



# Report to Shareholders

## Table of Contents

pg 01	Recent Announcements
pg 01	Quarterly Highlights
pg 03	Chairman's Message
pg 04	Six-Month Performance Compared to 2001 Objectives
pg 04	Management's Discussion and Analysis
pg 05	Line of Business Results
pg 08	Financial Priority: Revenue Growth and Diversification
pg 08	Financial Priority: Cost Control
pg 08	Financial Priority: Strong Credit Quality
pg 09	Financial Priority: Balance Sheet and Capital Management
pg 09	Caution Regarding Forward-Looking Statements
pg 09	About Royal Bank of Canada
pg 10	Financial Statements

On May 23, 2001, Royal Bank of Canada announced:

- An increase to its quarterly common share dividend of 3 cents per share or 9% to 36 cents, payable on August 24, 2001, to common shareholders of record on July 25, 2001.
- The intention, subject to the approval of The Toronto Stock Exchange, to repurchase up to 18 million of its common shares under a normal course issuer bid through the facilities of The Toronto Stock Exchange, following the close of its acquisition of Centura Banks, Inc., of Rocky Mount, North Carolina. Pursuant to that acquisition, Royal Bank expects to issue approximately 66.9 million common shares in exchange for all outstanding common shares of Centura. The acquisition of Centura is expected to close during the bank's third quarter and the bank will proceed with the share repurchase only after the closing of that transaction.
- The planned redemption on August 24, 2001, of its first preferred shares, series H, totalling C\$300 million.

**TORONTO, May 23, 2001** – Royal Bank of Canada (RY: TSE; NYSE) announced cash net income of \$674 million and net income of \$624 million in its second quarter ended April 30, 2001, up 16% and 11%, respectively, from a year ago. This continues to demonstrate the strength of the bank's diversified franchise and the consistency of its earnings despite weaker capital market and economic conditions.

Second Quarter Financial Highlights (U.S. GAAP and compared to a year ago):

- Net income, cash basis, \$674 million, up 16%.
- Net income \$624 million, up 11%.
- Diluted earnings per share, cash basis, \$1.03, up 14%.
- Diluted earnings per share \$.95, up 9%.
- ROE, cash basis, 20.8%.
- ROE 19.2%.
- Revenue growth 15%.

	For the three months ended		For the six months ended		
	April 30	April 30	April 30	April 30	April 30
	2001	2000	2001	2001 (excluding special items (1))	2000
(C\$ millions, except for percentages and per share data)					
<b>U.S. GAAP</b>					
Net income, cash basis (2)	\$ 674	\$ 583	\$ 1,400	\$ 1,289	\$ 1,116
Net income	\$ 624	\$ 562	\$ 1,319	\$ 1,208	\$ 1,077
EPS – diluted, cash basis (2)	\$ 1.03	\$ .90	\$ 2.16	\$ 1.98	\$ 1.71
EPS – diluted	\$ .95	\$ .87	\$ 2.03	\$ 1.85	\$ 1.65
Economic Profit (3)	\$ 226	\$ 198	\$ 401	\$ 401	\$ 345
ROE, cash basis (2)	20.8%	21.1%	21.9%	20.1%	20.1%
ROE	19.2%	20.3%	20.6%	18.8%	19.4%
<b>Canadian GAAP</b>					
Net income, cash basis (2)	\$ 651	\$ 598	\$ 1,342	\$ 1,264	\$ 1,142
Net income	\$ 602	\$ 578	\$ 1,263	\$ 1,185	\$ 1,105
EPS – diluted, cash basis (2)	\$ 1.00	\$ .92	\$ 2.06	\$ 1.94	\$ 1.76
EPS – diluted	\$ .92	\$ .89	\$ 1.94	\$ 1.81	\$ 1.70
Economic Profit (3)	\$ 207	\$ 211	\$ 379	\$ 379	\$ 364
ROE, cash basis (2)	20.3%	21.5%	21.0%	19.7%	20.4%
ROE	18.7%	20.8%	19.7%	18.4%	19.7%

(1) Special items in Q1/01 are shown on page 7. There were no special items in Q2/01 and throughout 2000.

(2) Cash basis net income, diluted EPS and ROE 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.

Commenting on the results, John E. Cleghorn, Chairman & Chief Executive Officer, said, “Our earnings growth continues to reflect the strength of our diversified franchise.”

#### Second Quarter Operating Highlights:

- On February 23, 2001, John E. Cleghorn announced his intention to retire effective July 31, 2001, after turning 60 that month and following eight years as President and then seven years as Chairman & Chief Executive Officer. In line with the succession plan, Gordon Nixon became President & Chief Operating Officer and a director of Royal Bank, effective April 1, 2001, and will become President & Chief Executive Officer effective August 1, 2001. At this time, 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.
- Subsequent to quarter-end, the shareholders of North Carolina-based Centura Banks, Inc., approved the definitive merger agreement with Royal Bank that was announced January 26, 2001. Subject to regulatory approval, the transaction is expected to close during Royal Bank’s third quarter.
- Transaction Processing’s custody operations won an exclusive outsourcing agreement to provide fund accounting and custody services for CI Mutual Funds’ portfolio of funds.

