

# Glossary

## Acceptances

A bill of exchange or negotiable instrument drawn by the borrower for payment at maturity and accepted by a bank. The acceptance constitutes a guarantee of payment by the bank and can be traded in the money market. The bank earns a “stamping fee” for providing this guarantee.

## Allowance for credit losses

The amount deemed adequate by management to absorb identified and probable credit related losses in the portfolio of loans, acceptances, guarantees, letters of credit, deposits with other banks and derivatives. The allowance is increased by the provision for credit losses, which is charged to income and decreased by the amount of charge-offs (write-offs in Canadian GAAP), net of recoveries.

## Assets under administration (AUA)

Assets administered by a financial institution which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sale transactions, and record keeping.

## Assets under management (AUM)

Asset managed by a financial institution which are beneficially owned by clients and are therefore not reported on the consolidated balance sheet. Services provided in respect of assets under management include the selection of investments and the provision of investment advice. Assets under management may also be administered by the financial institution.

## Basis point (bp)

One one-hundredth of a percentage point (.01%).

## Beta

The measure of a security's volatility relative to a market index.

## Canadian GAAP

Canadian generally accepted accounting principles.

## Capital ratio (Canadian basis)

The percentage of risk-adjusted assets supported by capital using the guidelines of the Superintendent of Financial Institutions Canada based on standards issued by the Bank for International Settlements and Canadian GAAP financial information.

## Capital ratio (U.S. basis)

The percentage of risk-adjusted assets supported by capital using the guidelines issued to U.S. banks by the Board of Governors of the Federal Reserve System and U.S. GAAP financial information.

## Commercial clients

Generally, mid-market private companies with sophisticated financial needs (e.g., financing requirements between \$5 million and \$100 million), served by our RBC Banking segment. Large corporations with a frequent need to access capital markets and greater financing requirements are served by RBC Capital Markets.

## Commitments to extend credit

Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing, or through off-balance sheet products such as guarantees and letters of credit.

## Cost of capital

Management's estimate of its weighted average cost of equity and debt capital.

## Derivative

A derivative is a contract whose value is “derived” from interest rates, foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the transfer, modification or reduction of current or expected risks, including interest rate, foreign exchange and other market risks. The most common types of derivatives include interest rate and cross currency swaps, foreign exchange forward contracts, foreign currency and interest rate futures, forward rate agreements, and foreign currency and interest rate options. Derivatives can be transacted either through organized exchanges or over-the-counter agreements.

## Dividend payout ratio

Common dividends as a percentage of net income after preferred share dividends.

## Dividend yield

Dividends per common share divided by the average of the high and low share prices.

## Documentary and commercial letters of credit

Written undertakings by a bank on behalf of its client (typically an importer), authorizing a third party (e.g., an exporter) to draw drafts on the bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

## Earnings per share, basic

Net income less preferred share dividends divided by the average number of shares outstanding.

## Earnings per share (EPS), diluted

Net income less preferred share dividends divided by the average number of shares outstanding adjusted for the dilutive effects of stock options and other convertible securities.

## Economic Capital (EC)

EC is an estimate of the amount of equity capital required to underpin risks. It is calculated by estimating the level of capital that is necessary to support our various businesses, given their risks, consistent with our desired solvency standard and credit ratings.

## Economic Profit

Economic Profit is cash operating earnings (i.e., net income available to common shareholders excluding the after-tax impact of special items and amortization of goodwill and other intangibles) less a charge for the estimated cost of common equity.

## Efficiency ratio

Non-interest expenses expressed as a percentage of gross revenue (i.e., net interest income and non-interest revenue). Used as a measure of productivity and for comparison with peers.

## Foreign exchange spot and forward contract

A foreign exchange forward contract, which is a type of derivative, is a commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange. A foreign exchange spot contract is a commitment to buy or sell a fixed amount of foreign currency for delivery within two business days of the contract date.

## Forward rate agreement (FRA)

A contract which obliges two parties to make a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional amount.

