ROYAL BANK OF CANADA

First Quarter
2001

Report to Shareholders

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At the bank's Annual General Meeting in Vancouver, on February 23, 2001, John E. Cleghorn announced his intention to retire effective July 31, 2001, after turning 60 that month and following 15 years as President and then Chairman and Chief Executive Officer, Royal Bank Financial Group (RBFG).

In line with the succession plan, Gordon Nixon, Deputy Chairman and Chief Executive Officer, RBC Dominion Securities, will become President and Chief Operating Officer of RBFG and a Director of Royal Bank, effective April 1, 2001, and President and Chief Executive Officer, RBFG, effective August 1, 2001.

Also effective August 1, 2001, Mr. Guy Saint-Pierre, currently Chairman of the Corporate Governance Committee of the Board of Royal Bank and lead Director, will become non-executive Chairman of Royal Bank.

The Directors expressed their appreciation of Mr. Cleghorn's strong leadership of RBFG since 1994 and his earlier contribution as President from 1986.

The Directors noted that Mr. Cleghorn's leadership should be credited with superior financial results, expansion of the business on a North American basis and the legacy of a top management team recognized throughout the industry for its outstanding capability and depth.

TORONTO, February 23, 2001 – Royal Bank of Canada (RY: TSE; NYSE) announced record net income of $695 million ($584 million excluding special items), driven by strong and diversified revenue growth.

First Quarter Financial Highlights (using U.S. GAAP, excluding special items, and compared to a year ago):

- Net income a record $584 million, up 13%.
- Diluted earnings per share a record $.91, up 17%.
- Return on common equity 18.3%, down slightly from 18.4%.
- Revenue growth 18%.
- Nonaccrual loans ratio 1.0%, unchanged from a year ago and last quarter.
- General provision for credit losses of $70 million recorded in the quarter.

	For the three months ended		
	January 31 2001	**January 31 2001 (excluding special items (1))**	January 31 2000
U.S. GAAP			
Net income (millions)	**$ 695**	**$ 584**	$ 515
Net income, cash basis (millions)	**$ 726**	**$ 615**	$ 533
EPS – diluted	**$ 1.08**	**$ .91**	$ .78
EPS – diluted, cash basis	**$ 1.13**	**$ .96**	$ .81
Economic Profit (millions)	**$ 175**	**$ 175**	$ 147
Return on common equity	**21.9%**	**18.3%**	18.4%
Return on common equity, cash basis	**23.0%**	**19.3%**	19.1%
Canadian GAAP			
Net income (millions)	**$ 661**	**$ 583**	$ 527
Net income, cash basis (millions)	**$ 691**	**$ 613**	$ 544
EPS – diluted	**$ 1.02**	**$ .90**	$ .80
EPS – diluted, cash basis	**$ 1.07**	**$ .95**	$ .83
Economic Profit (millions)	**$ 172**	**$ 172**	$ 153
Return on common equity	**20.8%**	**18.2%**	18.7%
Return on common equity, cash basis	**21.7%**	**19.2%**	19.3%

(1) Special items in Q1/01 are shown on page 4.

Commenting on the results, John E. Cleghorn, Chairman & Chief Executive Officer said, "The strong momentum continued into this quarter and we comfortably met or exceeded all the financial objectives established for this year. We continue to take strategic and tactical steps to ensure future growth, such as our announced purchase of Centura Banks last month."

First Quarter Strategic Highlights:

- Announced on January 26, 2001, a definitive agreement to acquire North Carolina-based Centura Banks, Inc., for approximately US$2.3 billion. Closing expected by July 31, 2001.
- Closed the acquisitions of Liberty Life Insurance Company and Liberty Insurance Services, and Dain Rauscher Corporation.
- Launched a 50/50 joint venture called Moneris Solutions with Bank of Montreal to offer North American merchants simplified transaction processing for Visa, MasterCard and debit purchases and realized a $77 million gain (after-tax).
- Sold the Canadian Group Retirement Services business, which primarily involves administering customized group defined contribution pension plans, for a $34 million gain (after-tax).

The bank's interim financial statements are expressed in Canadian dollars and are prepared in accordance with U.S. and Canadian generally accepted accounting principles (GAAP). U.S. GAAP interim financial statements are provided on pages 11–16. Canadian GAAP interim financial statements, including a reconciliation of significant differences from U.S. GAAP financial statements, are provided on pages 19–24.

Chairman's Message

We had another strong quarter. I'm proud of the performance and dedication of our people who have helped drive these excellent results and welcome the new team members from Liberty and Dain Rauscher. We look forward as well to the Centura team, expected to join us by July 31.

I'll comment on our four key priorities and performance in those areas.

Strong Fundamentals

Following a very strong financial performance in 2000, we set targets for improvement in 2001, notably in the areas of earnings and revenue growth. As shown on page 3, we exceeded our objectives in both these areas this quarter, growing diluted earnings per share by 17% and revenues by 18%, in each case excluding special items. Most business segments generated strong double-digit revenue growth. We also succeeded in growing operating expenses at a lower rate than operating revenues, as targeted. The earnings growth was achieved even as we added $70 million to our general allowance for credit losses. Loan quality was solid, as evidenced by a stable nonaccrual loans ratio and a specific provision for credit losses ratio in line with our objective for the year. Our capital ratios were stronger than a year ago and in line with our medium-term goals. For our shareholders, we raised the quarterly common share dividend by 10% during the quarter while continuing to hold valuation levels in the top quartile of the TSE Banks & Trusts Index.

International Expansion

We took further steps to expand our U.S. presence. We announced the acquisition of North Carolina-headquartered Centura Banks, Inc., a largely personal/commercial bank with 650,000 customers. With its focus on customer relationship management and Economic Profit, it has a culture similar to ours and has also grown through acquisitions. It will provide a good base for further expansion in personal and commercial banking in the United States. The acquisition, expected to close by July 31, should be accretive to diluted cash earnings per share in 2002.

We closed the acquisitions of Liberty Life Insurance Company and Liberty Insurance Services, and Dain Rauscher Corporation and are now seeing their contributions to our results – Liberty for two months of this quarter and Dain for the last three weeks of this quarter. On a cash basis and excluding special items, international net income accounted for 43% of total net income this quarter, up from 24% a year ago. We've established some cross-selling initiatives between our various U.S. operations, which are starting to show results, and we expect those efforts to accelerate over time.

Growth of High-Return Businesses

As for growing high-return or high-P/E multiple businesses, our primary focus is on Wealth Management and Personal & Commercial Banking, but all business segments have selected areas for priority growth. Reflecting the growing size and potential of Insurance, we've made it into a separate business segment starting this quarter. Previously, its results were combined with Personal & Commercial Banking's. We will also continue to restructure or sell non-strategic operations, as we sold our Group Retirement Services unit earlier this quarter. As well, we will continue to outsource activities that do not represent core competencies, as we did with the recent outsourcing of our banking machines to NCR.

eBusiness Leadership

On the eBusiness front, our Canadian online client base continued to grow rapidly, by 148,000 during the quarter, reaching over 1.4 million at January 31, 2001.

The Canadian government has indicated that new financial services legislation could be passed into law by this summer. This is a good step forward towards the ultimate goal of even greater reform to put us on a truly North American competitive footing.

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

John E. Cleghorn
Chairman and Chief Executive Officer

Three-Month Performance against 2001 Objectives

	2001 objective	First quarter performance
1. Valuation		
Maintain top quartile valuation levels:		
• Share price/book value:	1st quartile of TSE Banks & Trusts Index	1st quartile
• Share price/earnings:	1st quartile of TSE Banks & Trusts Index	1st quartile
Share price growth:	Above the average of TSE Banks & Trusts Index	Below the average
2. Earnings growth		
Grow diluted earnings per share by:	10–15%	38% 17% excluding special items
3. Return on common equity		
Achieve a return on common equity of:	18–20%	21.9% 18.3% excluding special items
4. Revenue growth		
Achieve revenue growth of:	Over 10%	23% 18% excluding special items
5. Expense growth		
Operating expenses versus operating revenues (1):	Operating expense growth less than operating revenue growth	Operating expenses growth 8.5%, less than operating revenue growth of 10.5%
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%	.37%
7. Capital management		
• Common equity to risk-adjusted assets:	Maintain strong capital ratios	7.6% common equity to risk-adjusted assets
• Tier 1 capital ratio:		8.3% Tier 1 capital ratio
• Total capital ratio:		11.5% Total capital ratio

(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.

Line of Business Results

Contributions to this quarter's net income excluding special items were 50% from Personal & Commercial Banking, 7% from Insurance, 17% from Wealth Management, 25% from Corporate & Investment Banking, 6% from Transaction Processing and (5)% from the "Other" segment. These compared to 48%, 5%, 20%, 23%, 7% and (3)%, respectively, a year ago.

The discussion below refers to business segment results excluding special items where applicable, with the special items described in the table below.

Table 1: Special Items in Q1/01 (1)

($ millions, taxable equivalent basis)	Applicable segment	Impact pre-tax	Impact after tax
Non-interest revenue			
Gain on formation of Moneris joint venture	Personal & Commercial Banking	$ 89	$ 77
Gain on sale of Group Retirement Services	Wealth Management	$ 36	$ 28
	Personal & Commercial Banking	$ 7	$ 6
	Sub-total	$ 43	$ 34
Total impact		$ 132	$ 111
Impact on EPS – diluted			$ .17

(1) Canadian GAAP special items include the above, as well as a tax expense of $33 million ($19 million in Personal & Commercial Banking, $(2) million in Insurance, $10 million in Corporate & Investment Banking and $6 million in "Other") to reflect a proposed change in the federal tax rate described in Note 6 on page 25. Special items increased Canadian GAAP net income after-tax by $78 million and earnings per share, diluted, by $.12.