**The bank’s interim consolidated 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 consolidated financial statements are provided on pages 11–17. Canadian GAAP interim consolidated financial statements, including a reconciliation of significant differences from U.S. GAAP financial statements, are provided on pages 20–27. The management discussion and analysis which follows is based on the financial statements prepared in accordance with U.S. GAAP and would not read differently in any material respect if based on the consolidated financial statements prepared in accordance with Canadian GAAP, except as noted in the supplemental discussions on pages 5, 7 and 8.

## Chairman's Message

Despite a difficult capital market environment, we recorded consistently strong earnings this quarter, reflecting the strength of our diversified franchise.

Our efforts are focused on four strategic priorities, which are intended to make us a leading North American financial institution, and I will comment on our performance in each of those areas.

### Strong Fundamentals

As detailed on page 4, we exceeded our growth objectives for revenues and earnings in the first half of this year. Our revenue growth, excluding special items, of 16% in the first six months was well in excess of our 10% goal and reflects the diversification of our business platforms and our U.S. expansion efforts. Growth in six-month earnings per share, excluding special items, of 12% was within our 10–15% growth objective for 2001. In addition, our capital ratios strengthened in the first half. We also maintained first quartile valuation, that is share price-to-earnings and share price-to-book value.

In the area of loan quality, we are continuing to closely monitor our loan portfolio. A small number of U.S. telecommunications accounts were classified as impaired this quarter, but our nonaccrual loans ratio of 1.2% is within 18 basis points of our 11-year low. In addition, our six-month specific provision for credit losses ratio remains in line with our objective for this year.

### International Expansion

Our second quarter results include the contributions for the entire quarter of Dain Rauscher and Liberty, which were included for only three weeks and two months, respectively, last quarter. Liberty made a substantial contribution to Insurance earnings. However, Dain Rauscher suffered the effects of significantly weaker client trading volumes. Prism Financial, acquired last year, benefited from declining interest rates and was accretive to earnings this quarter. All in all, international cash net income accounted for 38% of total net income in the first half of 2001, up from 27% in the first six months of last year.

Centura shareholders approved the merger of Centura Banks, Inc., and Royal Bank on May 3, 2001. The closing of the merger, which is subject to regulatory approvals, is expected during Royal Bank's third quarter. Once the Centura merger closes, we will begin working with Centura to integrate into it two of our U.S. subsidiaries, Security First Network Bank and Prism Financial. We also continue to look for other fill-in acquisitions, largely in wealth management and personal and commercial banking, which will extend our U.S. franchise and grow its customer base.

### Growth of High-Return, High-P/E Multiple Businesses

Our primary focus is on growing Wealth Management and Personal & Commercial Banking, although each business segment has selected areas for priority growth. Personal & Commercial Banking delivered strong growth this quarter, as did Insurance and Transaction Processing. Wealth Management and Corporate & Investment Banking had exceptionally strong results in the second quarter of 2000, reflecting record levels of capital market activity, which were not repeated in this quarter's weaker capital market environment.

Our diversified business mix results in relatively consistent performance, reducing volatility and risk. We are reaping the rewards of building strong businesses that are focused on creating shareholder value. We will also continue to restructure or shed non-strategic or underperforming operations.

### eBusiness Leadership

On the eBusiness front, our Canadian online client base passed the 1.5 million mark and is well on its way to achieving our goal of over 2 million online clients by the end of 2002. Close to 16% of our client base deals with us online.

I would like to thank our Board, which, as your representative, has given me the opportunity to lead this company over the past seven years as Chairman & Chief Executive Officer. I would also like to thank and give credit to the thousands of team members that I have had the pleasure to work with throughout Royal Bank Financial Group. I have full confidence in the strategies and the leadership that we have in place. Gord Nixon, President & Chief Operating Officer, will become President & Chief Executive Officer upon my retirement on July 31, 2001, and will be reporting to you on our progress over the remainder of the year.



John E. Cleghorn  
Chairman & Chief Executive Officer

## Six-Month Performance Compared to 2001 Objectives

	2001 objective	Six-month performance
<b>1. Valuation</b>		
Maintain top quartile valuation levels:		
• Share price/book value:	1st quartile of TSE Banks & Trusts Index	1st quartile
• Share price/earnings (1):	1st quartile of TSE Banks & Trusts Index	1st quartile
Share price growth:	Above the TSE Banks & Trusts Index	Below the index
<b>2. Earnings growth (2)</b>		
Grow diluted earnings per share by:	10–15%	23% 12% excluding special items
<b>3. Return on common equity (2)</b>		
Achieve a return on common equity of:	18–20%	20.6% 18.8% excluding special items
<b>4. Revenue growth</b>		
Achieve revenue growth of:	Over 10%	19% 16% excluding special items
<b>5. Expense growth</b>		
Operating expenses versus operating revenues (3):	Operating expense growth less than operating revenue growth	Operating expense growth 18%, compared to operating revenue growth of 16%, reflecting recent acquisitions
<b>6. Portfolio quality</b>		
Achieve a ratio of specific provisions for credit losses to average loans (including reverse repurchase agreements) and bankers' acceptances of:	.30–.40%	.40%
<b>7. Capital management</b>		
• Common equity to risk-adjusted assets:	Maintain strong capital ratios	8.0% common equity to risk-adjusted assets
• Tier 1 capital ratio:		8.8% Tier 1 capital ratio
• Total capital ratio:		12.3% Total capital ratio versus medium-term goals of 7%, 8% and 11–12%

(1) Based on analysts' average diluted EPS estimates for 2001.