## Futures

A contract which creates an obligation to buy or sell a foreign currency or a financial instrument on a future date at a specified price established on a commodity exchange.

## Goodwill/Amortization of goodwill

Goodwill represents the excess of the price paid for the acquisition of subsidiaries over the fair value of the net assets acquired, and up to the end of 2001, was amortized over appropriate periods of up to 20 years, except where a writedown was required to reflect permanent impairment. Effective November 1, 2001, as a result of a change in accounting standards, goodwill is no longer amortized but is tested for impairment at a reporting unit level on a periodic basis.

## Guarantees and standby letters of credit

Primarily represent irrevocable assurances that a bank will make payments in the event that its client cannot meet its financial obligations to third parties. Certain other guarantees, such as bid and performance bonds, represent non-financial undertakings.

**Hedge**

A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset with liabilities in the same currencies or through the use of foreign exchange hedging instruments such as futures, options or foreign exchange contracts.

**International**

In the context of the annual report, the term international refers to Royal Bank of Canada's operations and clients outside of Canada.

**Mark-to-market**

Valuation at market rates, as of the balance sheet date, of securities and derivatives held for trading purposes.

**Net interest income**

The difference between what is earned on assets such as loans and securities and what is paid on liabilities such as deposits and subordinated debentures.

**Net interest margin**

Net taxable equivalent interest income divided by average interest-earning assets. It is a measure of how effectively a corporation utilizes its earning assets in relation to its sources of funding.

**Nonaccrual loans/Impaired loans**

Loans are classified as nonaccrual (impaired in Canadian GAAP) when, in the opinion of management, there is no longer reasonable assurance of the timely collection of principal and interest. Loans, other than credit card balances and government guaranteed loans, are automatically classified as nonaccrual when a payment is 90 days past due, unless the loan is well secured and in the process of collection.

**Notional amount**

The contract amount used as a reference point to calculate payments for derivatives.

**Off-balance sheet financial instrument**

A variety of products offered to clients which fall into two broad categories: (i) credit related arrangements which generally provide clients with liquidity protection, and (ii) derivatives, which are defined on the previous page.

**Operating efficiency ratio**

Operating non-interest expenses as a percentage of operating revenues.

**Operating non-interest expenses**

Non-interest expenses excluding special items, costs of Stock Appreciation Rights and certain acquisition expenses such as retention compensation.

**Operating revenues**

Revenues excluding special items.

**Options (foreign currency, interest rate)**

A contract in which the writer grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) at or by a set date a set amount of foreign currency or a financial instrument at a set price.

**Prepaid pension costs**

The cumulative excess of amounts contributed to a pension fund over the amounts recorded as pension expense.

**Provision for credit loss**

The amount charged to income necessary to bring the allowance for credit losses to a level determined appropriate by management.

**Repurchase agreements (REPOS)**

Involve the sale of securities for cash at a near value date and the simultaneous repurchase of the securities for value at a later date.

**Return on equity (ROE)**

Net income, less preferred share dividends, expressed as a percentage of average common equity.

**Reverse repurchase agreements (reverse REPOS)**

Involve the purchase of securities for cash at a near value date and the simultaneous sale of the securities for value at a later date.

**Risk**

Financial institutions face a number of different risks that expose them to possible losses. These risks include credit risk, market risk, liquidity risk, insurance risk and operational risk.

**Risk-adjusted assets**

Used in the calculation of risk-based capital ratios. The face value of assets is discounted using risk-weighting factors in order to reflect a comparable risk per dollar among all types of assets. The risk inherent in off-balance sheet instruments is also recognized, first by adjusting notional values to balance sheet (or credit) equivalents, and then by applying appropriate risk-weighting factors.

**Securities lending**

Transactions in which a bank acts as an agent for the owner of a security, who agrees to lend the security under the terms of a pre-arranged contract to a borrower for a fee. The borrower must fully collateralize the security loan at all times. There are two types of securities lending arrangements, lending with and without credit or market risk indemnification. In securities lending without indemnification, the bank bears no risk of loss. For transactions in which the bank provides an indemnification, risk of loss occurs if the borrower defaults and the value of the collateral declines concurrently.