Table 2: Personal & Commercial Banking

($ millions, except for percentages)	For the three months ended January 31 **2001**	January 31 **2001** (excluding special items)	January 31 2000	Growth	Growth (excluding special items)
Gross revenues	**$ 1,784**	**$ 1,688**	$ 1,494	19%	13%
Non-interest expenses	**$ 962**	**$ 962**	$ 898	7%	7%
Net income	**$ 375**	**$ 292**	$ 244	54%	20%
Return on common equity	**27.5%**	**21.2%**	18.2%	930 bp	300 bp
Economic Profit	**$ 104**	**$ 104**	$ 58	79%	79%
Operating efficiency ratio	**55.0%**	**55.0%**	58.6%	(360)bp	(360)bp

- Strong double-digit revenue growth significantly outpaced non-interest expense increases, which, after excluding special items, resulted in 20% net income growth and higher return on equity and Economic Profit. The operating efficiency ratio (which excludes expenses of strategic initiatives, Stock Appreciation Rights and one-time expenses, and excludes revenues associated with strategic initiatives and one-time revenues) improved by 360 basis points to 55.0%.

Operating Highlights

- Announced a definitive merger agreement to acquire Centura Banks, Inc., based in Rocky Mount, North Carolina. Each outstanding share of Centura is to be converted into 1.684 shares of Royal Bank upon closing. The indicated value of the transaction is approximately US$2.3 billion. The transaction is expected to be completed by July 31, 2001, at which time Centura will adopt the name RBC Centura Banks, Inc.
- Launched a 50/50 joint venture called Moneris Solutions with Bank of Montreal to offer North American merchants simplified transaction processing for Visa, MasterCard and debit purchases.
- Provided additional benefits to AVION Gold cardholders with the addition of four new partnerships with American Airlines, British Airways, Royal Airlines and Coast Hotels and Resorts.
- Prism Financial's cross-selling efforts with Security First Network Bank (SFNB) progressed well. One pilot involving the co-location of a Prism loan officer in SFNB's Florida office generated almost US$20 million in new mortgage referrals over a two-month period.

Table 3: Insurance

($ millions, except for percentages)	For the three months ended January 31 2001	January 31 2000	Growth
Gross revenues (1)	**$ 103**	$ 54	91%
Non-interest expenses	**$ 76**	$ 35	117%
Net income	**$ 39**	$ 27	44%
Return on common equity	**22.4%**	44.2%	(2,180) bp
Economic Profit	**$ 17**	$ 19	(11)%
Operating efficiency ratio	**64.8%**	64.8%	–
Gross premiums	**$ 440**	$ 248	77%

(1) Comprise net interest income and gross premiums less policyholder benefits, reinsurance and policy acquisition costs.

- The purchase of Liberty largely accounted for the strong growth in net income and premiums. Operating expenses grew by 20%, while the operating efficiency ratio remained unchanged.
- The inclusion of two months of results for Liberty Life and Liberty Insurance Services added $370 million of average common equity to the segment this quarter. This contributed to the lower ROE and Economic Profit.

Operating Highlights

- Completed the acquisition of Liberty Life Insurance Company and Liberty Insurance Services for US$580 million.
- Liberty Insurance Services acquired most of the assets of Genelco Inc.'s software and outsourcing divisions, including their client contracts. This provides Liberty with new third-party administration expertise in the variable life and variable annuity markets (complementing its strengths in the traditional life, health and annuity markets) as well as access to an array of insurance-related software and services.

Table 4: Wealth Management

($ millions, except for percentages)	For the three months ended January 31 2001	January 31 2001 (excluding special items)	January 31 2000	Growth	Growth (excluding special items)
Gross revenues	**$ 717**	**$ 681**	$ 563	27%	21%
Non-interest expenses	**$ 535**	**$ 535**	$ 400	34%	34%
Net income	**$ 127**	**$ 99**	$ 103	23%	(4)%
Return on common equity	**42.1%**	**32.5%**	50.4%	(830)bp	(1,790)bp
Economic Profit	**$ 66**	**$ 66**	$ 77	(14)%	(14)%
Operating efficiency ratio	**75.6%**	**75.6%**	69.2%	640 bp	640 bp

- The addition of Dain Rauscher's Private Client Group and Fixed Income division drove nearly 80% of the revenue growth (excluding special items) and just over 60% of the expense growth. Trading revenue at Action Direct discount brokerage fell from a strong level a year ago, and investments in Royal Financial Planning continued, resulting in the majority of the decline in the segment's net income excluding special items. Cost containment initiatives are being undertaken in Action Direct. The full-service brokerage and other businesses' net income excluding special items increased over a year ago.
- The inclusion of three weeks of results for Dain Rauscher added $235 million of average common equity, while additional operational risk capital added another $90 million of average common equity to this segment this quarter. These contributed to lower ROE and Economic Profit for the quarter.

Operating Highlights

- On January 10th, Wealth Management, along with the Corporate & Investment Banking segment, acquired Dain Rauscher Corporation for US$1.2 billion. Integration is successfully underway and Irv Weiser, Dain Rauscher's CEO, has joined Royal Bank's Group Management Committee.
- Royal Mutual Funds launched seven new global equity funds, allowing investors to capitalize on increased foreign content rules and to invest in high-growth sectors around the world.
- The Canadian Group Retirement Services business, which primarily involves administering customized group defined contribution pension plans, was sold resulting in a $34 million gain (after-tax).
- Action Direct removed the suitability review from client orders after satisfying the requirements of Canadian Securities Administrators. This change will allow for greater automation and better handling of peaks in demand.

Table 5: Corporate & Investment Banking

($ millions, except for percentages)	For the three months ended January 31 2001	January 31 2000	Growth
Gross revenues	**$ 723**	$ 518	40%
Non-interest expenses	**$ 452**	$ 312	45%
Net income	**$ 147**	$ 120	22%
Return on common equity	**18.9%**	21.1%	(220)bp
Economic Profit	**$ 47**	$ 47	–
Operating efficiency ratio	**56.6%**	58.1%	(150)bp

- The Global Equity business of RBC Dominion Securities had a very strong quarter, contributing to almost 50% of Corporate & Investment Banking's revenue growth. The addition of Dain Rauscher Wessels drove 15% of the revenue growth. The operating efficiency ratio improved 150 basis points to 56.6%.
- Higher volumes of activity led to an additional $620 million of average common equity for operational, market and credit risks. The inclusion of three weeks of results for Dain Rauscher Wessels added another $180 million of average common equity to this segment. This contributed to this quarter's lower ROE.

Operating Highlights

- Thomson Financial Securities Data ranked RBC Dominion Securities 16th globally for M&A transactions in 2000, while the *Globe and Mail* ranked it first in Canada for Equity, Corporate Bonds and Government Debt underwriting.
- The acquisition of Dain Rauscher this quarter with its investment banking arm Dain Rauscher Wessels, provides this segment with a strong origination, trading and distribution capability in the U.S. market and excellent research coverage in the firm's target markets.
- RBC Dominion Securities officially began trading in London, England, as a Gilt Edged Market Maker (GEMM) with excellent results and an opening ranking of 7th among the industry's 17 GEMMs.
- RBC Dominion Securities' foreign exchange business had record business volumes transacted through the eBusiness platform, FX Direct. Royal Bank of Canada ranked 8th in *FX Week*'s international rankings based on reported FX trading revenues for the first half of 2000.
- The Global Equity Derivatives team enjoyed a very strong quarter and its expansion into Europe was evidenced by the performance of its European Index Arbitrage group.

Table 6: Transaction Processing

($ millions, except for percentages)	For the three months ended January 31 2001	January 31 2000	Growth
Gross revenues	**$ 175**	$ 166	5%
Non-interest expenses	**$ 114**	$ 106	8%
Net income	**$ 37**	$ 34	9%
Return on common equity	**29.5%**	30.0%	(50)bp
Economic Profit	**$ 21**	$ 20	5%
Operating efficiency ratio	**64.7%**	63.9%	80 bp

- The net income growth reflected a strong performance in the custody business.

Operating Highlights

- During the quarter, Global Securities Services, the custody business, won over $60 billion in new custody business in Europe, a significant achievement.
- With financial institution partners launched webdoxs – an electronic document presentation service that allows customers to receive and pay bills over the Internet through their financial institution's Web site.

"Other" Segment

- Net income was $(30) million versus $(13) million a year ago.

Operating Highlights

- Increased the quarterly common share dividend by 3 cents per share or 10% to 33 cents, for the February 23, 2001, payment to common shareholders of record on January 24, 2001.
- In December, issued 12.3 million common shares for $46.80 per share, resulting in total net proceeds of $553 million.
- The active Canadian online client base stood at 1.41 million at January 31, 2001, up 118% from a year ago and is growing at a rate of 2,000 to 14,000 clients per week.

Financial Priority: Revenue Growth and Diversification

Revenues

Total revenues excluding special items were up 18% from last year's first quarter and up 7% from last quarter, with strong growth in all business segments.

Net Interest Income

Taxable equivalent net interest income was up 15% from a year ago. The net interest margin was 1.89% compared to 1.84% a year ago.

Non-Interest Revenues

Non-interest revenues excluding special items were up 21% from a year ago and up 8% from last quarter. Fees from trading were up 52% from a year ago, from investment management and custodial activities 31%, from credit fees 24%, from capital markets (full-service brokerage, discount brokerage and institutional business) 15% and from mutual funds 10%.

