



**RBC  
Financial  
Group**

# **Fourth Quarter 2001**

## **Highlights of Results**

November 20, 2001

Investor Relations

[www.royalbank.com/investorrelation](http://www.royalbank.com/investorrelation)



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## Financial overview

### *Q4/01 and 2001 core financial highlights\**

- Cash NIAT \$564 million in Q4/01, \$2.5 billion in 2001 (up 10%)
- Cash EPS (diluted) of \$0.78 in Q4/01, \$3.68 in 2001
- Cash ROE of 12.9% in Q4/01, 17.1% in 2001
- Additional items (see chart 6) reduced Q4/01 and 2001 EPS by \$0.14, Q4/01 cash ROE by 130 bp and 2001 cash ROE by 40 bp
- Revenue up 20% in Q4/01, 19% in 2001
- Operating expenses down 8% in Q4/01 and down 2% in 2001, while operating revenues down 2% and up 3%, respectively (both excluding acquisitions and additional Q4/01 items shown on chart 6)
- Non-accrual loans up \$272 million or 12% from Q3/01

\*Excluding special items outlined on chart 4



## Financial overview

### Key Q4/01 and 2001 core numbers\*

C\$	Q4/01		2001	
	US GAAP	CDN GAAP	US GAAP	CDN GAAP
Cash EPS - diluted	\$0.78	\$0.74	\$3.68	\$3.60
Cash EPS growth	(15%)	(24%)	4%	(1%)
Adjusted cash EPS - diluted**	\$0.86	\$0.82	\$3.76	\$3.68
Adjusted cash EPS growth**	(7%)	(15%)	6%	-
Cash ROE	12.9%	12.3%	17.1%	16.8%
Adjusted cash ROE**	14.2%	13.7%	17.5%	17.2%
Operating revenue growth	20%	19%	19%	19%
Adj. operating revenue growth**	19%	18%	18%	19%
Operating expense growth	31%	33%	23%	26%
Adj. operating expense growth**	22%	24%	21%	23%

\* Growth vs. Q4/00 and 2000. Excluding special items outlined on chart 4. Operating expenses exclude special items, costs of SARs, and certain acquisition expenses such as retention compensation and restructuring charges, while operating revenues exclude special items

\*\* Excluding the impact of additional items outlined on chart 6

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## Financial overview

### Special items – Q4/01 and 2001

C\$ millions	Q4/01		2001	
	US GAAP	CDN GAAP	US GAAP	CDN GAAP
<b>Non-interest revenue</b>				
Gain on sale of RT Capital (WM - Q4)	313	313	313	313
Gain on formation of Moneris (P&CB - Q1)	-	-	89	89
Gain on sale of GRS (WM/P&CB* - Q1)	-	-	43	43
<b>Non-interest expense</b>				
U.S. retail bk. restructuring (P&CB - Q3)	-	-	(91)	(91)
<b>Total impact (pre-tax)</b>	<b>313</b>	<b>313</b>	<b>354</b>	<b>354</b>
Impact (after-tax)	251	251	305	305
Deferred income tax adjustment**	(12)	(12)	(101)	(75)
<b>Total impact (after-tax)</b>	<b>239</b>	<b>239</b>	<b>204</b>	<b>230</b>
<b>Impact on EPS - diluted</b>	<b>0.34</b>	<b>0.35</b>	<b>0.32</b>	<b>0.36</b>

\* \$36 million (\$28 million after-tax) in WM and \$7 million (\$6 million after-tax) in P&CB

\*\* relates to change in federal corporate tax rate. See chart 5 for break out by segment

P&CB = Personal & Commercial Banking WM = Wealth Management

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## Financial overview

### *Deferred income tax adjustments (after-tax impact)*

C\$ millions

	2000	Q1/01	Q2/01	Q3/01	Q4/01	2001
<b>U.S. GAAP</b>						
P&CB	-	-	-	36	9	45
WM	-	-	3	5	-	8
C&IB	-	-	-	24	3	27
Other	-	-	(3)	24	-	21
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89</b>	<b>12</b>	<b>101</b>
<b>Cdn. GAAP</b>						
P&CB	-	19	12	5	9	45
WM	-	-	3	5	-	8
C&IB	-	10	(1)	15	3	27
Other	16	4	(4)	5	-	5
<b>Total</b>	<b>16</b>	<b>33</b>	<b>10</b>	<b>30</b>	<b>12</b>	<b>85</b>

Note: the adjustments in Q1/01, Q3/01 and Q4/01 were considered special items.

P&CB = Personal & Commercial Banking WM = Wealth Management C&IB = Corporate & Investment Banking  
Other = "Other" segment

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## Financial overview

### *Additional significant items impacting Q4/01*

C\$ millions

	pre-tax	after-tax	EPS
Reported cash earnings		803	1.12
less special items*		(239)	(0.34)
<b>Core cash earnings</b>		<b>564</b>	<b>0.78</b>
<b>Additional items impacting Q4/01:</b>			
Staff benefit adjustments (NIE – benefits)	(87)	(52)	-0.08
Connor Clark write-down** (NIE – goodwill)	(38)	(38)	-0.06
Capital market business downsizing (NIE – mostly salaries)	(57)	(34)	-0.05
Total NIE impact	(182)	(124)	-0.19
Land lease sales (NIR - other)	39	31	+0.05
<b>TOTAL</b>	<b>(143)</b>	<b>(93)</b>	<b>-0.14</b>

\* as shown in chart 4 \*\*this item does not impact adjusted core cash EPS and ROE

NIE = non-interest expenses NIR = non-interest revenues

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US GAAP



## Financial overview

### *Impact of significant items and recent acquisitions\**

	Q4/01 vs.		2001 vs.
	Q3/01	Q4/00	2000
Core/operating revenue growth	1%	20%	19%
Adjusted operating revenue growth**	-	19%	18%
<b>Adjusted operating revenue growth excluding recent acquisitions</b>	<b>(3)%</b>	<b>(2)%</b>	<b>3%</b>
Core expense growth	5%	30%	25%
Operating expense growth	8%	31%	23%
Adjusted operating expense growth**	1%	22%	21%
<b>Adjusted operating expense growth excluding recent acquisitions</b>	<b>(3)%</b>	<b>(8)%</b>	<b>(2)%</b>

\* includes: RBC Prism acquired in April 2000, RBC Liberty acquired in November 2000, RBC Dain Rauscher acquired in January 2001 and RBC Centura acquired in June 2001. Operating revenues & expenses defined on chart 3

\*\* Adjusted for significant items shown on chart 6

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## Financial overview

### *Performance vs. objectives – Q4/01 and 2001*

	Objectives for 2001	Q4/01 core	2001 core	Objectives for 2002
<b><u>Profitability measures*</u></b>				
Cash ROE	18-20%	12.9%	17.1%	17-19%
Adjusted cash ROE**		14.2%	17.5%	
Cash EPS growth	10-15%	(15%)	4%	5-10%
Adjusted cash EPS growth**		(7%)	6%	
Revenue growth	10%+	20%	19%	7-10%
Operating revenue growth		20%	19%	
Operating expense growth	< op.rev.growth	31%	23%	< op.rev.growth
Specific PCL/avg. loans, BAAs & repos (Cdn. GAAP)	0.30-0.40%	0.82%	0.53%	0.45-0.55%
<b><u>Capital ratios (OSFI)</u></b>				
Tier 1 capital	maintain strong	8.7%	8.7%	maintain strong
Total capital	capital ratios	11.8%	11.8%	capital ratios