**Securities sold short**

A transaction in which the seller sells securities it does not own. The seller borrows the securities in order to deliver them to the purchaser. At a later date, the seller buys identical securities in the market to replace the borrowed securities.

**Securitization**

The process by which high-quality assets, mainly loans or mortgages, are pooled into standardized securities backed by these assets, which can be traded.

**Special items**

Items that are viewed by management as items that do not arise as part of normal day-to-day business operations or that are unusual in nature and could potentially distort the calculation of trends analyzed by management.

**Special purpose entities (SPEs)**

SPEs are entities that are typically organized for a single discrete purpose, have a limited life and serve to legally isolate the financial assets held by the SPE from the selling organization. SPEs are principally used to securitize financial and other assets in order to obtain access to funding, to mitigate credit risk and to manage capital.

**Stock Appreciation Rights (SARs)**

Rights attached to stock options, which can be exchanged for a cash amount equal to the difference between the exercise price and the closing price of common shares on the day immediately preceding the day of exercise.

**Superintendent of Financial Institutions (OSFI)**

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

**Swaps (foreign currency, interest rate)**

Contracts which oblige two parties to exchange currencies and/or the related interest flows (e.g., fixed-rate for floating-rate) on a specified notional amount for a specified period.

**Taxable equivalent adjustment**

An addition to interest income in order to gross up the tax-exempt income earned on certain securities (primarily loan substitute securities) to an amount which, had it been taxable at the statutory rate, would result in the same after-tax net income as appears in the financial statements. The gross-up of such income to a taxable equivalent basis permits a uniform measurement and comparison of net interest income.

**Trust Capital Securities (RBC TruCS)**

A form of innovative Tier 1 capital which is reported as a non-controlling interest in a subsidiary on the consolidated balance sheet.

**U.S. GAAP**

U.S. generally accepted accounting principles.

**Value-At-Risk (VAR)**

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.

## Directors and executive officers

### Directors

**W. Geoffrey Beattie** (2001)  
*Toronto*  
President  
The Woodbridge Company Limited  
Deputy Chairman  
The Thomson Corporation

**George A. Cohon**,  
O.C., O.Ont. (1988)  
*Toronto*  
Founder and Senior Chairman  
McDonald's Restaurants  
of Canada Limited

**Douglas T. Elix** (2000)  
*Ridgefield, Connecticut*  
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  
Chairman of the Board  
Alcan Inc.

**The Hon. Paule Gauthier**,  
P.C., O.C., O.Q., Q.C. (1991)  
*Quebec City*  
Senior Partner  
Desjardins Ducharme  
Stein Monast

**Brandt C. Louie**, F.C.A. (2001)  
*West Vancouver*  
President and Chief  
Executive Officer  
H.Y. Louie Co. Limited  
Chairman and  
Chief Executive Officer  
London Drugs Limited

**J. Edward Newall**, O.C. (1984)  
*Calgary*  
Chairman of the Board  
NOVA Chemicals Corporation  
Chairman of the Board  
Canadian Pacific Railway Limited

**Gordon M. Nixon** (2001)  
*Toronto*  
President and  
Chief Executive Officer  
Royal Bank of Canada

**David P. O'Brien** (1996)  
*Calgary*  
Chairman of the Board  
EnCana Corporation

**Charlotte R. Otto** (2000)  
*Cincinnati, Ohio*  
Global External Relations Officer  
The Procter & Gamble Company

**Robert B. Peterson** (1992)  
*Toronto*  
Company Director

**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  
Royal Bank of Canada

**Cecil W. Sewell, Jr.** (2001)  
*Raleigh, North Carolina*  
Chairman Emeritus  
RBC Centura Banks, Inc.

**Kathleen P. Taylor** (2001)  
*Toronto*  
President, Worldwide  
Business Operations  
Four Seasons Hotels Inc.

**Victor L. Young**, O.C. (1991)  
*St. John's*  
Company Director

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 28, 2003.

