	1,718	1,976	1,678	**1.2**	1.2
Transportation and environmental	**1,519**	1,562	1,392	1,481	1,903	**.8**	1.3
Government	**1,385**	2,105	1,951	1,575	1,891	**.8**	1.3
Forest products	**1,362**	1,151	1,728	1,976	1,856	**.7**	1.3
Other	**8,007**	6,106	6,025	6,427	5,162	**4.3**	3.6
	48,114	41,665	40,083	39,612	35,925	**25.9**	24.8
Reverse repurchase agreements	**12,094**	12,350	11,988	16,821	11,065	**6.5**	7.6
Total Canada	**153,525**	139,558	132,267	131,806	115,942	**82.5**	79.9
International							
Consumer							
Residential mortgage	**1,540**	718	632	534	507	**.8**	.4
Personal	**812**	902	947	650	623	**.5**	.4
	2,352	1,620	1,579	1,184	1,130	**1.3**	.8
Business and government loans and acceptances							
Energy	**3,051**	3,887	4,702	3,877	2,045	**1.6**	1.4
Consumer goods	**1,111**	1,411	2,756	2,365	2,518	**.6**	1.7
Commercial real estate	**271**	464	862	926	1,078	**.1**	.7
Industrial products	**1,749**	1,325	1,881	2,589	2,633	**.9**	1.8
Information technology and media	**4,710**	3,824	5,238	4,722	3,267	**2.5**	2.2
Financial services	**7,912**	6,937	10,896	11,359	9,559	**4.3**	6.6
Transportation and environmental	**1,487**	1,975	2,296	1,762	1,421	**.8**	1.0
Government	**167**	773	492	622	725	**.1**	.5
Automotive	**513**	878	2,264	1,771	1,243	**.3**	.9
Other	**3,089**	3,794	4,748	3,793	3,147	**1.7**	2.2
	24,060	25,268	36,135	33,786	27,636	**12.9**	19.0
Reverse repurchase agreements	**6,209**	7,922	7,919	1,821	381	**3.3**	.3
Total international	**32,621**	34,810	45,633	36,791	29,147	**17.5**	20.1
Total loans and acceptances	**186,146**	174,368	177,900	168,597	145,089	**100.0%**	100.0%
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)		
Total	**$ 184,275**	$ 172,484	$ 175,874	$ 166,828	$ 143,214		

(1) Based on residence of borrower.

Table 22: **Foreign Outstandings** (1)

($ millions)	2000	% of total assets	1999	% of total assets	1998	% of total assets
United States – Banks	**$ 5,462**		$ 4,208		$ 2,590	
Government	**889**		486		597	
Other	**30,034**		23,865		27,008	
	36,385	**12.56%**	28,559	10.55%	30,195	11.00%
Western Europe						
United Kingdom – Banks	**4,347**		4,960		4,593	
Government	**26**		79		113	
Other	**5,791**		4,308		5,759	
	10,164	**3.51**	9,347	3.45	10,465	3.81
France – Banks	**2,379**		2,082		2,785	
Government	**45**		57		15	
Other	**1,552**		784		1,077	
	3,976	**1.37**	2,923	1.08	3,877	1.41
Germany – Banks	**5,471**		5,608		5,335	
Government	**1**		291		262	
Other	**643**		268		143	
	6,115	**2.11**	6,167	2.28	5,740	2.10
Netherlands	**1,300**	**.45**	2,060	.76	1,184	.43
Switzerland	**1,687**	**.58**	2,044	.76	1,950	.71
Other	**4,305**	**1.49**	4,309	1.59	3,956	1.45
	27,547	**9.51**	26,850	9.92	27,172	9.91
Central/Eastern Europe, Middle East and Africa						
Saudi Arabia	**225**	**.08**	255	.09	278	.10
Turkey	**109**	**.04**	80	.03	208	.08
Other	**311**	**.10**	434	.16	613	.22
	645	**.22**	769	.28	1,099	.40
Latin America						
Argentina	**324**	**.11**	437	.16	978	.36
Brazil	**75**	**.02**	160	.06	584	.21
Chile	**751**	**.26**	640	.24	851	.31
Colombia	**165**	**.06**	229	.08	347	.13
Mexico	**343**	**.12**	665	.24	1,054	.38
Other	**47**	**.02**	43	.02	111	.04
	1,705	**.59**	2,174	.80	3,925	1.43
Caribbean						
Bahamas	**1,549**	**.54**	1,674	.62	1,149	.42
Other	**1,952**	**.67**	1,236	.46	1,607	.58
	3,501	**1.21**	2,910	1.08	2,756	1.00
Asia						
Japan – Banks	**634**		390		1,073	
Government	**1,599**		625		1,029	
Other	**1,000**		1,256		1,597	
	3,233	**1.12**	2,271	.84	3,699	1.35
China	**31**	**.01**	37	.02	245	.09
Hong Kong	**19**	**.01**	324	.12	872	.32
Indonesia	**16**	**.01**	94	.03	179	.07
Singapore	**336**	**.11**	411	.15	484	.18
South Korea	**338**	**.11**	462	.17	603	.22
Taiwan	**77**	**.03**	212	.08	898	.33
Thailand	**1**	**–**	45	.02	198	.07
Other	**44**	**.01**	43	.02	83	.02
	4,095	**1.41**	3,899	1.45	7,261	2.65
Australia and New Zealand	**1,775**	**.61**	2,444	.90	1,460	.53
Allowance for loan losses (2)	**(441)**	**(.15)**	(389)	(.14)	(366)	(.13)
Total	**$ 75,212**	**25.96%**	$ 67,216	24.84%	$ 73,502	26.79%

(1) Includes the following assets with borrowers or customers in a foreign country: loans, accrued interest, acceptances, interest-bearing deposits with other banks, securities, other interest-earning investments and other monetary assets including net revaluation gains on foreign exchange and derivative products. Local currency outstandings, whether or not hedged or funded by local currency borrowings, are included in country exposure outstandings. Foreign outstandings are reported based on location of ultimate risk.

(2) The allowance for loan losses includes the country risk allowance and the international component of the specific and the general allowance.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes, technology or human performance, or from external events. Its impact can be financial loss, loss to reputation, loss of competitive position or regulatory censure.

While operational risk can never be fully eliminated, the bank endeavours to minimize it by ensuring that the appropriate infrastructure, controls, systems, and trained and competent people are in place throughout the group. Dedicated professionals are in place to identify and implement best industry practices in the area of operational risk management.

The bank has been proactive in developing and implementing new methodologies for the identification, assessment and management of operational risk.

Again this year, all major business units were reviewed to determine the potential for high-impact but low-probability operational loss events. This risk assessment formed the basis for the internal allocation of operational risk capital for fiscal 2001. More in-depth operational risk self-assessments were also conducted in a number of major business units, resulting in action plans taken on by the businesses to manage their risks more proactively.

The bank's focus in 2001 is on the continuous improvement of operational risk assessment tools and processes across the organization, development of operational risk quantification methodologies, and staying at the forefront of best risk management practices.

eBusiness Risk

eBusiness brings together different cultures, industry practices, processes, talents and complex value chains. With this in mind, along with the speed of eBusiness growth and technological change, the bank is keeping abreast of risk management industry best practices as they develop.

Security, privacy and the management of technology are the risks most commonly cited and the trends are closely monitored and managed within the bank. Some unique and potentially high risks include strategic/business planning; business continuity; project management; and recruitment and retention of specialized human resource skills and competencies. The bank recognizes that eBusiness risk identification and management is an evolving process that will have to keep pace with changing business models and opportunities. By establishing a focal point for eBusiness risk, the bank intends to be a leader in eBusiness governance.

Market Risk

Market risk is the risk of loss that results from changes in interest rates, foreign exchange rates, equity prices and commodity prices.

Interest Rate Risk

Interest rate risk is the potential adverse impact on the bank's earnings and economic value due to changes in interest rates. The key sources of interest rate risk to which the bank is exposed are repricing mismatch risk, credit spread risk, basis risk and options risk. Repricing mismatch risk arises when there are mismatches or gaps in the amount of assets, liabilities and off-balance sheet instruments that mature or reprice in a given period, primarily due to customers' differing term preferences. Credit spread risk arises when there are changes in the credit spread that result from changes in the market's perception of general or specific credit quality and liquidity. Basis risk arises when the differentials between various indices upon which the bank prices its products change. Options risk arises from the effect of interest rate movements and changes in volatilities on the market value of the options within the bank's portfolios.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the potential adverse impact on the bank's earnings and economic value due to currency rate movements. The bank is exposed to foreign exchange rate risk in both the spot and forward foreign exchange markets and in the options market. Spot foreign exchange risk arises when the total present value of assets in any currency does not equal the total present value of liabilities in that currency. Forward foreign exchange risk arises when, for a given currency, the maturity profile of forward purchases differs from the maturity profile of forward sales. Options risk arises from the effect of interest rate and exchange rate movements and changes in volatilities on the market value of the options within the bank's portfolios.

Equity Risk

Equity risk is the potential adverse impact on the bank's earnings due to movements in individual equity prices or general movements in the value of the stock market. The bank is exposed to equity risk from the buying and selling of equities as a principal in its brokerage business. Equity risk also results from the bank's trading activities, including the providing of tailored equity derivative transactions to clients, arbitrage trading and proprietary trading.

Commodity Risk

Commodity risk is the potential adverse impact on the bank's earnings and economic value due to movements in commodity prices. The bank's commodity risk arises primarily through exposures to movements in the price of precious metals. There is minimal exposure to commodity risk in the bank's trading portfolio.

The level of market risk to which the bank is exposed varies continually, reflecting changing market conditions, expectations of future price and market movements and the composition of the bank's trading and non-trading portfolios. The bank has established risk management policies and limits for its trading and asset/liability management activities that allow it to monitor and control the exposure to market risk resulting from these activities.

Trading Activities

The market risk associated with trading activities is a result of market-making, positioning and sales and arbitrage activities in the foreign exchange, interest rate, equity and commodity markets. The bank's trading operation has a primary role of acting as a market-maker or jobber, executing transactions that meet the financial requirements of its customers, and transferring the market risks to the broad financial market. The bank also acts as principal and uses market risk positions within the authorizations granted by the board. This risk is managed primarily through a Value-At-Risk (VAR) methodology.

VAR is a generally accepted risk measurement concept that uses statistical models to estimate within a given level of confidence the maximum loss in market value that the bank would experience in its trading portfolios from an adverse one-day movement in market rates and prices. The bank's VAR measure is based on a 99% confidence level and is an estimate of the maximum potential trading loss in 99 out of every 100 days. The bank uses an historical simulation of the previous 500 trading day scenarios to determine VAR for its trading portfolio. The graph on page 50A shows the daily net trading revenue compared to the global trading VAR amounts for the year ended October 31, 2000. Net trading revenue is defined as the sum of the mark-to-market adjustments booked on trading positions and net interest income accrued from trading assets. During fiscal 2000, the bank did not experience a day with trading losses in excess of VAR.

Table 23: **Market Risk Measures – Trading Activities** (1)

($ millions)	2000 Year-end	2000 High	2000 Average	2000 Low	1999 Year-end	1999 High	1999 Average	1999 Low
Global VAR by major risk category								
Equity	**$ 14**	**$ 22**	**$ 13**	**$ 6**	$ 9	$ 22	$ 16	$ 7
Foreign exchange and commodity	**4**	**11**	**5**	**2**	6	12	7	4
Interest rate	**7**	**9**	**5**	**3**	6	11	6	3
Global VAR (2)	**$ 18**	**$ 24**	**$ 16**	**$ 10**	$ 13	$ 28	$ 20	$ 10

(1) Amounts are presented on a pre-tax basis and represent one-day VAR at a 99% confidence level.
(2) Global VAR reflects the correlation effect from each of the risk categories through diversification.

In the last year, the bank expanded the scope of its interest rate products to include credit derivatives. Credit derivatives allow trading of credit risk separate from an underlying instrument. For example, credit exposure to a company can be acquired or divested through a credit derivative without actually owning a loan or bond issued by the company. Credit derivatives are one of the fastest growing over-the-counter trading products. Credit derivatives are provided to institutional and corporate clients and are also used by the bank in the management of its lending portfolio.

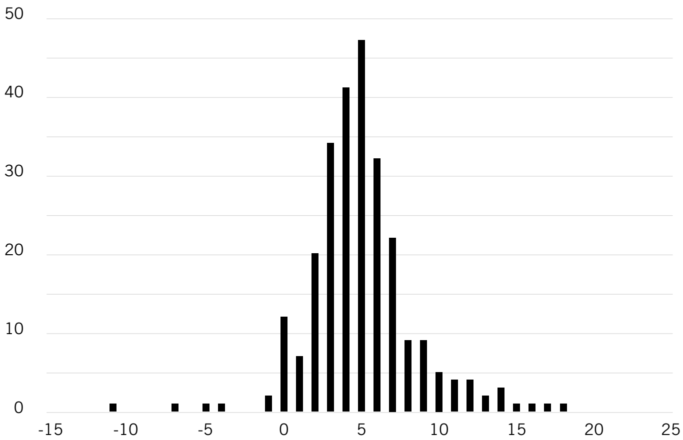
Table 23 above shows the year-end, high, average and low VAR by major risk category for the bank's combined trading activities for the years ended October 31, 2000 and 1999. The table also shows the bank's global VAR, which incorporates the effects of correlation in the movements of interest rates, exchange rates, equity prices and commodity prices and the resulting benefits of diversification within the bank's trading portfolio.

The bank also performs analysis on the potential trading losses due to stress events as a supplementary control on its market risk exposure. This is accomplished through applying historical and internally developed scenarios to the daily trading positions to monitor the effect of extreme market movements on the value of its portfolio.

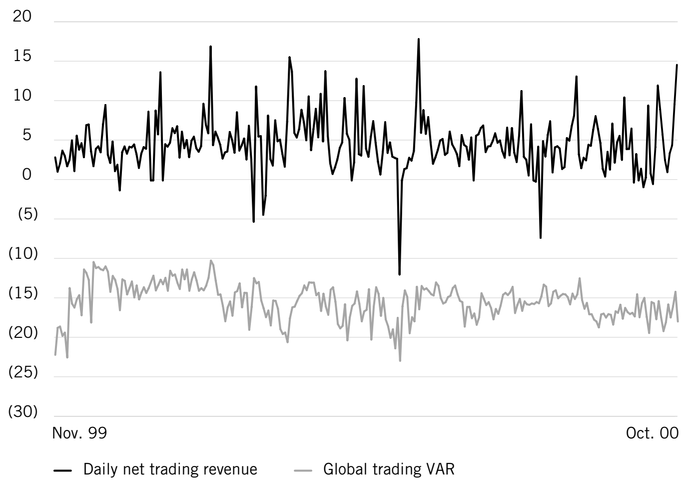
The Group Risk Management function, which is independent of the trading operations, is responsible for the daily monitoring of global trading risk exposures. The function uses the bank's VAR methodology to compare actual exposures to the limits established, to assess global risk/return trends and to alert senior management of adverse trends or positions. The function also develops and implements comprehensive risk measurement policies and risk limits that apply to trading activities.

As management recognizes that VAR is not an absolute measure of market risk, other limits are also established to control market liquidity risks, net position gap, term and volume for all products. This comprehensive market risk management framework ensures that an appropriate diversification of risks through policies is adopted on a global basis.

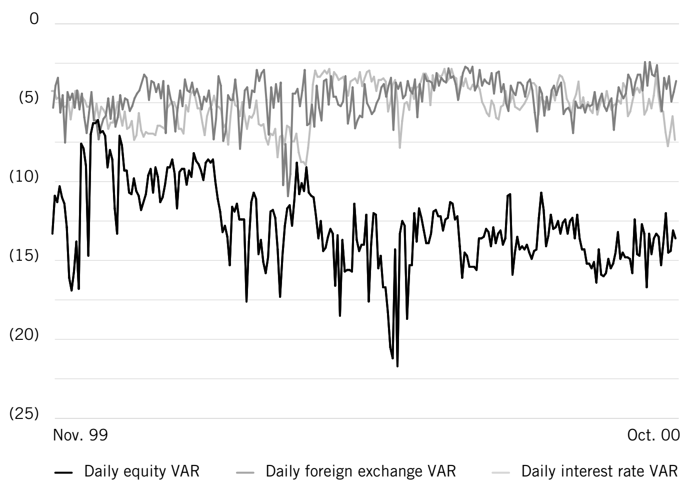
Histogram of Daily Net Trading Revenue
(number of days)



Daily Net Trading Revenue vs. Global Trading VAR
(C$ millions)



Global VAR by Major Risk Category
(C$ millions)



Asset/Liability Management Activities of the Bank's Non-Trading Portfolio
Core banking activities, such as deposit taking and lending, expose the bank to market risk, mostly in the form of interest rate risk. The risk is managed within economic value risk and net interest income risk limits approved by the Group Risk Committee. The risk limits are based on an immediate and sustained 200 basis point parallel movement in rates across all maturities. Economic value risk measures the adverse net impact on the present value of both on- and off-balance sheet assets and liabilities. The limit for economic value risk is $1.1 billion or about 10% of the bank's common equity. Net interest income risk measures the adverse impact on net interest income over the next 12 months. The net interest income risk limit is $300 million.

The Corporate Treasury function actively monitors and manages the Canadian domestic non-trading book. It also oversees a limited number of authorized units that manage their interest rate exposure at a decentralized level within established risk limits.

In managing the Canadian domestic non-trading book, the goal is to achieve a balance between reducing risk from adverse movements in interest rates and enhancing net interest income. To achieve this, derivative instruments, primarily interest rate swaps, are used to adjust the risk profile of the book taking into account the shape of the yield curve, expected changes in the level of interest rates and the current level of risk being carried. When appropriate, the bank will also purchase options to hedge some of the embedded options inherent in certain deposit and loan banking products. Embedded options allow bank customers to alter the maturity profile of their deposit or loan products. The most prevalent types of embedded options are early redemption features in certain term deposit products and prepayment options in some loan products.

The primary analytical techniques used by the bank to measure the economic value risk and net interest income risk and to manage non-trading interest rate risk are scenario analysis and starting position analysis. Scenario analysis is forward looking, and enables the bank to forecast net interest income and analyze the impact under numerous economic and interest rate scenarios. It incorporates assumptions about pricing strategies, volume and mix of new business, expected changes in the level of interest rates, changes in the shape of the yield curve and other factors such as the impact of embedded options. Starting position analysis provides the framework for measuring economic value and net interest income risk exposures against limits at a point in time. The results of the scenario and starting position analysis assist in determining the risk/return tradeoffs of potential hedging and investment strategies. This allows the bank to achieve a balance between enhancing net interest income and reducing the risk of lower earnings from adverse movements in interest rates.

Table 24 below presents the potential impact of a 100 and 200 basis point increase and decrease on the bank's economic value and on current earnings from changes in interest rates on the non-trading portfolio of the bank. These measures are based on the bank's interest rate sensitivity position at October 31, 2000, including all repricing assumptions. These measures assume that no further hedging is undertaken and that all assets and liabilities reprice by the defined amounts.

The domestic interest rate sensitivity position at October 31, 2000, including all repricing assumptions, reflects a view on future interest rate movements relative to the current yield curve. The risk position has been and is currently being actively managed to reflect the relative stability of interest rates since mid-2000. The bank's view is that medium-term and long-term rates reached a cyclical peak during the first nine months of fiscal 2000. While some short-term volatility is possible, the bank is positioning itself for fairly stable or modestly declining rates during fiscal 2001.

All interest rate measures in this section are based upon the bank's interest rate exposures at a specific time. The exposures change continually as a result of the bank's day-to-day business activities and its risk management initiatives.

Table 24: **Market Risk Measures – Non-Trading Activities**

	2000		1999	
($ millions)	**Economic value risk** (1)	**Net interest income risk** (1)	Economic value risk (1)	Net interest income risk (1)
100bp increase	**$ (306)**	**$ 71**	$ (267)	$ 87
100bp decrease	**241**	**(84)**	213	(91)
200bp increase	**$ (628)**	**$ 129**	$ (544)	$ 167
200bp decrease	**473**	**(170)**	416	(217)

(1) Amounts are presented on a pre-tax basis and represent changes in economic value and net interest income from changes in interest rates as at October 31.

Liquidity Risk

The objective of liquidity management is to ensure that the bank has the ability to generate sufficient cash or its equivalents, in a timely and cost-effective manner, to meet its commitments as they fall due. Liquidity management is critical in protecting the bank's capital, maintaining market confidence and ensuring that the bank can expand into profitable business opportunities.