\* growth is over a year ago. Excludes special items as shown in chart 4. Operating expenses and revenues defined on chart 3

\*\* excluding the impact of additional items outlined on chart 6

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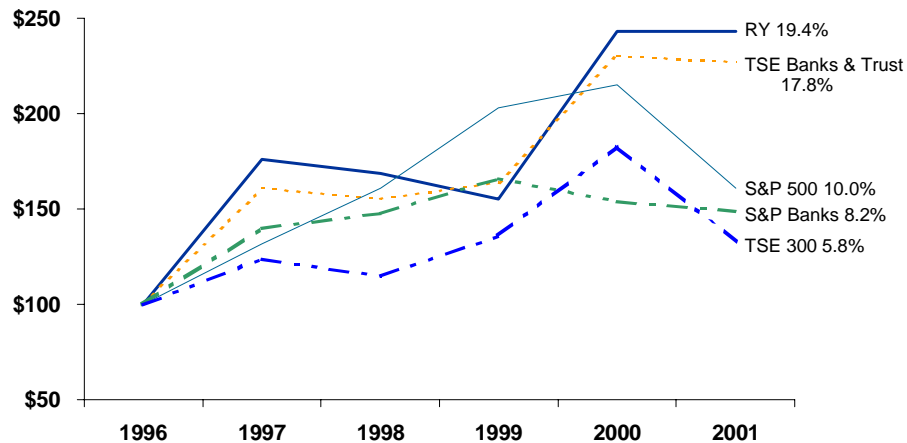
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## Strong returns to shareholders

### 5-year annualized total return\* on \$100 investment

(October 31, 1996 – October 31, 2001)



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## Business segment results

### Q4/01 operating highlights

#### Personal & Commercial Banking (P&CB)

- RBC Centura opened its first Knowledge-Based Industries (KBI) centre of expertise to provide high-tech customers with early-stage loans, commercial banking services etc.
- Launched a successful pilot of CashEdge, RBC's aggregation service, which provides clients with a single view of all their financial information, including info from other FIs

#### Insurance

- Announced the launch of a new online home and auto insurance quoting tool giving Canadian customers the ability to get immediate insurance quotes
- Announced the launch of a critical illness insurance product in both Canada and the U.S. that pays out a lump sum benefit to survivors

#### Wealth Management

- Completed the acquisition of Tucker Anthony Sutro for US\$594 million on October 31<sup>st</sup>
- Completed the sale of RT Capital for a gain of \$313 million (\$251 million after-tax)
- Introduced RBC Advisor Funds, a new family of 16 load mutual funds, available to through brokers and independent financial planners in Canada
- Restructured the businesses; the new divisions are: Canadian and International Brokerage Group, Global Private Banking and RBC Global Asset Management

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## Business segment results

### Q4/01 operating highlights

#### Corporate & Investment Banking

- RBC DS acted for Canadian Pacific Limited as its sole advisor in the \$23.7 billion divestiture of five component companies; RBC DS was the leading M&A advisor in Canada in 2001 with transactions valued in excess of \$40 billion

#### Transaction Processing

- RBC Global Services recognized as best overall Canadian subcustodian in *Global Custodian* magazine's annual Agent Bank Review for 2001
- The 2001 Stewart Associates Survey has ranked RBC for the 3<sup>rd</sup> consecutive year as the top Cash Management Bank in Canada on 7 of 8 service criteria

#### Other

- Announced the consolidation of the Canadian financial planning business, bringing together 1,500 sales people from within Wealth Management and P&CB
- RBC's online banking and trading services enrolment was 1.9 million, up 50%
- RBC's Board of Directors recognized as best in Canada by *Canadian Business* magazine
- RBC named most respected financial institution and second of all companies in the *Globe and Mail's Report on Business* annual list of Canada's Most Respected Corporations



## Business segment results

### Q4/01

C\$ millions (excluding special items\*)

	Cash net income	Cash net income growth*	Economic Profit	Cash ROE
Personal & Commercial Banking	\$ 398	22%	\$ 100	17.5%
Insurance	50	100	20	21.9
Wealth Management	65	(40)	(6)	11.8
Corporate & Investment Banking	1	(99)	(119)	(0.6)
Transaction Processing	35	13	19	28.4
Other	15	n.m.	1	6.3
Total Bank	\$ 564	(5)%	\$ 15	12.9%

\* growth over Q4/00; excluding special items (see charts 4 & 5)



## Business segment results

2001

C\$ millions (excluding special items*)	Cash net income	Cash net income growth*	Economic Profit	Cash ROE
Personal & Commercial Banking	\$ 1,395	24%	\$ 456	20.0%
Insurance	188	83	72	21.9
Wealth Management	352	(19)	97	18.4
Corporate & Investment Banking	417	(21)	(44)	11.8
Transaction Processing	152	7	85	31.1
Other	13	n.m.	(83)	0.5
<b>Total Bank</b>	<b>\$ 2,517</b>	<b>10%</b>	<b>\$ 583</b>	<b>17.1%</b>

\* growth over 2000, excluding special items (see charts 4 & 5)

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## Business segment results

### Personal & Commercial Banking\*

C\$ millions (excluding special items**)	Q4/01 vs.			2001	2001 vs. 2000
	Q4/01	Q3/01	Q4/00		
Revenue	\$ 1,924	4%	16%	\$ 7,090	13%
NIE	1,131	2	19	4,125	12
Total PCL***	171	(2)	9	732	13
Net income	358	8	11	1,315	18
Cash net income	398	10	22	1,395	24
Economic Profit	100	(1)	(25)	456	27
ROE	15.6%	↓ 70 bp	↓ 770 bp	18.8%	↓ 170 bp
Cash ROE	17.5%	↓ 40 bp	↓ 620 bp	20.0%	↓ 60 bp
Oper. effic. ratio****	59.1%	↓ 10 bp	↑ 280 bp	58.1%	↓ 30 bp

\* RBC Centura's contribution to P&CB's results was from June 5, 2001. Without the addition of RBC Centura, Q4/01 revenue would have increased 2% and expenses decreased 2% from Q4/00, net income and cash net income would have increased 10% and 9% respectively, ROE would have been 25.0%, cash ROE 25.4% and Economic Profit \$173 million. \*\*Excluding special items outlined on charts 4 & 5. \*\*\* includes general provision of \$70 million recorded in Q1/01, \$40 million in Q2/00 and \$30 million in Q1/00. \*\*\*\*excludes special items and SAR expense of \$(7) million in Q4/01, \$17 million in Q3/01, \$(5) million in Q2/01 and \$5 million in Q3/00. Without the addition of RBC Centura, operating efficiency ratio would have been 55.5% in Q4/01 and 56.5% in 2001.