\* Not standing for re-election on February 28, 2003.

### Executive officers – Group Management Committee

**Elisabetta Bigsby\*\***  
Senior Executive Vice-President  
Human Resources &  
Public Affairs

**Peter W. Currie**  
Vice-Chairman &  
Chief Financial Officer

**Suzanne B. Labarge**  
Vice-Chairman &  
Chief Risk Officer

**Martin J. Lippert**  
Vice-Chairman  
RBC Global Services &  
Chief Information Officer

**W. Reay Mackay**  
Vice-Chairman  
RBC Investments

**Gordon M. Nixon**  
President &  
Chief Executive Officer

**James T. Rager**  
Vice-Chairman  
RBC Banking

**Irving Weiser**  
Chairman &  
Chief Executive Officer  
RBC Dain Rauscher

**W. James Westlake**  
Chairman &  
Chief Executive Officer  
RBC Insurance

**Charles M. Winograd**  
Vice-Chairman  
RBC Capital Markets

\*\* Effective December 2, 2002.

## Corporate governance

Our corporate governance policies are designed to support the ability of the Board of Directors to supervise management and to enhance long-term shareholder value.

The board's strengths include an independent chairman, and knowledgeable, well-informed directors who give priority to strategic planning, ensure that standards exist to promote ethical behaviour throughout the organization, and seek continuous improvement in corporate governance practices.

Our system of governance is consistent with the Toronto Stock Exchange's guidelines for effective corporate governance (the TSX Guidelines), including revisions to the TSX Guidelines that were proposed in the spring of 2002 but were not formally implemented as of October 31, 2002.

The board has been reviewing its practices in response to the United States *Sarbanes-Oxley Act of 2002* (SOX), as well as the New York Stock Exchange's corporate governance rule proposals (the NYSE Proposals). As provisions of SOX and the NYSE Proposals come into effect, the board will continue to review and amend its governance practices on an ongoing basis to respond to these standards.

The Management Proxy Circular issued in connection with the 2003 Annual Meeting contains a comparison of the bank's governance procedures with the TSX Guidelines and with certain NYSE Proposals, which differ from or are in addition to the TSX Guidelines.

*Responsibilities:* The board has a written mandate setting out its key functions, which include succession planning, evaluating management performance, reviewing strategy and major business decisions, reviewing and approving corporate financial goals and the operating plan, identifying risks, overseeing communications and public disclosure, and assessing the effectiveness of the bank's internal controls and management information systems. The board specifies those matters that require its approval and delegates others to management.

*Composition:* The board derives its strength from the background, diversity, qualities, skills and experience of its members. With advice from outside consultants, the Corporate Governance and Public Policy Committee recommends to the board candidates suitable for nomination. Nominees are selected for qualities such as integrity, business judgment, independence, business or professional expertise, international experience, residency and familiarity with geographic regions relevant to the bank's strategic priorities.

As of November 19, 2002, there were 19 directors. At the Annual Meeting, 18 directors will be elected. The Corporate Governance and Public Policy Committee reviews the composition and mandates of the board's four committees. Mandates and activities of the board committees are summarized on page 107.

*Independence:* An independent director, Mr. Guy Saint-Pierre, acts both as Chairman of the Board and as Chair of the Corporate Governance and Public Policy Committee. Following every board meeting, the Chairman chairs sessions attended only by non-management directors.

Board policy permits no more than two board members from management. Currently two directors, the President and Chief Executive Officer of the bank and the Chairman Emeritus of RBC Centura Banks, Inc., are from management.

We comply with provisions of the *Bank Act* and the TSX Guidelines with regard to directors being "affiliated" with or "related" to the bank. Only 2 of the 18 persons proposed for election to the board at the Annual Meeting are "related" to the bank. This is well within the limits required by the *Bank Act* and TSX Guidelines.

Committees of the board consist solely of non-management directors. All members of the Audit Committee are "unrelated" to the bank and a majority of the members of each other committee are "unrelated".