As a percentage of total revenues, non-interest revenues excluding special items were 56%, up from 55% a year ago and last quarter.

Financial Priority: Cost Control

Non-Interest Expenses

Non-interest expenses increased 20% from the first quarter of 2000. Contributing to the increase were $206 million of higher expenses related to strategic initiatives – largely acquisitions made in the last year.

Additionally, this quarter there was a $10 million expense for Stock Appreciation Rights (SARs) that were first granted under the Stock Option Plan in November 1999. There was no such expense recorded a year ago.

Operating expenses (which exclude costs of strategic initiatives, Stock Appreciation Rights and one-time expenses) were up $147 million or 9% from a year ago. Contributing to this growth was a $122 million or 7% increase in performance-related compensation.

Base non-interest expenses (operating expenses less performance-based compensation) were up only $25 million or 2% from last year's first quarter.

Financial Priority: Strong Credit Quality

Nonaccrual Loans

Nonaccrual loans (before deducting the allowance for loan losses) were $1.7 billion at January 31, 2001, up $58 million from last quarter and up $122 million from a year ago. As a percentage of total loans (including bankers' acceptances), nonaccrual loans were 1.0%, unchanged from last quarter and a year ago.

Table 7: Provision for Credit Losses

	For the three months ended		
($ millions, except for percentages)	**January 31 2001**	October 31 2000	January 31 2000
U.S. GAAP			
Allocated (1)	**$ 275**	$ 142	$ 163
Unallocated	**(27)**	32	10
Total provision for credit losses	**$ 248**	$ 174	$ 173
Canadian GAAP			
Specific provisions	**$ 178**	$ 134	$ 133
General provision			
Allocated	**97**	8	30
Unallocated	**(27)**	32	10
Total general provision	**70**	40	40
Total provision for credit losses	**$ 248**	$ 174	$ 173

(1) Corresponds to specific provisions and general allocated provision under Canadian GAAP.

As shown above, the total provision for credit losses was $248 million, up from $173 million a year ago and $174 million last quarter.

The allowance for loan losses at January 31, 2001, was $1.9 billion or 1.0% of total loans (including bankers' acceptances) and reverse repurchase agreements, unchanged from last quarter and compared to 1.1% a year ago. During the quarter, net charge-offs (charge-offs, net of recoveries) were $179 million or .42% of average loans, versus $200 million or .48% in the fourth quarter of 2000 and $124 million or .32% a year ago.

Canadian GAAP

Specific provisions of $178 million accounted for .37% of average loans (including reverse repurchase agreements) and bankers' acceptances, in line with the objective for 2001 of .30–.40%.

There was a $70 million general provision for credit losses recorded this quarter, taking the total general allowance (accumulated general provisions) to $1.3 billion or .78% of risk-adjusted assets, up from last quarter's $1.2 billion or .76% of risk-adjusted assets.

Financial Priority: Balance Sheet and Capital Management

Assets

Total assets were $307 billion at January 31, 2001, up 13% from a year ago, with all categories up except for cash resources.

Total loans (before deducting the allowance for loan losses) were up $11.3 billion or 7% from January 31, 2000. Residential mortgages increased $3.4 billion or 6% and personal loans were up $4.4 billion or 17%. Credit cards increased $2.3 billion or 84%, partially reflecting the return to the balance sheet of $1.2 billion of previously-securitized credit card balances in the last nine months of 2000 and the purchase of the $430 million Canadian credit card portfolio of Bank One in the third quarter of 2000. Business and government loans and acceptances increased by $1.3 billion or 2%.

Deposits

Total deposits were $206 billion, up $14.0 billion or 7% from a year ago, with increases of $10.8 billion in interest-bearing deposits and $3.2 billion in non-interest-bearing deposits.

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 and Canadian GAAP financial information. OSFI has 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 January 31, 2001, using OSFI guidelines and Canadian GAAP financial information, the bank's Tier 1 capital ratio was 8.3% versus 8.1% a year ago, while the Total capital ratio was 11.5%, up from 11.4% on January 31, 2000. Both ratios met the bank's medium-term (3–5 year) capital goals of 8% for Tier 1 capital and 11–12% for Total capital. The bank also met its medium-term capital ratio goal of 7% for common equity to risk-adjusted assets, with a ratio of 7.6% at January 31, 2001, up from 7.1% a year ago. Risk-adjusted assets were $163.1 billion, up 9% from last year, with the addition of Dain Rauscher's risk-adjusted assets accounting for 240 basis points of this increase.

During the quarter, the bank issued $553 million of common shares through an equity offering, $500 million of subordinated debentures and $750 million of innovative Tier 1 capital, while internally generating $456 million of capital.

Caution Regarding Forward-Looking Statements

Royal Bank, from time to time, makes written and oral forward-looking statements, included in this press release, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. Such forward-looking statements include objectives for 2001 and the medium-term, and strategies to achieve those objectives, set forth herein. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Royal Bank cautions readers not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, changes in economic conditions including fluctuations in interest rates and inflation, regulatory developments, technological changes and the effects of competition in the geographic and business areas where the bank operates.

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

About Royal Bank of Canada

Royal Bank of Canada (RY) is a diversified financial services company. It provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, online banking and transaction processing on a global basis. The company employs 54,000 people who serve 10 million personal, business and public sector customers in North America and in some 30 countries around the world. For more information, please visit *www.royalbank.com*

Selected Financial Highlights (unaudited)

(C$ millions, except per share and percentage amounts)	Change from January 31 2000	As at and for the three months ended January 31 2001	October 31 2000	January 31 2000
Earnings				
Net interest income (1)	15%	**$ 1,473**	$ 1,381	$ 1,280
Non-interest revenue	30	**1,987**	1,720	1,532
Gross revenues (1)	23	**3,460**	3,101	2,812
Provision for credit losses	43	**248**	174	173
Non-interest expenses	20	**2,144**	2,022	1,781
Net income	35	**695**	568	515
Return on common equity	350 bp	**21.9%**	19.2%	18.4%
Return on common equity, cash basis (2)	390 bp	**23.0%**	20.1%	19.1%
Economic Profit (3)	19%	**175**	185	147
Balance sheet and off-balance sheet data				
Loans	7%	**$ 168,975**	$ 167,812	$ 157,632
Assets	13	**306,811**	294,054	271,894
Deposits	7	**206,306**	206,237	192,260
Common equity	19	**12,484**	11,296	10,463
Assets under administration	21	**1,242,800**	1,175,200	1,027,300
Assets under management	30	**112,500**	92,300	86,400
Capital ratios (Canadian basis) (4)				
Common equity to risk-adjusted assets	50 bp	**7.6%**	7.3%	7.1%
Tier 1 capital	20 bp	**8.3%**	8.6%	8.1%
Total capital	10 bp	**11.5%**	12.0%	11.4%
Capital ratios (U.S. basis) (5)				
Common equity to risk-adjusted assets	60 bp	**7.6%**	7.2%	7.0%
Tier 1 capital	30 bp	**7.9%**	7.8%	7.6%
Total capital	20 bp	**11.1%**	11.3%	10.9%
Common share information				
Shares outstanding (in thousands)				
End of period	1%	**616,209**	602,398	608,783
Average basic	(1)	**608,824**	602,108	612,708
Average diluted	(1)	**614,686**	606,710	618,11
Earnings per share				
Basic	38	**$ 1.09**	$ 0.89	$ 0.79
Diluted	38	**1.08**	0.88	0.78
Cash basis, basic (2)	39	**1.14**	0.93	0.82
Cash basis, diluted (2)	40	**1.13**	0.92	0.81
Share price				
High	51	**$ 52.45**	$ 48.88	$ 34.70
Low	67	**45.60**	39.17	27.25
Close	63	**48.20**	48.30	29.53
Dividends per share	22	**0.33**	0.30	0.27
Book value per share – period end	18	**20.26**	18.75	17.19
Market capitalization ($ billions)	65	**29.7**	29.1	18.0
Number of:				
Employees (full-time equivalent) (6)	4,238	**53,863**	49,232	49,625
Automated banking machines	(224)	**4,465**	4,569	4,689
Service delivery units:				
Canada	(79)	**1,329**	1,333	1,408
International (7)	328	**437**	306	109

(1) Taxable equivalent basis.
(2) Cash basis return on common equity, earnings per share and diluted earnings per share are computed by adding back to net income the after-tax amount of amortization for 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 (OSFI) and Canadian GAAP financial information.
(5) Using guidelines issued by the Board of Governors of the Federal Reserve Board in the United States and U.S. GAAP financial information.
(6) The number of employees at January 31, 2001, includes 3,870 employees at Dain Rauscher Corporation, and 1,070 employees at Liberty Life Insurance Company and Liberty Insurance Services Corporation, both acquired during the first quarter of 2001. The numbers at January 31, 2001, and October 31, 2000, also include 847 and 845 non-commissioned employees, respectively, at Prism Financial Corporation, which was acquired during the second quarter of 2000.
(7) International service delivery units include branches, specialized business centres, representative offices and agencies. The number at January 31, 2001, includes 108 branches for Dain Rauscher Corporation acquired in the first quarter of 2001 and 213 branches for Prism Financial Corporation, acquired during the second quarter of 2000. The number at October 31, 2000, includes 191 branches for Prism Financial Corporation.