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## Business segment results

### Insurance\*

C\$ millions	Q4/01 vs.			2001	2001 vs. 2000
	Q4/01	Q3/01	Q4/00		
Revenue	\$ 148	5%	121%	\$ 542	119%
NIE	103	-	106	375	117
Total PCL	-	-	-	-	-
Net income	43	(9)	72	173	68
Cash net income	50	2	100	188	83
Economic Profit	20	11	33	72	7
ROE	18.6%	↓ 160 bp	↓ 1,590 bp	20.0%	↓ 1,860 bp
Cash ROE	21.9%	↑ 100 bp	↓ 1,330 bp	21.9%	↓ 1,750 bp

\* Excluding the addition of RBC Liberty Insurance, revenue and NIE would have increased 24% and 6%, respectively, from Q4/00 and net income and cash net income would have increased 36% and 52%, respectively. For 2001, net income and cash net income would have increased 40% and 45%, respectively, from 2000. Had it not been for the impact of the September 11 events on our reinsurance and travel operations, net income would have been \$30 million higher in 2001.

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## Business segment results

### Wealth Management\*

C\$ millions (excluding special items**)	Q4/01 vs.			2001	2001 vs. 2000
	Q4/01	Q3/01	Q4/00		
Revenue	\$ 752	(6)%	15 %	\$ 3,075	23 %
NIE	722	2	44	2,691	46
Total PCL	(1)	(200)	-	2	(300)
Net income	7	(89)	(93)	234	(43)
Cash net income	65	(27)	(40)	352	(19)
Economic Profit	(6)	(130)	(108)	97	(69)
ROE	0.6%	↓ 1,050 bp	↓ 4,610 bp	11.9%	↓ 3,590 bp
Cash ROE	11.8%	↓ 480 bp	↓ 3,850 bp	18.4%	↓ 3,240 bp

\* Excluding the addition of RBC Dain Rauscher, Q4/01 revenue and NIE would have declined 22% and 11%, respectively, from Q4/00, net income and cash net income would have declined 71% and 31%, respectively, ROE would have been 12.2%, cash ROE 32.7% and Economic Profit \$44 million. For 2001 excluding RBC Dain Rauscher, net income and cash net income would have declined 26% and 12%, respectively, from 2000.

\*\*Excluding special items outlined on charts 4 & 5.

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## Business segment results

### Corporate & Investment Banking\*

C\$ millions (excluding special items**)	Q4/01 vs.			2001	2001 vs. 2000
	Q4/01	Q3/01	Q4/00		
Revenue	\$ 664	(4)%	16%	\$ 2,781	19%
NIE	455	5	21	1,804	24
Total PCL***	259	281	1,077	407	347
Net income	(11)	(109)	(110)	376	(25)
Cash net income	1	(99)	(99)	417	(21)
Economic Profit	(119)	(844)	(472)	(44)	(123)
ROE	(2.0)%	↓ 1,510 bp	↓ 1,960 bp	10.5%	↓ 1,030 bp
Cash ROE	(0.6)%	↓ 1,500 bp	↓ 1,930 bp	11.8%	↓ 1,020 bp

\* Excluding the addition of RBC Dain Rauscher, Q4/01 revenue would have increased 5% from Q4/00, NIE would have declined 11%, net income and cash net income would have declined 78% and 76%, respectively, ROE would have been 3.0%, cash ROE 3.6% and Economic Profit \$(62) million. For 2001 excluding RBC Dain Rauscher, net income and cash net income would have declined 8% and 9%, respectively, from 2000.

\*\* Excluding special items outlined on chart 5. \*\*\* includes general provision of \$10 million in Q1/00.



## Business segment results

### Transaction Processing

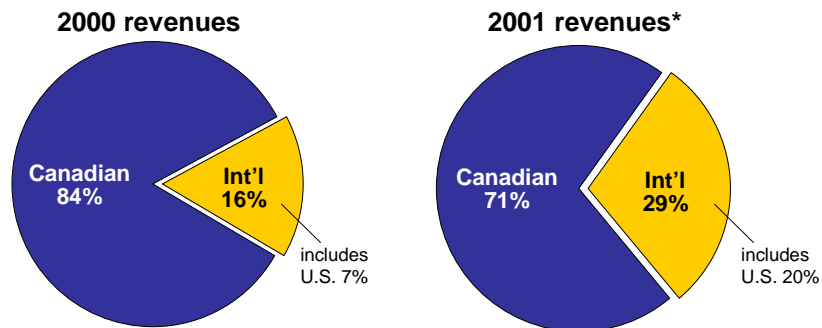
C\$ millions	Q4/01 vs.			2001	2001 vs. 2000
	Q4/01	Q3/01	Q4/00		
Revenue	\$ 185	4%	7%	\$ 713	6%
NIE	129	8	2	476	4
Total PCL*	-	-	n.m.	(2)	(90)
Net income	33	(11)	14	144	7
Cash net income	35	(10)	13	152	7
Economic Profit	19	(17)	19	85	5
ROE	27.1%	↓ 240 bp	↓ 110 bp	29.4%	↓ 280 bp
Cash ROE	28.4%	↓ 320 bp	↓ 140 bp	31.1%	↓ 270 bp

\* There was a \$21 million provision for credit losses recovery in 2000 and a \$1 million recovery in each of Q1/01 and Q2/01.



## Expansion outside Canada

### Proportion of international revenues\* growing



As a percentage of total core cash net income, international earnings in 2001 were 27% vs. 29% in 2000 due to a substantial increase in the international provision for credit losses in Q4/01.

\*Excluding special items

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## U.S. expansion

### Summary of recent U.S. acquisitions

(in US\$ millions)

	<u>Closing Date</u>	<u>Purchase Price</u>	<u>Goodwill</u>	<u>Other Intangibles</u>	<u>Accretive to Cash EPS</u>
Tucker Anthony*	Oct. 31/01	\$ 594	\$ 436	-	in Year 3
Centura	Jun. 5/01	\$2,200	\$1,229	\$267	in Year 2
Dain Rauscher	Jan. 10/01	\$1,200	\$1,030	-	in Year 2
Liberty	Nov. 1/00	\$ 580	\$ 83	-	in Year 1
Prism	Apr. 20/00	\$ 115	\$ 90	-	in Year 1
		<u>\$4,689</u>	<u>\$2,868</u>		

\* purchase price is before option buy-outs of \$33 million; goodwill amount includes \$76 million already on TA's books; see slide 21 for further details

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## U.S. expansion

### *Tucker Anthony purchase price details*

(in US\$ millions)

Number of shares outstanding at close (in millions)	24.4
Purchase price per share	\$24.00
<b>Purchase price*</b>	<b>\$594</b>
Buy-out of TA options and restricted shares	\$41
<b>Total consideration*</b>	<b>\$635</b>
Book value of equity acquired**	\$234
<b>Goodwill***</b>	<b>\$360</b>

\* includes direct acquisition costs

\*\* net of option buy-out and restricted shares amount

\*\*\* consists of purchase price before option buy-out less book value of equity (i.e. \$594-\$234)

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## U.S. expansion

### *Tucker Anthony Sutro (TA) acquisition*

(in US\$ millions)