(2) The goals and performance are on an accrual basis, i.e., not on a cash basis.

(3) Operating expenses exclude costs of Stock Appreciation Rights, one-time expenses and certain acquisition expenses such as retention compensation and restructuring charges, while operating revenues exclude one-time revenues.

## Management's Discussion and Analysis

This portion of the Report to Shareholders provides a discussion and analysis of the bank's financial condition and results of operations so as to enable a reader to assess material changes in financial condition and results of operations between October 31, 2000, and April 30, 2001. It also compares results of operations for the three- and six-month periods ended April 30, 2001, and the corresponding periods in the preceding fiscal year with the emphasis on the most recent three-month period. See the

"Management's Discussion and Analysis" (U.S. GAAP) contained in pages 22 to 52 of the bank's 2000 Annual Report and the Report to Shareholders, First Quarter 2001, for discussions in respect of previous periods.

The discussion which follows refers to results excluding special items in Q1/01, which are described in the table on page 7. There were no special items in Q2/01 or throughout 2000.

## Line of Business Results

### Personal & Commercial Banking

(C\$ millions, except for percentages)	For the three months ended		
	April 30 2001	April 30 2000	Growth
Gross revenues			
(taxable equivalent basis)	\$ 1,632	\$ 1,510	8%
Non-interest expenses	\$ 922	\$ 885	4%
Net income	\$ 334	\$ 265	26%
Net income, cash basis	\$ 338	\$ 265	28%
Net income as a % of total bank	53%	47%	600 bp
Net income, cash basis, as a % of total bank	50%	45%	500 bp
ROE	25.3%	20.8%	450 bp
ROE, cash basis	25.6%	20.8%	480 bp
Economic Profit	\$ 151	\$ 86	76%
Efficiency ratio	56.5%	58.6%	(210)bp

- Strong revenue growth outpaced non-interest expense increases, which resulted in cash net income growth of 28% and net income growth of 26%. ROE and Economic Profit both rose substantially. The efficiency ratio improved by 210 basis points to 56.5%.
- Six-month cash net income increased by 25%, while net income was up 23% from 2000.

#### Operating Highlights

- Subsequent to quarter-end, the acquisition by Royal Bank of Centura Banks, Inc., based in Rocky Mount, North Carolina, was approved by Centura's shareholders. Each outstanding share of Centura is to be converted into 1.684 Royal Bank shares upon closing. Subject to regulatory approval, the transaction is expected to be completed during Royal Bank's third quarter, at which time Centura will adopt the name RBC Centura Banks, Inc.
- Launched the First-Time Home Buyers Package, which is aimed at helping as many first-time homebuyers as possible attain the goal of home ownership. This program includes a bundle of incentives and information designed to meet the unique needs of this segment, which was supported by research that confirmed that first-time homebuyers are looking for more than just a mortgage.
- Introduced, with Sona Innovations, the first end-to-end secure wireless banking service for Palm handhelds. It allows Royal Bank customers to access the features of online banking on their Palm devices. The technology architecture was reviewed by Palm Canada and was rated the most secure wireless banking service available.
- Joined, as an equity partner, with Bank of Montreal and CIT Vendor Technology Finance the specialized automobile financing portal dealerAccess, Inc. The portal brings together automotive dealers in Canada and the U.S. with leading suppliers of auto financing and leases.

### Insurance

(C\$ millions, except for percentages)	For the three months ended		
	April 30 2001	April 30 2000	Growth
Gross revenues (1)			
(taxable equivalent basis)	\$ 150	\$ 60	150%
Non-interest expenses	\$ 93	\$ 39	138%
Net income	\$ 44	\$ 27	63%
Net income, cash basis	\$ 48	\$ 27	78%
Net income as a % of total bank	7%	5%	200 bp
Net income, cash basis, as a % of total bank	7%	5%	200 bp
ROE	19.4%	40.1%	(2,070)bp
ROE, cash basis	21.3%	40.9%	(1,960)bp
Economic Profit	\$ 17	\$ 18	(6)%
Gross premiums	\$ 356	\$ 250	42%

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

- The purchase of Liberty Insurance during this year's first quarter contributed to the strong growth in gross revenues and net income. Without the addition of Liberty, revenues and non-interest expenses would have been up 12% and 3%, respectively, and both cash net income and net income up 26%.
- The decline in ROE and Economic Profit from a year ago reflected an additional \$600 million of average common equity attributed to the segment this quarter compared to a year ago. This largely reflected the acquisition of Liberty.
- For the six months ended April 30, 2001, cash net income was up 65% and net income was up 54% from the same period last year (22% and 22%, respectively, excluding Liberty). Gross premiums were \$796 million in the first six months, up 60% from last year.

#### Supplemental Discussion – Canadian GAAP

- Under Canadian GAAP, cash net income was \$36 million, up 24% from a year ago (17% excluding Liberty) while net income was \$32 million, up 10% (17% excluding Liberty). ROE was 13.9% and Economic Profit \$5 million compared to 43.0% and \$20 million, respectively, a year ago for the reasons mentioned above.
- Under Canadian GAAP, six-month cash net income was up 36% and net income up 25% from the same period last year (20% and 20%, respectively, excluding Liberty).