Interim Consolidated Financial Statements (unaudited)

Consolidated Balance Sheet (unaudited)

(C$ millions)	January 31 2001	October 31 2000	January 31 2000
Assets			
Cash resources			
Cash and due from banks	**$ 989**	$ 947	$ 1,091
Interest-bearing deposits with other banks	**16,344**	18,659	21,031
	17,333	19,606	22,122
Securities			
Trading account	**50,606**	46,366	33,701
Available for sale	**15,695**	13,199	14,835
Held to maturity	**–**	698	961
	66,301	60,263	49,497
Assets purchased under reverse repurchase agreements	**21,713**	18,303	15,284
Loans			
Residential mortgage	**63,418**	62,984	60,035
Personal	**30,573**	28,019	26,213
Credit card	**4,961**	4,666	2,690
Business and government loans and acceptances	**70,023**	72,143	68,694
	168,975	167,812	157,632
Allowance for loan losses	**(1,947)**	(1,871)	(1,937)
	167,028	165,941	155,695
Other			
Derivative-related amounts	**20,098**	19,334	18,050
Premises and equipment	**1,293**	1,216	1,256
Goodwill	**2,280**	693	597
Other intangibles	**205**	208	159
Other assets	**10,560**	8,490	9,234
	34,436	29,941	29,296
	$ 306,811	$ 294,054	$ 271,894
Liabilities and shareholders' equity			
Deposits			
Canada			
Non-interest-bearing	**$ 21,353**	$ 22,011	$ 18,218
Interest-bearing	**113,740**	116,113	112,807
International			
Non-interest-bearing	**744**	863	634
Interest-bearing	**70,469**	67,250	60,601
	206,306	206,237	192,260
Other			
Acceptances	**9,695**	11,628	9,105
Obligations related to securities sold short	**14,075**	12,873	14,794
Obligations related to assets sold under repurchase agreements	**14,717**	9,005	7,629
Derivative-related amounts	**19,794**	18,574	17,372
Other liabilities	**19,852**	15,912	13,137
	78,133	67,992	62,037
Subordinated debentures	**6,447**	5,825	5,072
Non-controlling interest in subsidiaries	**1,453**	703	103
Shareholders' equity			
Capital stock			
Preferred	**1,988**	2,001	1,959
Common (shares issued and outstanding – 616,209,281; 602,397,936; and 608,782,812)	**3,704**	3,074	3,032
Retained earnings	**8,769**	8,314	7,547
Accumulated other comprehensive income	**11**	(92)	(116)
	14,472	13,297	12,422
	$ 306,811	$ 294,054	$ 271,894

Consolidated Statement of Income (unaudited)

(C$ millions, except per share data)	For the three months ended January 31 2001	October 31 2000	January 31 2000
Interest income			
Loans	**$ 3,140**	$ 3,124	$ 2,685
Trading account securities	**491**	400	339
Available for sale and held to maturity securities	**255**	265	277
Assets purchased under reverse repurchase agreements	**314**	277	236
Deposits with banks	**262**	265	250
	4,462	4,331	3,787
Interest expense			
Deposits	**2,496**	2,514	2,078
Other liabilities	**401**	345	361
Subordinated debentures	**98**	97	75
	2,995	2,956	2,514
Net interest income	**1,467**	1,375	1,273
Provision for credit losses	**248**	174	173
Net interest income after provision for credit losses	**1,219**	1,201	1,100
Non-interest revenue			
Capital market fees	**419**	513	365
Trading revenues	**566**	355	372
Deposit and payment service charges	**204**	206	178
Investment management and custodial fees	**198**	177	151
Mutual fund revenues	**138**	138	125
Card service revenues	**88**	92	111
Credit fees	**62**	54	50
Revenues from insurance-related activities	**71**	41	46
Foreign exchange revenue, other than trading	**67**	83	67
Securitization revenues	**19**	15	35
Gain (loss) on sale of securities	**(60)**	(22)	1
Other	**215**	68	31
	1,987	1,720	1,532
Non-interest expenses			
Human resources	**1,330**	1,208	1,105
Occupancy	**180**	146	131
Equipment	**150**	177	163
Communications	**153**	197	160
Other	**331**	294	222
	2,144	2,022	1,781
Net income before income taxes	**1,062**	899	851
Income taxes	**345**	317	334
Net income before non-controlling interest	**717**	582	517
Non-controlling interest in net income of subsidiaries	**22**	14	2
Net income	**$ 695**	$ 568	$ 515
Preferred share dividends	**34**	34	33
Net income available to common shareholders	**$ 661**	$ 534	$ 482
Average number of common shares (in thousands)	**608,824**	602,108	612,708
Earnings per share (in dollars)	**$ 1.09**	$ 0.89	$ 0.79
Average number of fully diluted common shares (in thousands)	**614,686**	606,710	618,111
Diluted earnings per share (in dollars)	**$ 1.08**	$ 0.88	$ 0.78

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

	For the three months ended		
	January 31	October 31	January 31
(C$ millions)	2001	2000	2000
Preferred shares			
Balance at beginning of year	$ 2,001	$ 1,982	$ 1,973
Translation adjustment on shares denominated in foreign currency	(13)	19	(14)
Balance at end of period	1,988	2,001	1,959
Common shares			
Balance at beginning of period	3,074	3,053	3,063
Issued	576	–	–
Issued under the Stock Option Plan	43	21	18
Stock options granted on acquisition of a subsidiary	21	–	–
Issuance costs, net of related income taxes	(10)	–	–
Purchased for cancellation	–	–	(49)
Balance at end of period	3,704	3,074	3,032
Retained earnings			
Balance at beginning of period	8,314	7,961	7,495
Net income	695	568	515
Preferred share dividends	(34)	(34)	(33)
Common share dividends	(203)	(181)	(164)
Issuance costs, net of related income taxes	(3)	–	–
Premium paid on common shares purchased for cancellation	–	–	(266)
Balance at end of period	8,769	8,314	7,547
Accumulated other comprehensive income			
Unrealized gains and losses on available for sale securities, net of related income taxes	72	(56)	(79)
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	(38)	(36)	(37)
Gains and losses on derivatives designated as cash flow hedges, net of related income taxes (note 1)	(23)	–	–
	11	(92)	(116)
Shareholders' equity at end of period	$ 14,472	$ 13,297	$ 12,422

Other comprehensive income			
Net income	$ 695	$ 568	$ 515
Change in unrealized gains and losses on available for sale securities, net of related income taxes	128	9	6
Change in unrealized foreign currency translation gains and losses, net of hedging activities ($51 million) and related income taxes	(2)	1	1
Cumulative effect of initial adoption of FAS 133, net of related income taxes (note 1)	60	–	–
Change in gains and losses on derivatives designated as cash flow hedges, net of related income taxes (note 1)	(78)	–	–
Reclassification to earnings of gains and losses on cash flow hedges, net of related income taxes (note 1)	(5)	–	–
Total other comprehensive income	$ 798	$ 578	$ 522

Consolidated Statement of Cash Flows (unaudited)

(C$ millions)	For the three months ended January 31 2001	October 31 2000	January 31 2000
Cash flows from operating activities			
Net income	**$ 695**	$ 568	$ 515
Adjustments to determine net cash provided by (used in) operating activities			
Provision for credit losses	**248**	174	173
Depreciation	**86**	105	85
Amortization of goodwill and other intangibles	**31**	27	18
Loss (gain) on sale of assets	**13**	1	(6)
Change in accrued interest receivable and payable	**(163)**	130	45
Net loss (gain) on sale of available for sale securities	**60**	22	(1)
Changes in operating assets and liabilities:			
Deferred income taxes	**(4)**	(180)	(16)
Current income taxes payable	**(233)**	38	(426)
Unrealized gains and amounts receivable on derivative contracts	**(757)**	(3,872)	(2,899)
Unrealized losses and amounts payable on derivative contracts	**1,220**	3,392	2,153
Trading account securities	**(3,746)**	(5,762)	1,587
Obligations related to securities sold short	**1,131**	839	(3,946)
Other	**(1,050)**	1,407	(1,879)
Net cash provided by (used in) operating activities	**(2,469)**	(3,111)	(4,597)
Cash flows from investing activities			
Increase in loans	**(515)**	(4,095)	(3,854)
Proceeds from the maturity of held to maturity securities	**–**	90	162
Purchases of held to maturity securities	**–**	(31)	(39)
Proceeds from sale of available for sale securities	**2,111**	2,712	4,167
Proceeds from the maturity of available for sale securities	**2,934**	6,735	1,732
Purchases of available for sale securities	**(5,017)**	(5,793)	(4,369)
Change in interest-bearing deposits with other banks	**2,433**	190	(449)
Net acquisitions of premises and equipment	**(64)**	(100)	(67)
Change in assets purchased under reverse repurchase agreements	**(3,355)**	(3,203)	4,988
Net cash used in acquisition of subsidiaries	**(2,706)**	–	(159)
Net cash provided by (used in) investing activities	**(4,179)**	(3,495)	2,112
Cash flows from financing activities			
Issue of RBC Trust Capital Securities (RBC TruCS™)	**750**	–	–
Change in domestic deposits	**(3,031)**	2,294	1,719
Increase in international deposits	**2,973**	3,876	2,644
Issue of subordinated debentures	**500**	700	500
Subordinated debentures matured	**(27)**	–	–
Issuance costs	**(13)**	–	–
Issue of common shares	**619**	21	18
Common shares redeemed for cancellation	**–**	–	(315)
Dividends paid	**(214)**	(215)	(181)
Change in assets sold under repurchase agreements	**5,626**	1,175	(1,767)
Decrease in liabilities of subsidiaries	**(493)**	(2,005)	(1,502)
Net cash provided by (used in) financing activities	**6,690**	5,846	1,116
Net change in cash and due from banks	**42**	(760)	(1,369)
Cash and due from banks at beginning of period	**947**	1,707	2,460
Cash and due from banks at end of period	**$ 989**	$ 947	$ 1,091

Notes to the Interim Consolidated Financial Statements (unaudited)

These interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended October 31, 2000. Certain comparative amounts have been reclassified to conform with the current period's presentation, including the formation of the Insurance segment which was previously reported with Personal & Commercial Banking.