The bank's liquidity management framework includes policies for several key elements, such as minimum levels of liquid assets to be held at all times. The bank uses liquid assets and repurchase and reverse repurchase agreements when managing its short-term liquidity. Liquid assets and assets purchased under reverse repurchase agreements (before pledging, see next paragraph) totalled $97.5 billion or 34% of total assets at October 31, 2000, as compared to $96.6 billion or 36% of total assets at October 31, 1999. Canadian dollar liquid assets are primarily marketable securities, and much of the bank's foreign currency liquid assets are issued by highly rated foreign banks.

Policies are also in place to ensure that the bank is able to meet potential pledging requirements that may arise. At October 31, 2000, $27.6 billion of assets had been pledged as collateral, including obligations related to assets sold under repurchase agreements. For further details, see note 12 of the consolidated financial statements.

Another key element of the liquidity management framework is cash flow management. There are limits on the maximum net outflow of funds for specified time periods, particularly for key short-term time horizons. Scenario analysis is performed on the assumed behaviour of cash flows under varying conditions to assess funding requirements and is updated as needed to reflect changing conditions.

The bank's framework also incorporates liquidity contingency planning to assess the nature and volatility of funding sources and to determine alternatives to these sources. The contingency plan would be activated to ensure that the bank's funding commitments could be met in the event of general market disruption or adverse economic conditions. The plan is reviewed and updated at least annually.

Funding diversification is another key element of liquidity management. As shown in Table 25 on page 52A, deposits from consumers comprise 44% of the bank's deposits, versus 46% in 1999. Business and government deposits as a percentage of total deposits remain at 46%. Consumer deposits represent the prime source of Canadian dollar deposits, while foreign currency deposits are primarily from large corporations and foreign banks, including central banks. The bank manages its liquidity through a strategically diversified portfolio of funding instruments. Diversification of funding instruments is achieved through the consideration of type and country of origin of depositors, by term and through various locations and legal entities.

In 2000, the bank broadened its funding capacity. First, it increased its wholesale funding by issuing $3,339 million of senior deposit notes in various currencies. Second, the bank issued $1.2 billion of subordinated debentures and $650 million of innovative Tier 1 capital as outlined in the Capital Management section on page 42A.

These alternative activities have strengthened the bank's domestic and foreign funding presence. Their future use will be continually assessed in light of market conditions and their impact on traditional funding sources.

The bank continues to securitize $1.1 billion of credit card receivables funded by medium-term notes but, in light of market conditions, $1.2 billion of previously-securitized credit card receivables funded by commercial paper were returned to the balance sheet. Credit card receivables currently funded on-balance sheet will be continually considered for future securitization and, as a result, are a source of alternative funding and capital relief.

During 2000, the bank securitized $500 million of residential mortgages into mortgage-backed securities, which are available to support the bank's activity in the domestic clearing and payment system or can be sold to generate funds.

Table 25: **Deposits**

				2000	1999	1998
($ millions)	Demand	Notice	Term	**Total**	Total	Total
Personal	$ 6,591	$ 26,222	$ 56,819	**$ 89,632**	$ 87,359	$ 85,910
Business and government	24,162	8,844	60,612	**93,618**	86,223	76,107
Bank	2,104	202	17,340	**19,646**	14,315	17,988
Total	$ 32,857	$ 35,268	$ 134,771	**$ 202,896**	$ 187,897	$ 180,005
Non-interest-bearing						
Canada				**$ 19,431**	$ 16,876	$ 14,383
International				**863**	666	430
Interest-bearing						
Canada				**116,113**	112,430	109,150
International				**66,489**	57,925	56,042
Total				**$ 202,896**	$ 187,897	$ 180,005

1999 Compared to 1998

The following discussion and analysis provides a comparison of the bank's results of operations for the years ended October 31, 1999 and 1998. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 53A to 77A. This portion of the management's discussion and analysis is based on amounts reported in the consolidated financial statements and does not exclude one-time items.

Business Segment Results

Personal & Commercial Financial Services' net income decreased 5% to $956 million in 1999, partially due to a restructuring charge of $50 million. Return on common equity declined 720 basis points to 19.9%, largely due to the re-allocation of common equity from the Other segment to the four operating segments to cover non-trading market risk. The efficiency ratio increased 30 basis points to 63.9% in 1999, also partially reflecting the above-mentioned restructuring charge.

Wealth Management's 1999 net income was up 9% from 1998 to $280 million. Return on common equity declined by 560 basis points to 59.6% due to the re-allocation of common equity mentioned above. The efficiency ratio increased by 140 basis points to 78.9%.

Corporate & Investment Banking's net income increased 32% in 1999 to $307 million. Return on common equity improved by 50 basis points to 15.6%. The efficiency ratio increased 380 basis points to 65.1%.

Transaction Processing's 1999 net income was up 282% to $107 million due to lower provision for credit losses. Return on common equity improved from 5.0% to 27.7%. The efficiency ratio increased 370 basis points to 69.5%.

Net Interest Income

Net interest income increased 1% to $5.2 billion in 1999 from $5.1 billion in 1998 partially due to higher volumes of interest-bearing assets, which were offset by a change in reporting for equity derivatives.

Other Income

Other income increased 10% to $5.5 billion in 1999, driven by revenue gains from all of the operating segments and a gain on sale of real estate.

Non-Interest Expenses

Non-interest expenses increased 10% to $7.1 billion. The increase was primarily caused by higher human resource and one-time expenses largely related to a restructuring charge in 1999. The efficiency ratio was 66.4% in 1999 compared to 63.4% in 1998.

Taxes

The bank's income and other taxes for 1999 were $1.6 billion, for an effective total tax rate of 47.4%. Income and other taxes were $1.8 billion in 1998, while the effective total tax rate was 48.0%.

Provision for Credit Losses

The provision for credit losses increased to $760 million in 1999 from $575 million in 1998. This increase resulted largely from a higher general provision of $230 million in 1999 versus $100 million in 1998.

The general allowance for credit losses was increased by $230 million in 1999 to $1,080 million or .72% of risk-adjusted assets, up from .54% in 1998. The total allowance for loan losses was $1.9 billion or 1.1% of total loans versus 1.2% in 1998.

Consolidated Financial Statements

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Royal Bank of Canada were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada. Financial information appearing throughout this Annual Report is consistent with these consolidated financial statements. Management has also prepared consolidated financial statements for Royal Bank of Canada in accordance with United States generally accepted accounting principles, and these consolidated financial statements have also been provided to shareholders.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, policies and procedure manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by a compliance function, which ensures that the bank and its employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of the bank's operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are neither officers nor employees of the bank. This Committee reviews the consolidated financial statements of the bank and recommends them to the board for approval. Other key responsibilities of the Audit Committee include reviewing the bank's existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues. The bank's Compliance Officer and Chief Internal Auditor have full and unrestricted access to the Audit Committee.

At least once a year, the Superintendent of Financial Institutions Canada, makes such examination and enquiry into the affairs of the bank as deemed necessary to ensure that the provisions of the *Bank Act*, having reference to the safety of the depositors and shareholders of the bank, are being duly observed and that the bank is in sound financial condition.

Deloitte & Touche LLP and PricewaterhouseCoopers LLP, independent auditors appointed by the shareholders of the bank upon the recommendation of the Audit Committee, have performed an independent audit of the financial statements and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

John E. Cleghorn
Chairman & Chief Executive Officer

Peter W. Currie
Vice-Chairman & Chief Financial Officer

Toronto, November 21, 2000

Auditors' Report

To the Shareholders of Royal Bank of Canada

We have audited the consolidated balance sheet of Royal Bank of Canada as at October 31, 2000 and 1999, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2000. These consolidated financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the bank as at October 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2000, in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

We also reported separately on November 21, 2000, to the shareholders of the bank on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the October 31, 2000 and 1999, consolidated financial statements, prepared in accordance with United States generally accepted accounting principles.

Deloitte & Touche LLP
PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, November 21, 2000

Consolidated Balance Sheet

As at October 31 ($ millions)	2000	1999
Assets		
Cash resources		
Cash and deposits with banks	$ 947	$ 2,460
Interest-bearing deposits with other banks	18,659	20,582
	19,606	23,042
Securities (note 3)		
Trading account	43,016	32,984
Investment account	13,529	17,040
Loan substitute	465	535
	57,010	50,559
Loans (note 4)		
Residential mortgage	62,984	59,242
Personal	28,019	25,255
Credit card	4,666	2,666
Business and government	60,546	57,676
Assets purchased under reverse repurchase agreements	18,303	20,272
	174,518	165,111
Allowance for loan losses	(1,871)	(1,884)
	172,647	163,227
Other		
Derivative-related amounts	19,155	15,151
Customers' liability under acceptances	11,628	9,257
Premises and equipment (note 5)	1,249	1,320
Goodwill	648	611
Other intangibles	208	–
Other assets	7,589	7,483
	40,477	33,822
	$ 289,740	$ 270,650
Liabilities and shareholders' equity		
Deposits		
Personal	$ 89,632	$ 87,359
Business and government	93,618	86,223
Bank	19,646	14,315
	202,896	187,897
Other		
Acceptances	11,628	9,257
Obligations related to securities sold short	13,419	17,885
Obligations related to assets sold under repurchase agreements	9,005	9,396
Derivative-related amounts	18,574	15,219
Other liabilities	14,149	13,682
	66,775	65,439
Subordinated debentures (note 6)	5,825	4,596
Non-controlling interest in subsidiaries	703	103
Shareholders' equity		
Capital stock (note 7)		
Preferred	2,037	2,009
Common (shares issued and outstanding – 602,397,936 and 617,767,562)	3,076	3,065
Retained earnings	8,428	7,541
	13,541	12,615
	$ 289,740	$ 270,650

John E. Cleghorn
Chairman & Chief Executive Officer

Robert B. Peterson
Director

Consolidated Statement of Income

For the year ended October 31 ($ millions)	**2000**	1999	1998
Interest income			
Loans	**$ 12,616**	$ 11,287	$ 11,643
Securities	**2,518**	2,075	1,842
Deposits with banks	**975**	841	822
	16,109	14,203	14,307
Interest expense			
Deposits	**9,057**	7,636	7,732
Other liabilities	**1,429**	1,161	1,172
Subordinated debentures	**344**	286	339
	10,830	9,083	9,243
Net interest income	**5,279**	5,120	5,064
Other income			
Capital market fees	**1,810**	1,209	1,118
Trading revenues	**1,540**	1,106	748
Deposit and payment service charges	**756**	688	664
Investment management and custodial fees	**684**	547	495
Mutual fund revenues	**528**	479	447
Card service revenues	**420**	362	305
Securitization revenues	**115**	222	218
Gain (loss) on sale of securities	**(11)**	28	343
Other	**890**	839	647
	6,732	5,480	4,985
Gross revenues	**12,011**	10,600	10,049
Provision for credit losses	**691**	760	575
	11,320	9,840	9,474
Non-interest expenses			
Human resources	**4,651**	4,013	3,594
Occupancy	**570**	564	508
Equipment	**665**	677	585
Communications	**695**	699	665
Other	**1,000**	1,107	1,047
	7,581	7,060	6,399
Net income before income taxes	**3,739**	2,780	3,075
Income taxes (note 8)	**1,445**	1,015	1,175
Net income before non-controlling interest	**2,294**	1,765	1,900
Non-controlling interest in net income of subsidiaries	**20**	8	76
Net income	**$ 2,274**	$ 1,757	$ 1,824
Preferred share dividends	**134**	157	145
Net income available to common shareholders	**$ 2,140**	$ 1,600	$ 1,679
Average number of common shares (in thousands)	**606,389**	626,158	617,324
Earnings per share (in dollars) (note 11)	**$ 3.53**	$ 2.55	$ 2.72
Average number of fully diluted common shares (in thousands)	**624,328**	649,300	644,040
Fully diluted earnings per share (in dollars) (note 11)	**$ 3.47**	$ 2.51	$ 2.65

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31 ($ millions)	**2000**	1999	1998
Preferred shares			
Balance at beginning of year	**$ 2,009**	$ 2,144	$ 1,784
Issued (note 7)	**–**	296	300
Redeemed for cancellation (note 7)	**–**	(400)	–
Translation adjustment on shares denominated in foreign currency	**28**	(31)	60
Balance at end of year	**2,037**	2,009	2,144
Common shares			
Balance at beginning of year	**3,065**	2,925	2,907
Issued (note 7)	**109**	192	18
Purchased for cancellation (note 7)	**(98)**	(52)	–
Balance at end of year	**3,076**	3,065	2,925
Retained earnings			
Balance at beginning of year	**7,541**	6,823	5,699
Net income	**2,274**	1,757	1,824
Preferred share dividends	**(134)**	(157)	(145)
Common share dividends	**(689)**	(588)	(543)
Premium paid on common shares purchased for cancellation (note 7)	**(562)**	(281)	–
Issuance costs	**(4)**	(9)	(7)
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes (note 8)	**2**	(4)	(5)
Balance at end of year	**8,428**	7,541	6,823
Shareholders' equity at end of year	**$ 13,541**	$ 12,615	$ 11,892

Consolidated Statement of Cash Flows

For the year ended October 31 ($ millions)	2000	1999	1998
Cash flows from operating activities			
Net income	$ 2,274	$ 1,757	$ 1,824
Adjustments to determine net cash provided by (used in) operating activities			
Provision for credit losses	691	760	575
Depreciation	370	389	342
Restructuring	–	153	68
Amortization of goodwill and other intangibles	87	66	62
Gain on sale of assets	(4)	(95)	–
Change in accrued interest receivable and payable	78	(81)	95
Net loss (gain) on sale of investment securities	11	(28)	(343)
Changes in operating assets and liabilities			
Deferred income taxes	(193)	127	144
Current income taxes payable	(434)	487	66
Unrealized gains and amounts receivable on derivative contracts	(4,004)	15,262	(15,637)
Unrealized losses and amounts payable on derivative contracts	3,355	(14,151)	14,638
Trading account securities	(10,032)	(4,437)	(9,807)
Securities sold with recourse	(312)	(239)	(337)
Obligations related to securities sold short	(4,466)	3,481	3,252
Other	711	1,021	1,465
Net cash provided by (used in) operating activities	(11,868)	4,472	(3,593)
Cash flows from investing activities			
Change in loans	(11,713)	1,632	(8,297)
Proceeds from sale of investment securities	10,439	5,163	4,432
Proceeds from the maturity of investment securities	16,769	10,839	12,377
Purchases of investment securities	(23,708)	(20,921)	(15,084)
Decrease in loan substitute securities	70	224	63
Change in interest-bearing deposits with other banks	1,927	(6,596)	5,406
Net acquisitions of premises and equipment	(281)	(301)	(518)
Net proceeds from sale of real estate	–	815	–
Change in assets purchased under reverse repurchase agreements	1,969	(365)	(1,265)
Net cash used in acquisition of subsidiaries	(323)	(133)	(7)
Net cash used in investing activities	(4,851)	(9,643)	(2,893)
Cash flows from financing activities			
Issue of RBC Trust Capital Securities (RBC TruCS)	650	–	–
Increase in deposits	14,882	7,892	6,057
Issue of subordinated debentures	1,200	700	500
Subordinated debentures matured	(20)	(123)	(72)
Issue of preferred shares	–	296	300
Preferred shares redeemed for cancellation	–	(400)	–
Issuance costs	(4)	(9)	(7)
Issue of common shares	59	17	18
Common shares redeemed for cancellation	(660)	(333)	–
Dividends paid	(791)	(735)	(662)
Change in securities sold under repurchase agreements	(391)	(1,868)	1,806
Change in liabilities of subsidiaries	281	(215)	(315)
Net cash provided by financing activities	15,206	5,222	7,625
Net change in cash and deposits with banks	(1,513)	51	1,139
Cash and deposits with banks at beginning of year	2,460	2,409	1,270
Cash and deposits with banks at end of year	$ 947	$ 2,460	$ 2,409
Supplemental disclosure of cash flow information			
Amount of interest paid in year	$ 10,698	$ 8,989	$ 9,163
Amount of income taxes paid in year	$ 2,007	$ 542	$ 604

Note 1: **Significant Accounting Policies**

Pursuant to the *Bank Act*, these consolidated financial statements of Royal Bank of Canada are prepared in accordance with Canadian generally accepted accounting principles (GAAP), including the accounting requirements of the Superintendent of Financial Institutions Canada. The bank has also prepared consolidated financial statements in accordance with United States GAAP and these have also been provided to shareholders.

GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates. Note 17 of the consolidated financial statements describes and reconciles the differences between Canadian and United States GAAP.

Certain comparative amounts have been reclassified to conform with the current year's presentation. The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The bank has accounted for the acquisition of subsidiaries using the purchase method. The equity method is used to account for investments in associated corporations in which the bank has significant influence. These investments are reported in Other assets. The bank's share of earnings from these associated corporations is included in interest income from securities. Gains and losses realized on dispositions of these investments are included in Other income. The proportionate consolidation method is used to account for investments in which the bank exercises joint control, whereby the bank's pro rata share of the assets, liabilities, income and expenses are consolidated.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at average rates of exchange for the year.

Unrealized foreign currency translation gains and losses (net of hedging activities and related income taxes) on investments in foreign branches, subsidiaries and associated corporations where the functional currency is other than the Canadian dollar are recorded in Retained earnings. On disposal of such investments, the accumulated net translation gain or loss is included in Other income. Other foreign currency translation gains and losses (net of hedging activities) are included in Other income.

Securities

Securities are classified at the time of purchase, based on management's intentions, as Trading account or Investment account.

Trading account securities, which are purchased for resale over a short period of time, are stated at estimated current market value. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are recorded in Trading revenues in Other income. Interest income accruing on Trading account securities is recorded in Interest income from securities. Interest expense accruing on interest-bearing securities sold short is recorded in Interest expense.

Investment account securities include securities that may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in funding sources or terms, or to meet liquidity needs. Equity securities are stated at cost and debt securities at amortized cost. Premiums and discounts on debt securities are amortized to Interest income from securities using the yield method over the period to maturity of the related securities. Gains and losses realized on disposal of securities, which are calculated on an average cost basis, and writedowns to reflect other than temporary impairment in value are included in Gain on sale of securities in Other income.

Loan substitute securities are customer financings that have been structured as after-tax investments rather than conventional loans in order to provide the issuers with a borrowing rate advantage. Such securities are accorded the accounting treatment applicable to loans and, if required, are reduced by an allowance for credit losses.

Loans

Loans are stated net of an allowance for loan losses and unearned income, which is comprised of unearned interest and unamortized loan fees.

Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of principal and interest. Whenever a payment is 90 days past due, loans other than credit card balances are classified as impaired unless they are fully secured or collection efforts are reasonably expected to result in repayment of debt. Credit card balances are written off when a payment is 180 days in arrears. When a loan is identified as impaired, the accrual of interest is discontinued and any previously accrued but unpaid interest on the loan is charged to the provision for loan losses. Interest received on impaired loans is credited to the allowance for loan losses on that loan. Impaired loans are returned to performing status when all amounts including interest have been collected, all charges for loan impairment have been reversed and the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest.

When a loan has been identified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount, measured by discounting the expected future cash flows at the effective interest rate inherent in the loan. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan is credited to the provision for loan losses in the consolidated income statement. Where a portion of a loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt regarding the collectibility of principal and interest, and payments are not 90 days past due.

Collateral is obtained if, based on an evaluation of the customer's creditworthiness, it is considered necessary for the customer's overall borrowing facility. Collateral would normally be in the form of assets such as cash, government securities, shares, accounts receivable, inventory or fixed assets.

Assets acquired in respect of problem loans are recorded at the lower of their fair value or the carrying value of the loan at the date of transfer. Any excess of the carrying value of the loan over the fair value of the assets acquired is recognized by a charge to the provision for loan losses.

Fees that relate to such activities as originating, restructuring or renegotiating loans are deferred and recognized on a straight-line basis as Interest income over the expected term of such loans. Where there is reasonable expectation that a loan will result, commitment and standby fees are also recognized as Interest income over the expected term of the resulting loan. Otherwise, such fees are recorded as Other liabilities and amortized to Other income over the commitment or standby period.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit-related losses in the portfolio as well as losses that have been incurred, but are not yet identifiable. The allowance for credit losses reflects management's best estimate of losses existing in the credit portfolio at the balance sheet date. The allowance relates primarily to loans but also to deposits with other banks, derivatives, loan substitute securities and other credit instruments such as acceptances, guarantees and letters of credit. The allowance is increased by the provision for credit losses, which is charged to income, and decreased by the amount of write-offs, net of recoveries.

The allowance is determined based on management's identification and evaluation of problem accounts; estimated probable losses that exist on the remaining portfolio; and on other factors including the composition and quality of the portfolio, and changes in economic conditions.