#### Operating Highlights

- RBC Insurance is strengthening brand awareness with a new series of television commercials, which began airing in April on both national and specialty television channels.
- Information about RBC Insurance products and services can now be reached online through a new Web site, [www.rbcinsurance.com](http://www.rbcinsurance.com)

## Wealth Management

(C\$ millions, except for percentages)	For the three months ended		
	April 30 2001	April 30 2000	Growth
Gross revenues			
(taxable equivalent basis)	\$ 839	\$ 666	26%
Non-interest expenses	\$ 729	\$ 484	51%
Net income	\$ 67	\$ 116	(42)%
Net income, cash basis	\$ 89	\$ 123	(28)%
Net income as a % of total bank	11%	21%	(1,000)bp
Net income, cash basis, as a % of total bank	13%	21%	(800)bp
ROE	12.2%	52.8%	(4,060)bp
ROE, cash basis	16.7%	56.5%	(3,980)bp
Economic Profit	\$ 17	\$ 91	(81)%

- Revenues and expenses this quarter were strongly influenced by the addition of a full quarter of Dain Rauscher's Private Client Group and Fixed Income division (included for three weeks in the first quarter). Without the addition of Dain Rauscher, Wealth Management's revenues and expenses would have declined by 12% and 10%, respectively, from a year ago, while cash net income would have been 12% lower and net income down 16%. The Canadian Private Client Group (consisting largely of Canadian full-service and discount brokerage operations) experienced a drop in trading volumes from the exceptionally high levels of a year ago. Dain Rauscher's Private Client Group also experienced lower volumes of activity this quarter, while their expenses reflected \$29 million of retention compensation costs and \$12 million of goodwill amortization expenses accrued in relation to the bank's acquisition of this business. The earnings of Wealth Management's other businesses were largely unchanged compared to a year ago.
- ROE and Economic Profit were impacted by the inclusion of an additional \$1.1 billion of average common equity attributed to the segment this quarter compared to last year, reflecting the acquisition of Dain Rauscher and growth in operational risk. Excluding Dain Rauscher, ROE was 42.6% and Economic Profit was \$77 million.
- Six-month cash net income was down 14% from a year ago and net income decreased 24% for the reasons outlined above. Excluding Dain Rauscher, the reductions were 9% and 12%, respectively.

### Operating Highlights

- During the quarter a new Private Banking entity was created, bringing Personal & Commercial Banking's domestic private banking group together with RBC Investments' Global Private Banking (Canada) division.
- Announced that the bank is reviewing strategic options for its Canadian institutional pension management business, RT Capital Management Inc., including the possible sale of the business.

- JB Oxford Holdings Inc. agreed to purchase the client lists of Bull & Bear Securities Inc., with an anticipated closing date in June 2001. This sale is consistent with Royal Bank's U.S. wealth management strategy to concentrate on full-service brokerage services with Dain Rauscher as the focus.

## Corporate & Investment Banking

(C\$ millions, except for percentages)	For the three months ended		
	April 30 2001	April 30 2000	Growth
Gross revenues			
(taxable equivalent basis)	\$ 702	\$ 653	8%
Non-interest expenses	\$ 462	\$ 400	16%
Net income	\$ 116	\$ 149	(22)%
Net income, cash basis	\$ 128	\$ 155	(17)%
Net income as a % of total bank	19%	26%	(700)bp
Net income, cash basis, as a % of total bank	19%	27%	(800)bp
ROE	13.5%	26.9%	(1,340)bp
ROE, cash basis	15.0%	28.0%	(1,300)bp
Economic Profit	\$ 12	\$ 77	(84)%

- The addition of a full quarter of results for Dain Rauscher Wessels had a substantial impact on this segment's results this quarter. Without this addition, revenues would have declined by 4%, expenses by 12%, cash net income by 8% and net income by 7%. This was due to weaker equity markets compared to the exceptionally strong levels of a year ago as well as a higher provision for credit losses. Dain Rauscher Wessels also experienced lower volumes of activity this quarter, while their expenses reflected \$28 million of retention compensation costs accrued in relation to the bank's acquisition of this business and \$8 million of goodwill amortization expenses.
- ROE and Economic Profit were impacted by the inclusion of an additional \$1.1 billion of average common equity attributed to the segment this quarter compared to last year, reflecting the acquisition of Dain Rauscher, as well as growth in operational, market and credit risk. Excluding Dain Rauscher Wessels, ROE was 20.9% and Economic Profit was \$51 million.
- Six-month cash net income was unchanged compared to a year ago, while net income was down 2%. Excluding Dain Rauscher, year-to-date cash net income was up 5% and net income was up 7% from a year ago.

### Operating Highlights

- March was a "milestone" month for RBC DS' FX Direct Internet trading system. FX Direct had its first 1,000 users, first 1,000-trade week and first 4,000-trade month.
- RBC DS presented its 6th annual Technology/Telecommunications convergence conference in Whistler, British Columbia. Despite difficult markets, this year's edition, "convergence @ the summit" drew a near record crowd of just over 400 attendees.