Note 1: **Significant Accounting Policies**

These interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended October 31, 2000, on pages 58 to 60 in the 2000 Annual Report except as noted below.

The bank adopted Financial Accounting Standard (FAS) No. 133 on November 1, 2000, and recorded a cumulative transition adjustment recognizing after-tax gains of $20 million in Net income and $60 million in Other comprehensive income. FAS 133 changes the accounting for derivatives held or issued for non-trading purposes. All derivatives are now carried on the balance sheet at fair value. The new standard is more fully described in Note 1 to the Consolidated Financial Statements for the year ended October 31, 2000, on page 60 in the 2000 Annual Report.

Interest rate swaps that are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated deposits, loans and subordinated debt, are designated as either fair value or cash flow hedges if they meet the criteria specified by FAS 133 and assessed for effectiveness in hedging every quarter. The designation as fair value or cash flow hedge depends on whether we are hedging the fair value or the cash flow of the hedged item. A net unrealized gain of $14 million and a net unrealized loss of $8 million were recognized in Non-interest revenue for the ineffective portion of fair value and cash flow hedges respectively.

The amounts recognized as Other comprehensive income for cash flow hedges are reclassified to Net interest income as interest accrues on the hedging derivative. On termination of the hedging relationship the amounts remaining in Accumulated other comprehensive income are amortized to Net interest income over the remaining life of the original hedging relationship. On sale or early termination of the hedged item, the residual balance in Accumulated other comprehensive income is reclassified as Non-interest revenue.

FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. FAS 140, which replaces FAS 125, revises the standards for accounting and disclosure for securitizations and other transfers of financial assets and is not expected to have a material impact on the bank's reported assets or net income.

Note 2: **Acquisitions**

During the three months ended January 31, 2001, the bank completed the acquisitions of Liberty Life Insurance Company and Liberty Insurance Services Corporation (Liberty) as well as Dain Rauscher Corporation (Dain Rauscher) as described in Note 12 to the Consolidated Financial Statements for the year ended October 31, 2000, included on page 72 of the 2000 Annual Report. The acquisitions were accounted for using the purchase method, the details of which are summarized below:

(US$ millions)	Liberty	Dain Rauscher
Business	Insurance	Broker/Dealer
Proceeds	$650 million consisting of a dividend from Liberty Life Insurance Company of $70 million and the balance in cash from the bank	Each share of Dain Rauscher common stock was purchased for US$95 cash
Purchase consideration	$580	$1,227
Fair value of net assets	$512	$231
Goodwill	$68 (C$104)	$996 (C$1,492)
Amortization period	15 years	20 years
Closing date	November 1, 2000	January 10, 2001

On January 26, 2001, the bank and Centura Banks, Inc., (Centura) announced that they signed a definitive merger agreement by which the bank will acquire Centura. Centura will be renamed RBC Centura Banks, Inc. As a result of the merger, each Centura common share will be converted into 1.684 bank common shares. The transaction is valued at US$2.3 billion based on the bank's closing share price on January 25, 2001. 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$1.4 billion, will first be allocated to identifiable intangible assets, with the residual 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 Centura and other customary closing conditions, is expected to be completed by July 31, 2001.

Note 3: **Significant Capital Transactions**

In December 2000, the bank issued $750 million of a second series of Trust Capital Securities (RBC TruCS), a form of innovative Tier 1 capital, which is reported as Non-controlling interest in a subsidiary on the consolidated balance sheet. Issue costs net of related income taxes were $3 million.

In December 2000, the bank issued 12,305,000 common shares for proceeds of $576 million and incurred issue costs net of related income taxes of $10 million.

In January 2001, the bank issued $500 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 6.10% until January 22, 2008, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

Subsequent event – in February 2001, the bank issued $125 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 5.50% until February 13, 2006, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

Notes to the Interim Consolidated Financial Statements (unaudited)

Note 4: **Quarterly Earnings by Business Segment** (1)

(C$ millions, taxable equivalent basis)	Personal & Commercial Banking Q1 01	Q4 00	Q1 00	Insurance Q1 01	Q4 00	Q1 00	Wealth Management Q1 01	Q4 00	Q1 00	Corporate & Investment Banking Q1 01	Q4 00	Q1 00
Net interest income	$ **1,269**	1,252	1,130	$ **44**	23	13	$ **91**	101	81	$ **11**	(21)	23
Non-interest revenue	**515**	408	364	**59**	44	41	**626**	553	482	**712**	591	495
Gross revenues	**1,784**	1,660	1,494	**103**	67	54	**717**	654	563	**723**	570	518
Provision for credit losses	**227**	157	169	**–**	–	–	**(1)**	(1)	–	**27**	22	18
Non-interest expenses	**962**	949	898	**76**	50	35	**535**	500	400	**452**	375	312
Income taxes (2)	**220**	232	183	**(12)**	(8)	(8)	**56**	54	60	**97**	61	68
Net income	**375**	322	244	**39**	25	27	**127**	101	103	**147**	112	120
Net income as a % of total	**54**	57	48	**6**	4	5	**18**	18	20	**21**	20	23
Return on common equity (%)	**27.5**	23.3	18.2	**22.4**	34.5	44.2	**42.1**	46.7	50.4	**18.9**	17.6	21.1
Average assets ($ billions)	**133.7**	133.5	125.4	**4.4**	2.5	1.8	**8.7**	7.8	8.4	**150.6**	137.6	129.0
Average loans ($ billions)	**129.5**	129.2	121.3	**0.2**	–	–	**3.2**	2.7	2.5	**32.6**	31.8	31.0
Average deposits ($ billions)	**103.7**	101.7	97.4	**–**	–	–	**14.7**	14.6	13.9	**72.2**	65.9	62.2
Average common equity ($ billions)	**5.2**	5.2	5.1	**0.7**	0.3	0.2	**1.2**	0.8	0.8	**2.9**	2.4	2.1

	Transaction Processing Q1 01	Q4 00	Q1 00	Other Q1 01	Q4 00	Q1 00	Total Q1 01	Q4 00	Q1 00
Net interest income	$ **40**	38	46	$ **18**	(12)	(13)	$ **1,473**	1,381	1,280
Non-interest revenue	**135**	135	120	**(60)**	(11)	30	**1,987**	1,720	1,532
Gross revenues	**175**	173	166	**(42)**	(23)	17	**3,460**	3,101	2,812
Provision for credit losses	**(1)**	(4)	–	**(4)**	–	(14)	**248**	174	173
Non-interest expenses	**114**	126	106	**5**	22	30	**2,144**	2,022	1,781
Income taxes (2)	**25**	22	26	**(13)**	(24)	14	**373**	337	343
Net income	**37**	29	34	**(30)**	(21)	(13)	**695**	568	515
Net income as a % of total	**5**	5	7	**(4)**	(4)	(3)	**100**	100	100
Return on common equity (%)	**29.5**	28.2	30.0	**(3.9)**	(3.1)	(3.6)	**21.9**	19.2	18.4
Average assets ($ billions)	**2.2**	1.8	1.6	**9.4**	11.2	10.2	**309.0**	294.4	276.4
Average loans ($ billions)	**1.8**	1.3	1.2	**0.6**	(0.1)	(1.9)	**167.9**	164.9	154.1
Average deposits ($ billions)	**7.5**	7.5	7.5	**12.1**	14.7	11.0	**210.2**	204.4	192.0
Average common equity ($ billions)	**0.5**	0.4	0.4	**1.5**	2.0	1.9	**12.0**	11.1	10.5

(1) Personal & Commercial Banking comprises the Personal & Commercial Banking Business, Card Services, Security First Network Bank and Distribution & Service Delivery. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management consists of Global Private Banking, Private Client Division, Royal Mutual Funds, Investment Management, Financial Planning, Private Counsel and Action Direct. Corporate & Investment Banking comprises Global Banking, Global Equity and Global Markets. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Systems & Technology and Real Estate Operations.
(2) Includes non-controlling interest and taxable equivalent adjustment.