Specific

Specific allowances are maintained to absorb losses on both specifically identified borrowers and other more homogeneous loans that have become impaired. The losses relating to identified large business and government debtors are estimated based on the present value of expected payments on an account-by-account basis. The losses relating to other portfolio-type products, excluding credit cards, are based on net write-off experience over an economic cycle. For credit cards, no specific allowance is maintained as balances are written off if no payment has been received after 180 days. Personal loans are generally written off at 150 days past due. Write-offs for other loans are generally recorded when there is no realistic prospect of full recovery.

Country Risk

Country risk allowances are maintained with respect to exposures to a number of less developed countries (LDCs) based on an overall assessment of the underlying economic conditions in those countries.

General Allocated

The general allocated allowance represents the best estimate of probable losses within the portion of the portfolio that has not yet been specifically identified as impaired. This amount is established through the application of expected loss factors to outstanding and undrawn facilities. The general allocated allowance for large business and government loans and acceptances is based on the application of expected default and loss factors, determined by statistical loss migration analysis, delineated by loan type and rating. For more homogeneous portfolios, such as residential mortgages, small business loans, personal loans and credit cards, the determination of the general allocated allowance is done on a product portfolio basis. The losses are determined by the application of loss ratios determined through the analysis of loss migration and write-off trends over an economic cycle, adjusted to reflect changes in the product offerings and credit quality of the pool.

General Unallocated

The general unallocated allowance is based on management's assessment of probable, unidentified losses in the portfolio that have not been captured in the determination of the specific, the country risk or the general allocated allowances. This assessment includes consideration of general economic and business conditions and regulatory requirements affecting key lending operations, recent loan loss experience, and trends in credit quality and concentrations. This allowance also reflects model and estimation risks. This allowance does not represent future losses or serve as a substitute for other allowances.

Assets Purchased under Reverse Repurchase Agreements and Sold under Repurchase Agreements

The bank enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) and sales of securities under agreements to repurchase (repurchase agreements). These agreements are treated as collateralized lending and borrowing transactions and are carried on the consolidated balance sheet at the amounts at which the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are included in Interest income and Interest expense, respectively.

Acceptances

Acceptances are short-term negotiable instruments issued by the bank's customers to third parties, which are guaranteed by the bank. The potential liability under acceptances is reported as a liability in the consolidated balance sheet. The recourse against the customer in the case of a call on these commitments is reported as a corresponding asset of the same amount under Other assets. Fees earned are reported in Other income.

Derivatives

Derivatives are used in sales and trading activities to provide clients with the ability to manage their market risk exposures. Derivatives are also used to manage the bank's own exposures to interest, currency and other market risks. The most frequently used derivative products are foreign exchange forward contracts, interest rate and currency swaps, foreign currency and interest rate futures, forward rate agreements, and foreign currency and interest rate options.

When used in sales and trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Other income. Market values are determined using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. A portion of the market value is deferred within Derivative-related amounts in Other liabilities and amortized to income over the life of the instruments to cover credit considerations and ongoing direct servicing costs. Unrealized gains and unrealized losses are generally reported on a gross basis as Derivative-related amounts in Other assets and Other liabilities, except where the bank has both the legal right and intent to settle these amounts simultaneously in which case they are presented on a net basis. Margin requirements and premiums paid are also included in Derivative-related amounts in Other assets, while premiums received are shown in Derivative-related amounts in Other liabilities.

When derivatives are used to manage the bank's own exposures, the income or expense is recognized over the life of the transaction as an adjustment to interest income or expense. Where derivatives have been designated and function effectively as hedges, realized gains and losses are deferred and amortized over the life of hedged assets or liabilities as adjustments to Interest income or Interest expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded principally on the straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for buildings, 3 to 10 years for hardware, 3 to 5 years for software, 7 to 10 years for furniture, fixtures and other equipment, and lease term plus first option period for leasehold improvements. Gains and losses on disposal are recorded in Other income.

Note 1: **Significant Accounting Policies** (continued)

Goodwill and Other Intangibles

Goodwill represents the excess of the price paid for the acquisition of subsidiaries over the fair value of the net assets acquired and is amortized over appropriate periods of up to 20 years, except where a writedown is required to reflect permanent impairment. Identifiable, reliably measurable Other intangible assets, such as client lists, resulting from acquisition of subsidiaries are also amortized over appropriate periods of up to 20 years. An impairment review on unamortized goodwill and other intangibles is performed periodically. Such evaluation is based on various analyses including undiscounted cash flow; market value is used if a sale or disposition is being considered.

Income Taxes

The bank uses the asset and liability method whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book purposes compared with tax purposes. Accordingly, a deferred income tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income and expense are expected to be realized. Income taxes on the consolidated statement of income include the current and deferred portions of the expense. Income taxes applicable to items charged or credited to Retained earnings are netted with such items.

Deferred income taxes accumulated as a result of temporary differences are included in Other assets. A valuation allowance is established to reduce deferred income tax assets to the amount expected to be realized. In addition, the consolidated statement of income contains items that are non-taxable or non-deductible for income tax purposes and, accordingly, cause the income tax provision to be different than what it would be if based on statutory rates.

Postretirement Benefits

The bank maintains a defined benefit pension plan that is available to substantially all employees after two years of service or at age 25, on a contributory or a non-contributory basis. The plan provides pensions based on years of service, contributions and average earnings at retirement. Employees of subsidiaries of the bank are generally covered by separate pension plans that offer comparable benefits. It is the bank's funding policy to annually contribute to its pension funds, the actuarially determined amounts needed to satisfy employee benefit laws. Investments held by the pension funds are primarily comprised of equity securities, bonds and debentures.

Actuarial valuations are performed each year to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement.

Pension expense consists of the aggregate of (a) the actuarially computed cost of pension benefits provided in respect of the current year's service, (b) imputed interest on the funding excess or deficiency of the plan and (c) the amortization of the funding excess existing at the date the current accounting policy commenced, experience gains and losses, and amounts arising as a result of changes in assumptions and plan amendments over the expected average remaining service life of employees.

The cumulative excess of pension fund contributions over the amounts recorded as an expense is reported in Other assets.

The bank also provides health and dental care benefits and life insurance coverage to employees who retire after 10 years of service, and to their dependents. Costs of providing these benefits are charged to income as expenditures are incurred.

Assets under Administration and Assets under Management

The bank administers and manages assets owned by clients that are not reflected on the consolidated balance sheet. Asset management fees are earned for providing investment management services and mutual fund products. Asset administration fees are earned for providing trust, estate administration and custodial services. Fees are recognized and reported in Other income as the services are provided.

Loan Securitization

The bank periodically securitizes loans by selling loans to special-purpose vehicles or trusts that in turn issue securities to investors. These transactions are accounted for as sales when the significant risks and rewards of ownership have been transferred and there is reasonable assurance regarding the measurement of the consideration derived from the sale. Gains on these transactions are recognized in Other income, provided there is no recourse to the bank for the consideration derived from the sale. To the extent that there is recourse to the bank on the transaction, any gain on sale would be deferred until the cash is collected and there is no recourse.

Fees earned by the bank to service the securitized loans are recognized as services are provided and reported in Securitization revenues in Other income.

Insurance Operations

Earned premium, fees, claims and changes in actuarial reserves are included in Other income. Investments are primarily included in Investment account securities and actuarial reserves are included in Other liabilities. Investment income is included in Interest income on securities and administrative expenses are included in Non-interest expenses.

Future Accounting Changes

The Canadian Institute of Chartered Accountants new standard on *Employee Future Benefits* changes the accounting for pension and other types of employee future benefits. The new standard requires the bank to accrue the costs of employee future benefits other than pensions over the working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as incurred. The new standard also requires a change in the discount rate used to value the future benefit obligation from an estimated long-term rate to a market-based interest rate. The bank will adopt the recommendations of this standard effective November 1, 2000. The cumulative impact of this change will result in a decrease in Retained earnings of $221 million and an increase in deferred tax assets of $157 million. In future years, the annual expense of employee future benefits will increase by approximately $60 million.

Note 2: **Results by Business and Geographic Segments**

2000		**Personal & Commercial Financial Services**		**Wealth Management**		**Corporate & Investment Banking**		**Transaction Processing**		**Other**		**Total**		**Canada**		**International**
Net interest income on taxable equivalent basis	$	**4,789**	$	**359**	$	**43**	$	**160**	$	**(44)**	$	**5,307**	$	**4,796**	$	**511**
Taxable equivalent adjustment		**7**		**–**		**21**		**–**		**–**		**28**		**28**		**–**
Net interest income		**4,782**		**359**		**22**		**160**		**(44)**		**5,279**		**4,768**		**511**
Other income		**1,769**		**2,138**		**2,287**		**514**		**24**		**6,732**		**5,311**		**1,421**
Gross revenues		**6,551**		**2,497**		**2,309**		**674**		**(20)**		**12,011**		**10,079**		**1,932**
Provision for credit losses		**649**		**(1)**		**91**		**(21)**		**(27)**		**691**		**703**		**(12)**
Non-interest expenses		**3,833**		**1,838**		**1,445**		**459**		**6**		**7,581**		**6,423**		**1,158**
Net income before income taxes		**2,069**		**660**		**773**		**236**		**1**		**3,739**		**2,953**		**786**
Income taxes		**803**		**244**		**265**		**102**		**31**		**1,445**		**1,344**		**101**
Non-controlling interest		**5**		**–**		**–**		**–**		**15**		**20**		**15**		**5**
Net income	$	**1,261**	$	**416**	$	**508**	$	**134**	$	**(45)**	$	**2,274**	$	**1,594**	$	**680**
Total average assets	$	**131,800**	$	**8,000**	$	**131,900**	$	**1,600**	$	**8,600**	$	**281,900**	$	**197,900**	$	**84,000**

1999		Personal & Commercial Financial Services		Wealth Management		Corporate & Investment Banking		Transaction Processing		Other		Total		Canada		International
Net interest income on taxable equivalent basis	$	4,457	$	267	$	402	$	168	$	(139)	$	5,155	$	4,405	$	750
Taxable equivalent adjustment		8		–		27		–		–		35		35		–
Net interest income		4,449		267		375		168		(139)		5,120		4,370		750
Other income		1,536		1,684		1,588		459		213		5,480		4,284		1,196
Gross revenues		5,985		1,951		1,963		627		74		10,600		8,654		1,946
Provision for credit losses		575		–		223		6		(44)		760		672		88
Non-interest expenses		3,832		1,540		1,295		436		(43)		7,060		5,973		1,087
Net income before income taxes		1,578		411		445		185		161		2,780		2,009		771
Income taxes		618		131		138		78		50		1,015		856		159
Non-controlling interest		4		–		–		–		4		8		4		4
Net income	$	956	$	280	$	307	$	107	$	107	$	1,757	$	1,149	$	608
Total average assets	$	123,800	$	8,900	$	127,300	$	1,800	$	8,100	$	269,900	$	187,800	$	82,100

1998		Personal & Commercial Financial Services		Wealth Management		Corporate & Investment Banking		Transaction Processing		Other		Total		Canada		International
Net interest income on taxable equivalent basis	$	4,192	$	336	$	530	$	202	$	(159)	$	5,101	$	4,409	$	692
Taxable equivalent adjustment		13		–		24		–		–		37		37		–
Net interest income		4,179		336		506		202		(159)		5,064		4,372		692
Other income		1,336		1,570		1,150		450		479		4,985		3,717		1,268
Gross revenues		5,515		1,906		1,656		652		320		10,049		8,089		1,960
Provision for credit losses		305		1		206		178		(115)		575		527		48
Non-interest expenses		3,514		1,478		1,030		429		(52)		6,399		5,441		958
Net income before income taxes		1,696		427		420		45		487		3,075		2,121		954
Income taxes		690		158		139		17		171		1,175		953		222
Non-controlling interest		3		12		49		–		12		76		72		4
Net income	$	1,003	$	257	$	232	$	28	$	304	$	1,824	$	1,096	$	728
Total average assets	$	111,300	$	11,700	$	125,000	$	3,200	$	10,100	$	261,300	$	179,700	$	81,600

For management reporting purposes, the operations of the bank are grouped into the business segments of Personal & Commercial Financial Services, Wealth Management, Corporate & Investment Banking and Transaction Processing with the Other segment comprised mainly of Corporate Treasury, Systems & Technology and Real Estate Operations.

The business segments operate on an arm's-length basis with respect to the purchase and sale of intra-group services. Transfer pricing of funds sold or purchased, commissions, or charges and credits for services rendered are generally at market rates.

For geographic reporting purposes, Canadian-based activities of international money market units are included in International.

Note 3: **Securities**

	Term to maturity (1) Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	2000 Total	1999 Total
Trading account (2)							
Canadian government debt (3)	$ 4,745	$ 2,788	$ 1,477	$ 1,284	$ –	$10,294	$ 9,040
U.S. Treasury and other U.S. agencies	385	1,433	122	64	–	2,004	721
Other OECD government debt	380	543	140	77	–	1,140	2,174
Mortgage-backed securities	29	22	4	13	–	68	45
Other debt	9,139	2,888	1,532	2,164	–	15,723	7,775
Equities	–	–	–	–	13,787	13,787	13,229
Total trading account	14,678	7,674	3,275	3,602	13,787	43,016	32,984
Investment account (2)							
Canadian government debt (3)							
Amortized cost	2,296	281	95	179	–	2,851	7,531
Estimated market value	2,290	282	94	177	–	2,843	7,544
Yield (4)	5.9%	6.4%	6.5%	6.8%	–	6.1%	5.3%
U.S. Treasury and other U.S. agencies							
Amortized cost	83	4	–	–	–	87	1
Estimated market value	83	4	–	–	–	87	1
Yield (4)	5.9%	6.8%	–	–	–	6.0%	4.3%
Other OECD government debt							
Amortized cost	1,226	307	41	–	–	1,574	586
Estimated market value	1,227	305	41	–	–	1,573	584
Yield (4)	1.0%	6.4%	6.3%	–	–	2.1%	5.6%
Mortgage-backed securities							
Amortized cost	198	3,774	42	77	–	4,091	4,140
Estimated market value	197	3,700	42	76	–	4,015	4,021
Yield (4)	5.9%	5.2%	5.8%	7.0%	–	5.3%	5.2%
Other debt							
Amortized cost	1,847	1,253	704	162	71	4,037	4,138
Estimated market value	1,846	1,240	636	163	67	3,952	4,094
Yield (4)	5.4%	6.6%	9.1%	6.9%	6.5%	6.5%	6.4%
Equities							
Cost	–	–	–	–	889	889	644
Estimated market value	–	–	–	–	968	968	655
Total investment account							
Amortized cost	5,650	5,619	882	418	960	13,529	17,040
Estimated market value	5,643	5,531	813	416	1,035	13,438	16,899
Loan substitute (5)	64	159	237	–	5	465	535
Total carrying value of securities (2)	$20,392	$13,452	$ 4,394	$ 4,020	$14,752	$57,010	$50,559
Total estimated market value of securities	$20,385	$13,364	$ 4,325	$ 4,018	$14,827	$56,919	$50,418

(1) Actual maturities may differ from contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.
(2) Trading account securities are carried at estimated current market values. Investment account securities are carried at amortized cost for debt securities and at cost for equity securities.
(3) Canadian government debt is comprised of securities issued or guaranteed by Canadian federal, provincial or municipal governments.
(4) The weighted average yield is based on the carrying value at the end of the year for the respective securities.
(5) The market value of loan substitute securities approximates carrying value.

Unrealized Gains and Losses on Investment Account

	2000 Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value	1999 Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Canadian government debt (1)	$ 2,851	$ 5	$ (13)	$ 2,843	$ 7,531	$ 27	$ (14)	$ 7,544
U.S. Treasury and other U.S. agencies	87	–	–	87	1	–	–	1
Other OECD government debt	1,574	1	(2)	1,573	586	3	(5)	584
Mortgage-backed securities	4,091	2	(78)	4,015	4,140	3	(122)	4,021
Other debt	4,037	36	(121)	3,952	4,138	25	(69)	4,094
Equities	889	102	(23)	968	644	30	(19)	655
	$13,529	$ 146	$ (237)	$13,438	$17,040	$ 88	$ (229)	$16,899

(1) Canadian government debt consists of securities issued or guaranteed by Canadian federal, provincial or municipal governments.

Note 4: **Loans**

	2000	1999
Canada (1)		
Residential mortgage	$ 61,444	$ 58,524
Personal	27,207	24,353
Credit card	4,666	2,666
Business and government	48,294	47,166
Total Canada	141,611	132,709
International (1)		
Residential mortgage	1,540	718
Personal	812	902
Business and government	30,555	30,782
Total international	32,907	32,402
Total loans (2)	174,518	165,111
Allowance for loan losses	(1,871)	(1,884)
Total loans net of allowance for loan losses	$172,647	$163,227

(1) Loans in Canada include all loans booked in Canada, regardless of currency or residence of borrower.
(2) Loans are net of unearned income of $121 million (1999 – $144 million).

Impaired Loans

	2000					1999
	Gross	Specific allowance	Country risk allowance	General allowances	Net	Net
Residential mortgage	$ 185	$ (28)	$ –	$ –	$ 157	$ 131
Personal	247	(196)	–	–	51	66
Business and government (1)	1,246	(523)	(28)	–	695	687
General allowances for loan losses	–	–	–	(1,102)	(1,102)	(1,080)
	$ 1,678	$ (747)	$ (28)	$ (1,102)	$ (199)	$ (196)

(1) Includes specific allowances related to loan substitute securities of $6 million (1999 – $16 million).

Allowance for Loan Losses

	2000						1999
	Balance at beginning of year	Write-offs	Recoveries	Provision for credit losses	Other	Balance at end of year	Balance at end of year
Residential mortgage	$ 53	$ (11)	$ –	$ 6	$ (2)	$ 46	$ 53
Personal	344	(372)	44	344	43	403	344
Credit card	60	(150)	48	130	–	88	60
Business and government (1)	1,153	(306)	70	164	20	1,101	1,153
General unallocated allowance	290	–	–	47	–	337	290
	$ 1,900	$ (839)	$ 162	$ 691	$ 61	$ 1,975	$ 1,900
Specific allowances	$ 786	$ (839)	$ 162	$ 571	$ 67	$ 747	$ 786
Country risk allowances	34	–	–	–	(6)	28	34
General allowance							
General allocated	790	–	–	73	–	863	790
General unallocated	290	–	–	47	–	337	290
Total general allowance for credit losses	1,080	–	–	120	–	1,200	1,080
Total allowance for credit losses	$ 1,900	$ (839)	$ 162	$ 691	$ 61	$ 1,975	$ 1,900
Allowance for off-balance sheet and other items (2)						(98)	–
Allowance for loan substitute securities						(6)	(16)
Total allowance for loan losses						$ 1,871	$ 1,884

(1) Includes $6 million (1999 – $16 million) related to loan substitute securities and $98 million related to off-balance sheet and other items.
(2) During 2000, the allowance for off-balance sheet and other items was separated and reported under Other liabilities. Previously, the amount was included in the allowance for loan losses.

Note 5: **Premises and Equipment**

	2000			1999
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 93	$ –	$ 93	$ 111
Buildings	458	(207)	251	242
Hardware and software	1,389	(953)	436	442
Furniture, fixtures and other equipment	614	(409)	205	218
Leasehold improvements	707	(443)	264	307
	$ 3,261	$ (2,012)	$ 1,249	$ 1,320

Note 6: **Subordinated Debentures**

The debentures are unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors. All repurchases, cancellations and exchanges of subordinated debentures are subject to the consent and approval of the Superintendent of Financial Institutions Canada.