- Closed on October 31, 2001; updated final purchase price (including option buy-outs) \$627 million; goodwill on transaction of \$360 million
- Dilution to 2002 cash EPS still targeted at approximately 1%; neutral impact in 2003 and accretive thereafter
- Cost savings synergies greater than originally expected (now over US\$60 million pre-tax) -- 50%+ in 2002 and 100% in 2003
- Consolidation of RBC Dain Rauscher and TA back offices to be completed by end of March 2002
- Integrated management structure and employee decisions have been announced
- Fixed Income changes integration essentially complete; selected Equity Capital Markets employees hired into RBC Capital Markets

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## U.S. expansion

### *Update on RBC Centura*

- Focus on personal banking side is on delivering a tailored customer experience through customer relationship management, improved sales effectiveness and cross-selling, leveraging Canadian capabilities wherever possible
- Focus on commercial banking side is on building capabilities in niche areas while effectively managing risk
- Integration of U.S. P&CB platform back-office functions (finance, human resources, marketing, treasury) well underway
- Opened KBI office in Raleigh, North Carolina for U.S. high-tech sector and to serve as a platform for expansion into other U.S. technology centres
- Continue to look at further strategic expansion opportunities in fast-growing Southeastern U.S. markets

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## U.S. expansion

### *Update on RBC Dain Rauscher*

(in C\$ millions)

- Retention compensation costs:

	<u>Q4/01</u>		<u>Q3/01</u>		<u>Q2/01</u>	
	<u>pre-tax</u>	<u>after-tax</u>	<u>pre-tax</u>	<u>after-tax</u>	<u>pre-tax</u>	<u>after-tax</u>
WM	\$26	\$16	\$29	\$18	\$29	\$18
C&IB	<u>\$25</u>	<u>\$15</u>	<u>\$23</u>	<u>\$14</u>	<u>\$28</u>	<u>\$17</u>
Total	\$51	\$31	\$52	\$32	\$57	\$35

- Goodwill amortization expenses (pre-tax and after-tax):

	<u>Q4/01</u>	<u>Q3/01</u>	<u>Q2/01</u>
WM	\$12	\$12	\$12
C&IB	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 8</u>
Total	\$20	\$20	\$20

- Will look for opportunities to expand, particularly in TA's major markets (Boston, New York and San Francisco)

WM = Wealth Management

C&IB = Corporate & Investment Banking

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## U.S. expansion

### *Update on RBC Liberty Insurance*

- RBC Liberty Insurance generated premiums and deposits of C\$112 million in Q4/01 (C\$113 million in Q3/01). Total premiums and deposits for 2001 are C\$421 million
- Focus is on developing linkages with RBC Centura; insurance training program being rolled out to entire RBC Centura network and marketing plans under development

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## U.S. expansion

### *Update on RBC Prism*

- Mortgage originations up 95% in 2001 (vs. 2000)
- Low interest rate environment continues to result in strong loan volumes
- RBC Builder Finance offices which were opened since merger with RBC Centura (Chicago and northern Virginia) are ahead of plan
- RBC Prism Mortgage launched a new adjustable rate mortgage product on November 1<sup>st</sup>

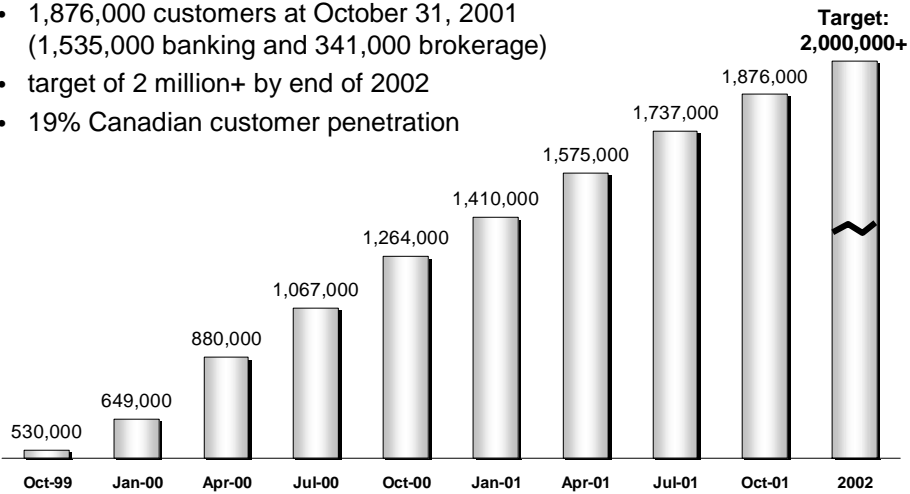
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# Online customers update

## Canadian online customer growth continues

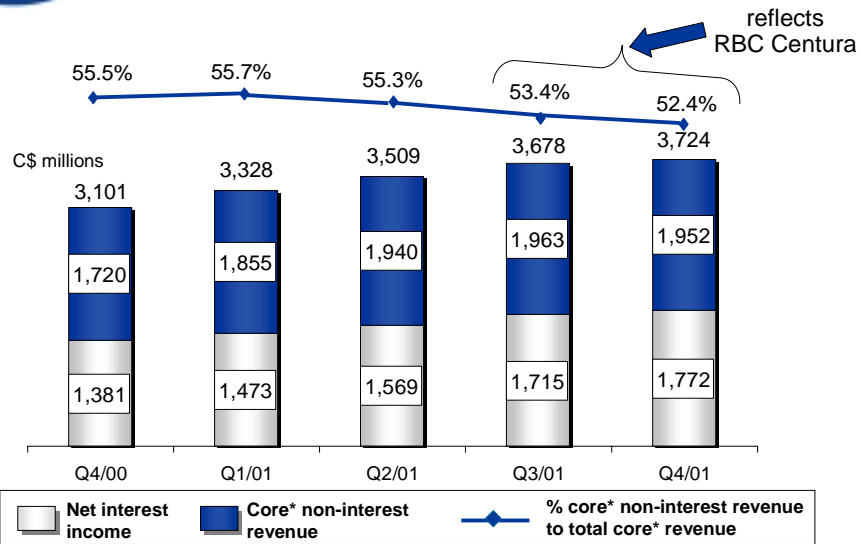
- 1,876,000 customers at October 31, 2001 (1,535,000 banking and 341,000 brokerage)
- target of 2 million+ by end of 2002
- 19% Canadian customer penetration



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# Revenue growth



\*excluding one-time revenues, taxable equivalent basis

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## Revenue growth

### Non-interest revenue

C\$ millions	Q4/01 vs.				2001 vs.	
	Q3/01		Q4/00		2000	
<b>Non-interest revenue growth</b>	\$ 302	15 %	\$ 545	32%	\$1,475	22%
Less: special items*	313		313		445	
<b>Non-interest revenue growth – core</b>	\$ (11)	(1)%	\$ 232	13%	\$1,030	15%
<b>Due to:</b>						
Insurance**	\$ 11	16 %	\$ 37	90%	\$ 112	74%
Investment management and custodial fees***	(1)	-	51	29	211	31
Trading revenues***	(19)	(5)	33	9	280	18
Capital market fees***	(13)	(3)	(53)	(10)	60	3
Mutual fund revenues	(6)	(4)	(4)	(3)	18	3
Other***	17	3	168	34	349	18