The Corporate Governance and Public Policy Committee is developing categorical standards of "independence" to apply to members of the board and its committees in addition to the "affiliated" and "related" standards. It is anticipated that following this Annual Meeting, all members of the Audit Committee, the Corporate Governance and Public Policy Committee, and the Human Resources Committee will be "unrelated" under the Canadian standards and "independent" under the U.S. standards.

*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.

*Ethical Behaviour:* Our Code of Conduct and related policies are reviewed by the board and set high standards for ethical behaviour throughout the organization.

The Code of Conduct provides the entire organization with the same frame of reference for dealing with sensitive and complex issues. It incorporates guiding principles such as upholding the law, confidentiality, integrity and individual responsibility, and provides for accountability if employees fail to meet the Code's standards.

The board has approved the establishment and mandate of an Ethics and Compliance Committee, composed of senior management. This committee has responsibility for ensuring that our policies and management systems are appropriately implemented to ensure adherence to the principles outlined in the Code of Conduct.

*Communications:* We are committed to excellence and timeliness in our communications. The investor relations staff provides information to current and potential investors and responds to their inquiries. It is our policy that every shareholder inquiry receives a prompt response from an appropriate officer. Senior executives, including the President and Chief Executive Officer, Chief Financial Officer and Senior Vice-President, Investor Relations, meet regularly with financial analysts and institutional investors. The 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 for a period of three months after each call. Presentations at investor conferences are promptly made available on the Internet or via telephone. We also make significant disclosure documents available on the investor relations Web site at: [rbc.com/investorrelations](http://rbc.com/investorrelations).

*Subsidiary Governance Office (SGO):* Last year the SGO was launched to enhance and harmonize governance in our many subsidiaries. System-wide installation of sophisticated software technology allows quick and easy access to up-to-date information on all parts of our global network. Other benefits include consistent governance oversight, which mitigates both the risk of loss due to governance failure and the risk of non-compliance with regulation. The launch of the SGO has also paved the way for a thorough review of each business, leading to a streamlining of the corporate organization, which will yield a more economical and sharply focused group structure.

## Summary of 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
- At least quarterly, meets separately with the external auditors, the Chief Internal Auditor and senior management to discuss any matters they deem appropriate
- Recommends to the shareholders the appointment of the external auditors and has sole authority to approve all audit engagement fees and terms as well as the provision of any non-audit services provided by the external auditors
- Oversees the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting, and reviews with the external auditors any audit problems or difficulties and management's response
- Reviews with the external auditors the external audit plan, the results of the audit, and the qualifications, 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
- Requires management to implement and maintain appropriate systems of internal control and meets with the Chief Internal Auditor and management to assess the adequacy and effectiveness of those systems
- Reviews the annual internal audit plan and duties, responsibilities, performance, objectivity and staffing of the internal audit function
- Reviews the mandate of and concurs in the appointment of the Chief Internal Auditor and meets with the Chief Internal Auditor to review any significant issues reported to management and management's responses to any such reports
- Reviews investments and transactions that could adversely affect the well-being of the bank, reports on significant litigation and regulatory compliance matters and prospectuses relating to the issue of securities of the bank
- Reviews internal controls and the control environment and policies related to liquidity management and capital management in compliance with the Canada Deposit Insurance Corporation Standards of Sound Business and Financial Practices (the CDIC Standards)

Members: J.T. Ferguson, J.E. Newall, R.B. Peterson (Chair), J.P. Reinhard, K.P. Taylor, V.L. Young

### Conduct Review and Risk Policy Committee

- Reviews credits to directors or entities in which they are partners, directors or officers
- Approves delegation of risk limits to management and any transactions exceeding this delegated authority
- Reviews risk reporting on significant risks, including the amount, nature, characteristics, concentration and quality of the bank's credit portfolio, as well as all significant exposures to credit risk
- Establishes investment and lending policies, standards and procedures
- Reviews standards of business conduct and ethical behaviour for the bank's directors, senior management and employees
- Reviews risk management policies and processes concerning significant risks (credit, market, structural, fiduciary and operational) in compliance with CDIC Standards
- Reviews bank procedures for complying with self-dealing provisions of the *Bank Act*
- Establishes and monitors procedures for restricting the use of confidential information, dealing with complaints, disclosing information to clients and resolving conflicts of interest