Maturity	Rate		Denominated in foreign currency	2000	1999
July 1, 2000	11.00%			$ –	$ 20
January 31, 2001	11.75%			27	27
August 15, 2001	10.75%			15	15
January 11, 2002	11.00%			41	41
March 1, 2002	10.50%			60	60
July 29, 2005	(1)	Callable (2)	US$350	533	516
September 3, 2007	5.40% (3)	Callable (4)		400	400
September 3, 2008	5.45% (5)	Callable (4)		100	100
April 12, 2009	5.40% (6)	Callable (4)		350	350
June 11, 2009	5.10% (7)	Callable (4)		350	350
July 7, 2009	6.05% (8)	Callable (4)		175	175
October 12, 2009	6.00% (9)	Callable (4)		150	150
August 15, 2010	6.40% (10)	Callable (4)		700	–
April 26, 2011	8.20% (11)	Callable (12)		100	100
September 12, 2011	6.50% (13)	Callable (4)		350	350
October 24, 2011	6.75% (14)	Callable (2)	US$300	457	441
June 4, 2012	6.75% (15)	Callable (4)		500	500
November 14, 2014	10.00%			200	200
January 25, 2015	7.10% (16)	Callable (4)		500	–
June 8, 2023	9.30%			110	110
October 1, 2083	(17)	Callable (18)		250	250
June 6, 2085	(19)	Callable (2)	US$300	457	441
				$ 5,825	$ 4,596

(1) Interest at a rate of .0625% above the U.S. dollar 1-month LIBOR.
(2) Callable at the principal amount.
(3) Interest at a rate of 5.40% until September 3, 2002, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(4) Callable at the greater of (i) the yield of Government of Canada bonds plus 5 basis points, or (ii) the principal amount.
(5) Interest at a rate of 5.45% until September 3, 2003, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(6) Interest at a rate of 5.40% until April 12, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(7) Interest at a rate of 5.10% until June 11, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(8) Interest at a rate of 6.05% until July 7, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(9) Interest at a rate of 6.00% until October 12, 2004, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(10) Interest at a rate of 6.40% until August 15, 2005, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(11) Interest at a rate of 8.20% until April 26, 2006, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(12) Callable at the greater of (i) the yield of Government of Canada bonds plus 10 basis points, or (ii) the principal amount.
(13) Interest at a rate of 6.50% until September 12, 2006, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(14) Interest at a rate of 6.75% until October 24, 2006, and thereafter at a rate of 1.00% above the U.S. dollar 6-month LIBOR.
(15) Interest at a rate of 6.75% until June 4, 2007, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(16) Interest at a rate of 7.10% until January 25, 2010, and thereafter at a rate of 1.00% above the 90-day Bankers' Acceptance rate.
(17) Interest at a rate of .40% above the 30-day Bankers' Acceptance rate.
(18) Callable at an amount not exceeding 100.5% of the principal amount plus accrued and unpaid interest up to the date of redemption.
(19) Interest at a rate of .25% above the U.S. dollar 3-month LIMEAN. In the event of a reduction of the annual dividend declared by the bank on its Common Shares, the interest payable on the debentures is reduced pro rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of Common Shares.

Repayment Schedule

The aggregate maturities of the debentures, assuming the earliest possible dates of maturity under the terms of issue, are as follows:

2001	$ 42
2002	101
2003	–
2004	–
2005	533
2006 to 2010	2,225
Thereafter	2,924
	$ 5,825

Note 7: **Capital Stock**

Authorized Capital Stock

Preferred – An unlimited number of First Preferred Shares and Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares that may be issued may not exceed $5 billion in each case.

Common – An unlimited number of shares without nominal or par value, provided that the aggregate consideration for which all common shares may be issued shall not exceed $10 billion.

Issued and Outstanding Capital Stock

	2000			1999			1998		
	Number of shares (000s)	**Amount**	**Dividends declared per share**	Number of shares (000s)	Amount	Dividends declared per share	Number of shares (000s)	Amount	Dividends declared per share
First Preferred									
Non-cumulative Series E	**1,500**	**$ 150**	**$ 5.38**	1,500	$ 150	$ 4.69	1,500	$ 150	$ 5.00
Non-cumulative Series F (1)	**–**	**–**	**–**	–	–	2.25	6,000	150	2.25
Non-cumulative Series G (1)	**–**	**–**	**–**	–	–	2.13	10,000	250	2.13
Non-cumulative Series H	**12,000**	**300**	**2.25**	12,000	300	2.25	12,000	300	2.25
US$ Non-cumulative Series I	**8,000**	**304**	**US 1.91**	8,000	294	US 1.91	8,000	308	US 1.91
Non-cumulative Series J	**12,000**	**300**	**1.78**	12,000	300	1.78	12,000	300	1.78
US$ Non-cumulative Series K	**10,000**	**381**	**US 1.58**	10,000	368	US 1.58	10,000	386	US 1.58
Non-cumulative Series N	**12,000**	**300**	**1.18**	12,000	300	1.18	12,000	300	0.68
Non-cumulative Series O	**6,000**	**150**	**1.38**	6,000	150	0.58	–	–	–
US$ Non-cumulative Series P	**4,000**	**152**	**US 1.44**	4,000	147	US 0.61	–	–	–
		$ 2,037			$ 2,009			$ 2,144	
Common (2)									
Balance at beginning of year	**617,768**	**$ 3,065**		617,581	$ 2,925		616,671	$ 2,907	
Issued under the Stock Option Plan	**2,700**	**59**		953	17		910	18	
Issued on the acquisition of Richardson Greenshields Limited (3)	**1,667**	**50**		9,580	170		–	–	
Issued on the acquisition of RBC Dominion Securities Limited (4)	**–**	**–**		140	5		–	–	
Purchased for cancellation (5)	**(19,737)**	**(98)**		(10,486)	(52)		–	–	
Balance at end of year	**602,398**	**$ 3,076**	**$ 1.14**	617,768	$ 3,065	$ 0.94	617,581	$ 2,925	$ 0.88

Terms of Preferred Shares

	Dividend per share (6)	Redemption date (7)	Redemption price (8)	Conversion dates: At the option of the bank (7), (9)	Conversion dates: At the option of the holder (10)
First Preferred					
Non-cumulative Series E (11)	(11)	September 2, 2002	$100.00	Not convertible	Not convertible
Non-cumulative Series H	$0.562500	August 24, 2001	25.00	August 24, 2001	November 24, 2001
US$ Non-cumulative Series I	US 0.476563	November 24, 2001	US 25.00	November 24, 2001	February 24, 2002
Non-cumulative Series J	0.443750	May 24, 2003	25.00	May 24, 2003	November 24, 2003
US$ Non-cumulative Series K	US 0.393750	May 24, 2003	US 25.00	May 24, 2003	November 24, 2003
Non-cumulative Series N	0.293750	August 24, 2003	26.00	August 24, 2003	August 24, 2008
Non-cumulative Series O	0.343750	August 24, 2004	26.00	August 24, 2004	Not convertible
US$ Non-cumulative Series P	US 0.359375	August 24, 2004	US 26.00	August 24, 2004	Not convertible

(1) On October 31, 1999, the bank redeemed the First Preferred Shares **Series F** and **G**.

(2) On October 5, 2000, the bank paid a stock dividend of one Common Share on each of its issued and outstanding Common Shares. The effect is the same as a two-for-one share split. All Common Share numbers have been restated to reflect the stock dividend.

(3) During the year the bank exchanged 4,701 (1999 – 4,606,341) Class B shares and 8,008,712 (1999 – nil) Class C shares issued by its wholly owned subsidiary, Royal Bank DS Holding Inc., on the acquisition of Richardson Greenshields Limited for 1,667,334 (1999 – 9,579,166) Common Shares.

(4) On November 1, 1998, the bank acquired all of the outstanding participating preferred shares of RBC Dominion Securities Limited in exchange for 140,000 Common Shares.

(5) During the year the bank repurchased 19,736,880 (1999 – 10,485,800) Common Shares pursuant to a normal course issuer bid announced in May 1999 and amended in February 2000. Purchases were made in the open market at market prices through the facilities of the Toronto and Montreal Stock Exchanges, and in accordance with stock exchange requirements. The amount and timing of purchases were determined by the bank. Premiums paid above the average carrying value of the Common Shares were charged to retained earnings. The cost of Common Shares repurchased was $660 million (1999 – $333 million), common stock was reduced by $98 million (1999 – $52 million) and retained earnings were reduced by $562 million (1999 – $281 million).

(6) Non-cumulative preferential dividends on First Preferred Shares **Series E** are payable, as and when declared by the Board of Directors, on the 12th day of every month. Non-cumulative preferential dividends on **Series H**, **I**, **J**, **K**, **N**, **O** and **P** are payable quarterly, as and when declared by the Board of Directors, on or about the 24th day of February, May, August and November.

(7) Subject to the consent of the Superintendent of Financial Institutions Canada and the requirements of the *Bank Act*, the bank may, on or after the dates specified above, redeem First Preferred Shares. All dollar figures relating to **Series I**, **K** and **P** should be read as U.S. dollars. First Preferred Shares may be redeemed (i) for cash, in the case of **Series E**, **H**, **I**, **J**, and **K** equal to the redemption price as stated above, in the case of **Series N** at a price per share of $26, if redeemed during the 12-months commencing August 24, 2003, and decreasing by $0.25 each 12-month period thereafter to a price per share of $25 if redeemed on or after August 24, 2007, and in the case of **Series O** and **P** at a price per share of $26 if redeemed during the 12-months commencing August 24, 2004, and decreasing by $0.25 each 12-month period thereafter to a price per share of $25 if redeemed on or after August 24, 2008, or (ii) by conversion, in the case of **Series H**, **I**, **J**, and **K** into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(8) Subject to the consent of the Superintendent of Financial Institutions Canada and the requirements of the *Bank Act*, the bank may purchase First Preferred Shares for cancellation at a purchase price, in the case of the **Series E**, **H**, **I**, **J**, and **K**, not exceeding the then-applicable redemption price specified above plus all declared and unpaid dividends, and, in the case of the **Series N**, **O**, and **P** at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

(9) Subject to the approval of the Toronto and Montreal Stock Exchanges, the bank may, on or after the dates specified above, convert First Preferred Shares **Series N**, **O** and **P** into Common Shares of the bank. All dollar figures relating to **Series P** should be read as U.S. dollars. First Preferred Shares may be converted into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(10) Subject to the right of the bank to redeem or to find substitute purchasers, the holder may, on or after the dates specified above, convert First Preferred Shares into Common Shares of the bank. All dollar figures relating to **Series I** and **K** should be read as U.S. dollars. **Series H**, **I**, **J**, **K**, and **N** may be converted, quarterly, into that number of Common Shares determined by dividing the then-applicable redemption price by the greater of $2.50 and 95% of the weighted average trading price of Common Shares at such time.

(11) The rights, privileges, restrictions and conditions attaching to the First Preferred Shares **Series E** were amended in 1997. Holders are entitled to receive, as and when declared by the Board of Directors, a monthly non-cumulative cash dividend that (i) floats in relation to the bank's Canadian prime rate and (ii) is adjusted upwards or downwards based on changes in market trading value. The annual dividend rate applicable to any month will in no event be less than the sum of .25% plus 55% of the average prime rate or greater than the sum of .25% plus 75% of the average prime rate.

Note 7: **Capital Stock** (continued)

Regulatory Capital

The bank is subject to the regulatory capital requirements defined by the Superintendent of Financial Institutions Canada (OSFI), which includes the use of Canadian GAAP. Two measures of capital strength established by OSFI, based on standards issued by the Bank for International Settlements (BIS), are risk-adjusted capital ratios and the assets-to-capital multiple.

OSFI requires Canadian banks to maintain a minimum Tier 1 and Total capital ratio of 4% and 8%, respectively. However, OSFI has also formally established risk-based capital targets for deposit-taking institutions in Canada. These targets are a Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%. At October 31, 2000, the bank's Tier 1 and Total capital ratios were 8.6% and 12.0%, respectively (1999 – 8.1% and 11.2%, respectively).

In the evaluation of the bank's assets-to-capital multiple, OSFI specifies that total assets, including specified off-balance sheet financial instruments, should be no greater than 20 times Total capital. At October 31, 2000, the bank's assets-to-capital multiple was 15.3 times (1999 – 16.5 times).

During the year, the bank issued $650 million of Trust Capital Securities (RBC TruCS), a form of innovative Tier 1 capital, which are reported as Non-controlling interest in a subsidiary on the consolidated balance sheet.

Other Developments

On October 27, 2000, the bank entered into a five-year agreement with a AAA rated reinsurer, which requires the reinsurer to purchase up to $200 million of Non-cumulative first preferred shares at the October 27, 2000 market price should the general allowance for credit losses be drawn down below a certain level. If these shares had been issued today they would qualify as Tier 1 capital.

On October 30, 2000, the bank filed a preliminary prospectus providing for an issuance of a second series of innovative Tier 1 capital, Trust Capital Securities (RBC TruCS), of up to $750 million.

Note 8: **Income Taxes**

	2000	1999	1998
Provision for income tax in income			
Current			
Canada – Federal	**$ 799**	$ 580	$ 501
Provincial	**349**	234	302
International	**258**	176	153
	1,406	990	956
Deferred			
Canada – Federal	**60**	38	191
Provincial	**20**	(3)	28
International	**(41)**	(10)	–
	39	25	219
	$ 1,445	$ 1,015	$ 1,175
Income tax expense (benefit) in shareholders' equity			
Unrealized foreign currency translation gains and losses, net of hedging activities	**(37)**	213	(299)
Total income taxes	**$ 1,408**	$ 1,228	$ 876

Deferred Income Taxes (temporary differences)

	2000	1999	1998
Deferred income tax asset (1)			
Allowance for credit losses	**$ 514**	$ 509	$ 364
Premises and equipment	**83**	–	118
Deferred income	**81**	62	–
Deferred compensation	**78**	19	7
Tax loss carryforwards	**72**	19	233
Other	**223**	335	277
	1,051	944	999
Deferred income tax liability			
Pension expense	**(119)**	(141)	(128)
Deferred expense	**(59)**	–	–
Premises and equipment	**–**	(29)	–
Other	**(77)**	(171)	(141)
	(255)	(341)	(269)
Net deferred income tax asset	**$ 796**	$ 603	$ 730

(1) The bank has determined that it is more likely than not that its deferred income tax asset will be realized through a combination of future reversals of temporary differences and taxable income.

Reconciliation to Statutory Tax Rate

	2000		1999		1998	
Income taxes at Canadian statutory tax rate	**$ 1,600**	**42.8%**	$ 1,194	43.0%	$ 1,319	42.9%
Increase (decrease) in income taxes resulting from						
Lower average tax rate applicable to subsidiaries	**(311)**	**(8.3)**	(199)	(7.1)	(167)	(5.4)
Tax-exempt income from securities	**(7)**	**(.2)**	(10)	(.4)	(10)	(.4)
Other	**163**	**4.3**	30	1.0	33	1.1
Income taxes reported in income/effective tax rate	**$ 1,445**	**38.6%**	$ 1,015	36.5%	$ 1,175	38.2%

Foreign earnings of certain subsidiaries would be taxed only upon their repatriation to Canada. The bank has not recognized a deferred tax liability for these undistributed earnings as management does not currently expect them to be repatriated. Taxes that would be payable if all foreign subsidiaries' accumulated unremitted earnings were repatriated are estimated at $737 million as at October 31, 2000 (1999 – $729 million; 1998 – $696 million).

Note 9: **Employee Benefit Plans**

Pension Plan

		2000		1999
Change in adjusted market value of plan assets				
Adjusted market value of plan assets at beginning of year	$	**4,076**	$	3,631
Actual return on plan assets		**326**		350
Company contributions		**13**		77
Plan participant contributions		**18**		19
Benefits paid		**(197)**		(183)
Experience gains		**112**		235
Foreign currency exchange rate changes		**(12)**		(12)
Change in valuation allowance		**(4)**		(1)
Transfers to other plans		**(11)**		(40)
Adjusted market value of plan assets at end of year (1)	$	**4,321**	$	4,076
Change in benefit obligation				
Benefit obligation at beginning of year	$	**3,583**	$	3,315
Service cost		**107**		99
Interest cost		**254**		240
Plan participant contributions		**18**		19
Actuarial loss		**88**		125
Benefits paid		**(197)**		(183)
Transfers to other plans		**(4)**		(34)
Plan amendments		**15**		11
Foreign currency exchange rate changes		**(15)**		(9)
Benefit obligation at end of year	$	**3,849**	$	3,583
Funded status				
Overfunded status at end of year	$	**472**	$	493
Unrecognized net actuarial gain		**(184)**		(163)
Unrecognized transition obligation		**(23)**		(25)
Other		**(4)**		4
Prepaid benefit expense	$	**261**	$	309
Weighted average assumptions as at October 31				
Discount rate		**7.0%**		7.0%
Assumed long-term rate of return on plan assets		**7.0%**		7.0%
Rate of increase in future compensation		**4.4%**		4.4%

(1) Pension fund assets are carried at adjusted market values, where adjustments are made to bring the value of the assets to market value over a three-year period. The actual market value of the assets at October 31, 2000, is $4,519 million (1999 – $4,135 million).

Pension Benefit Expense (1)

		2000		1999		1998
Service cost	$	**107**	$	116	$	86
Interest cost		**254**		240		228
Expected return on plan assets		**(288)**		(274)		(254)
Amortization of transition asset		**(2)**		–		10
Amortization of prior service cost		**22**		22		–
Amortization of net pension surplus		**–**		(1)		–
Recognized net actuarial loss		**(33)**		(27)		(1)
Change in valuation allowance		**4**		1		14
Pension benefit expense	$	**64**	$	77	$	83

(1) An assumed discount rate of 7.0% (1999 – 7.0%; 1998 – 7.5%) was used to determine pension costs.
(2) Postretirement health and dental care and life insurance benefits cost was $11 million in 2000 (1999 – $11 million; 1998 – $12 million).

RESSOP

The bank offers a Royal Employee Savings and Share Ownership Plan (RESSOP) to its employees, whereby the bank contributes 50% of employees' contributions to a maximum of 3% of the employee's salary in the form of common shares.

The bank contributed $39 million (1999 – $40 million; 1998 – $38 million), under the terms of RESSOP, towards the purchase of common shares. As at October 31, 2000, an aggregate of 16,475,698 common shares were held under RESSOP.

Deferred Share Unit Plan

A Deferred Share Unit Plan is offered to certain senior executive officers and non-employee directors of the bank. Under this plan, each officer may choose to receive all or a percentage of their annual incentive bonus in the form of deferred share units (DSUs). This election to participate in the plan must be made prior to the beginning of the fiscal year. The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on the common shares. Officers and directors are not allowed to convert the DSUs until termination or retirement. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the DSUs as at October 31, 2000, was $26 million (1999 – $20 million).

Deferred Bonus Plan – Corporate & Investment Banking

A Deferred Bonus Plan is offered to certain key employees of the bank. Under this plan, a percentage of each employee's annual incentive bonus is deferred and attracts dividends at the same rate as dividends on common shares. The value of the deferred bonus paid will be equivalent to the original deferred bonus adjusted for dividends and changes in the market value of common shares at the time the bonus is received. The employee will receive the deferred bonus in equal amounts on the three year-end dates following. The value of the deferred bonus as at October 31, 2000, was $81 million (1999 – $26 million).

Stock Option Plan

A Stock Option Plan is offered to certain key employees and non-employee directors of the bank. Under this plan, options are periodically granted to purchase common shares at prices not less than the market price of such shares immediately prior to the grant date. The options vest over a 4-year period and are exercisable for periods not exceeding 10 years.

For all options issued prior to 2000, the bank uses the intrinsic value method of accounting. There is no compensation expense recognized for the options since on the day of the grant the options exercise price is not less than the market price of the underlying stock. When the options are exercised, the proceeds received are credited to common shares.

Beginning in 2000, the Stock Option Plan was amended and predominantly all new stock option grants have a Stock Appreciation Right (SAR) attached. This entitles a participant to elect to exercise either an option or the corresponding SAR. SARs can be exchanged for a cash amount equal to the difference between the exercise price and the closing price of the common shares on the day immediately preceding the day of exercise. Up to 100% of vested options can be exercised as SARs. The bank expects the SARs to be settled in cash and therefore accrues compensation expense on SARs over the vesting period equal to the excess of quoted market price at the balance sheet date over exercise price. The compensation expense recorded for the year ended October 31, 2000, in respect of this plan was $52 million.

Of the total options outstanding at October 31, 2000, 1,931,182 options, all of which are exercisable, have exercise prices ranging from $14.46 to $15.68, or $15.61 on average ($15.61 exercisable), and an average remaining contractual life of 5.9 years; 11,647,448 options (2,497,648 exercisable) have exercise prices ranging from $24.80 to $36.90, or $30.58 on average ($25.36 exercisable), and an average remaining contractual life of 9.1 years; and 12,298,400 options (4,452,600 exercisable) have exercise prices ranging from $38.22 to $43.59, or $39.32 on average ($39.43 exercisable), and an average remaining contractual life of 8.5 years.

The fair value of options granted in 2000, 1999 and 1998 is estimated using an option pricing model with the following assumptions: i) risk-free interest rate of 6.04% (1999 – 5.10%; 1998 – 4.75%), ii) expected option life of 10 years, iii) expected volatility of 22% (1999 and 1998 – 23%) and iv) expected dividends of 2.60% (1999 – 2.80%; 1998 – 2.78%). The fair value of each option granted in 2000 was $10.26 (1999 – $10.93; 1998 – $10.70).