\*special items shown in chart 4 \*\*Includes RBC Liberty's revenues in Q4/01 of \$33 million, Q3/01 of \$32 million, Q2/01 of \$47 million and Q1/01 of \$6 million \*\*\*includes RBC Dain Rauscher's revenues in Q4/01 of \$46 million in investment management and custodial fees, \$90 million in trading revenues, \$128 million in capital market fees and \$22 million in other (in Q3/01, \$44 million, \$87 million, \$141 million and \$18 million respectively, in Q2/01, \$47 million, \$101 million, \$143 million and \$20 million respectively and in Q1/01, \$13 million, \$40 million, \$54 million and \$8 million respectively)

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US GAAP



## Revenue growth

### Wealth Management revenue contributions

C\$ millions	Growth	
	Q4/01	vs. Q4/00
Canadian Private Client Group*	\$ 266	(29)%
Global Private Banking	100	(8)
Global Asset Management	129	(13)
Other	13	(48)
<b>Wealth Management</b> (excluding RBC Dain Rauscher)	\$ 508	(22)%
RBC Dain Rauscher**	244	n/a
<b>Total Wealth Management</b>	\$ 752	15 %

\* Includes Action Direct revenue of \$34 million (growth vs. Q4/00 of (24)%) and Private Client Division revenue of \$190 million (growth vs. Q4/00 of (31)%).

\*\* RBC Dain Rauscher was purchased in Q1/01.

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US GAAP



## Revenue growth

### Capital market fees

C\$ millions

	Q4/01	Q4/01 vs.		2001	2001 vs. 2000
		Q3/01	Q4/00		
Full-service brokerage	\$ 282	(5)%	13%	\$ 1,170	20%
Institutional	158	3	(32)	601	(12)
Discount brokerage	20	(13)	(38)	99	(32)
<b>Total capital market fees*</b>	<b>\$ 460</b>	<b>(3)%</b>	<b>(10)%</b>	<b>\$ 1,870</b>	<b>3%</b>

\* Includes RBC Dain Rauscher revenues in Q4/01 of \$95 million in full-service brokerage and \$33 million in institutional (in Q3/01, \$100 million, and \$41 million respectively, in Q2/01, \$102 million and \$41 million respectively, and in Q1/01, \$41 million and \$13 million respectively).

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## Revenue growth

### Royal Mutual Funds assets

C\$ millions

	Assets @ 10/31/01	Asset Growth		Mkt. Share @ 10/31/01
		(3 months)	(12 months)	
1. Investors Group	\$39,257	(\$3,031)	(\$3,956)	10.04%
2. Royal Mutual Funds	34,292	232	326	8.77
3. AIM Funds Group	31,484	(1,756)	(4,506)	8.05
4. Mackenzie Financial	31,106	695	(1,367)	7.95
5. TD Asset Management	30,273	(42)	817	7.74
<b>INDUSTRY</b>	<b>\$391,141</b>			

- Royal Mutual Funds led the industry with net sales of \$598 million in October 2001 and \$1,134 million in Q4/01
- Significant contributor to high net sales was 15%+ drop in the redemption rate for long-term funds
- Most popular funds include fixed income, money market and Royal Select Choices portfolios

Source: IFIC, excludes reinvested dividends

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## Revenue growth

*Margin continues to widen*

	Q4/01	Q3/01	Q4/00	2001	2000
<b>Net interest margin</b>	2.03%	1.98%	1.87%	1.97%	1.87%
<b>Change in margin</b>		5 b.p.	16 b.p.		10 b.p.
<b>Due to:</b>					
Global equity derivatives		3	9		5
Prime-core deposit spread		(4)	(10)		(2)
Impact of RBC Centura		-	8		8
Other*		6	9		(1)
		5	16		10
<b>Avg. Canadian prime rate</b>	5.52%	6.29%	7.50%	6.56%	7.05%

\*Includes: mortgage spread, VISA spread, asset/liability mix

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## Cost control

*Operating expenses*

C\$ millions	Q4/01	Q3/01	Q4/00	2001	2000
<b>Core NIE</b>	<b>\$ 2,636</b>	<b>\$ 2,507</b>	<b>\$ 2,022</b>	<b>\$ 9,550</b>	<b>\$ 7,628</b>
Less:					
• Certain acquisition costs	51	52	-	176	-
• Stock Appreciation Rights costs	(20)	50	37	23	52
<b>Operating NIE*</b>	<b>\$ 2,605</b>	<b>\$ 2,405</b>	<b>\$ 1,985</b>	<b>\$ 9,351</b>	<b>\$ 7,576</b>
<b>Operating NIE growth**</b>		<b>8%</b>	<b>31%</b>		<b>23%</b>

\* Operating expenses exclude special items, costs of Stock Appreciation Rights, and certain acquisition costs such as retention compensation and restructuring charges

\*\* Largely reflects acquisitions made after Q3/00

**Performance-related costs**

- \$435 million in Q4/01, \$471 million in Q3/01 and \$448 million in Q4/00; \$1,897 million in 2001 and \$1,662 million in 2000. These include costs of \$25 million in Q4/01, \$23 million in Q3/01 and \$88 million in 2001 included in the "certain acquisition costs" numbers above (related to Dain retention costs in C&IB).
- Excluding performance-related costs, operating NIE growth in Q4/01 would have been 12% compared to Q3/01 and 43% compared to Q4/00, and in 2001 would have been 28% compared to 2000

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## Cost control

### *Impact of other items on operating expense growth*

C\$ millions	Q4/01	Q3/01	Q4/00	2001	2000
<b>Operating NIE*</b>	<b>\$ 2,605</b>	<b>\$ 2,405</b>	<b>\$ 1,985</b>	<b>\$ 9,351</b>	<b>\$ 7,576</b>
Less:					
• staff benefits adjustments	87	-	-	87	-
• capital market business downsizing	57	-	-	57	-
• Connor Clark goodwill write-down	38			38	-
<b>Adjusted operating NIE</b>	<b>\$ 2,423</b>	<b>\$ 2,405</b>	<b>\$ 1,985</b>	<b>\$ 9,169</b>	<b>\$ 7,576</b>
<b>Adj. operating NIE growth</b>		1%	22%		21%
<b>Adj. operating NIE growth excluding recent acquisitions**</b>		(3)%	(8)%		(2)%

\* Operating expenses exclude special items, costs of Stock Appreciation Rights and certain acquisition costs such as retention compensation and restructuring charges

\*\* Includes: RBC Prism acquired in April 2000, RBC Liberty acquired in November 2000, RBC Dain Rauscher acquired in January 2001 and RBC Centura acquired in June 2001

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## Cost control

### *Cost of Stock Appreciation Rights (SARs)*

	End of period share price	\$ share price appreciation during quarter	SAR Expense (\$MM)	Impact on EPS (\$/share)
<b>Q4/01</b>	\$46.80	-4.16	(20)	0.02
<b>Q3/01</b>	\$50.96	+8.01	50	-0.05
<b>Q2/01</b>	\$42.95	-5.25	(16)	+0.01
<b>Q1/01</b>	\$48.20	-0.10	9	-
<b>Q4/00</b>	\$48.30	+8.65	37	-0.04
<b>Q3/00</b>	\$39.65	+4.70	13	-0.01
<b>Q2/00</b>	\$34.95	+5.42	2	-