Members: J.T. Ferguson (Chair), L.Y. Fortier, P. Gauthier, B.C. Louie, H.T. Richardson, K.C. Rowe

### Corporate Governance and Public Policy 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 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, with sole authority to retain and approve the fees of any search firm to be used to identify director candidates
- 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 amount and form of compensation of directors and, based on a report from an independent outside consultant, recommends appropriate adjustments
- 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 clients, 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, L.Y. Fortier, J.E. Newall, D.P. O'Brien, C.R. Otto, G. Saint-Pierre (Chair)

### Human Resources Committee

- Annually approves the Code of Conduct for directors and employees
- Reviews and approves principles for employee recruitment and hiring
- Reviews management succession plans for executive officers of the bank and its business groups
- Reviews major compensation policies and recommends incentive programs and equity-based compensation plans to the board
- Reviews the bank's major compensation programs against its business objectives and operations and the risks to which it is exposed, and its adherence to its processes, policies, procedures and controls
- In consultation with the Corporate Governance and Public Policy Committee, annually evaluates the non-executive Chairman
- Reviews the position description for the CEO and annually evaluates the CEO's performance against approved corporate objectives
- Recommends to the board the remuneration of the CEO and certain other senior executives and has sole authority to retain and approve the fees of any compensation consultant to assist in evaluating that remuneration
- Advises the board on policy with respect to the administration, funding and investment of the pension plans and reviews the bank's pension plan performance and funded status
- Approves an annual report on executive compensation for inclusion in the management proxy circular

Members: W.G. Beattie, D.T. Elix, P. Gauthier, D.P. O'Brien (Chair), R.B. Peterson, G. Saint-Pierre

## Principal subsidiaries

Principal subsidiaries (1)	Principal office address (2)	Carrying value of voting shares owned by the bank (3)
Royal Bank Mortgage Corporation (4)	Montreal, Quebec, Canada	\$ 898
Royal Trust Corporation of Canada (4)	Toronto, Ontario, Canada	771
The Royal Trust Company	Montreal, Quebec, Canada	469
Royal Mutual Funds Inc.	Toronto, Ontario, Canada	3
RBC Capital Trust	Toronto, Ontario, Canada	506
Connor Clark Ltd.	Toronto, Ontario, Canada	38
RBC Action Direct Inc.	Richmond Hill, Ontario, Canada	135
RBC Alternative Assets, L.P. (2), (5)	New York, New York, U.S.A.	14
RBC Technology Ventures, Inc.	Toronto, Ontario, Canada	33
RBC Capital Partners Limited	Toronto, Ontario, Canada	50
Royal Bank Holding Inc.	Toronto, Ontario, Canada	14,670
RBC Insurance Holdings Inc.	Mississauga, Ontario, Canada	
RBC Life Insurance Company	Mississauga, Ontario, Canada	
RBC Dominion Securities Limited (4)	Toronto, Ontario, Canada	
RBC Dominion Securities Inc.	Toronto, Ontario, Canada	
RBC Alternative Assets, Inc. (2), (5)	New York, New York, U.S.A.	
Royal Bank Realty Inc.	Montreal, Quebec, Canada	
R.B.C. Holdings (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	
Finance Corporation of Bahamas Limited	Nassau, Bahamas	
Investment Holdings (Cayman) Limited	George Town, Grand Cayman	
Royal Bank of Canada (Barbados) Limited	St. Michael, Barbados	
Royal Bank of Canada (Caribbean) Corporation	St. Michael, Barbados	
RBC Holdings (USA) Inc.	New York, New York, U.S.A.	
RBC Dain Rauscher Corp. (2)	Minneapolis, Minnesota, U.S.A.	
RBC Dominion Securities Corporation	New York, New York, U.S.A.	
RBC Insurance Holdings (USA) Inc. (2)	Wilmington, Delaware, U.S.A.	
Liberty Life Insurance Company	Greenville, South Carolina, U.S.A.	
RBC Holdings (Delaware) Inc. (6)	New York, New York, U.S.A.	
Prism Financial Corporation	Chicago, Illinois, U.S.A.	
RBC Mortgage Company	Chicago, Illinois, U.S.A.	
RBC Centura Banks, Inc.	Rocky Mount, North Carolina, U.S.A.	3,590
RBC Centura Bank (6)	Rocky Mount, North Carolina, U.S.A.	
RBC Capital Investment Holdings (USA) Inc.	Wilmington, Delaware, U.S.A.	69
Royal Bank of Canada Financial Corporation	St. Michael, Barbados	4
Atlantis Holdings Limited	St. Michael, Barbados	489
RBC Finance B.V.	Amsterdam, Netherlands	2,329
Royal Bank of Canada Holdings (U.K.) Limited	London, England	
Royal Bank of Canada Europe Limited	London, England	
RBC Holdings (Channel Islands) Limited	Guernsey, Channel Islands	
Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands	
RBC Investment Management (Asia) Limited	Hong Kong, China	5
RBC Global Services Australia Pty Limited	Sydney, New South Wales, Australia	48