Stock Options

	2000		1999		1998	
	Number of options (000s)	**Weighted average exercise price**	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding at beginning of year	**20,966**	**$ 32.42**	15,422	$ 28.66	10,010	$ 20.70
Granted	**8,286**	**33.09**	6,828	39.01	6,458	39.64
Exercised	**(2,700)**	**22.05**	(953)	17.83	(910)	18.86
Cancelled	**(675)**	**36.10**	(331)	35.50	(136)	30.15
Outstanding at end of year	**25,877**	**$ 33.62**	20,966	$ 32.42	15,422	$ 28.66
Exercisable at end of year	**8,881**	**$ 30.29**	5,988	$ 25.29	2,898	$ 18.84
Available for grant	**26,502**		9,113		14,310	

Note 10: **Restructuring Charges**

There were no restructuring charges in 2000. As at October 31, 2000, the remaining accrual balance in Other liabilities was $49 million, of which $22 million relates to staff reductions, $21 million relates to Occupancy, $2 million relates to dispositions of equipment and $4 million relates to Other expenses.

	Accrual balance 1999	Amount utilized	**Accrual balance 2000**
Human resources	$ 54	$ 32	**$ 22**
Occupancy	71	50	**21**
Equipment	5	3	**2**
Other	17	13	**4**
Total restructuring charges	$ 147	$ 98	**$ 49**

Note 11: **Earnings per Share**

	2000	1999	1998
Basic earnings per share			
Net income	**$ 2,274**	$ 1,757	$ 1,824
Dividends on preferred shares	**(134)**	(157)	(145)
Net income available to common shareholders	**$ 2,140**	$ 1,600	$ 1,679
Average number of common shares outstanding	**606,389**	626,158	617,324
	$ 3.53	$ 2.55	$ 2.72
Fully diluted earnings per share			
Net income available to common shareholders	**$ 2,140**	$ 1,600	$ 1,679
Imputed income (1)	**24**	27	27
Net income adjusted for diluted computation	**$ 2,164**	$ 1,627	$ 1,706
Weighted average number of shares outstanding	**606,389**	626,158	617,324
Convertible Class B and C shares (2)	**–**	2,708	12,082
Stock options (1)	**17,939**	20,434	14,634
Weighted average fully diluted number of shares outstanding	**624,328**	649,300	644,040
	$ 3.47	$ 2.51	$ 2.65

(1) The dilutive effect of stock options was computed by assuming the issuance of the weighted average number of stock options outstanding at the end of the period. Included in the net income is an imputed income amount, which comprises (a) the after-tax return of investing the proceeds from options exercised at an assumed investment rate, and (b) the dividends calculated for the Class B and C shares identified in the note below.

(2) The convertible shares include the Class B and C shares issued by the bank's wholly owned subsidiary Royal Bank DS Holding Inc., on the acquisition of Richardson Greenshields Limited on November 1, 1996. The Class B shares are exchangeable into Royal Bank of Canada Common Shares, while the exchange of the Class C shares is determined based on the bank's average Common Share price during the 20 days prior to the date the exchange is made. During the year the bank exchanged 4,701 (1999 – 4,606,341) Class B shares and 8,008,712 (1999 – nil) Class C shares for 1,667,334 (1999 – 9,579,166) Common Shares. The remaining Class B and C shares outstanding are excluded from the weighted average number of shares calculation in 2000, as they are anti-dilutive.

Note 12: **Commitments and Contingencies**

Financial Instruments with Contractual Amounts Representing Credit Risk
The primary purpose of these commitments is to ensure that funds are available to a customer as required. The bank's policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans.

Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate.

In securities lending transactions, the bank acts as an agent for the owner of a security, who agrees to lend the security to a borrower for a fee, under the terms of a pre-arranged contract. The borrower must fully collateralize the security loan at all times.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances, guarantees or letters of credit.

Financial Instruments with Contractual Amounts Representing Credit Risk

	2000	1999
Guarantees and standby letters of credit	**$ 13,658**	$ 14,130
Documentary and commercial letters of credit	**456**	585
Securities lending	**20,333**	19,833
Commitments to extend credit		
Original term to maturity of 1 year or less	**97,966**	83,425
Original term to maturity of more than 1 year	**41,599**	45,761
Note issuance/revolving underwriting facilities	**155**	125
	$ 174,167	$ 163,859

Lease Commitments
Minimum future rental commitments for premises and equipment under long-term non-cancellable leases for the next five years and thereafter are shown below.

Lease Commitments

2001	$ 249
2002	217
2003	188
2004	170
2005	157
Thereafter	921
Total	$ 1,902

Litigation
Various legal proceedings are pending that challenge certain practices or actions of the bank and its subsidiaries. Many of these proceedings are loan-related and are in reaction to steps taken by the bank and its subsidiaries to collect delinquent loans and enforce rights in collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material.

Pledged Assets
Securities with a carrying value of $27.6 billion (1999 – $30.3 billion) have been pledged as collateral for various types of funding transactions including obligations related to assets sold under repurchase agreements and obligations related to securities sold short. Included in the above amount are assets with a carrying value of $2.4 billion (1999 – $1.3 billion) that have been deposited as collateral in order to participate in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions.

Acquisitions
Liberty Life Insurance Company and
Liberty Insurance Services Corporation
On June 19, 2000, the bank announced it had reached an agreement to acquire Liberty Life Insurance Company and Liberty Insurance Services Corporation, which are the insurance subsidiaries and certain other subsidiaries of Liberty Corporation. Under the agreement, Liberty Corporation will receive proceeds of approximately US$650 million consisting of a dividend from Liberty Life Insurance Company of up to US$70 million and the balance in cash from the bank. This transaction closed on November 1, 2000, and will be accounted for using the purchase method. The excess of the purchase price over the estimated fair value of the net tangible assets acquired, which is approximately US$110 million, will first be allocated to identifiable intangible assets, with the residual excess allocated to Goodwill. Goodwill amortization will be on a straight-line basis over 15 years.

Dain Rauscher Corporation
On September 28, 2000, the bank and Dain Rauscher Corporation (Dain Rauscher) announced that they signed a definitive merger agreement by which the bank will acquire Dain Rauscher. Dain Rauscher will be renamed RBC Dain Rauscher Wessels.

As a result of the merger, each Dain Rauscher common share will convert into the right to receive US$95 in cash. The transaction is valued at US$1.456 billion. The transaction will be accounted for using the purchase method and the excess of the purchase price over the estimated fair value of the net tangible assets acquired, which is approximately US$947 million, will first be allocated to identifiable intangible assets, with the residual excess allocated to Goodwill. Goodwill amortization will be on a straight-line basis over 20 years. The merger, which is subject to regulatory approval, approval from the stockholders of Dain Rauscher and other customary closing conditions, is expected to be completed during the bank's first quarter of fiscal 2001.

Note 13: **Derivative Financial Instruments**

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

Derivative Product Types

The bank uses the following derivative financial instruments for both trading and non-trading purposes.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. For interest rate swaps, fixed and floating interest payments are exchanged based on a notional amount. Cross currency swaps involve the exchange of fixed or floating interest payments in one currency for the receipt of fixed or floating interest payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and principal amounts in two different currencies.

Forwards and futures are contractual obligations to buy or sell a financial instrument on a future date at a specified price. Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter market, whereas futures are standardized contracts that are transacted on regulated exchanges.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), by or at a set date, a specified amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser for this right.

Derivatives Held or Issued for Trading Purposes

Most of the bank's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers at competitive prices to enable them to transfer, modify or reduce current or expected risks. Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and products. The bank does not deal, to any significant extent, in leveraged derivative transactions. These transactions contain a multiplier which, for any given change in market prices, could cause the change in the transaction's fair value to be significantly different from the change in fair value that would occur for a similar derivative without the multiplier.

Derivatives Held or Issued for Non-Trading Purposes

The bank also uses derivatives in connection with its own asset/liability management activities, which include hedging and investment activities.

Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities. As at October 31, 2000, the level of interest rate derivatives in place to hedge anticipated transactions, and accounted for as a hedge, was insignificant. Purchased interest rate options are used to hedge redeemable deposits and other options embedded in consumer products. Written options are used in the bank's asset/liability management activities when specifically linked to a purchased option in the form of a collar. The amount of the bank's deferred gains and losses associated with non-trading derivatives hedging anticipated transactions was insignificant.

Derivatives – Notional Amounts and Replacement Cost

The tables following provide the notional amounts and gross positive replacement cost of the bank's derivative transactions. Notional amounts, which are off-balance sheet, serve as a point of reference for calculating payments and are a common measure of business volume. The gross replacement cost of derivatives represents the total current replacement value of all outstanding transactions in a gain position, before factoring in the impact of master netting agreements.

Derivative-Related Credit Risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the bank. This market value is referred to as replacement cost since it is an estimate of what it would cost to replace transactions at prevailing market rates if a default occurred.

For internal risk management purposes, the credit risk arising from a derivative transaction is defined as the sum of the replacement cost plus an add-on that is an estimate of the potential change in the market value of the transaction through to maturity. The add-on is determined by statistically based models that project the expected volatility of the variable(s) underlying the derivative, whether interest rate, foreign exchange rate, equity or commodity price. Both the replacement cost and the add-on are continually re-evaluated over the life of each transaction to ensure that sound credit risk valuations are used.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master netting agreements. The two main categories of netting are close-out netting and settlement netting. Under the close-out netting provision, if the counterparty defaults, the bank has the right to terminate all transactions covered by the master agreement at the then-prevailing market values and to sum the resulting market values, offsetting negative against positive values, to arrive at a single net amount owed by either the counterparty or the bank. Under the settlement netting provision, all payments and receipts in the same currency and due on the same day between specified pairs of bank and counterparty units are netted, generating a single payment in each currency, due either by the bank or the counterparty unit. The bank actively encourages counterparties to enter into master netting agreements. However, measurement of the bank's credit exposure arising out of derivative transactions is not reduced to reflect the effects of netting unless the enforceability of that netting is supported by appropriate legal analysis as documented in bank policy.

To further manage derivative-related counterparty credit exposure, the bank enters into agreements containing mark-to-market cap provisions with some counterparties. Under such provisions, the bank has the right to request that the counterparty pay down or collateralize the current market value of its derivatives position with the bank. The use of collateral does not currently represent a significant credit mitigation technique for the bank in managing derivative-related credit risk.

The bank subjects its derivative-related credit risks to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluation of counterparties as to creditworthiness, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process. The bank utilizes a single internal rating system for all credit risk exposure. In most cases, these internal ratings approximate the external risk ratings of public rating agencies. The table below shows replacement cost, both before and after the impact of netting, of the bank's derivatives by risk rating and by counterparty type. During 2000 and 1999, neither the bank's actual credit losses arising from derivative transactions nor the level of impaired derivative contracts were significant.

Replacement Cost of Derivative Financial Instruments by Risk Rating and by Counterparty Type

	Risk rating (1)					Counterparty type (2)			
As at October 31, 2000	AAA, AA	A	BBB	BB or lower	Total	Banks	OECD governments	Other	Total
Gross positive replacement cost (3)	$ 11,588	$ 6,693	$ 1,692	$ 590	$ 20,563	$ 13,035	$ 1,846	$ 5,682	$ 20,563
Impact of master netting agreements	(7,313)	(2,583)	(346)	(256)	(10,498)	(9,006)	–	(1,492)	(10,498)
Replacement cost (after netting agreements)	$ 4,275	$ 4,110	$ 1,346	$ 334	$ 10,065	$ 4,029	$ 1,846	$ 4,190	$ 10,065
Replacement cost (after netting agreements) – 1999	$ 4,336	$ 2,758	$ 762	$ 485	$ 8,341	$ 4,535	$ 1,390	$ 2,416	$ 8,341

(1) The bank's internal risk ratings for major counterparty types approximate those of public rating agencies. Ratings of AAA, AA, A and BBB represent investment grade ratings and ratings of BB and lower represent non-investment grade ratings.
(2) Counterparty type is defined in accordance with the capital adequacy requirements of the Superintendent of Financial Institutions Canada.
(3) Represents the total current replacement value of all outstanding contracts in a gain position, before factoring in the impact of master netting agreements.

Notional Amount of Derivatives by Term to Maturity and Replacement Cost

	Term to maturity				2000			1999		
	Within 1 year	**1 to 5 years**	**Over 5 years** (1)	**Total**	**Trading**	**Other than trading**	**Replacement cost** (2)	Trading	Other than trading	Replacement cost (2)
Over-the-counter (OTC) contracts										
Interest rate contracts										
Forward rate agreements	**$ 15,966**	**$ 552**	**$ –**	**$ 16,518**	**$ 16,518**	**$ –**	**$ 7**	$ 28,822	$ –	$ 19
Swaps	**157,262**	**280,770**	**92,620**	**530,652**	**477,038**	**53,614**	**4,517**	394,090	77,796	4,475
Options purchased	**20,876**	**6,658**	**4,161**	**31,695**	**31,564**	**131**	**168**	41,444	2,170	230
Options written	**19,951**	**8,068**	**4,619**	**32,638**	**32,306**	**332**	**–**	44,155	2,783	–
Foreign exchange contracts										
Forward contracts	**526,672**	**25,699**	**2,496**	**554,867**	**540,790**	**14,077**	**10,878**	616,867	8,379	8,336
Cross currency swaps	**708**	**2,144**	**2,436**	**5,288**	**4,836**	**452**	**180**	3,812	390	123
Cross currency interest rate swaps	**19,146**	**23,965**	**14,649**	**57,760**	**49,186**	**8,574**	**2,456**	36,457	11,491	1,371
Options purchased	**45,251**	**2,149**	**–**	**47,400**	**47,212**	**188**	**934**	46,425	29	826
Options written	**51,179**	**2,243**	**41**	**53,463**	**53,275**	**188**	**–**	55,599	29	–
Other contracts (3)	**11,038**	**3,694**	**1,683**	**16,415**	**16,415**	**–**	**1,423**	11,608	–	892
Exchange-traded contracts										
Interest rate contracts										
Futures – long positions	**12,218**	**2,750**	**6**	**14,974**	**14,544**	**430**	**–**	20,971	1,897	–
Futures – short positions	**16,542**	**4,196**	**11**	**20,749**	**19,949**	**800**	**–**	15,458	880	–
Options purchased	**12,117**	**–**	**–**	**12,117**	**12,117**	**–**	**–**	6,192	–	–
Options written	**18,909**	**–**	**–**	**18,909**	**18,909**	**–**	**–**	6,087	–	–
Foreign exchange contracts										
Futures – long positions	**534**	**1**	**–**	**535**	**535**	**–**	**–**	53	–	–
Futures – short positions	**15**	**2**	**–**	**17**	**17**	**–**	**–**	610	–	–
Other contracts (3)	**34,905**	**14,120**	**–**	**49,025**	**49,025**	**–**	**–**	21,191	–	–
	$ 963,289	**$ 377,011**	**$ 122,722**	**$ 1,463,022**	**$ 1,384,236**	**$ 78,786**	**$ 20,563**	$ 1,349,841	$ 105,844	$ 16,272
Impact of master netting agreements										
With intent to settle net or simultaneously (4)							**$ (27)**			(18)
Without intent to settle net or simultaneously (5)							**(10,471)**			(7,913)
							$ 10,065			$ 8,341

(1) Includes contracts maturing in over 10 years with a notional value of $12,390 million and related gross positive replacement cost of $329 million.
(2) Represents the total current replacement value of all outstanding contracts in a gain position, before factoring in the impact of master netting agreements. Exchange-traded contracts are excluded from this presentation as the credit risk associated with these instruments is minimal since they are settled in cash on a daily basis. Written options are excluded as they represent obligations of the bank and as such do not attract credit risk.
(3) Comprised of precious metals, commodity and equity-linked contracts.
(4) Impact of offsetting credit exposures on contracts where the bank has both a legally enforceable master netting agreement in place and intends to settle the contracts on either a net basis or simultaneously.
(5) Additional impact of offsetting credit exposures on contracts where the bank has a legally enforceable master netting agreement in place but does not intend to settle the contracts on a net basis or simultaneously.

Note 14: **Concentrations of Credit Risk**

Concentrations of credit risk exist if a number of customers are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the bank's performance to developments affecting a particular industry or geographic location. Management does not believe that the concentrations described below are unusual.

On-Balance Sheet Assets

Of the $186 billion (1999 – $174 billion) in total loans and acceptances before loan allowances, 83% (1999 – 81%) relates to borrowers located in Canada with the largest provincial concentrations being Ontario – 39% (1999 – 39%) and British Columbia – 14% (1999 – 13%). No industry or foreign jurisdiction accounts for more than 10% of total loans.

Off-Balance Sheet Financial Instruments

Financial instruments with contractual amounts representing credit risk

Of the $174 billion (1999 – $164 billion) in off-balance sheet financial instruments with contractual amounts representing credit risk as at October 31, 2000, approximately 51% relates to Canada, 33% to the United States and 11% to Europe (1999 – 49%, 34% and 14%, respectively).

Included in the $174 billion of these credit instruments are commitments to extend credit totalling $140 billion (1999 – $129 billion), of which 49% relates to Canada, 33% to the United States and 11% to Europe (1999 – 46%, 35% and 16%, respectively). Of the commitments to extend credit, the largest industry concentration relates to financial institutions (37%), mining and energy (13%), transportation (11%) and manufacturing (10%) (1999 – 32%, 16%, 12% and 13%, respectively). No other industry sector accounts for more than 10% of the total.

Derivatives

Credit risk represents the current replacement value of all outstanding over-the-counter derivative contracts in a gain position without factoring in the impact of master netting agreements or the value of any collateral. Credit risk totalled $20.6 billion and $16.3 billion as at October 31, 2000 and 1999, respectively. Based on the location of the ultimate counterparty, 42% of this credit risk amount relates to Europe, 28% to the United States, 22% to Canada and 7% to Asia Pacific (1999 – 41%, 24%, 22% and 12%, respectively).

The largest concentration by counterparty type of this credit risk exposure is with banks at 61% (1999 – 68%).

Note 15: **Estimated Fair Value of Financial Instruments**

The estimated fair values are designed to approximate values at which these instruments could be exchanged in a current transaction between willing parties. However, many of the financial instruments lack an available trading market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Furthermore, due to the use of subjective judgment and uncertainties, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The estimated fair values disclosed below do not reflect the value of assets and liabilities that are not considered financial instruments such as "premises and equipment." In addition, the values of other non-financial assets and liabilities, such as intangible values of customer relationships, have been excluded.

Financial Instruments

	2000			1999		
	Book value	**Fair value**	**Difference**	Book value	Fair value	Difference
Financial assets						
Cash resources (1)	**$ 19,606**	**$ 19,606**	**$ –**	$ 23,042	$ 23,042	$ –
Securities (2)	**57,010**	**56,919**	**(91)**	50,559	50,418	(141)
Loans (3)	**172,647**	**173,552**	**905**	163,227	163,231	4
Customers' liability under acceptances (1)	**11,628**	**11,628**	**–**	9,257	9,257	–
Other assets (4)	**25,680**	**25,788**	**108**	21,720	21,717	(3)
Financial liabilities						
Deposits (5)	**202,896**	**204,386**	**(1,490)**	187,897	189,209	(1,312)
Acceptances (1)	**11,628**	**11,628**	**–**	9,257	9,257	–
Obligations related to securities sold short (1)	**13,419**	**13,419**	**–**	17,885	17,885	–
Obligations related to assets sold under repurchase agreements (1)	**9,005**	**9,005**	**–**	9,396	9,396	–
Other liabilities (4)	**32,723**	**32,723**	**–**	28,901	28,901	–
Subordinated debentures (6)	**5,825**	**5,809**	**16**	4,596	4,523	73

(1) Due to their short-term maturity, the carrying values of certain on-balance sheet financial instruments are assumed to approximate their fair values.
(2) The estimated fair values are provided in the Securities note to the consolidated financial statements (note 3). These are based on quoted market prices, when available. If quoted market prices are not available, fair values are estimated using quoted market prices of similar securities.
(3) For certain variable rate loans that reprice frequently, fair values are assumed to be equal to the carrying values. The fair values of other loans are estimated through a discounted cash flow calculation that applies market interest rates currently charged for similar new loans to expected maturity amounts.
(4) The carrying values of Other assets and Other liabilities approximate their fair values with the exception of amounts relating to derivative financial instruments held or issued for other than trading purposes. The net fair value over book value for these instruments is shown in Other assets.
(5) The fair values of deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the expected cash flows, using market interest rates currently offered for deposits of similar remaining maturities (adjusted for early redemptions where appropriate).
(6) The fair values of the debentures are based on quoted market prices for similar issues, or current rates offered to the bank for debt of the same remaining maturity.