## Transaction Processing

(C\$ millions, except for percentages)	For the three months ended		Growth
	April 30 2001	April 30 2000	
Gross revenues			
(taxable equivalent basis)	\$ 175	\$ 159	10%
Non-interest expenses	\$ 114	\$ 108	6%
Net income	\$ 37	\$ 29	28%
Net income, cash basis	\$ 39	\$ 31	26%
Net income as a % of total bank	6%	5%	100 bp
Net income, cash basis, as a % of total bank	6%	5%	100 bp
ROE	31.4%	28.1%	330 bp
ROE, cash basis	33.1%	30.1%	300 bp
Economic Profit	\$ 22	\$ 16	38%

- Revenue growth substantially outpaced cost increases, resulting in strong growth in net income and cash net income, and substantial improvement in ROE, Economic Profit and the operating efficiency ratio. The custody business performed well.
- Six-month cash net income was up 16% and net income was up 17% from a year ago.

### Operating Highlights

- Royal Trust Global Security Services won an exclusive outsourcing agreement to provide fund accounting and custody services for CI Mutual Funds' \$23 billion portfolio of funds.
- R&M Consultants' 2001 Global Custody Survey ranked Royal Trust No. 3 in the world for overall service quality and No. 3 among international investment managers. The survey has consistently placed Royal Trust among the top global custodians with an average ranking of No. 2 worldwide for the past three years. The overall results for 2001 put Royal Trust well ahead of other major global custodians including State Street (No. 11), JP Morgan Chase (No. 9), Mellon (No. 7) and Northern Trust (No. 6).

- Results of the bi-annual Brendan Woods Corporate Electronic Banking Survey placed RBC as market share leader with 27% and 23%, respectively, for its share of lead relationships in both large corporate clients and mid-market clients. It leads both markets in overall image, including innovation, expertise, flexibility and technology, and in breadth and call intensity in the large corporate clients. RBC is also ranked No. 2 in service in the large corporate market and No. 1 in the mid market.

### "Other" Segment

- Cash net income was \$32 million and net income was \$26 million versus \$(18) million and \$(24) million, respectively, a year ago.
- Six-month cash net income was \$8 million and net income was \$(4) million compared to \$(25) million and \$(37) million, respectively, in the first half of 2000.

### Operating Highlights

- The active Canadian online client base stood at 1.58 million at April 30, 2001, up 44% from a year ago, and is still growing at a rate of 12,000 to 14,000 clients per week.
- B2B Vertical Markets Inc., a strategic alliance between Royal Bank and Mediagrif, purchased a controlling interest in NET3F, a Montreal-based B2B marketplace and supplier of management software operating in the automotive industry. The automotive parts industry is a \$14 billion market in Canada, with an estimated 180 million annual transactions among industry players buying and selling automotive components. Royal Bank has a commercial customer base of 10,000 involved in the automotive industry.

## Special Items in Q1/01

(C\$ millions, taxable equivalent basis)	Applicable segment	Impact pre-tax	Impact after tax
<b>Non-interest revenue</b>			
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
<b>Total impact</b>		\$ 132	\$ 111
<b>Impact on EPS – diluted</b>			\$ .18

### Supplemental Discussion – Canadian GAAP

In Q1/01, Canadian GAAP special items included 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 Footnote (2) to Note 8 on page 27. Special items in Q1/01 increased Canadian GAAP net income after tax by \$78 million and earnings per share, diluted, by \$.12.

## Financial Priority: Revenue Growth and Diversification

### Revenues

Total revenues were up 15% from last year's second quarter, reflecting strong growth in all business segments and recent acquisitions.

For the first six months of 2001, total revenues were up 16% from the first half of 2000.

### Net Interest Income

Taxable equivalent net interest income was up 17% from a year ago. The net interest margin was 1.97% compared to 1.95% a year ago.

For the first six months of 2001, taxable equivalent net interest income was up 16% from the same period a year ago. The net interest margin was 1.93% compared to 1.91% a year ago.

### Non-Interest Revenues

Non-interest revenues were up 13% from a year ago. Revenues from credit fees were up 10% and from mutual funds 3%. Partially driven by acquisitions, revenues from insurance were up 126%, from investment management and custodial activities 40%, and from trading 17%, while capital markets fees (from full-service brokerage, discount brokerage and institutional business) were up 3%.

As a percentage of total revenues, non-interest revenues were 55% compared to 56% a year ago.

For the first six months of 2001, non-interest revenues excluding special items were up 17% from the same period a year ago. As a percentage of total revenues, non-interest revenues excluding special items were 56% compared to 55% a year ago.

## Financial Priority: Cost Control

### Non-Interest Expenses

Non-interest expenses increased \$352 million, or 18%, from the second quarter of 2000, reflecting the acquisitions made since last year's second quarter.

Operating expenses (which exclude costs of Stock Appreciation Rights (SARs), one-time expenses and certain acquisition costs such as retention compensation and restructuring charges) were up \$313 million or 16% from a year ago.

This quarter there was a \$16 million reversal of costs previously accrued for SARs due to the decline in the common share price during the quarter. There was no such reversal a year ago.

For the first six months of 2001, non-interest expenses increased 19% from the same period a year ago while operating expenses were up 18% and operating revenues (which exclude one-time revenues) were up 16%.

## Financial Priority: Strong Credit Quality

### Nonaccrual Loans

Nonaccrual loans (before deducting the allowance for loan losses) were \$2.0 billion at April 30, 2001, up \$252 million from last quarter. The majority of the increase was related to the U.S. telecommunications sector. As a percentage of total loans (including bankers' acceptances), nonaccrual loans were 1.2%, up from 1.0% last quarter.