(1) The bank owns 100% of the voting shares of each subsidiary, except Finance Corporation of Bahamas Limited (75%).

(2) Each subsidiary is incorporated under the laws of the state or country in which the principal office is situated, except for RBC Alternative Assets Inc., RBC Alternative Assets, L.P., RBC Holdings (USA) Inc., RBC Dain Rauscher Corp. and Prism Financial Corporation, which are incorporated under the laws of the state of Delaware, U.S.A.

(3) The carrying value (in millions of dollars) of voting shares is stated as the bank's equity in such investments.

(4) The subsidiaries have outstanding non-voting shares of which the bank, directly or indirectly, owns 100%.

(5) RBC Alternative Assets, Inc. owns 1.1% of RBC Alternative Assets, L.P.

(6) RBC Holdings (Delaware) Inc. owns 2.4% of RBC Centura Banks, Inc.

# Shareholder information

## 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:

[rbc.com](http://rbc.com)

## Transfer Agent and Registrar

### Main Agent

Computershare Trust  
Company of Canada

## Street address:

1500 University Street  
Suite 700  
Montreal, Quebec  
Canada H3A 3S8  
Tel: (514) 982-7888, or  
1-866-586-7635  
Fax: (514) 982-7635

## Mailing address:

P.O. Box 1570, Station "B"  
Montreal, Quebec  
Canada H3B 3L2

## Web site:

[computershare.com](http://computershare.com)

### Co-Transfer Agent (U.S.)

The Bank of New York  
101 Barclay Street  
New York, New York  
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 (TSX)  
*U.S.*

New York Stock Exchange (NYSE)  
*Switzerland*

Swiss Exchange (SWX)

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 share divi-  
dend paid in October 2000 did  
not affect the Valuation Day value  
for the bank's common shares.

## Shareholder contact

For information about stock  
transfers, address changes,  
dividends, lost stock certificates,  
tax forms, estate transfers,  
contact: Computershare Trust  
Company of Canada  
1500 University Street,  
Suite 700  
Montreal, Quebec  
Canada H3A 3S8  
Tel: (514) 982-7888 or  
1-866-586-7635.

For other shareholder inquiries,

contact: Investor Relations  
Royal Bank of Canada  
123 Front Street West,  
6th Floor

Toronto, Ontario

Canada M5J 2M2

Tel: (416) 955-7806

or visit our Web site at:

[rbc.com/investorrelations](http://rbc.com/investorrelations).