Note 5: **Earnings by Geographic Segment**

(C$ millions, taxable equivalent basis)	Q1/01 Canada	Q1/01 Int'l	Q1/01 Total	Q4/00 Canada	Q4/00 Int'l	Q4/00 Total	Q1/00 Canada	Q1/00 Int'l	Q1/00 Total
Net interest income	$ **1,294**	$ **179**	$ **1,473**	$ 1,281	$ 100	$ 1,381	$ 1,108	$ 172	$ 1,280
Non-interest revenue	**1,404**	**583**	**1,987**	1,333	387	1,720	1,244	288	1,532
Gross revenues	**2,698**	**762**	**3,460**	2,614	487	3,101	2,352	460	2,812
Provision for credit losses	**254**	**(6)**	**248**	168	6	174	134	39	173
Non-interest expenses	**1,701**	**443**	**2,144**	1,676	346	2,022	1,529	252	1,781
Income taxes (1)	**301**	**72**	**373**	346	(9)	337	300	43	343
Net income	$ **442**	$ **253**	$ **695**	$ 424	$ 144	$ 568	$ 389	$ 126	$ 515

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

Appendix: Credit Related Information (unaudited)

Nonaccrual loans

(C$ millions)	**January 31 2001**	October 31 2000	July 31 2000	April 30 2000	January 31 2000
Nonaccrual loans					
Residential mortgage	**$ 168**	$ 185	$ 169	$ 175	$ 147
Personal	**291**	247	259	295	256
Business and government	**1,277**	1,246	1,309	1,202	1,211
	$ 1,736	$ 1,678	$ 1,737	$ 1,672	$ 1,614
Nonaccrual loans as a % of related loans (including acceptances)					
Residential mortgage	**0.26%**	0.29%	0.27%	0.29%	0.24%
Personal	**0.95%**	0.88%	0.95%	1.10%	0.98%
Business and government loans and acceptances	**1.82%**	1.73%	1.88%	1.69%	1.76%
Total	**1.03%**	1.00%	1.06%	1.03%	1.02%

Allowance for Credit Losses

	For the three months ended		
(C$ millions)	**January 31 2001**	October 31 2000	January 31 2000
Allowance at beginning of period	**$ 1,975**	$ 1,970	$ 1,900
Provision for credit losses	**248**	174	173
Charge-offs			
Residential mortgage	**(3)**	(3)	(2)
Personal	**(95)**	(114)	(65)
Credit card	**(42)**	(46)	(47)
Business and government	**(94)**	(106)	(51)
	(234)	(269)	(165)
Recoveries			
Personal	**14**	16	9
Credit card	**9**	25	16
Business and government	**32**	28	16
	55	69	41
Net charge-offs	**(179)**	(200)	(124)
Adjustments	**12**	31	–
Allowance at end of period	**$ 2,056**	$ 1,975	$ 1,949
Net charge-offs (excluding LDCs) as a % of average loans	**0.42%**	0.48%	0.32%
Net charge-offs as a % of average loans	**0.42%**	0.48%	0.32%
Allocation of allowance (1)			
Residential mortgage	**$ 45**	$ 46	$ 54
Personal	**409**	403	392
Credit card	**122**	88	78
Business and government	**1,170**	1,101	1,125
Allocated allowance	**1,746**	1,638	1,649
Unallocated allowance	**310**	337	300
Total	**$ 2,056**	$ 1,975	$ 1,949
Composition of allowance			
Allocated specific	**$ 756**	$ 747	$ 799
Allocated country risk	**30**	28	30
Allocated general (1)	**960**	863	820
Total allocated allowance	**1,746**	1,638	1,649
Unallocated allowance (1)	**310**	337	300
	$ 2,056	$ 1,975	$ 1,949
Consisting of:			
Allowance for loan losses	**$ 1,947**	$ 1,871	$ 1,937
Allowance for off-balance sheet and other items (2)	**104**	98	–
Allowance for tax-exempt securities	**5**	6	12
Total	**$ 2,056**	$ 1,975	$ 1,949
Allowance for loan losses as a % of loans (including acceptances)	**1.2%**	1.1%	1.2%
Allowance for loan losses as a % of loans (including acceptances) and reverse repurchase agreements	**1.0%**	1.0%	1.1%
Allowance for loan losses as a % of nonaccrual loans (coverage ratio), excluding LDCs	**113%**	112%	121%

(1) Prior to October 31, 1999, the allocated allowance was a component of the unallocated allowance.
(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.

Selected Financial Highlights (unaudited)

($ millions, except per share and percentage amounts)	Change from January 31 2000	As at and for the three months ended January 31 2001	October 31 2000	January 31 2000
Earnings				
Net interest income (1)	15%	**$ 1,466**	$ 1,381	$ 1,280
Other income	32	**2,028**	1,753	1,538
Gross revenues (1)	24	**3,494**	3,134	2,818
Provision for credit losses	43	**248**	174	173
Non-interest expenses	23	**2,162**	2,020	1,759
Net income	25	**661**	595	527
Return on common equity	210 bp	**20.8%**	20.0%	18.7%
Return on common equity, cash basis (2)	240 bp	**21.7%**	20.9%	19.3%
Economic Profit (3)	12%	**172**	208	153
Balance sheet and off-balance sheet data				
Loans	11%	**$ 178,991**	$ 172,647	$ 161,914
Assets	12	**301,910**	289,740	270,010
Deposits	6	**203,122**	202,896	190,760
Common equity	16	**12,332**	11,504	10,640
Assets under administration	21	**1,242,800**	1,175,200	1,027,300
Assets under management	30	**112,500**	92,300	86,400
Capital ratios				
Common equity to risk-adjusted assets	50 bp	**7.6%**	7.3%	7.1%
Tier 1 capital	20 bp	**8.3%**	8.6%	8.1%
Total capital	10 bp	**11.5%**	12.0%	11.4%
Common share information				
Shares outstanding (in thousands)				
End of period	1%	**616,209**	602,398	608,783
Average basic	(1)	**608,824**	602,108	612,708
Average diluted	(1)	**614,686**	606,710	618,111
Earnings per share				
Basic	27	**$ 1.03**	$ 0.93	$ 0.81
Diluted	28	**1.02**	0.93	0.80
Cash basis, basic (2)	30	**1.08**	0.97	0.83
Cash basis, diluted (2)	29	**1.07**	0.97	0.83
Share price				
High	51	**$ 52.45**	$ 48.88	$ 34.70
Low	67	**45.60**	39.17	27.25
Close	63	**48.20**	48.30	29.53
Dividends per share	22	**0.33**	0.30	0.27
Book value per share – period end	14	**20.01**	19.10	17.48
Market capitalization ($ billions)	65	**29.7**	29.1	18.0
Number of:				
Employees (full-time equivalent) (4)	4,238	**53,863**	49,232	49,625
Automated banking machines	(224)	**4,465**	4,569	4,689
Service delivery units				
Canada	(79)	**1,329**	1,333	1,408
International (5)	328	**437**	306	109

(1) Taxable equivalent basis.

(2) Cash basis return on common equity, earnings per share and diluted earnings per share are computed by adding back to net income the after-tax amount of amortization for 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) The number of employees at January 31, 2001, includes 3,870 employees at Dain Rauscher Corporation, and 1,070 employees at Liberty Life Insurance Company and Liberty Insurance Services Corporation, both acquired during the first quarter of 2001. The numbers at January 31, 2001, and October 31, 2000, also include 847 and 845 non-commissioned employees, respectively, at Prism Financial Corporation, which was acquired during the second quarter of 2000.

(5) International service delivery units include branches, specialized business centres, representative offices and agencies. The number at January 31, 2001, includes 108 branches for Dain Rauscher Corporation acquired in the first quarter of 2001 and 213 branches for Prism Financial Corporation, acquired during the second quarter of 2000. The number at October 31, 2000, includes 191 branches for Prism Financial Corporation.

Interim Consolidated Financial Statements (unaudited)

Consolidated Balance Sheet (unaudited)

($ millions)	January 31 2001	October 31 2000	January 31 2000
Assets			
Cash resources			
Cash and deposits with banks	**$ 989**	$ 947	$ 1,091
Interest-bearing deposits with other banks	**16,344**	18,659	21,031
	17,333	19,606	22,122
Securities			
Trading account	**47,777**	43,016	32,727
Investment account	**15,138**	13,529	15,698
Loan substitute	**464**	465	491
	63,379	57,010	48,916
Loans			
Residential mortgage	**63,418**	62,984	60,035
Personal	**30,573**	28,019	26,213
Credit card	**4,961**	4,666	2,690
Business and government	**60,273**	60,546	59,629
Assets purchased under reverse repurchase agreements	**21,713**	18,303	15,284
	180,938	174,518	163,851
Allowance for loan losses	**(1,947)**	(1,871)	(1,937)
	178,991	172,647	161,914
Other			
Derivative-related amounts	**19,539**	19,155	18,050
Customers' liability under acceptances	**9,697**	11,628	9,105
Premises and equipment	**1,333**	1,249	1,301
Goodwill	**2,300**	648	549
Other intangibles	**205**	208	159
Other assets	**9,133**	7,589	7,894
	42,207	40,477	37,058
	$ 301,910	$ 289,740	$ 270,010
Liabilities and shareholders' equity			
Deposits			
Personal	**$ 90,778**	$ 89,632	$ 87,467
Business and government	**90,088**	93,618	87,843
Banks	**22,256**	19,646	15,450
	203,122	202,896	190,760
Other			
Acceptances	**9,697**	11,628	9,105
Obligations related to securities sold short	**14,018**	13,419	14,768
Obligations related to assets sold under repurchase agreements	**14,717**	9,005	7,629
Derivative-related amounts	**19,234**	18,574	17,357
Other liabilities	**19,038**	14,149	12,581
	76,704	66,775	61,440
Subordinated debentures	**6,275**	5,825	5,072
Non-controlling interest in subsidiaries	**1,453**	703	103
Shareholders' equity			
Capital stock			
Preferred	**2,024**	2,037	1,995
Common (shares issued and outstanding – 616,209,281; 602,397,936, and 608,782,812)	**3,716**	3,076	3,034
Retained earnings	**8,616**	8,428	7,606
	14,356	13,541	12,635
	$ 301,910	$ 289,740	$ 270,010

Consolidated Statement of Income (unaudited)