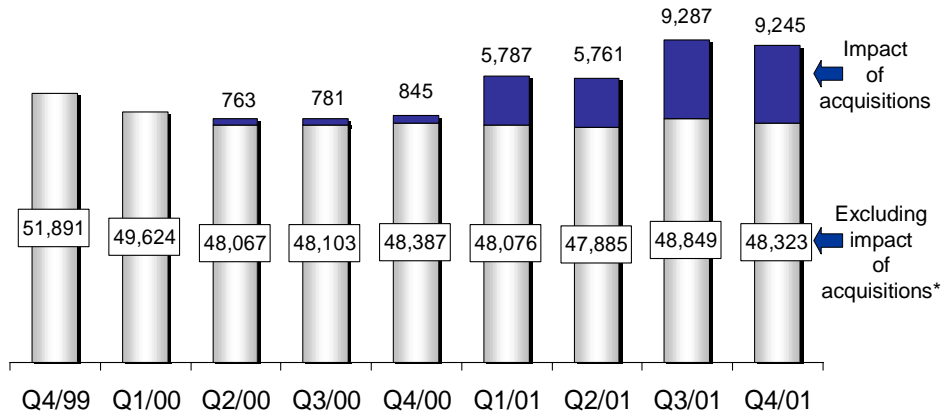
NOTE: SAR expenses are mostly a function of the difference between the strike price and the closing share price, but also reflect that: (a) each SAR issue is expensed by including in Year 1 – 52%, in Year 2 – an additional 27%, in Year 3 – an additional 15% and in Year 4 – the remaining 6% of the number of SARs outstanding, and (b) SARs were issued starting in November 1999, resulting in an increasing number of outstanding SARs over time.

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## Cost control

### Number of employees



\*number of employees on full-time equivalent basis, shown excluding RBC Prism acquired in April 2000, RBC Liberty acquired in November 2000, RBC Dain Rauscher acquired in January 2001, RBC Centura acquired in June 2001 and Perpetual Fund Services acquired in July 2001; Tucker Anthony Sutro full-time equivalent will be included in 2002

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## Solid balance sheet

### RBC Centura\* adds to loan growth vs. year ago

C\$ millions

	October 31, 2001 vs.			
	July 31, 2001		October 31, 2000	
Residential mortgages**	\$ 1,145	2%	\$ 5,260	8%
Personal loans	247	1	4,492	16
Credit cards***	155	3	617	13
<b>Total consumer loans</b>	<b>\$ 1,547</b>	<b>1%</b>	<b>\$ 10,369</b>	<b>11%</b>
Business & government loans	2,130	3	4,719	7
<b>Total gross loans</b>	<b>\$ 3,677</b>	<b>2%</b>	<b>\$ 15,088</b>	<b>9%</b>
less: allowance for loan losses	105	5	407	22
<b>Total net loans</b>	<b>\$ 3,572</b>	<b>2%</b>	<b>\$ 14,681</b>	<b>9%</b>

\* Includes RBC Centura assets of \$1.2 billion in res. mortgages, \$3.0 billion in personal loans, \$0.1 billion in credit cards, \$8.3 billion in bus. & gov't loans and \$0.2 billion of allowance for loan losses at October 31, 2001

\*\* Growth before securitizations of \$0.2 billion in Q4/01 and \$0.6 billion in Q3/01

\*\*\* Growth before securitization of \$1.0 billion in Q3/01

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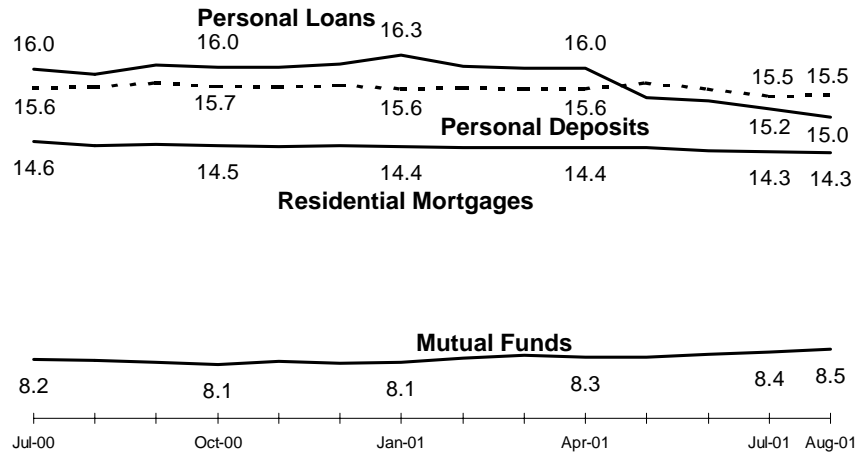
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## Solid balance sheet

*Focusing on returns*

Market share among all financial institutions in Canada



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## Capital strength

*Capital ratios in line with goals*

	3-5 year goal	Q4/01	Q3/01	Q4/00
Tier 1 capital ratio	8.0%	8.7%	9.3%	8.6%
Total capital ratio	11.0-12.0%	11.8%	12.3%	12.0%

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CDN GAAP



## Capital strength

### *Capital activity in Q4/01*

#### **Common shares:**

- Under the normal course issuer bid announced on June 19, 2001, bought back 9.7 million common shares during the quarter for \$448 million at an average price of \$46.20 per share; since commencement of buyback program have repurchased 10.9 million shares for \$509 million at an average price of \$46.57

#### **Subordinated debentures:**

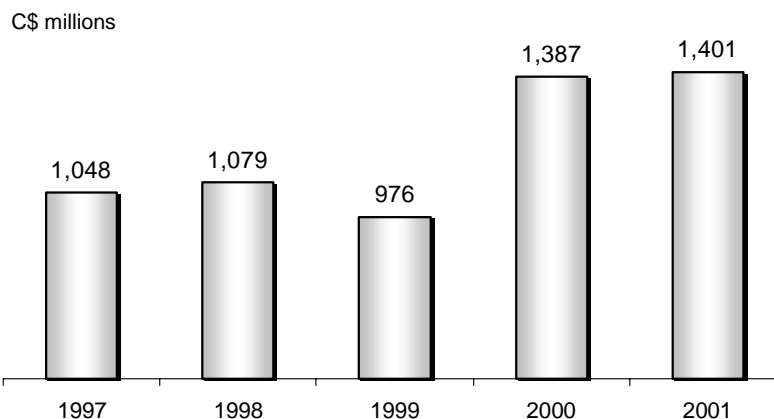
- Subsequent to quarter end, issued US\$400 million of subordinated debentures through the European Medium Term Note Programme

#### **Preferred shares:**

- Redeemed first preferred shares series H totaling \$300 million
- Announced the planned redemption in November 2001 of first preferred shares series I totaling US\$200 million