### Provision for Credit Losses

(C\$ millions)	For the three months ended		
	April 30 2001	January 31 2001	April 30 2000
<b>U.S. GAAP</b>			
Allocated (1)	\$ 210	\$ 275	\$ 167
Unallocated	–	(27)	5
<b>Total provision for credit losses</b>	<b>\$ 210</b>	<b>\$ 248</b>	<b>\$ 172</b>
<b>Canadian GAAP</b>			
Specific provisions	\$ 210	\$ 178	\$ 132
General provision			
Allocated	–	97	35
Unallocated	–	(27)	5
<b>Total general provision</b>	<b>–</b>	<b>70</b>	<b>40</b>
<b>Total provision for credit losses</b>	<b>\$ 210</b>	<b>\$ 248</b>	<b>\$ 172</b>

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

As shown above, the total provision for credit losses was \$210 million, up from \$172 million a year ago but down from \$248 million last quarter.

The allowance for loan losses at April 30, 2001, was \$1.95 billion or 1.0% of total loans (including bankers' acceptances) and reverse repurchase agreements, unchanged from 1.0% at October 31, 2000, and last quarter. During the quarter, net charge-offs (charge-offs, net of recoveries) were \$230 million or .56% of average loans, versus \$137 million or .35% a year ago and \$179 million or .42% last quarter.

### Supplemental Discussion – Canadian GAAP

The total provision for credit losses was up 22% from a year ago, but down 15% from last quarter. Specific provisions were up from a year ago, due largely to higher provisions relating to the U.S. telecommunications sector and to domestic commercial accounts. For the six months to date, the specific provision for credit losses ratio was .40% – in line with the objective for 2001 of .30–.40%.

The total general allowance (accumulated general provisions) was \$1.3 billion or .80% of risk-adjusted assets, compared to last quarter's \$1.3 billion or .78% of risk-adjusted assets.

## Financial Priority: Balance Sheet and Capital Management

### Assets

Total assets were \$319 billion at April 30, 2001, up 8% from October 31, 2000, and 4% from last quarter.

Total loans (before deducting the allowance for loan losses) were up \$1.0 billion or 1% from October 31, 2000, and down \$120 million from last quarter. Compared to October 31, 2000, residential mortgages increased \$1.6 billion or 2% and personal loans were up \$1.7 billion or 6%. Credit cards increased \$200 million or 4%. Business and government loans and acceptances decreased by \$2.4 billion or 3%.

### Deposits

Total deposits were \$215 billion, up \$8.3 billion, or 4%, from October 31, 2000, and up \$8.2 billion, or 4%, from last quarter, with increases of \$7.8 billion and \$6.9 billion in interest-bearing deposits, respectively, and \$480 million and \$1.3 billion in non-interest-bearing deposits, respectively.

### 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 of a Tier 1 capital ratio of at least 7% and a Total capital ratio of at least 10%.

At April 30, 2001, using OSFI guidelines and Canadian GAAP financial information, the bank's Tier 1 capital ratio was 8.8% versus 8.6% at October 31, 2000, and 8.4% last quarter, while the Total capital ratio was 12.3%, up from 12.0% at October 31, 2000, and 11.5% at January 31, 2001. Both ratios exceeded 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 8.0% at April 30, 2001, up from 7.3% on October 31, 2000, and from 7.6% last quarter. Risk-adjusted assets were \$158.4 billion, unchanged from October 31, 2000, and down 2.3% from last quarter.

During the quarter, the bank issued subordinated debentures totalling \$525 million. The bank also announced that subsequent to quarter-end, on May 31, 2001, (the "Redemption Date") it would be redeeming all of its US\$350 million issued and outstanding Floating Rate Debentures due July 2005 for cash at 100% of their principal amount plus accrued interest thereon to, but excluding, the Redemption Date.

### Liquidity

As outlined on page 51 of Royal Bank's 2000 Annual Report, the bank's liquidity risk management objective is to ensure that it has the ability to generate sufficient cash or its equivalents in a

timely and cost-effective manner to meet its commitments as they fall due. The bank's framework and objective have not changed since October 31, 2000. At April 30, 2001, the bank's liquid assets and assets purchased under reverse repurchase agreements (before pledging) totalled \$116.8 billion or 37% of total assets, as compared to \$100.7 billion or 34% of total assets at October 31, 2000, and \$108.0 billion or 35% at January 31, 2001. Minimum cash flow management targets are also being met.

## Caution Regarding Forward-Looking Statements

Royal Bank, from time to time, makes written and oral forward-looking statements, included in this interim report, 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](http://www.royalbank.com)