($ millions, except per share data)	For the three months ended January 31 2001	October 31 2000	January 31 2000
Interest income			
Loans	**$ 3,454**	$ 3,401	$ 2,921
Securities	**746**	665	616
Deposits with banks	**262**	265	250
	4,462	4,331	3,787
Interest expense			
Deposits	**2,496**	2,514	2,078
Other liabilities	**408**	345	361
Subordinated debentures	**98**	97	75
	3,002	2,956	2,514
Net interest income	**1,460**	1,375	1,273
Other income			
Capital market fees	**419**	513	365
Trading revenues	**566**	355	372
Deposit and payment service charges	**204**	206	178
Investment management and custodial fees	**198**	177	151
Mutual fund revenues	**138**	138	125
Card service revenues	**116**	92	111
Credit fees	**62**	54	50
Revenues from insurance-related activities	**75**	71	51
Foreign exchange revenue, other than trading	**69**	83	67
Securitization revenues	**17**	17	36
Gain (loss) on sale of securities	**(60)**	(22)	1
Other	**224**	69	31
	2,028	1,753	1,538
Gross revenues	**3,488**	3,128	2,811
Provision for credit losses	**248**	174	173
	3,240	2,954	2,638
Non-interest expenses			
Human resources	**1,333**	1,206	1,084
Occupancy	**181**	146	131
Equipment	**162**	178	163
Communications	**155**	197	160
Other	**331**	293	221
	2,162	2,020	1,759
Net income before income taxes	**1,078**	934	879
Income taxes	**395**	325	350
Net income before non-controlling interest	**683**	609	529
Non-controlling interest in net income of subsidiaries	**22**	14	2
Net income	**$ 661**	$ 595	$ 527
Preferred share dividends	**34**	34	33
Net income available to common shareholders	**$ 627**	$ 561	$ 494
Average number of common shares (in thousands)	**608,824**	602,108	612,708
Earnings per share (in dollars)	**$ 1.03**	$ 0.93	$ 0.81
Average number of fully diluted common shares (in thousands)	**614,686**	606,710	618,111
Diluted earnings per share (in dollars)	**$ 1.02**	$ 0.93	$ 0.80

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

($ millions)	For the three months ended January 31 2001	October 31 2000	January 31 2000
Preferred shares			
Balance at beginning of period	**$ 2,037**	$ 2,018	$ 2,009
Translation adjustment on shares denominated in foreign currency	**(13)**	19	(14)
Balance at end of period	**2,024**	2,037	1,995
Common shares			
Balance at beginning of period	**3,076**	3,055	3,065
Proceeds from the issuance of common shares	**576**	–	–
Issued under the Stock Option Plan	**43**	21	18
Stock options granted on acquisition of a subsidiary	**21**	–	–
Purchased for cancellation	**–**	–	(49)
Balance at end of period	**3,716**	3,076	3,034
Retained earnings			
Balance at beginning of period	**8,428**	8,047	7,541
Net income	**661**	595	527
Preferred share dividends	**(34)**	(34)	(33)
Common share dividends	**(203)**	(181)	(164)
Cumulative effect of initial adoption of Employee Future Benefits accounting standard, net of related income taxes (note 1)	**(221)**	–	–
Premium paid on common shares purchased for cancellation	**–**	–	(266)
Issuance costs, net of related income taxes	**(13)**	–	–
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	**(2)**	1	1
Balance at end of period	**8,616**	8,428	7,606
Shareholders' equity at end of period	**$ 14,356**	$ 13,541	$ 12,635

Consolidated Statement of Cash Flows (unaudited)

($ millions)	For the three months ended January 31 2001	October 31 2000	January 31 2000
Cash flows from operating activities			
Net income	**$ 661**	$ 595	$ 527
Adjustments to determine net cash provided by (used in) operating activities			
Provision for credit losses	**248**	174	173
Depreciation	**87**	106	85
Amortization of goodwill and other intangibles	**30**	26	17
Loss (gain) on sale of assets	**13**	1	(6)
Net decrease in accrued interest receivable and payable	**48**	118	45
Net loss (gain) on sale of investment securities	**60**	22	(1)
Changes in operating assets and liabilities:			
Deferred income taxes	**(295)**	(177)	(3)
Current income taxes payable	**(233)**	38	(426)
Unrealized gains and amounts receivable on derivative contracts	**(377)**	(3,800)	(2,899)
Unrealized losses and amounts payable on derivative contracts	**660**	3,392	2,138
Trading account securities	**(4,267)**	(5,381)	257
Obligations related to securities sold short	**528**	1,286	(3,117)
Other	**(57)**	471	372
Net cash provided by (used in) operating activities	**(2,894)**	(3,129)	(2,838)
Cash flows from investing activities			
Increase in loans	**(429)**	(4,087)	(3,848)
Proceeds from sale of investment securities	**2,110**	2,686	4,123
Proceeds from the maturity of investment securities	**2,934**	6,825	1,894)
Purchases of investment securities	**(4,827)**	(5,804)	(4,674)
Decrease in loan substitute securities	**1**	26	44
Change in interest-bearing deposits with other banks	**2,433**	190	(449)
Net acquisitions of premises and equipment	**(72)**	(91)	(66)
Change in assets purchased under reverse repurchase agreements	**(3,355)**	(3,203)	4,988
Net cash used in acquisition of subsidiaries	**(2,706)**	–	(159)
Net cash provided by (used in) investing activities	**(3,911)**	(3,458)	1,853
Cash flows from financing activities			
Issue of RBC Trust Capital Securities (RBC TruCS)	**750**	–	–
Increase in deposits	**99**	6,151	2,863
Issue of subordinated debentures	**500**	700	500
Subordinated debentures matured	**(27)**	–	–
Issuance costs	**(13)**	–	–
Issue of common shares	**619**	21	18
Common shares redeemed for cancellation	**–**	–	(315)
Dividends paid	**(214)**	(215)	(181)
Change in assets sold under repurchase agreements	**5,626**	1,175	(1,767)
Decrease in liabilities of subsidiaries	**(493)**	(2,005)	(1,502)
Net cash provided by (used in) financing activities	**6,847**	5,827	(384)
Net change in cash and deposits with banks	**42**	(760)	(1,369)
Cash and deposits with banks at beginning of period	**947**	1,707	2,460
Cash and deposits with banks at end of period	**$ 989**	$ 947	$ 1,091

Notes to the Interim Consolidated Financial Statements (unaudited)

These interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended October 31, 2000. Certain comparative amounts have been reclassified to conform with the current period's presentation, including the formation of the Insurance segment which was previously reported with Personal & Commercial Banking.

Note 1: **Significant Accounting Policies**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended October 31, 2000, on pages 58A to 60A in the 2000 Annual Report except as noted below.

The bank adopted the new Canadian Institute of Chartered Accountants (CICA) accounting standard for employee future benefits on November 1, 2000, and recorded an after-tax decrease in retained earnings of $221 million reflecting the cumulative effect of the change in accounting. The accounting policy is more fully described in Note 1 to the Consolidated Financial Statements for the year ended October 31, 2000, on page 60A of the 2000 Annual Report.

This quarter, the bank has early-adopted the new accounting standard issued by the CICA on Earnings Per Share. The new section harmonizes Canadian standards with the United States standards for the calculation of diluted earnings per share. All earnings per share numbers have been retroactively restated and the changes are not significant.

Note 2: **Acquisitions**

During the three months ended January 31, 2001, the bank completed the acquisitions of Liberty Life Insurance Company and Liberty Insurance Services Corporation (Liberty) as well as Dain Rauscher Corporation (Dain Rauscher) as described in Note 12 to the Consolidated Financial Statements for the year ended October 31, 2000, included on page 71A of the 2000 Annual Report. The acquisitions were accounted for using the purchase method, the details of which are summarized below:

(US$ millions)	Liberty	Dain Rauscher
Business	Insurance	Broker/Dealer
Proceeds	$650 million consisting of a dividend from Liberty Life Insurance Company of $70 million and the balance in cash from the bank	Each share of Dain Rauscher common stock was purchased for US$95 cash
Purchase consideration	$580	$1,227
Fair value of net assets	$469	$231
Goodwill	$111 (C$170)	$996 (C$1,492)
Amortization period	15 years	20 years
Closing date	November 1, 2000	January 10, 2001

On January 26, 2001, the bank and Centura Banks, Inc., (Centura) announced that they signed a definitive merger agreement by which the bank will acquire Centura. Centura will be renamed RBC Centura Banks, Inc. As a result of the merger, each Centura common share will be converted into 1.684 bank common shares. The transaction is valued at US$2.3 billion based on the bank's closing share price on January 25, 2001. 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$1.4 billion, will first be allocated to identifiable intangible assets, with the residual 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 Centura and other customary closing conditions, is expected to be completed by July 31, 2001.

Note 3: **Significant Capital Transactions**

In December 2000, the bank issued $750 million of a second series of Trust Capital Securities (RBC TruCS), a form of innovative Tier 1 capital, which is reported as Non-controlling interest in a subsidiary on the consolidated balance sheet. Issue costs net of related income taxes were $3 million.

In December 2000, the bank issued 12,305,000 common shares for proceeds of $576 million and incurred issue costs net of related income taxes of $10 million.