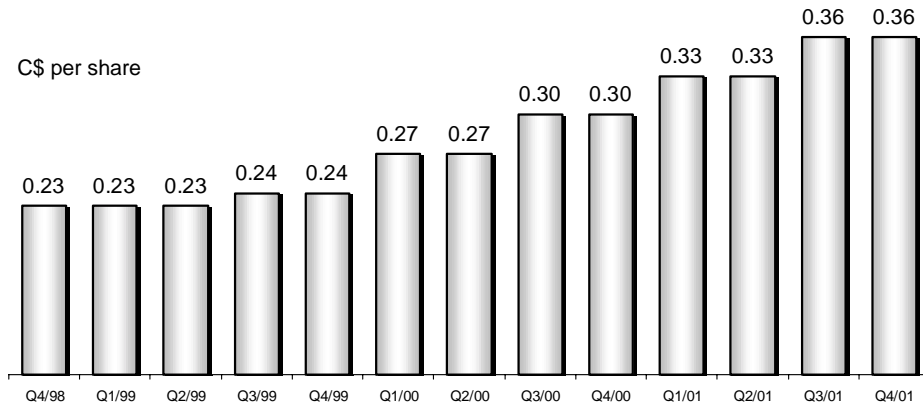
## Substantial internal capital generation





## Common share dividends

C\$ per share



- history of uninterrupted dividend payments
- five increases in 3 years
- payout ratio of 43%\* in 2001 (target payout range of 30-40%)

\*US GAAP, based on earnings excluding special items

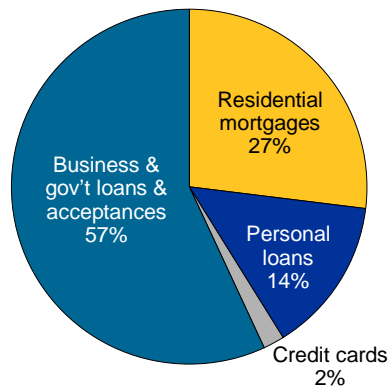
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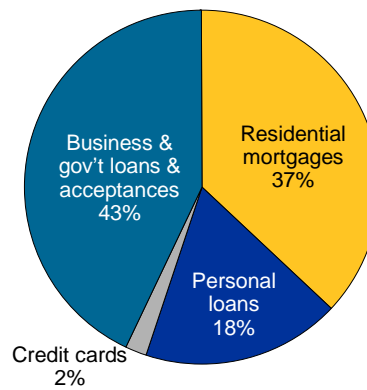
## Asset quality

*Significant change in loan portfolio mix in last 10 years*

As at October 31, 1991



As at October 31, 2001



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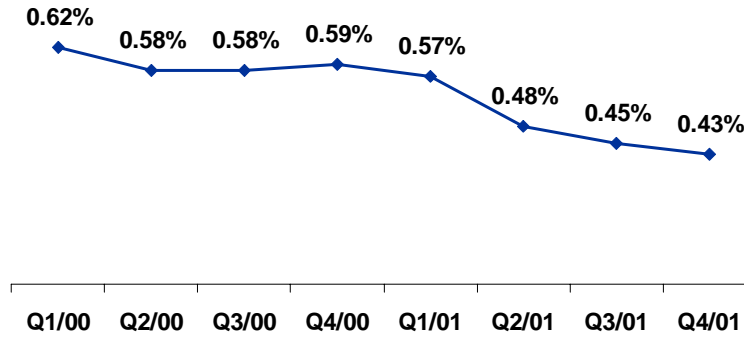
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## Asset quality

### Consumer loan portfolio credit quality trends stable

90+ days delinquent  
% of outstanding balance\*



\* total consumer loans excluding student loans

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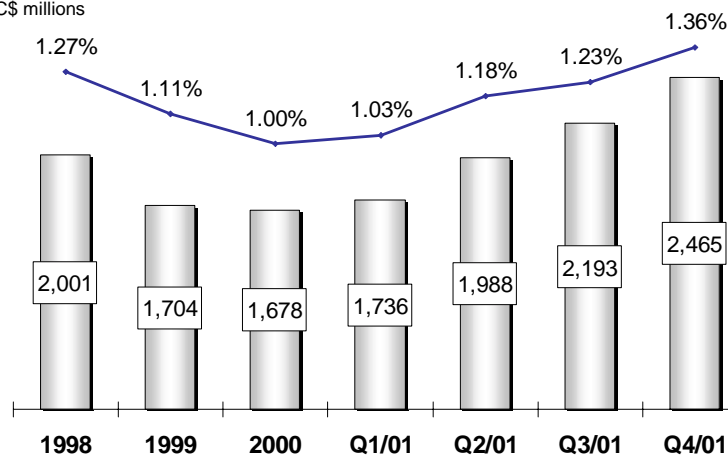


## Asset quality

### Non-accrual (gross impaired) loans

Gross impaired loans ratio\*

C\$ millions



\* gross impaired loans as a percentage of total gross loans and bankers' acceptances

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US GAAP



## Asset quality

### Non-accrual (gross-impaired) loans

C\$ millions

	Q4/01	Q4/01 vs.			
		Q3/01	Q4/00	Q3/01	Q4/00
<b>Gross impaired loans</b>	<b>\$2,465</b>	<b>\$272</b>	<b>12%</b>	<b>\$787</b>	<b>47%</b>
Gross impaired loans (ex. RBC Centura)	\$2,331	\$257	12%	\$653	39%
<b>Comprising:</b>					
Domestic business	\$1,171	\$151	15%	\$234	25%
Domestic consumer	452	9	2%	20	5%
International (ex. RBC Centura)	708	97	16%	399	129%
RBC Centura	134	15	13%	n/a	n/a

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US GAAP

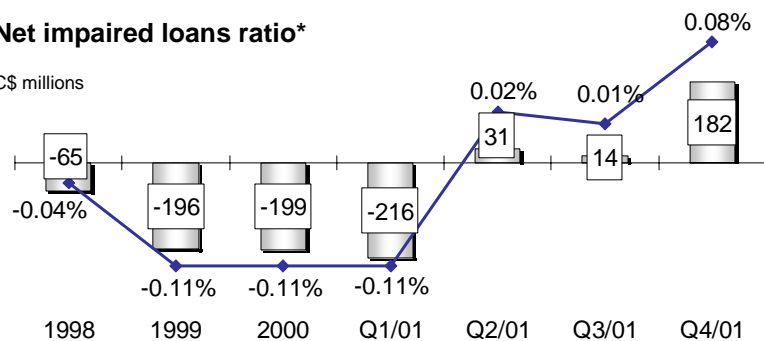


## Asset quality

### Net impaired loans

#### Net impaired loans ratio\*

C\$ millions



Additional coverage for exceptional loan losses is provided through a 5-year agreement entered into with a AAA rated insurer in October 2000. 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.