**Selected Financial Highlights** (unaudited)

(C\$ millions, except per share and percentage amounts)	Change from April 30 2000	As at and for the three months ended			Change from April 30 2000	For the six months ended	
		April 30 2001	January 31 2001	April 30 2000		April 30 2001	April 30 2000
<b>Earnings</b>							
Net interest income (1)	17%	\$ 1,569	\$ 1,473	\$ 1,346	16%	\$ 3,042	\$ 2,626
Non-interest revenue	13	1,940	1,987	1,717	21	3,927	3,249
Gross revenues (1)	15	3,509	3,460	3,063	19	6,969	5,875
Provision for credit losses	22	210	248	172	33	458	345
Non-interest expenses	18	2,263	2,144	1,911	19	4,407	3,692
Net income	11	624	695	562	22	1,319	1,077
Return on common equity	(110)bp	19.2%	21.9%	20.3%	120 bp	20.6%	19.4%
Return on common equity, cash basis (2)	(30)bp	20.8%	23.0%	21.1%	180 bp	21.9%	20.1%
Economic Profit (3)	14%	226	175	198	16%	401	345
<b>Balance sheet and off-balance sheet data</b>							
Loans	4%	\$ 168,857	\$ 168,975	\$ 162,045			
Assets	14	318,943	306,811	280,037			
Deposits	8	214,506	206,306	198,989			
Common equity	20	12,838	12,484	10,711			
Assets under administration	9	1,198,700	1,242,800	1,099,400			
Assets under management	17	110,400	112,500	94,000			
<b>Capital ratios (Canadian basis) (4)</b>							
Common equity to risk-adjusted assets	90 bp	8.0%	7.6%	7.1%			
Tier 1 capital	80 bp	8.8%	8.4%	8.0%			
Total capital	120 bp	12.3%	11.5%	11.1%			
<b>Capital ratios (U.S. basis) (5)</b>							
Common equity to risk-adjusted assets	110 bp	8.1%	7.7%	7.0%			
Tier 1 capital	100 bp	8.4%	8.0%	7.4%			
Total capital	140 bp	11.9%	11.1%	10.5%			
<b>Common share information</b>							
Shares outstanding (in thousands)							
End of period	2%	616,516	616,209	604,723	2%	616,516	604,723
Average basic	1	616,365	608,824	608,285	-	612,532	610,521
Average diluted	2	621,907	614,686	611,114	1	618,252	612,934
Earnings per share							
Basic	10	\$ 0.96	\$ 1.09	\$ 0.87	23	\$ 2.05	\$ 1.66
Diluted	9	0.95	1.08	0.87	23	2.03	1.65
Cash basis, basic (2)	16	1.04	1.14	0.90	27	2.18	1.72
Cash basis, diluted (2)	14	1.03	1.13	0.90	26	2.16	1.71
Share price							
High (6)	34	\$ 51.25	\$ 52.80	\$ 38.25	38	\$ 52.80	\$ 38.25
Low (6)	49	42.42	45.10	28.38	56	42.42	27.25
Close	23	42.95	48.20	34.95	23	42.95	34.95
Dividends per share	22	0.33	0.33	0.27	22	0.66	0.54
Book value per share – period end	18	20.82	20.26	17.71	18	20.82	17.71
Market capitalization (\$ billions)	26	26.5	29.7	21.1	26	26.5	21.1
<b>Number of:</b>							
Employees (full-time equivalent) (7)	4,816	53,646	53,863	48,830			
Automated banking machines	(280)	4,433	4,465	4,713			
Service delivery units:							
Canada	(51)	1,328	1,329	1,379			
International (8)	172	438	437	266			

(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 System in the United States and U.S. GAAP financial information.

(6) Intraday high and low share prices.

(7) The number of employees at April 30, 2001, includes 3,861 (3,870 at January 31, 2001) employees at Dain Rauscher Corporation, and 1,059 (1,070 at January 31, 2001) employees at Liberty Life Insurance Company and Liberty Insurance Services Corporation, both acquired during the first quarter of 2001. The numbers at April 30, 2001, January 31, 2001, and April 30, 2000, also include 841, 847 and 763 non-commissioned employees, respectively, at Prism Financial Corporation, which was acquired during the second quarter of 2000.

(8) International service delivery units include branches, specialized business centres, representative offices and agencies. The number at April 30, 2001, includes 106 branches for Dain Rauscher Corporation acquired in the first quarter of 2001 and 216 branches for Prism Financial Corporation, acquired during the second quarter of 2000. The number at January 31, 2001, includes 108 branches for Dain Rauscher Corporation and 213 branches for Prism Financial Corporation.

## Interim Consolidated Financial Statements (unaudited)

## Consolidated Balance Sheet (unaudited)

(C\$ millions)	April 30 2001	January 31 2001	October 31 2000
<b>Assets</b>			
<b>Cash resources</b>			
Cash and due from banks	\$ 1,074	\$ 989	\$ 947
Interest-bearing deposits with other banks	16,982	16,344	18,659
	18,056	17,333	19,606
<b>Securities</b>			
Trading account	52,332	50,606	46,366
Available for sale	17,020	15,695	13,199
Held to maturity	–	–	698
	69,352	66,301	60,263
<b>Assets purchased under reverse repurchase agreements</b>	26,453	21,713	18,303
<b>Loans</b>			
Residential mortgage	64,559	63,418	62,984
Personal	29,713	30,573	28,019
Credit card	4,862	4,961	4,666
Business and government loans and acceptances	69,723	70,023	72,143
	168,857	168,975	167,812
Allowance for loan losses	(1,951)	(1,947)	(1,871)
	166,906	167,028	165,941
<b>Other</b>			
Derivative-related amounts	20,532	20,098	19,334
Premises and equipment	1,292	1,293	1,216
Goodwill	2,334	2,280	693
Other intangibles	202	205	208
Other assets	13,816	10,560	8,490
	38,176	34,436	29,941
	\$ 318,943	\$ 306,811	\$ 294,054
<b>Liabilities and shareholders' equity</b>			
<b>Deposits</b>			
Canada			
Non-interest-bearing	\$ 22,409	\$ 21,353	\$ 22,011
Interest-bearing	118,591	113,740	116,113
International			
Non-interest-bearing	946	744	863
Interest-bearing	72,560	70,469	67,250
	214,506	206,306	206,237
<b>Other</b>			
Acceptances	9,734	9,695	11,628
Obligations related to securities sold short	14,944	14,075	12,873
Obligations related to assets sold under repurchase agreements	15,877	14,717	9,005
Derivative-related amounts	20,168	19,794	18,574
Other liabilities	20,394	19,852	15,912
	81,117	78,133	67,992
<b>Subordinated debentures</b>	6,992	6,447	5,825
<b>Non-controlling interest in subsidiaries</b>	1,481	1,453	703
<b>Shareholders' equity</b>			
Capital stock			
Preferred	2,009	1,988	2,001
Common (shares issued and outstanding – 616,516,287; 616,209,281; and 602,397,936)	3,717	3,704	3,074
Retained earnings	9,156	8,769	8,314
Accumulated other comprehensive income	(35)	11	(92)
	14,847	14,472	13,297
	\$ 318,943	\$ 306,811	\$ 294,054