Derivative Financial Instruments (1)

	2000				1999	
	Average fair value for the year ended (2)		**Year-end fair value**		Year-end fair value	
	Positive	**Negative**	**Positive**	**Negative**	Positive	Negative
Held or issued for trading purposes						
Interest rate contracts						
Forward rate agreements	**$ 10**	**$ 9**	**$ 7**	**$ 4**	$ 19	$ 27
Swaps	**3,952**	**4,545**	**3,845**	**4,574**	3,723	4,337
Options purchased	**192**	**–**	**168**	**–**	227	–
Options written	**–**	**161**	**–**	**136**	–	203
	4,154	**4,715**	**4,020**	**4,714**	3,969	4,567
Foreign exchange contracts						
Forward contracts	**8,620**	**8,185**	**10,683**	**9,722**	8,272	7,857
Cross currency swaps	**127**	**121**	**91**	**125**	122	109
Cross currency interest rate swaps	**1,644**	**1,163**	**2,164**	**1,830**	1,270	955
Options purchased	**723**	**–**	**934**	**–**	826	–
Options written	**–**	**654**	**–**	**950**	–	733
	11,114	**10,123**	**13,872**	**12,627**	10,490	9,654
Other contracts	**1,143**	**1,182**	**1,423**	**1,178**	892	1,094
	$ 16,411	**$ 16,020**	**$ 19,315**	**$ 18,519**	$ 15,351	$ 15,315
Held or issued for other than trading purposes						
Interest rate contracts						
Swaps			**$ 672**	**$ 256**	$ 752	$ 301
Options purchased			**–**	**–**	3	–
Options written			**–**	**7**	–	8
			672	**263**	755	309
Foreign exchange contracts						
Forward contracts			**195**	**310**	64	43
Cross currency swaps			**89**	**89**	1	29
Cross currency interest rate swaps			**292**	**252**	101	334
			576	**651**	166	406
			$ 1,248	**$ 914**	$ 921	$ 715
Total gross fair values before netting			**20,563**	**19,433**	$ 16,272	$ 16,030
Impact of master netting agreements						
With intent to settle net or simultaneously (3)			**(27)**	**(27)**	(18)	(18)
Without intent to settle net or simultaneously (4)			**(10,471)**	**(10,471)**	(7,913)	(7,913)
Total			**$ 10,065**	**$ 8,935**	$ 8,341	$ 8,099

(1) The fair values of derivatives are presented on a gross basis before the impact of legally enforceable master netting agreements. The fair values of derivatives are determined using various methodologies including: quoted market prices, where available; prevailing market rates for instruments with similar characteristics and maturities; net present value analysis or other pricing models as appropriate.

(2) Average fair value amounts are calculated based on monthly balances.

(3) Impact of offsetting credit exposures on contracts where the bank has both a legally enforceable master netting agreement in place and intends to settle the contracts on either a net basis or simultaneously.

(4) Additional impact of offsetting credit exposures on contracts where the bank has a legally enforceable master netting agreement in place but does not intend to settle the contracts on a net basis or simultaneously.

Note 16: **Contractual Repricing and Maturity Schedule**

The table below details the bank's exposure to interest rate risk as defined and prescribed by the Canadian Institute of Chartered Accountants handbook Section 3860, *Financial Instruments – Disclosure and Presentation*. On- and off-balance sheet financial instruments are reported based on the earlier of their contractual repricing date or maturity date. Effective interest rates have been disclosed where applicable. The effective rates shown represent historical rates for fixed rate instruments carried at amortized cost and current market rates for floating rate instruments or instruments carried at fair value.

The table below does not incorporate management's expectation of future events where expected repricing or maturity dates differ significantly from the contractual dates. The bank incorporates these assumptions in the management of its interest rate risk exposure. These assumptions include expected repricing of trading instruments and certain loans and deposits. Taking into account these assumptions on the consolidated contractual repricing and maturity schedule at October 31, 2000, would result in a change in the under-1-year gap from ($27.8) billion to ($12.1) billion (1999 – ($26.9) billion to ($5.3) billion).

Carrying Amount by Earlier of Contractual Repricing or Maturity Date

	Immediately rate-sensitive	Under 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest-sensitive	Total
Assets								
Cash resources	$ –	$ 16,458	$ 615	$ 1,579	$ 61	$ –	$ 893	$ 19,606
Effective interest rate		5.00%	6.27%	6.94%	7.00%			
Securities								
Trading account	–	10,012	3,253	2,396	7,393	6,013	13,949	43,016
Effective interest rate		5.98%	6.04%	6.12%	6.04%	6.25%		
Investment account and loan substitute	–	4,209	1,936	997	5,038	989	825	13,994
Effective interest rate		5.82%	6.11%	6.49%	6.30%	8.12%		
Loans	37,718	53,553	8,573	11,186	57,694	4,478	(555)	172,647
Effective interest rate		7.58%	7.28%	7.35%	7.01%	7.70%		
Other assets	–	–	–	–	–	–	40,477	40,477
	37,718	84,232	14,377	16,158	70,186	11,480	55,589	289,740
Liabilities								
Deposits	68,353	78,132	12,768	18,104	24,459	1,080	–	202,896
Effective interest rate		5.71%	5.52%	5.67%	5.67%	5.59%		
Obligations related to securities sold short	–	319	95	383	4,427	4,210	3,985	13,419
Effective interest rate		6.21%	5.92%	6.10%	6.14%	6.20%		
Obligations related to assets sold under repurchase agreements	–	7,977	739	50	173	66	–	9,005
Effective interest rate		6.34%	6.20%	5.98%	6.03%	6.17%		
Other liabilities	–	–	–	–	–	–	44,351	44,351
Effective interest rate								
Subordinated debentures	–	1,267	–	15	2,326	2,217	–	5,825
Effective interest rate		5.74%		10.75%	5.98%	7.27%		
Non-controlling interest in subsidiaries	–	–	–	–	–	650	53	703
Effective interest rate						7.88%		
Shareholders' equity	150	–	–	300	1,135	300	11,656	13,541
Effective interest rate				9.00%	6.76%	4.70%		
	68,503	87,695	13,602	18,852	32,520	8,523	60,045	289,740
On-balance sheet gap	(30,785)	(3,463)	775	(2,694)	37,666	2,957	(4,456)	–
Off-balance sheet financial instruments (1)								
Derivatives used for asset liability management purposes								
Pay side instruments	–	(25,878)	(1,715)	(1,498)	(19,462)	(3,363)	–	(51,916)
Effective interest rate		5.96%	5.71%	6.68%	5.95%	6.24%		
Receive side instruments	–	27,619	2,992	5,105	11,796	4,404	–	51,916
Effective interest rate		6.34%	5.55%	6.20%	6.21%	6.42%		
Derivatives used for trading purposes	–	14,915	(3,203)	(9,985)	4,382	163	(6,272)	–
Effective interest rate		5.83%	5.83%	5.94%	5.94%	6.03%		
	–	16,656	(1,926)	(6,378)	(3,284)	1,204	(6,272)	–
Total gap	$ (30,785)	$ 13,193	$ (1,151)	$ (9,072)	$ 34,382	$ 4,161	$ (10,728)	$ –
Canadian dollar	(18,165)	(1,998)	4,484	(636)	32,951	2,649	(14,437)	4,848
Foreign currency	(12,620)	15,191	(5,635)	(8,436)	1,431	1,512	3,709	(4,848)
Total gap	$ (30,785)	$ 13,193	$ (1,151)	$ (9,072)	$ 34,382	$ 4,161	$ (10,728)	$ –
Canadian dollar – 1999	(18,044)	4,055	345	1,677	25,535	3,392	(12,769)	4,191
Foreign currency – 1999	(11,154)	(2,749)	(54)	(968)	4,899	6,038	(203)	(4,191)
Total gap – 1999	$ (29,198)	$ 1,306	$ 291	$ 709	$ 30,434	$ 9,430	$ (12,972)	$ –

(1) Represents net notional amounts.

Note 17: **Reconciliation of Canadian and United States Generally Accepted Accounting Principles**

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP), including the accounting requirements of the Superintendent of Financial Institutions Canada. As required by the United States Securities and Exchange Commission, material differences between Canadian and United States GAAP are described below.

Summary of Reconciliation to U.S. GAAP

	2000			1999			1998		
	Net income	**Shareholders' equity**	**Assets**	Net income	Shareholders' equity	Assets	Net income	Shareholders' equity	Assets
Canadian GAAP	**$ 2,274**	**$ 13,541**	**$ 289,740**	$ 1,757	$ 12,615	$ 270,650	$ 1,824	$ 11,892	$ 274,399
Reclassification of securities (1)	**–**	**(56)**	**(46)**	–	(85)	(85)	–	56	56
Postretirement benefits other than pensions (2)	**(35)**	**(163)**	**123**	(37)	(128)	97	(33)	(91)	70
Pension benefits (3)	**–**	**(27)**	**(27)**	(6)	(27)	(27)	(21)	(21)	(20)
Trade date accounting (4)	**–**	**–**	**419**	–	–	2,327	–	–	6,520
Merger consummation costs (5)	**–**	**–**	**–**	14	–	–	(14)	(14)	(23)
Insurance accounting (6)	**(29)**	**(13)**	**416**	16	16	283	–	–	–
Other (7)	**(2)**	**15**	**3,429**	(19)	17	53	16	36	72
U.S. GAAP	**$ 2,208**	**$ 13,297**	**$ 294,054**	$ 1,725	$ 12,408	$ 273,298	$ 1,772	$ 11,858	$ 281,074
Earnings per share	**$ 3.42**			$ 2.50			$ 2.64		
Fully diluted earnings per share	**$ 3.40**			$ 2.48			$ 2.58		

(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 would decrease Securities by $97 million, increase the related Deferred income taxes included in Other assets by $43 million, increase Other assets by $8 million and Other liabilities by $10 million as a result of marking to market the instruments that hedge Available for sale securities, and decrease Shareholders' equity by $56 million as at October 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 would decrease Net income under U.S. GAAP by $35 million for the year ended October 31, 2000. The cumulative pre-tax cost would increase Other liabilities by $286 million, the related Deferred income taxes would increase Other assets by $123 million and Shareholders' equity would decrease by $163 million as at October 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 cumulative pre-tax cost resulting from the application of U.S. GAAP to the bank's pension accounting would decrease Other assets by $48 million, the related Deferred income taxes would increase Other assets by $21 million and Shareholders' equity would decrease by $27 million as at October 31, 2000.

(4) Under U.S. GAAP, trade date accounting for Securities is used for both the consolidated balance sheet and the consolidated income statement. The bank's practice under Canadian GAAP is settlement date accounting for the consolidated balance sheet and trade date accounting for the consolidated income statement. The application of trade date accounting to the bank's consolidated balance sheet would increase Securities by $156 million, Other assets by $263 million and Other liabilities by $419 million as at October 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 would be 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 1999 under Canadian GAAP. The $36 million charged to income under Canadian GAAP exceeded, by $24 million, the $12 million that would be charged to income under U.S. GAAP in 1999. This would result in Net income under U.S. GAAP being $14 million higher for the year ended October 31, 1999.

(6) There are differences between U.S. and Canadian GAAP with respect to life insurance premiums, investment accounting and actuarial reserving. These lead to timing differences in the charging or releasing of actuarial reserves to income and in the recognition of realized gains and losses on investments. The application of U.S. GAAP to the bank's insurance operations would decrease Net income by $29 million for the year ended October 31, 2000. Also, excluding the effects of reclassification of Securities which are included in footnote (1) above, Other assets and Other liabilities would increase by $402 million and $429 million respectively, the related Deferred income taxes would increase Other assets by a further $14 million and Shareholders' equity would decrease by $13 million as at October 31, 2000.

(7) Other differences between U.S. and Canadian GAAP relate to the right of offset and other minor items. The net of these items would decrease Net income under U.S. GAAP by $2 million for the year ended October 31, 2000, and would increase Shareholders' equity by $15 million, Assets by $3,429 million and liabilities by $3,414 million as at October 31, 2000.

Future Accounting Changes

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), as amended by FAS 138, is effective for the bank's fiscal year beginning November 1, 2000. Under the current accounting policy for derivatives, as described in note 1, *only* derivatives used in sales and trading activities are recorded on the balance sheet at fair value. FAS 133 will require that *all* derivative instruments be recorded on the consolidated balance sheet at fair value including derivatives embedded in financial instruments or contracts that are not clearly and closely related to the economic characteristics of the host financial instrument or contract. Changes in the fair value of derivatives will be recorded in Net income or, if the derivative is designated as a cash flow hedge, in Other comprehensive income within Shareholders' equity.

For fair value hedge transactions, in which the bank is hedging changes in the fair value of an asset, liability or firm commitment, changes in the fair value of the derivative instrument will generally be offset in Net income by changes in the fair value of the hedged item relating to the risk being hedged. For cash flow hedge transactions, in which the bank is hedging the variability in cash flows related to a variable rate asset, liability or a forecasted transaction, the effective portion of the changes in the fair value of the derivative instrument will be reported in Other comprehensive income. The gains and losses on the derivative instrument that will be reported in Other comprehensive income will be reclassified to Net income in the periods in which Net income is affected by the variability in the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in Net income.

On November 1, 2000, the bank will record a cumulative transition adjustment recognizing after-tax gains of $20 million in Net income and $60 million in Other comprehensive income. Assets will increase by $540 million and liabilities by $460 million as a result of recording all derivative instruments and all fair value hedged items on the consolidated balance sheet at fair value.

Supplementary Information

Consolidated Balance Sheet

As at October 31 ($ millions)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Assets											
Cash resources	**$ 19,606**	$ 23,042	$ 16,395	$ 21,392	$ 23,567	$ 17,710	$ 16,449	$ 10,874	$ 10,938	$ 8,820	$ 8,763
Securities	**57,010**	50,559	41,399	33,037	43,490	32,705	27,695	24,011	16,146	13,436	9,449
Loans											
Residential mortgage	**62,984**	59,242	57,069	53,369	48,120	45,131	44,109	43,781	32,609	29,105	25,734
Personal	**28,019**	25,255	22,761	20,864	18,440	16,923	16,508	16,487	15,462	14,775	14,392
Credit card	**4,666**	2,666	1,945	2,324	3,522	3,435	3,321	3,090	2,532	2,571	2,434
Business and government	**60,546**	57,676	65,598	62,837	56,138	51,500	48,748	52,062	52,502	53,251	52,597
Reverse repurchase agreements	**18,303**	20,272	19,907	18,642	11,446	4,591	5,259	5,304	607	600	–
	174,518	165,111	167,280	158,036	137,666	121,580	117,945	120,724	103,712	100,302	95,157
Allowance for loan losses	**(1,871)**	(1,884)	(2,026)	(1,769)	(1,875)	(2,003)	(2,559)	(4,255)	(3,575)	(1,958)	(2,463)
	172,647	163,227	165,254	156,267	135,791	119,577	115,386	116,469	100,137	98,344	92,694
Other											
Derivative-related amounts (1)	**19,155**	15,151	30,413	14,776	12,994	12,378	–	–	–	–	–
Acceptances	**11,628**	9,257	10,620	10,561	7,423	6,300	6,205	6,302	5,737	7,210	10,369
Premises and equipment	**1,249**	1,320	1,872	1,696	1,785	1,870	1,975	2,057	1,914	1,921	1,800
Other assets	**8,445**	8,094	8,446	7,045	6,448	5,490	5,369	5,228	3,421	2,621	2,863
	40,477	33,822	51,351	34,078	28,650	26,038	13,549	13,587	11,072	11,752	15,032
	$ 289,740	$ 270,650	$ 274,399	$ 244,774	$ 231,498	$ 196,030	$ 173,079	$ 164,941	$ 138,293	$ 132,352	$ 125,938
Liabilities and shareholders' equity											
Deposits											
Personal	**$ 89,632**	$ 87,359	$ 85,910	$ 86,106	$ 90,774	$ 89,929	$ 85,214	$ 84,696	$ 67,648	$ 64,332	$ 60,577
Business and government	**93,618**	86,223	76,107	64,368	47,799	39,900	36,422	33,781	30,245	29,740	27,335
Bank	**19,646**	14,315	17,988	22,755	23,244	13,662	14,179	11,922	14,329	10,950	11,256
	202,896	187,897	180,005	173,229	161,817	143,491	135,815	130,399	112,222	105,022	99,168
Other											
Acceptances	**11,628**	9,257	10,620	10,561	7,423	6,300	6,205	6,302	5,737	7,210	10,369
Securities sold short	**13,419**	17,885	14,404	11,152	8,331	7,128	5,569	5,362	3,628	2,650	1,523
Repurchase agreements	**9,005**	9,396	11,264	9,458	16,526	4,090	5,341	2,533	787	641	29
Derivative-related amounts (1)	**18,574**	15,219	29,370	14,732	13,449	12,384	–	–	–	–	–
Other liabilities	**14,149**	13,682	12,258	10,494	10,828	9,970	7,986	8,919	5,232	5,913	5,998
	66,775	65,439	77,916	56,397	56,557	39,872	25,101	23,116	15,384	16,414	17,919
Subordinated debentures	**5,825**	4,596	4,087	4,227	3,602	3,528	3,481	3,410	3,106	3,081	2,299
Non-controlling interest in subsidiaries	**703**	103	499	531	108	107	93	86	75	73	98
Shareholders' equity											
Capital stock											
Preferred	**2,037**	2,009	2,144	1,784	1,752	1,990	2,266	2,248	1,594	1,661	1,146
Common	**3,076**	3,065	2,925	2,907	2,876	2,910	2,910	2,910	2,910	2,726	2,450
Retained earnings	**8,428**	7,541	6,823	5,699	4,786	4,132	3,413	2,772	3,002	3,375	2,858
	13,541	12,615	11,892	10,390	9,414	9,032	8,589	7,930	7,506	7,762	6,454
	$ 289,740	$ 270,650	$ 274,399	$ 244,774	$ 231,498	$ 196,030	$ 173,079	$ 164,941	$ 138,293	$ 132,352	$ 125,938

(1) As the information is not reasonably determinable, amounts for years prior to 1995 have not been restated to reflect the presentation of derivative-related amounts on a gross basis.