\* net impaired loans as a percentage of total net loans and acceptances (net of allowance for loan losses)

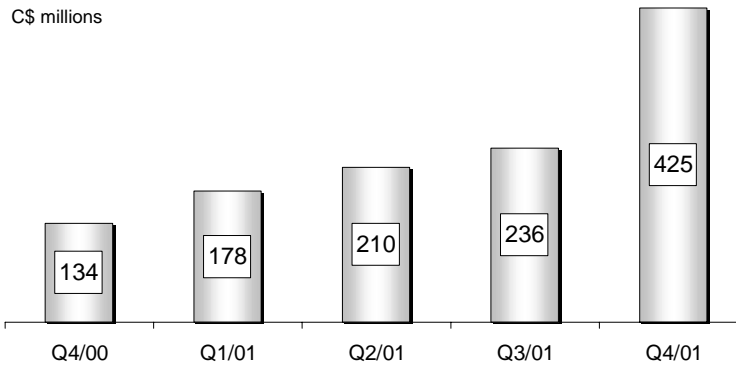
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## Asset quality

### Specific provisions



- \$189 million increase in PCL from Q3/01 was in Corporate & Investment Banking segment, largely in the U.S. telecom sector



## Asset quality

### Provision for credit losses (PCL)

C\$ millions

	Q4/01	Q3/01	Q4/00	2001	2000
Specific provision	\$425	\$236	\$134	\$1,049	\$571
General provision	-	-	40	70	120
Total PCL	<u>\$425</u>	<u>\$236</u>	<u>\$174</u>	<u>\$1,119</u>	<u>\$691</u>
Specific PCL ratio*	<u>0.82%</u>	<u>0.46%</u>	<u>0.29%</u>	<u>0.53%</u>	<u>0.32%</u>

**2002 objective: specific PCL ratio of 0.45-0.55%**

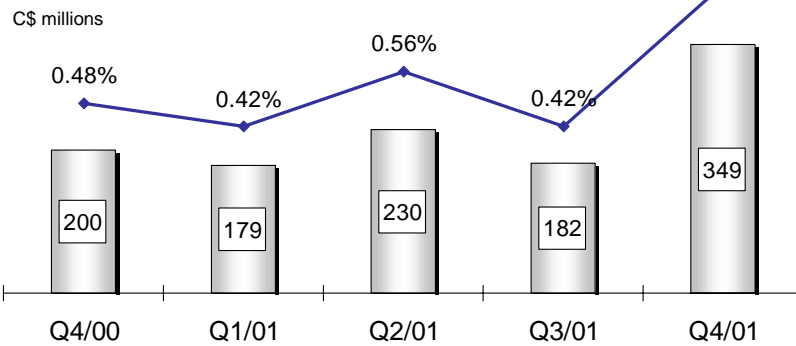
\* specific provision as a percentage of average loans and acceptances



## Asset quality

### Net charge-offs

#### Net charge-off ratio\*



- Increase from Q3/01 due to charge-offs taken on impaired U.S. telecom accounts

\*net charge-offs as a percentage of average loans and acceptances



## Asset quality

### Telecommunication and cable exposure

At October 31, 2001

C\$ billions

- Telecommunication & cable loans
  - investment grade
  - non-investment grade
- Telecommunication loans only\*
  - investment grade
  - non-investment grade
- Gross impaired loans (\$ millions)
  - telecommunication & cable sector

	Q4/01 (\$)	Q4/01 (% total)
Telecommunication & cable loans	3.2	
- investment grade	1.5	47%
- non-investment grade	1.7	53%
Telecommunication loans only*	2.2	
- investment grade	0.9	41%
- non-investment grade	1.3	59%
Gross impaired loans (\$ millions)	272	
- telecommunication & cable sector	272	

\* Includes CLEC exposure of \$303 million. Net of allowances, exposure is \$202 million.



# Asset quality

## Transportation/airline exposure

At October 31, 2001

C\$ billions

- **Transportation & environmental loans**
  - investment grade
  - non-investment grade
- **Airline loans\***
  - investment grade
  - non-investment grade
- **Gross impaired loans (\$ millions)**
  - transportation & environmental sector

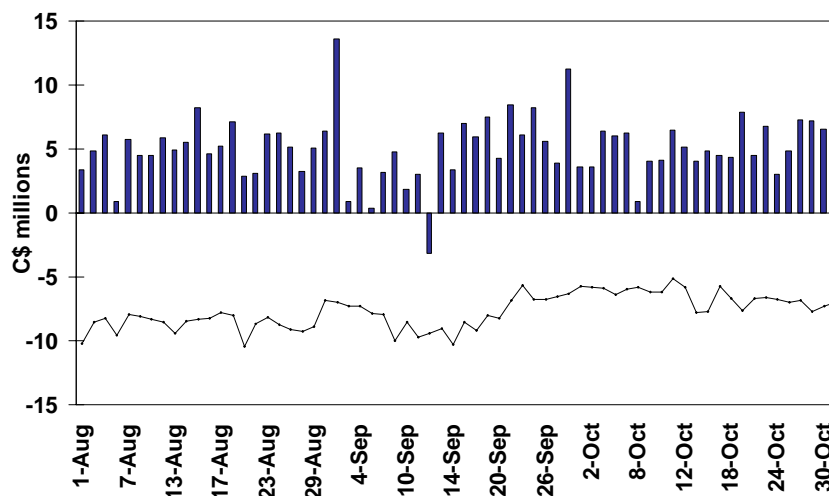
	Q4/01 (\$)	Q4/01 (% total)
<b>Transportation &amp; environmental loans</b>	<b>3.7</b>	
- investment grade	2.3	62%
- non-investment grade	1.4	38%
<b>Airline loans*</b>	<b>0.9</b>	
- investment grade	0.6	67%
- non-investment grade	0.3	33%
<b>Gross impaired loans (\$ millions)</b>	<b>365</b>	
- transportation & environmental sector		

\* 65% of airline loans are secured by assets.



# Trading revenue performance

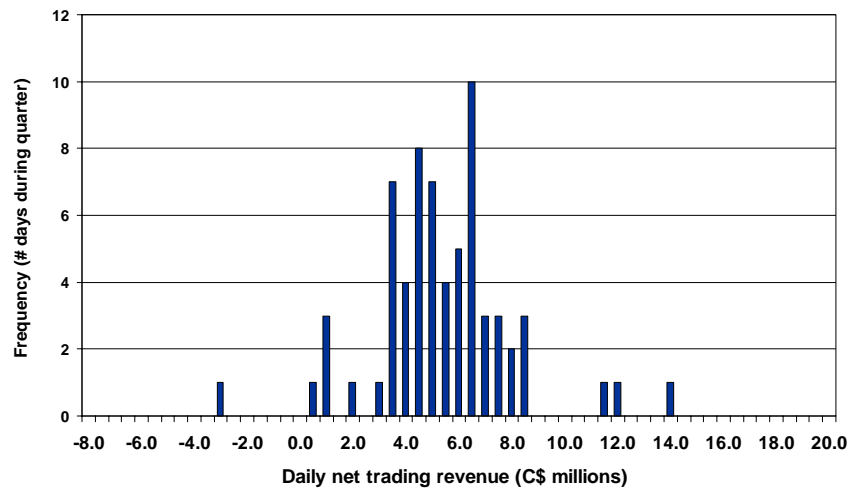
## Positive performance vs. VAR continues in Q4/01





## Trading revenue performance

*Q4/01 trading revenue*



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## Risk management

*Conclusion*

- Consumer portfolio holding up well
- Telecom portfolio mostly responsible for higher specific provisions
- Specific PCL ratio objective for 2002 (0.45-0.55%) more or less in line with 2001 level (0.53%)
- Solid trading performance

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## Caution regarding forward-looking statements

Royal Bank of Canada, from time to time, makes written and oral forward-looking statements, included in this presentation, the Annual Report, in other filings with Canadian regulators or the US 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 2002, 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.

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