## 2003 Annual Meeting

The bank's next Annual Meeting  
of Common Shareholders will  
be held on Friday, February 28,  
2003 at 9:30 a.m. (EST) in the  
Auditorium at the Mount Royal  
Centre, 2200 Mansfield Street,  
Montreal, Quebec, Canada.

## 2003 quarterly earnings release dates

First quarter	Feb. 28
Second quarter	May 30
Third quarter	Aug. 26
Fourth quarter	Nov. 25

## Direct deposit service

Shareholders may have their  
dividends deposited by electronic  
funds transfer directly to an  
account at any financial institu-  
tion that is a member of the  
Canadian Payments Association.  
To arrange for this, please contact  
Computershare Trust Company of  
Canada at their mailing address.

## Institutional investors, brokers and security analysts

For financial information inquiries,  
contact: Senior Vice-President,  
Investor Relations  
Royal Bank of Canada  
123 Front Street West,  
6th Floor  
Toronto, Ontario  
Canada M5J 2M2  
Tel: (416) 955-7803  
Fax: (416) 955-7800

## Common share repurchase

The bank is engaged in a normal  
course issuer bid through the  
facilities of the Toronto Stock  
Exchange. During the one-year  
period ending June 23, 2003,  
the bank may repurchase up to  
20 million shares in the open mar-  
ket at market prices. The amount  
and timing of the purchases are to  
be determined by the bank.

A copy of the bank's Notice of  
Intention to file a normal course  
issuer bid may be obtained,  
without charge, by contacting the  
Secretary of the bank at the  
bank's Toronto mailing address.

## Dividend dates for 2003

Subject to approval by the Board of Directors.

	Record dates	Payment dates
Common and preferred shares series J, K, N, O, P and S	Jan. 27 Apr. 23 Jul. 23 Oct. 27	Feb. 24 May 23 Aug. 22 Nov. 24

## Credit ratings

(as at December 10, 2002)

	Short-term debt	Senior long-term debt
Moody's Investors Service	P-1	Aa2
Standard & Poor's	A-1+	AA-
Fitch Ratings	F1+	AA
Dominion Bond Rating Service	R-1	AA(low)

La Banque Royale publie aussi son  
Rapport annuel en français.



This annual report is printed on acid-free  
paper and the entire book is recyclable.

Legal Deposit, fourth quarter, 2002  
Bibliothèque nationale du Québec

Information contained in or otherwise accessible through the Web sites mentioned in this annual report does not form a part of this annual report. All references in this annual report to Web sites are inactive textual references and are for your information only.

Trade-marks used in this report include the LION & GLOBE Symbol, ROYAL BANK OF CANADA, RBC, RBC FINANCIAL GROUP, RBC BANKING, RBC ROYAL BANK OF CANADA, RBC ROYAL BANK, RBC INVESTMENTS, RBC INSURANCE, RBC CAPITAL MARKETS, RBC GLOBAL SERVICES, RBC BUILDER FINANCE, RBC CENTURA, RBC DAIN RAUSCHER, RBC LIBERTY INSURANCE, RBC MORTGAGE, RBC ADVISOR FUNDS, RBC ACTION DIRECT, RBC CAPITAL TRUST, RBC CENTER, RBC GLOBAL ASSET MANAGEMENT, RBC FUNDS, RBC GLOBAL PRIVATE BANKING, RBC GLOBAL INVESTMENT MANAGEMENT, RBC INVESTMENTS PRIVATE PLANNING, RBC INVESTMENTS FOCUS LIST TRUST, RBC LinC, RBC-OVERDRIVE, ROYAL MUTUAL FUNDS, ROYAL TAX MANAGED RETURN FUND, RBC.COM, ROYALBANK.COM, RBCINSURANCE.COM, RBCCM.COM, CASH & SAVE, FX DIRECT and PAYTICKETS.CA, which are trade-marks of Royal Bank of Canada used by Royal Bank of Canada and/or its subsidiaries. All other trade-marks mentioned in this report are the property of their respective holders, including without limiting the generality of the foregoing, the trade-mark Moneris Solutions etc., which are trade-marks owned by their respective third-party holders.