Consolidated Statement of Income

For the year ended October 31 ($ millions, except per share amounts)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Interest income											
Loans	**$ 12,616**	$ 11,287	$ 11,643	$ 9,922	$ 9,856	$ 10,057	$ 8,899	$ 8,247	$ 8,957	$ 10,670	$ 11,238
Securities	**2,518**	2,075	1,842	2,140	2,430	2,154	1,629	1,295	1,012	896	1,063
Deposits with banks	**975**	841	822	1,009	922	817	479	321	421	613	666
	16,109	14,203	14,307	13,071	13,208	13,028	11,007	9,863	10,390	12,179	12,967
Interest expense											
Deposits	**9,057**	7,636	7,732	6,548	7,115	7,362	5,477	4,995	5,868	7,940	9,081
Other liabilities	**1,429**	1,161	1,172	1,139	1,126	792	761	567	322	209	145
Subordinated debentures	**344**	286	339	384	322	335	290	263	272	271	220
	10,830	9,083	9,243	8,071	8,563	8,489	6,528	5,825	6,462	8,420	9,446
Net interest income	**5,279**	5,120	5,064	5,000	4,645	4,539	4,479	4,038	3,928	3,759	3,521
Other income											
Capital market fees	**1,810**	1,209	1,118	1,172	764	434	567	456	356	258	264
Trading revenues	**1,540**	1,106	748	606	368	362	345	414	387	238	234
Deposit and payment service charges	**756**	688	664	690	701	681	661	649	654	601	560
Investment management and custodial fees	**684**	547	495	404	319	286	278	101	82	69	71
Mutual fund revenues	**528**	479	447	354	241	190	202	64	37	16	14
Card service revenues	**420**	362	305	332	282	278	258	203	183	197	197
Securitization revenues	**115**	222	218	–	–	–	–	–	–	–	–
Gain on sale of securities	**(11)**	28	343	37	107	17	49	169	14	11	–
Other	**890**	839	647	684	484	490	503	395	389	568	404
	6,732	5,480	4,985	4,279	3,266	2,738	2,863	2,451	2,102	1,958	1,744
Gross revenues	**12,011**	10,600	10,049	9,279	7,911	7,277	7,342	6,489	6,030	5,717	5,265
Provision for credit losses	**691**	760	575	380	440	580	820	1,750	2,050	605	420
	11,320	9,840	9,474	8,899	7,471	6,697	6,522	4,739	3,980	5,112	4,845
Non-interest expenses											
Human resources	**4,651**	4,013	3,594	3,365	2,851	2,563	2,675	2,386	2,170	2,072	1,889
Occupancy	**570**	564	508	559	507	473	500	593	476	394	334
Equipment	**665**	677	585	605	492	506	460	473	382	335	287
Communications	**695**	699	665	587	523	461	450	377	372	372	362
Other	**1,000**	1,107	1,047	937	739	654	576	586	517	445	444
	7,581	7,060	6,399	6,053	5,112	4,657	4,661	4,415	3,917	3,618	3,316
Net income before income taxes	**3,739**	2,780	3,075	2,846	2,359	2,040	1,861	324	63	1,494	1,529
Income taxes	**1,445**	1,015	1,175	1,090	880	755	655	(5)	(65)	495	555
Net income before non-controlling interest	**2,294**	1,765	1,900	1,756	1,479	1,285	1,206	329	128	999	974
Non-controlling interest	**20**	8	76	77	49	23	37	29	21	16	9
Net income	**$ 2,274**	$ 1,757	$ 1,824	$ 1,679	$ 1,430	$ 1,262	$ 1,169	$ 300	$ 107	$ 983	$ 965
Preferred share dividends	**134**	157	145	131	144	164	168	154	123	103	96
Net income available to common shareholders	**$ 2,140**	$ 1,600	$ 1,679	$ 1,548	$ 1,286	$ 1,098	$ 1,001	$ 146	$ (16)	$ 880	$ 869
Earnings per share (loss)											
Basic	**$ 3.53**	$ 2.55	$ 2.72	$ 2.50	$ 2.05	$ 1.75	$ 1.60	$ 0.23	$ (0.03)	$ 1.46	$ 1.50
Fully diluted	**3.47**	2.51	2.65	2.45	2.05	1.75	1.60	0.23	(0.03)	1.45	1.48
Cash basis, basic (1)	**3.67**	2.66	2.82	2.60	2.11	1.81	1.67	0.29	0.01	1.49	1.53
Cash basis, fully diluted (1)	**3.60**	2.61	2.74	2.55	2.11	1.81	1.67	0.29	0.01	1.48	1.50

(1) Cash basis earnings per share and fully diluted earnings per share are computed by adding back to net income the after-tax amount of amortization for goodwill and other intangibles.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31 ($ millions)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Preferred shares											
Balance at beginning of year	**$ 2,009**	$ 2,144	$ 1,784	$ 1,752	$ 1,990	$ 2,266	$ 2,248	$ 1,594	$ 1,661	$ 1,146	$ 1,151
Issued	**–**	296	300	–	–	–	–	612	–	526	–
Redeemed for cancellation	**–**	(400)	–	–	(237)	(272)	–	–	(102)	(5)	(4)
Translation adjustment	**28**	(31)	60	32	(1)	(4)	18	42	35	(6)	(1)
Balance at end of year	**2,037**	2,009	2,144	1,784	1,752	1,990	2,266	2,248	1,594	1,661	1,146
Common shares											
Balance at beginning of year	**3,065**	2,925	2,907	2,876	2,910	2,910	2,910	2,910	2,726	2,450	2,309
Issued	**109**	192	18	69	–	–	–	–	184	276	141
Purchased for cancellation	**(98)**	(52)	–	(38)	(34)	–	–	–	–	–	–
Balance at end of year	**3,076**	3,065	2,925	2,907	2,876	2,910	2,910	2,910	2,910	2,726	2,450
Retained earnings											
Balance at beginning of year (1)	**7,541**	6,823	5,699	4,786	4,057	3,413	2,772	3,002	3,375	2,858	2,323
Net income	**2,274**	1,757	1,824	1,679	1,430	1,262	1,169	300	107	983	965
Dividends – preferred	**(134)**	(157)	(145)	(131)	(144)	(164)	(168)	(154)	(123)	(103)	(96)
common	**(689)**	(588)	(543)	(469)	(418)	(371)	(364)	(364)	(361)	(352)	(337)
Premium paid on common shares purchased	**(562)**	(281)	–	(160)	(136)	–	–	–	–	–	–
Issuance costs	**(4)**	(9)	(7)	–	–	–	–	(11)	–	(8)	–
Unrealized foreign currency translation gains and losses	**2**	(4)	(5)	(6)	(3)	(8)	4	(1)	4	(3)	3
Balance at end of year	**8,428**	7,541	6,823	5,699	4,786	4,132	3,413	2,772	3,002	3,375	2,858
Shareholders' equity at end of year	**$ 13,541**	$ 12,615	$ 11,892	$ 10,390	$ 9,414	$ 9,032	$ 8,589	$ 7,930	$ 7,506	$ 7,762	$ 6,454

(1) Retained earnings at the beginning of 1996 was reduced by $75 million as a result of the adoption of the Impaired Loans accounting standard.

Risk Profile

As at October 31 ($ millions)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Gross impaired loans											
Beginning of year	**$ 1,704**	$ 2,001	$ 1,819	$ 2,376	$ 2,944	$ 4,424	$ 7,582	$ 7,056	$ 3,924	$ 4,203	$ 3,516
Net additions (reductions)	**813**	743	628	81	384	(255)	(1,128)	1,643	3,639	909	1,822
Write-offs and adjustments	**(839)**	(1,040)	(446)	(638)	(952)	(1,225)	(2,030)	(1,117)	(507)	(1,188)	(1,135)
End of year	**$ 1,678**	$ 1,704	$ 2,001	$ 1,819	$ 2,376	$ 2,944	$ 4,424	$ 7,582	$ 7,056	$ 3,924	$ 4,203
As a % of loans (including reverse repos) and acceptances	**.9%**	1.0%	1.1%	1.1%	1.6%	2.3%	3.6%	6.0%	6.4%	3.7%	4.0%
Allowance for credit losses											
Specific	**$ 747**	$ 786	$ 1,176	$ 932	$ 1,091	$ 1,439	$ 1,962	$ 2,667	$ 1,867	$ 449	$ 451
Country risk	**28**	34	40	436	444	930	940	1,107	1,383	1,509	2,012
General allowance (1)											
General allocated (1)	**863**	790	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
General unallocated (1)	**337**	290	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total general allowance (1)	**1,200**	1,080	850	750	700	300	300	550	325	–	–
Total	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235	$ 2,669	$ 3,202	$ 4,324	$ 3,575	$ 1,958	$ 2,463
Composition of allowance											
Allowance for loan losses	**$ 1,871**	$ 1,884	$ 2,026	$ 1,769	$ 1,875	$ 2,003	$ 2,559	$ 4,255	$ 3,575	$ 1,958	$ 2,463
Allowance for off-balance sheet and other items (2)	**98**	–	–	–	–	–	–	–	–	–	–
Allowance for loan substitute securities	**6**	16	40	30	34	–	–	–	–	–	–
Allowance for country risk securities	**–**	–	–	319	326	666	643	69	–	–	–
Total	**$ 1,975**	$ 1,900	$ 2,066	$ 2,118	$ 2,235	$ 2,669	$ 3,202	$ 4,324	$ 3,575	$ 1,958	$ 2,463
Allowance for loan losses as a % of loans (including reverse repos) and acceptances	**1.0%**	1.1%	1.2%	1.1%	1.3%	1.6%	2.1%	3.5%	3.4%	1.9%	2.4%
Allowance for loan losses as a % of gross impaired loans, excluding LDCs	**112**	112	103	94	77	60	52	52	41	18	25
Net impaired loans	**$ (199)**	$ (196)	$ (65)	$ 103	$ 524	$ 1,148	$ 2,093	$ 3,258	$ 3,481	$ 2,016	$ 1,740
As a % of loans (including reverse repos) and acceptances	**(.1)%**	(.1)%	–%	.1%	.4%	.9%	1.7%	2.7%	3.3%	1.9%	1.7%
Provision for credit losses											
Specific	**$ 571**	$ 530	$ 555	$ 330	$ 340	$ 580	$ 1,070	$ 1,775	$ 2,025	$ 705	$ 420
Country risk	**–**	–	(80)	–	(300)	–	–	(250)	(300)	(100)	–
General provision (3)											
General allocated (3)	**73**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
General unallocated (3)	**47**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total general provision	**120**	230	100	50	400	–	(250)	225	325	–	–
Total	**$ 691**	$ 760	$ 575	$ 380	$ 440	$ 580	$ 820	$ 1,750	$ 2,050	$ 605	$ 420
Specific provisions as a % of average loans (including reverse repos) and acceptances	**.32%**	.30%	.31%	.21%	.26%	.48%	.88%	1.64%	1.90%	.67%	.43%
Provision as a % of average loans (including reverse repos) and acceptances	**.38**	.43	.32	.25	.34	.48	.67	1.61	1.93	.57	.43
Net write-offs	**$ 677**	$ 958	$ 692	$ 528	$ 1,001	$ 1,105	$ 1,979	$ 1,187	$ 547	$ 1,010	$ 1,000
As a % of average loans and acceptances	**.38%**	.55%	.39%	.34%	.77%	.91%	1.63%	1.09%	.51%	.96%	1.02%

(1) The general allowance was not separated into allocated and unallocated components prior to October 31, 1999.
(2) During 2000, the allowance for off-balance sheet and other items has been separated and reported under Other liabilities. Previously, the amount was included in the allowance for loan losses.
(3) The general provision was not separated into allocated and unallocated components prior to November 1, 1999.

Financial Highlights

($ millions, except per share amounts)	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Performance ratios											
Return on common equity	**19.8%**	15.6%	18.4%	19.3%	17.6%	16.6%	16.8%	2.4%	(.3)%	15.5%	17.5%
Return on common equity, cash basis (1)	**20.6**	16.2	19.1	20.1	18.1	17.1	17.6	3.0	.0	15.8	17.9
Return on assets	**.81**	.65	.70	.70	.70	.69	.70	.21	.08	.76	.79
Return on assets after preferred dividends	**.76**	.59	.64	.65	.63	.60	.60	.10	(.01)	.68	.71
Net interest margin (2)	**1.88**	1.91	1.95	2.10	2.28	2.49	2.72	2.88	2.93	2.95	2.97
Other income as a % of gross revenues	**55.9**	51.5	49.4	46.0	41.1	37.4	38.7	37.4	34.5	33.8	32.6
Efficiency ratio (3)	**63.0**	66.4	63.4	65.0	64.4	63.6	63.1	67.4	64.3	62.5	61.9
Average balances and year-end off-balance sheet data											
Averages											
Total assets (4)	**$ 281,900**	$ 269,900	$ 261,300	$ 239,500	$ 204,900	$ 183,800	$ 166,700	$ 142,500	$ 136,200	$ 130,100	$ 121,700
Loans and acceptances	**179,800**	175,654	177,984	154,412	130,378	121,459	121,741	108,562	106,376	105,231	98,414
Deposits	**193,762**	184,796	178,688	166,249	147,391	136,686	133,550	114,835	108,609	102,847	95,758
Common equity	**10,814**	10,264	9,107	8,003	7,320	6,627	5,964	6,052	6,313	5,693	4,965
Total equity	**12,789**	12,475	11,078	9,744	9,265	8,820	8,233	8,116	7,938	6,913	6,089
Assets under administration (5)	**1,175,200**	967,800	829,200	783,300	522,100	407,700	346,800	274,300			
Assets under management (5)	**92,300**	81,600	73,400	67,700	51,200	40,400	39,100	33,100			
Capital ratios											
Tier 1 capital	**$ 13,567**	$ 12,026	$ 11,593	$ 10,073	$ 9,037	$ 8,421	$ 7,660	$ 6,910	$ 6,740	$ 6,938	$ 5,712
Total capital	**19,044**	16,698	16,480	14,705	12,069	11,913	11,525	10,941	10,483	10,686	8,525
Total risk-adjusted assets	**158,364**	149,078	157,064	147,672	128,163	121,350	120,158	117,043	114,298	113,975	115,035
Common equity/ risk-adjusted assets	**7.3%**	7.1%	6.2%	5.8%	6.0%	5.8%	5.3%	4.9%	5.2%	5.4%	4.6%
Tier 1 capital ratio	**8.6**	8.1	7.4	6.8	7.0	6.9	6.4	5.9	5.9	6.1	5.0
Total capital ratio	**12.0**	11.2	10.5	10.0	9.4	9.8	9.6	9.3	9.2	9.4	7.4
Common share information (6)											
Shares outstanding (in thousands)											
As at October 31	**602,398**	617,768	617,581	616,671	621,059	628,310	628,310	628,310	628,310	612,920	586,535
Average basic	**606,389**	626,158	617,324	617,812	628,242	628,310	628,310	628,310	621,086	603,614	580,486
Average fully diluted	**624,328**	649,300	644,040	638,130	628,242	628,310	628,310	628,310	621,086	606,530	591,890
Dividends per share	**$ 1.14**	$ 0.94	$ 0.88	$ 0.76	$ 0.67	$ 0.59	$ 0.58	$ 0.58	$ 0.58	$ 0.58	$ 0.58
Book value per share	**19.10**	17.17	15.78	13.96	12.34	11.21	10.07	9.05	9.41	9.96	9.05
Share price – High (7)	**48.88**	42.13	46.10	38.23	22.20	15.69	15.94	14.44	14.50	13.75	12.85
Low (7)	**27.25**	29.65	28.75	22.00	14.88	12.94	12.57	11.00	10.75	10.25	9.88
Close (7)	**48.30**	31.73	35.55	37.68	22.15	15.07	14.19	13.63	12.07	13.50	10.38
Price/earnings multiple (8)	**11.0**	14.3	14.1	12.3	9.1	8.2	8.9	–	–	8.2	7.7
Dividend yield (9)	**3.0%**	2.6%	2.4%	2.5%	3.6%	4.1%	4.1%	4.6%	4.6%	4.8%	5.1%
Dividend payout ratio (10)	**32**	37	32	30	33	34	36	–	–	40	39
Other information											
Number of employees (11)	**49,232**	51,891	51,776	48,816	46,205	49,011	49,208	52,745	49,628	50,547	50,106
Automated banking machines	**4,569**	4,585	4,317	4,248	4,215	4,079	3,948	3,981	3,828	3,651	3,142
Service delivery units											
Canada	**1,333**	1,410	1,422	1,453	1,493	1,577	1,596	1,731	1,661	1,645	1,617
International (12)	**306**	99	106	105	103	105	97	95	83	102	48
Total	**1,639**	1,509	1,528	1,558	1,596	1,682	1,693	1,826	1,744	1,747	1,665

(1) Return on common equity, cash basis, is computed by adding back to net income the after-tax amount of amortization of goodwill and other intangibles.
(2) Net interest income as a percentage of average assets.
(3) Non-interest expenses as a percentage of taxable equivalent net interest income and other income.
(4) As the information is not reasonably determinable, amounts for years prior to 1995 have not been restated to reflect the presentation of derivative-related amounts on a gross basis.
(5) Amounts prior to 1996 are as at September 30. Assets under administration and assets under management balances were not reported prior to 1993.
(6) On October 5, 2000, the bank paid a stock dividend of one Common Share on each of its issued and outstanding Common Shares. The effect is the same as a two-for-one share split. All Common Share information has been restated to reflect the stock dividend.
(7) High and low price of Common Shares traded on The Toronto Stock Exchange during the year and the closing price on the last trading day of October.
(8) Average of high and low Common Share price divided by fully diluted earnings per share. The multiples for 1993 and 1992 are not meaningful.
(9) Dividends per Common Share divided by the average of high and low share price.
(10) Common dividends as a percentage of net income after preferred dividends. The ratios for 1993 and 1992 are not meaningful.
(11) On a full-time equivalent basis.
(12) International service delivery units since 1991 include (in addition to branches) representative offices, agencies and subsidiaries.

Quarterly Highlights

	2000				1999			
($ millions, except per share amounts; taxable equivalent basis)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Statement of income								
Net interest income	**$ 1,381**	**$ 1,300**	**$ 1,346**	**$ 1,280**	$ 1,347	$ 1,283	$ 1,252	$ 1,273
Other income	**1,753**	**1,717**	**1,724**	**1,538**	1,512	1,354	1,306	1,308
Provision for credit losses	**(174)**	**(172)**	**(172)**	**(173)**	(235)	(175)	(175)	(175)
Non-interest expenses	**(2,020)**	**(1,902)**	**(1,900)**	**(1,759)**	(1,860)	(1,696)	(1,671)	(1,833)
Income taxes	**(331)**	**(367)**	**(418)**	**(357)**	(278)	(298)	(264)	(210)
Non-controlling interest	**(14)**	**(2)**	**(2)**	**(2)**	(2)	(2)	(2)	(2)
Net income	**$ 595**	**$ 574**	**$ 578**	**$ 527**	$ 484	$ 466	$ 446	$ 361
Earnings per share								
Basic	**$ 0.93**	**$ 0.90**	**$ 0.89**	**$ 0.81**	$ 0.71	$ 0.67	$ 0.65	$ 0.52
Fully diluted	**0.92**	**0.88**	**0.88**	**0.79**	0.70	0.66	0.64	0.51
Cash basis, basic (1)	**0.97**	**0.94**	**0.93**	**0.83**	0.74	0.70	0.68	0.54
Cash basis, fully diluted (1)	**0.95**	**0.91**	**0.91**	**0.82**	0.72	0.69	0.66	0.53
Performance ratios								
Return on common equity	**20.0%**	**19.7%**	**20.8%**	**18.7%**	16.6%	16.2%	16.5%	12.9%
Return on common equity, cash basis (1)	**20.9**	**20.6**	**21.5**	**19.3**	17.3	16.8	17.1	13.6
Return on assets	**.81**	**.81**	**.84**	**.76**	.70	.68	.70	.53
Return on assets after preferred shares	**.77**	**.76**	**.80**	**.71**	.64	.62	.64	.47
Net interest margin	**1.89**	**1.83**	**1.96**	**1.85**	1.94	1.86	1.96	1.87
Other income as a % of gross revenues	**55.9**	**56.9**	**56.2**	**54.6**	52.9	51.3	51.1	50.7
Efficiency ratio	**64.5**	**63.0**	**61.9**	**62.4**	65.1	64.3	65.3	71.0
Balance sheet								
Assets								
Cash resources and securities	**$ 76,616**	**$ 75,940**	**$ 69,360**	**$ 71,038**	$ 73,601	$ 74,264	$ 65,759	$ 63,592
Residential mortgages	**62,984**	**62,588**	**60,999**	**60,035**	59,242	59,959	58,729	58,131
Personal loans	**28,019**	**27,220**	**26,802**	**26,213**	25,255	24,369	24,193	23,209
Credit card loans	**4,666**	**4,224**	**3,270**	**2,690**	2,666	2,193	2,206	2,058
Business and government loans	**60,546**	**58,244**	**60,834**	**59,629**	57,676	59,438	59,724	63,369
Assets purchased under reverse repurchase agreements	**18,303**	**15,100**	**19,419**	**15,284**	20,272	25,452	22,395	17,461
Allowance for loan losses	**(1,871)**	**(1,845)**	**(1,869)**	**(1,937)**	(1,884)	(1,940)	(1,850)	(2,153)
Other assets	**40,477**	**35,602**	**37,042**	**37,058**	33,822	34,828	35,456	41,469
	$ 289,740	**$ 277,073**	**$ 275,857**	**$ 270,010**	$ 270,650	$ 278,563	$ 266,612	$ 267,136
Liabilities and shareholders' equity								
Personal deposits	**$ 89,632**	**$ 88,900**	**$ 88,777**	**$ 87,467**	$ 87,359	$ 86,990	$ 87,019	$ 86,145
Other deposits	**113,264**	**107,845**	**106,855**	**103,293**	100,538	103,470	96,478	93,568
Other liabilities	**66,775**	**61,427**	**62,194**	**61,440**	65,439	70,305	65,903	70,758
Subordinated debentures	**5,825**	**5,091**	**5,104**	**5,072**	4,596	4,678	4,631	4,332
Non-controlling interest in subsidiaries	**703**	**690**	**39**	**103**	103	103	102	102
Total equity	**13,541**	**13,120**	**12,888**	**12,635**	12,615	13,017	12,479	12,231
	$ 289,740	**$ 277,073**	**$ 275,857**	**$ 270,010**	$ 270,650	$ 278,563	$ 266,612	$ 267,136
Selected average balances and off-balance sheet data								
Averages								
Total assets	**$ 291,200**	**$ 282,000**	**$ 278,600**	**$ 275,600**	$ 274,800	$ 273,300	$ 261,600	$ 269,800
Loans and acceptances	**184,690**	**181,507**	**180,302**	**172,725**	178,332	177,590	172,666	174,072
Deposits	**201,030**	**194,132**	**188,591**	**191,216**	189,334	185,639	182,092	182,031
Common equity	**11,174**	**10,880**	**10,670**	**10,528**	10,536	10,425	10,170	9,922
Total equity	**13,197**	**12,897**	**12,671**	**12,530**	12,852	12,688	12,294	12,061
Assets under administration	**1,175,200**	**1,147,400**	**1,099,400**	**1,027,300**	967,800	927,600	893,800	861,600
Assets under management	**92,300**	**95,200**	**94,000**	**86,400**	81,600	81,400	79,300	77,200
Provision for credit losses								
Specific	**$ 134**	**$ 172**	**$ 132**	**$ 133**	$ 5	$ 175	$ 175	$ 175
General provision (2)								
General allocated (2)	**8**	**–**	**35**	**30**	n.a.	n.a.	n.a.	n.a.
General unallocated (2)	**32**	**–**	**5**	**10**	n.a.	n.a.	n.a.	n.a.
Total general provision	**40**	**–**	**40**	**40**	230	–	–	–
Total	**$ 174**	**$ 172**	**$ 172**	**$ 173**	$ 235	$ 175	$ 175	$ 175
Net impaired loans as a % of loans and acceptances	**(.11)%**	**(.06)%**	**(.12)%**	**(.20)%**	(.11)%	(.04)%	(.09)%	(.12)%
Capital ratios								
Common equity/risk-adjusted assets	**7.3%**	**7.2%**	**7.1%**	**7.1%**	7.1%	7.1%	7.0%	6.8%
Tier 1	**8.6**	**8.5**	**8.0**	**8.1**	8.1	8.4	8.1	7.9
Total	**12.0**	**11.5**	**11.1**	**11.4**	11.2	11.6	11.4	11.3
Common share information								
Shares outstanding (in thousands)								
End of period	**602,398**	**601,628**	**604,723**	**608,783**	617,768	626,292	627,805	627,325
Average basic	**602,108**	**602,494**	**608,285**	**612,708**	622,471	627,532	627,537	627,137
Average fully diluted	**620,475**	**622,377**	**628,969**	**635,731**	646,145	651,372	651,724	649,566
Dividends per share	**$ 0.30**	**$ 0.30**	**$ 0.27**	**$ 0.27**	$ 0.24	$ 0.24	$ 0.23	$ 0.23
Book value per share	**19.10**	**18.45**	**17.98**	**17.48**	17.17	16.91	16.52	16.10
Share price – High	**48.88**	**41.13**	**38.25**	**34.70**	33.95	36.25	40.35	42.13
Low	**39.17**	**34.40**	**28.38**	**27.25**	29.65	31.40	34.23	32.65
Close	**48.30**	**39.65**	**34.95**	**29.53**	31.73	32.63	35.55	39.05
Dividend yield	**2.7%**	**3.2%**	**3.2%**	**3.5%**	3.0%	2.8%	2.5%	2.5%
Dividend payout ratio	**32**	**33**	**30**	**33**	34	35	35	45

(1) Cash basis return on common equity, earnings per share and fully diluted earnings per share are computed by adding back the after-tax amount of amortization of goodwill and other intangibles.
(2) The general provision was not separated between allocated and unallocated components prior to November 1, 1999.