In January 2001, the bank issued $500 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 6.10% until January 22, 2008, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

Subsequent event – in February 2001, the bank issued $125 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 5.50% until February 13, 2006, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

Notes to the Interim Consolidated Financial Statements (unaudited)

Note 4: **Quarterly Earnings by Business Segment** (1)

(C$ millions, taxable equivalent basis)	Personal & Commercial Banking Q1 01	Q4 00	Q1 00	Insurance Q1 01	Q4 00	Q1 00	Wealth Management Q1 01	Q4 00	Q1 00	Corporate & Investment Banking Q1 01	Q4 00	Q1 00
Net interest income	**$ 1,269**	1,252	1,130	**$ 44**	23	13	**$ 91**	101	81	**$ 12**	(21)	23
Other income	**537**	409	364	**67**	73	46	**626**	553	482	**704**	591	495
Gross revenues	**1,806**	1,661	1,494	**111**	96	59	**717**	654	563	**716**	570	518
Provision for credit losses	**227**	157	169	**–**	–	–	**(1)**	(1)	–	**27**	22	18
Non-interest expenses	**980**	949	885	**76**	50	35	**534**	499	397	**452**	373	309
Income taxes (2)	**243**	233	189	**(5)**	(4)	(3)	**56**	55	62	**102**	62	70
Net income	**356**	322	251	**40**	50	27	**128**	101	104	**135**	113	121
Net income as a % of total	**54**	55	48	**6**	8	5	**19**	17	20	**0**	19	23
Return on common equity (%)	**26.1**	23.3	18.7	**22.7**	67.0	45.8	**42.4**	46.7	50.9	**17.2**	17.8	21.4
Average assets ($ billions)	**133.7**	133.4	125.4	**4.0**	2.5	1.7	**8.7**	7.8	8.4	**147.8**	137.6	129.0
Average loans and bankers' acceptances ($ billions)	**129.4**	129.2	121.3	**0.2**	–	–	**3.2**	2.7	2.5	**57.8**	53.3	51.4
Average deposits ($ billions)	**103.7**	101.7	97.4	**–**	–	–	**14.7**	14.6	13.9	**70.5**	65.9	62.2
Average common equity ($ billions)	**5.2**	5.2	5.1	**0.7**	0.3	0.2	**1.2**	0.8	0.8	**2.9**	2.4	2.1

	Transaction Processing Q1 01	Q4 00	Q1 00	Other Q1 01	Q4 00	Q1 00	Total Q1 01	Q4 00	Q1 00
Net interest income	**$ 40**	38	46	**$ 10**	(12)	(13)	**$ 1,466**	1,381	1,280
Other income	**135**	135	120	**(41)**	(8)	31	**2,028**	1,753	1,538
Gross revenues	**175**	173	166	**(31)**	(20)	18	**3,494**	3,134	2,818
Provision for credit losses	**(1)**	(4)	–	**(4)**	–	(14)	**248**	174	173
Non-interest expenses	**113**	126	106	**7**	23	27	**2,162**	2,020	1,759
Income taxes (2)	**26**	22	26	**1**	(23)	15	**423**	345	359
Net income	**37**	29	34	**(35)**	(20)	(10)	**661**	595	527
Net income as a % of total	**6**	5	6	**(5)**	(4)	(2)	**100**	100	100
Return on common equity (%)	**29.5**	28.2	30.0	**(4.8)**	(2.9)	(3.0)	**20.8**	20.0	18.7
Average assets ($ billions)	**2.2**	1.8	1.6	**8.0**	8.1	9.5	**304.4**	291.2	275.6
Average loans and bankers' acceptances ($ billions)	**1.8**	1.3	1.2	**(1.2)**	(1.8)	(3.7)	**191.2**	184.7	172.7
Average deposits ($ billions)	**7.5**	7.5	7.5	**10.6**	11.3	10.2	**207.0**	201.0	191.2
Average common equity ($ billions)	**0.5**	0.4	0.4	**1.5**	2.1	1.9	**12.0**	11.2	10.5

(1) Personal & Commercial Banking comprises the Personal & Commercial Banking Business, Card Services, Security First Network Bank and Distribution & Service Delivery. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management consists of Global Private Banking, Private Client Division, Royal Mutual Funds, Investment Management, Financial Planning, Private Counsel and Action Direct. Corporate & Investment Banking comprises Global Banking, Global Equity and Global Markets. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Systems & Technology and Real Estate Operations.
(2) Includes non-controlling interest and taxable equivalent adjustment.

Note 5: **Earnings by Geographic Segment**

($ millions, taxable equivalent basis)	Q1/01 Canada	Int'l	Total	Q4/00 Canada	Int'l	Total	Q1/00 Canada	Int'l	Total
Net interest income	**$ 1,287**	**$ 179**	**$ 1,466**	$ 1,281	$ 100	$ 1,381	$ 1,108	$ 172	$ 1,280
Other income	**1,449**	**579**	**2,028**	1,347	406	1,753	1,255	283	1,538
Gross revenues	**2,736**	**758**	**3,494**	2,628	506	3,134	2,363	455	2,818
Provision for credit losses	**254**	**(6)**	**248**	168	6	174	134	39	173
Non-interest expenses	**1,719**	**443**	**2,162**	1,674	346	2,020	1,507	252	1,759
Income taxes (1)	**345**	**78**	**423**	354	(9)	345	316	43	359
Net income	**$ 418**	**$ 243**	**$ 661**	$ 432	$ 163	$ 595	$ 406	$ 121	$ 527

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

Note 6: **Reconciliation of Canadian and U.S. Generally Accepted Accounting Principles**

(C$ millions)	Three months ended January 31 2001 Net Income	As at January 31 2001 Shareholders' Equity	As at January 31 2001 Assets
Canadian GAAP	**$ 661**	**$ 14,356**	**$ 301,910**
Derivative instruments and hedging activities (1)	**(4)**	**(27)**	**545**
Substantively enacted tax rate change (2)	**33**	**33**	**33**
Reclassification of securities	**–**	**76**	**76**
Trade date accounting	**–**	**–**	**57**
Insurance accounting	**4**	**(13)**	**1,123**
Other	**1**	**47**	**3,067**
U.S. GAAP	**$ 695**	**$ 14,472**	**$ 306,811**

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

(C$ millions)	Three months ended October 31 2000 Net Income	As at October 31 2000 Shareholders' Equity	As at October 31 2000 Assets
Canadian GAAP	$ 595	$ 13,541	$ 289,740
Reclassification of securities	–	(56)	(46)
Postretirement benefits other than pensions (3)	(9)	(163)	123
Pension benefits (3)	(4)	(27)	(27)
Trade date accounting	–	–	419
Insurance accounting	(25)	(13)	416
Other	11	15	3,429
U.S. GAAP	$ 568	$ 13,297	$ 294,054

(1) Under U.S. GAAP all derivatives are recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in net income or if the derivative is designated as a cash flow hedge, in Other comprehensive income. Under Canadian GAAP only derivatives used in sales and trading activities are recorded on the balance sheet at fair value. Recording derivatives in accordance with U.S. GAAP decreased net income by $4 million and securities by $28 million; increased loans by $53 million and other assets by $520 million; increased deposits by $289 million, other liabilities by $111 million and subordinated debentures by $172 million; and decreased shareholders' equity by $27 million.

(2) Under U.S. GAAP, the effects of changes in tax rates on deferred income taxes are recorded when the tax rate change has been passed into law. Under Canadian GAAP, the effects of changes in tax rates on deferred income taxes are recorded when the tax rate change has been substantively enacted. On December 13, 2000, the Minister of Finance of Canada announced draft legislation for the implementation of income tax changes, which included a reduction in the corporate tax rate. The Canadian Institute of Chartered Accountants (CICA) issued a pronouncement stating that this rate reduction should be considered substantively enacted as of December 13, 2000. Adjusting for the effects of this tax rate change in accordance with U.S. GAAP increased net income, other assets and shareholders' equity by $33 million.

(3) The bank adopted the new accounting standard issued by the CICA for Employee Future Benefits which requires the bank to accrue the costs of all postretirement benefits over the working lives of employees instead of the previous method of expensing costs when paid. The new standard also requires a change to the discount rate used to value future benefit obligations from an estimated long-term rate to a market-based interest rate. As a result of adopting this new standard on November 1, 2000, there are no longer differences between Canadian and U.S. GAAP related to employee future benefits accounting.

For a complete discussion of the reasons for other U.S. and Canadian GAAP differences see Note 17 to the Consolidated Financial Statements for the year ended October 31, 2000, included on page 77A of the 2000 Annual Report.

Appendix: Share Information (unaudited)

(Number of shares in thousands)	January 31 2001	October 31 2000
First preferred shares (1)		
Non-cumulative Series E	**1,500**	1,500
Non-cumulative Series H	**12,000**	12,000
US$ Non-cumulative Series I	**8,000**	8,000
Non-cumulative Series J	**12,000**	12,000
US$ Non-cumulative Series K	**10,000**	10,000
Non-cumulative Series N	**12,000**	12,000
Non-cumulative Series O	**6,000**	6,000
US$ Non-cumulative Series P	**4,000**	4,000
	65,500	65,500
Series 2010 and 2011 trust securities issued by RBC Capital Trust (2)	**1,400**	650
Class B and C shares issued by Royal Bank DS Holdings Inc. (1)	**1,939**	1,961
Stock options (3)		
Outstanding at end of period	**31,636**	25,877
Exercisable at end of period	**14,013**	8,881
Common shares	**616,209**	602,398

(1) Details provided in Royal Bank of Canada's 2000 Annual Report Notes 7 and 11.
(2) Reported in non-controlling interest in subsidiaries in the consolidated balance sheet. Conversion features are available in the Prospectus dated July 17, 2000, for Series 2010, and in the prospectus dated November 29, 2000, for Series 2011.
(3) During November 2000, 5,618,600 stock options issued with Stock Appreciation Rights (SARs) attached. A participant is entitled to exercise either an option or the corresponding SAR.
On January 10, 2001, 1,884,438 stock options were issued to employees of Dain Rauscher as partial consideration for acquisition.

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:
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 share 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 shares series H, I, J, K, N, O and P	Jan. 24	Feb. 23
	Apr. 24	May 24
	Jul. 25	Aug. 24
	Oct. 24	Nov. 23
Preferred shares series E	Last trading day of each month	12th day of the following month

ROYAL BANK
OF CANADA