Directors and Executive Officers

Directors

John E. Cleghorn, F.C.A. (1987)
Toronto
Chairman and
Chief Executive Officer
Royal Bank of Canada

George A. Cohon, O.C. (1988)
Toronto
Founder and Senior Chairman
McDonald's Restaurants
of Canada Limited

G.N. (Mel) Cooper,
C.M., O.B.C. (1992)
Victoria
Chairman and
Chief Executive Officer
Seacoast Communications
Group Inc.

Douglas T. Elix (2000)
Somers, New York
Senior Vice-President and
Group Executive
IBM Global Services
IBM Corporation

John T. Ferguson, F.C.A. (1990)
Edmonton
Chairman of the Board
Princeton Developments Ltd.
Chair of the Board
TransAlta Corporation

L. Yves Fortier, C.C., Q.C. (1992)
Montreal
Chairman
Ogilvy Renault

The Hon. Paule Gauthier,
P.C., O.C., Q.C. (1991)
Quebec City
Senior Partner
Desjardins Ducharme
Stein Monast

J. Edward Newall, O.C. (1984)
Calgary
Chairman of the Board
NOVA Chemicals Corporation

David P. O'Brien (1996)
Calgary
Chairman, President and
Chief Executive Officer
Canadian Pacific Limited

Charlotte R. Otto (2000)*
Cincinnati, Ohio
Global External Relations Officer
The Proctor & Gamble Company

Robert B. Peterson (1992)
Toronto
Chairman, President and
Chief Executive Officer
Imperial Oil Limited

J. Pedro Reinhard (2000)
Midland, Michigan
Executive Vice-President and
Chief Financial Officer
The Dow Chemical Company

Hartley T. Richardson (1996)
Winnipeg
President and
Chief Executive Officer
James Richardson & Sons,
Limited

Kenneth C. Rowe, F.C.I.S. (1985)
Halifax
Chairman and
Chief Executive Officer
I.M.P. Group International Inc.

Guy Saint-Pierre, O.C. (1990)
Montreal
Chairman of the Board
SNC–Lavalin Group Inc.

Robert T. Stewart (1988)
Vancouver
Company Director

Allan R. Taylor, O.C. (1983)
Toronto
Retired Chairman and
Chief Executive Officer
Royal Bank of Canada

Sheelagh D. Whittaker (1993)
Toronto
Chair, President and
Chief Executive Officer
EDS Canada Inc.

Victor L. Young, O.C. (1991)
St. John's
Chairman and
Chief Executive Officer
Fishery Products International
Limited

The date appearing after the name of each director indicates the year in which the individual became a director. The term of office of each director will expire at the next Annual Meeting of Shareholders on February 23, 2001.

*Appointed November 21, 2000.

Executive Officers – Group Management Committee

John E. Cleghorn
Chairman and
Chief Executive Officer

Peter W. Currie
Vice-Chairman and
Chief Financial Officer

Gordon J. Feeney
Deputy Chairman

Anthony S. Fell**
Chairman, RBC Dominion
Securities Inc.

Suzanne B. Labarge
Vice-Chairman and
Chief Risk Officer

Martin J. Lippert
Vice-Chairman and
Chief Information Officer

W. Reay Mackay
Vice-Chairman
Wealth Management

Gordon M. Nixon
Deputy Chairman and
Chief Executive Officer
RBC Dominion Securities Inc.

James T. Rager
Vice-Chairman
Personal & Commercial Banking

W. James Westlake
Executive Vice-President,
Insurance, and
President and
Chief Executive Officer
RBC Insurance Holdings Inc.

**On October 31, 2000, Anthony S. Fell stepped down as Deputy Chairman, Royal Bank and a member of its Group Management Committee, but remains Chairman of RBC Dominion Securities Inc.

Corporate Governance

The corporate governance policies of Royal Bank are designed to strengthen the ability of the Board of Directors to supervise management and to enhance long-term shareholder value.

To maintain high standards of corporate governance in a rapidly changing environment, the bank's governance system is subject to ongoing review and assessment. This is carried out by the board's Corporate Governance Committee, with the goal of promoting board effectiveness and adapting the bank's governance system to changing needs and circumstances.

The bank's system of governance is consistent with The Toronto Stock Exchange guidelines for effective corporate governance. A point-by-point comparison of these guidelines with the bank's governance procedures is contained in the Management Proxy Circular issued in connection with the 2001 Annual Meeting.

Responsibilities: The board specifies those matters that require its approval and delegates others to management. Key functions of the board include succession planning, selecting senior management, evaluating management performance and effectiveness, reviewing strategy and major business decisions, identifying risks, and assessing the integrity and effectiveness of the bank's internal controls and management information systems.

Composition: Over the past decade, to foster teamwork and facilitate open and effective dialogue, the size of the board has been reduced substantially. As of November 21, 2000, there were 19 directors.

The strength of the board is built upon the background, diversity, qualities, skills and experience of its members. With advice from outside consultants, the Corporate Governance Committee recommends to the board candidates suitable for nomination. Nominees are selected for qualities such as business judgment, integrity, business or professional expertise, international experience, residency, and familiarity with geographic regions relevant to the bank's strategic priorities.

The Corporate Governance Committee reviews the composition and mandates of the board's five committees. Significant elements of the mandates and activities of the board committees are described on page 85.

Independence: To ensure board independence from management, an independent director, the Chairman of the Corporate Governance Committee, serves as a liaison between the board and senior management. Following every board meeting, this director chairs sessions attended only by non-management directors.

Board policy permits no more than two board members from management. Currently only one director, the Chairman and Chief Executive Officer, is from management.

The bank complies with *Bank Act* provisions and The Toronto Stock Exchange guidelines with regard to directors being "affiliated" with or "related" to the bank. Only two directors are "affiliated" with and only two are "related" to the bank. In both cases, this is considerably below the limits required by the *Bank Act* and suggested in the stock exchange guidelines.

All committees of the board consist solely of outside directors, a majority of whom are unrelated to the bank.

To further strengthen independence, the Human Resources Committee and the board annually evaluate the CEO. In consultation with outside experts, they determine the compensation of the CEO and other senior management.

Information: The board has timely access to the information it needs to carry out its duties. Directors help set the agenda for board and committee meetings, receive a comprehensive package of information prior to each board and committee meeting, and attend an annual strategy planning session. As well, after each committee meeting, the full board receives a report on the committee's work. An ongoing education program and a Director's Guide, focusing on roles and responsibilities of board members, are provided for directors.

Communications: The bank is committed to openness, excellence and timeliness in its communications. The investor relations staff provide information to current and potential investors and respond to their inquiries. It is bank policy that every shareholder inquiry receives a prompt response from an appropriate officer. Senior executives, including the Chief Executive Officer and Chief Financial Officer, meet regularly with financial analysts and institutional investors. The bank's quarterly earnings conference calls with analysts and institutional investors are broadcast live and archived on the Internet and are accessible on a live and recorded basis via telephone to interested retail investors, the media and members of the public. Presentations at investor conferences are promptly made available on the Internet or via telephone. The bank also makes significant disclosure documents available on its investor relations Web site at: *royalbank.com/investorrelation*

Mandates and Activities of Board Committees

The board delegates certain work to board committees. This allows in-depth analysis of issues by the committees and more time for the full board to discuss and debate items of business. Each committee annually evaluates its effectiveness in carrying out its mandate.

Audit Committee

- reviews matters prescribed by the *Bank Act*, including annual and quarterly financial statements, and returns specified by the Superintendent of Financial Institutions Canada.
- meets separately with the external auditors, the Chief Internal Auditor and senior management to discuss matters deemed appropriate by the 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 those systems.
- reviews investments and transactions that could adversely affect the well-being of the bank.
- reviews reports on significant litigation and regulatory compliance matters.
- reviews prospectuses relating to the issue of securities of the bank.
- reviews the duties, responsibilities, annual internal audit plan and staffing of the internal audit function and reviews and concurs in the appointment of the Chief Internal Auditor.
- meets with the Chief Internal Auditor to review any significant issues reported to management and management's responses to any such reports.
- together with the Board of Directors, selects and evaluates the external auditors to be proposed for appointment by shareholders.
- reviews with the external auditors the external audit plan and the independence and objectivity of the external auditors, including formal written statements delineating relationships between the external auditors and the bank that may impact on such independence and objectivity, and recommends actions that the board should take to satisfy itself of the independence of the external auditors.
- reviews and approves policies and programs related to liquidity management and capital management to ensure compliance with the Canada Deposit Insurance Corporation Standards of Sound Business and Financial Practices (the "CDIC Standards") and reviews measures implemented to ensure compliance with CDIC's Internal Control Standard.

Members: G.N. Cooper, J.E. Newall, R.B. Peterson (Chair), J.P. Reinhard, R.T. Stewart, A.R. Taylor, V.L. Young

Conduct Review and Risk Policy Committee

- reviews bank procedures for complying with the rules of the *Bank Act* concerning "related parties."
- establishes and monitors procedures for restricting the use of confidential information, dealing with complaints, disclosing information to customers, and resolving conflicts of interest.
- approves risk principles and reviews other significant investment, lending and other credit policies, standards and procedures in respect of a portfolio of loans, position risk, investments, foreign exchange risk, interest rate risk and other credit exposures.
- reviews the amount, nature, characteristics, concentration and quality of the bank's credit portfolio, as well as all significant exposures to credit risk and the adequacy of the bank's provisions for credit losses.
- reviews credits to directors or entities in which they are partners, directors or officers.
- reviews credits for amounts exceeding authorities delegated to management.
- reviews and approves the risk policies and procedures recommended by the bank's management and annually reviews the credit risk management, real estate appraisals, securities portfolio management, foreign exchange and interest rate risk management policies and programs to ensure compliance with the CDIC Standards.

Members: J.T. Ferguson (Chair), P. Gauthier, H.T. Richardson, K.C. Rowe, R.T. Stewart, V.L. Young

Corporate Governance Committee

- makes recommendations regarding the effectiveness of the system of corporate governance, including the board program and forward agenda for board and committee meetings, the frequency and content of meetings, 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.
- assesses the performance of the board including its committees, and monitors directors' performance. As part of this process, directors periodically evaluate in writing the performance of the board and its committees, and the resulting data is analyzed by an independent outside consultant.
- reviews the credentials of directors standing for re-election.
- identifies and recommends to the board candidates suitable for nomination as directors, in consultation when necessary with independent outside consultants.
- reviews shareholder proposals and recommends to the board the bank's response to the proposals.
- advises management in the planning of the annual strategy meeting attended by directors and senior management.
- reviews the compensation of directors and, based on a report from an independent outside consultant, recommends appropriate adjustments.

Members: L.Y. Fortier, J.E. Newall, D.P. O'Brien, K.C. Rowe, G. Saint-Pierre (Chair), S.D. Whittaker

Human Resources Committee

- reviews and approves principles for employee recruitment, hiring, training, compensation and evaluation.
- reviews management succession plans for executive officers.
- reviews the compensation policies and recommends incentive programs to the board.
- reviews the position description for the CEO and annually evaluates the CEO's performance against corporate objectives approved by the board.
- recommends to the board the remuneration of the CEO and other senior executives.
- reviews the bank's pension plan performance.

Members: G.A. Cohon, D.T. Elix, L.Y. Fortier (Chair), P. Gauthier, D.P. O'Brien, R.B. Peterson, G. Saint-Pierre

Public Policy Committee

- reviews whether the conduct of the bank's business is ethical and socially responsible.
- oversees the bank's communications policy, including processes for communicating with customers, employees, shareholders, and the community.
- reviews policies designed to create a positive corporate image.
- reviews the bank's policy on and budget for political donations.
- reviews the charitable contributions policy and budget.

Members: G.A. Cohon (Chair), G.N. Cooper, J.T. Ferguson, C.R. Otto*, H.T. Richardson, A.R. Taylor, S.D. Whittaker

*Appointed November 21, 2000.

Principal Subsidiaries

Principal subsidiaries (1)	Principal office address (2)	Carrying value of voting shares owned by the bank (3), (4)
Royal Bank Mortgage Corporation (5)	Montreal, Canada	$ 715
Royal Trust Corporation of Canada (5)	Toronto, Canada	649
The Royal Trust Company	Montreal, Canada	306
RBC Capital Trust	Toronto, Canada	139
Royal Mutual Funds Inc.	Toronto, Canada	1
Royal Bank Action Direct Inc.	Richmond Hill, Canada	95
Connor Clark Limited	Toronto, Canada	143
Royal Bank Holding Inc.	Toronto, Canada	9,450
Royal Bank DS Holding Inc.	Toronto, Canada	
RBC Dominion Securities Limited (6)	Toronto, Canada	
RBC Dominion Securities Inc.	Toronto, Canada	
RBC Dominion Securities Corporation (6)	New York, U.S.	
Royal Bank Realty Inc.	Montreal, Canada	
RBC Insurance Holdings Inc.	Mississauga, Canada	
RBC Travel Insurance Company	Mississauga, Canada	
RBC Life Insurance Company	Mississauga, Canada	
RBC General Insurance Company	Mississauga, Canada	
Royal Bank Equity Partners Limited	Toronto, Canada	
RT Investment Management Holdings Inc.	Toronto, Canada	
Royal Bank Investment Management Inc.	Toronto, Canada	
RT Capital Management Inc.	Toronto, Canada	
3305988 Canada Inc.	Toronto, Canada	
Royal Bank Ventures Inc.	Toronto, Canada	
R.B.C. Holdings (Bahamas) Limited	Nassau, Bahamas	
Royal Bank of Canada Trust Company (Bahamas) Limited	Nassau, Bahamas	
Multinational Services (Cayman) Limited (5)	George Town, Grand Cayman	
Finance Corporation of Bahamas Limited	Nassau, Bahamas	
Royal Bank of Canada Reinsurance (Cayman) Limited	George Town, Grand Cayman	
Royal Bank of Canada Insurance Company Ltd.	St. Michael, Barbados	
Royal Bank of Canada (Asia) Limited	Singapore	
Investment Holdings (Cayman) Ltd.	George Town, Grand Cayman	
Royal Bank of Canada (Barbados) Limited	St. Michael, Barbados	
Royal Bank of Canada (Caribbean) Corp.	St. Michael, Barbados	
RBC Holdings (USA) Inc.	New York, U.S.	838
RBC Holdings (Delaware) Inc.	Delaware, U.S.	
Security First Network Bank	Georgia, U.S.	
Prism Financial Corporation	Chicago, U.S.	
Bull & Bear Securities Inc.	New York, U.S.	
RBC Insurance Holdings (USA) Inc.	Delaware, U.S.	
Royal Bank of Canada Financial Corporation	St. Michael, Barbados	2
Atlantis Holdings Limited	St. Michael, Barbados	446
RBC Finance B.V.	Amsterdam, Netherlands	2,008
Royal Bank of Canada (Suisse)	Geneva, Switzerland	
RBC Holdings (Channel Islands) Limited	Guernsey, Channel Islands	
Royal Bank of Canada (IOM) Limited	Isle of Man, British Isles	
Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands	
Royal Bank of Canada (Jersey) Limited	Jersey, Channel Islands	
Royal Bank of Canada Trust Company (Jersey) Limited	Jersey, Channel Islands	
Royal Bank of Canada Trust Company (Cayman) Limited	George Town, Grand Cayman	
Royal Bank of Canada Holdings (U.K.) Limited	London, England	
Royal Bank of Canada Europe Limited	London, England	
RBC Investment Management (Asia) Limited	Hong Kong, China	36
Royal Trust Bank (Asia) Limited (5)	Singapore	3

(1) The bank owns 100% of the voting shares of each subsidiary, except Finance Corporation of Bahamas Limited (75%).
(2) The subsidiaries are incorporated under the laws of the country in which the principal office is situated, except for RT Investment Management Holdings Inc., which is incorporated under the laws of the province of Ontario, and RBC Holdings (USA) Inc. and RBC Insurance Holdings (USA) Inc., which are incorporated under the laws of the state of Delaware, U.S.
(3) The carrying value (in millions of dollars) of voting shares is stated as the bank's equity in such investments.
(4) Carrying value of voting shares owned by the bank is based on Canadian GAAP.
(5) The subsidiaries have outstanding non-voting shares of which the bank, directly or indirectly, owns 100%.
(6) RBC Dominion Securities Limited owns 45% of RBC Dominion Securities Corporation.

Shareholder Information

Annual Meeting
The Annual Meeting of Shareholders will be held at Hotel Vancouver, British Columbia Ballroom, Conference Level, 900 West Georgia Street, Vancouver, British Columbia, Canada, on Friday, February 23, 2001, at 9:00 a.m.(Pacific Time).

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

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

Web site:
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

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

Web site:
www.montrealtrust.com

Co-Transfer Agent (U.S.)
The Bank of New York
101 Barclay Street
New York, N.Y.
U.S. 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 are listed on:
Canada
Toronto Stock Exchange
U.S.
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, is $7.38 per share. This amount has been adjusted to reflect the two-for-one share split of March 1981 and the two-for-one share split of February 1990. The one-for-one stock dividend paid in October 2000 did not affect the Valuation Day value for the bank's common shares.

Shareholder Contact
For change of address, shareholders 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, shareholders 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 visiting our Web site *royalbank.com/investorrelation*

Direct Deposit Service
Shareholders may have their dividends deposited by electronic 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, brokers and security analysts requiring financial information should contact the Senior Vice-President, Investor Relations, by writing to 123 Front Street West, 6th Floor, Toronto, Ontario, Canada M5J 2M2 or by calling (416) 955-7803 or by fax to (416) 955-7800.

2001 Quarterly Earnings Release Dates

First quarter	Feb. 23
Second quarter	May 23
Third quarter	Aug. 21
Fourth quarter	Nov. 20

Dividend Dates for 2001
Subject to approval by the Board of Directors.

	Record dates	Payment dates
Common and preferred	Jan. 24	Feb. 23
shares series H, I, J, K,	Apr. 24	May 24
N, O and P	Jul. 25	Aug. 24
	Oct. 24	Nov. 23
Preferred shares series E	Last trading day of each month	12th day of the following month

La Banque Royale publie aussi son Rapport annuel en français.

Legal Deposit, fourth quarter, 2000
Bibliothèque nationale du Québec

This annual report is printed with vegetable-based ink, on acid-free paper. The entire book is recyclable and the glue in the binding is recoverable.

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Form #81104 (12/00)

Royal Bank of Canada 2000 Annual Report