**Consolidated Statement of Income** (unaudited)

	For the three months ended			For the six months ended	
	April 30 2001	January 31 2001	April 30 2000	April 30 2001	April 30 2000
(C\$ millions, except per share data)					
<b>Interest income</b>					
Loans	\$ 3,037	\$ 3,140	\$ 2,809	\$ 6,177	\$ 5,494
Trading account securities	535	491	350	1,026	689
Available for sale and held to maturity securities	248	255	248	503	525
Assets purchased under reverse repurchase agreements	320	314	302	634	538
Deposits with banks	229	262	214	491	464
	<b>4,369</b>	<b>4,462</b>	<b>3,923</b>	<b>8,831</b>	<b>7,710</b>
<b>Interest expense</b>					
Deposits	2,245	2,496	2,135	4,741	4,213
Other liabilities	456	401	365	857	726
Subordinated debentures	105	98	85	203	160
	<b>2,806</b>	<b>2,995</b>	<b>2,585</b>	<b>5,801</b>	<b>5,099</b>
<b>Net interest income</b>	<b>1,563</b>	<b>1,467</b>	<b>1,338</b>	<b>3,030</b>	<b>2,611</b>
<b>Provision for credit losses</b>	<b>210</b>	<b>248</b>	<b>172</b>	<b>458</b>	<b>345</b>
<b>Net interest income after provision for credit losses</b>	<b>1,353</b>	<b>1,219</b>	<b>1,166</b>	<b>2,572</b>	<b>2,266</b>
<b>Non-interest revenue</b>					
Capital market fees	518	419	503	937	868
Trading revenues	429	566	367	995	739
Deposit and payment service charges	201	204	181	405	359
Investment management and custodial fees	240	198	171	438	322
Mutual fund revenues	134	138	130	272	255
Card service revenues	60	88	106	148	217
Credit fees	56	62	51	118	101
Insurance revenues	97	71	43	168	89
Foreign exchange revenue, other than trading	77	67	73	144	140
Securitization revenues	19	19	30	38	65
Gain (loss) on sale of securities	(56)	(60)	19	(116)	20
Other	165	215	43	380	74
	<b>1,940</b>	<b>1,987</b>	<b>1,717</b>	<b>3,927</b>	<b>3,249</b>
<b>Non-interest expenses</b>					
Human resources	1,332	1,330	1,200	2,662	2,305
Occupancy	161	180	140	341	271
Equipment	164	150	159	314	322
Communications	171	153	172	324	332
Other	435	331	240	766	462
	<b>2,263</b>	<b>2,144</b>	<b>1,911</b>	<b>4,407</b>	<b>3,692</b>
<b>Net income before income taxes</b>	<b>1,030</b>	<b>1,062</b>	<b>972</b>	<b>2,092</b>	<b>1,823</b>
Income taxes	377	345	408	722	742
<b>Net income before non-controlling interest</b>	<b>653</b>	<b>717</b>	<b>564</b>	<b>1,370</b>	<b>1,081</b>
Non-controlling interest in net income of subsidiaries	29	22	2	51	4
<b>Net income</b>	<b>\$ 624</b>	<b>\$ 695</b>	<b>\$ 562</b>	<b>\$ 1,319</b>	<b>\$ 1,077</b>
Preferred share dividends	33	34	33	67	66
<b>Net income available to common shareholders</b>	<b>\$ 591</b>	<b>\$ 661</b>	<b>\$ 529</b>	<b>\$ 1,252</b>	<b>\$ 1,011</b>
Average number of common shares (in thousands)	616,365	608,824	608,285	612,532	610,521
<b>Earnings per share</b> (in dollars)	<b>\$ 0.96</b>	<b>\$ 1.09</b>	<b>\$ 0.87</b>	<b>\$ 2.05</b>	<b>\$ 1.66</b>
Average number of diluted common shares (in thousands)	621,907	614,686	611,114	618,252	612,934
<b>Diluted earnings per share</b> (in dollars)	<b>\$ 0.95</b>	<b>\$ 1.08</b>	<b>\$ 0.87</b>	<b>\$ 2.03</b>	<b>\$ 1.65</b>

**Consolidated Statement of Changes in Shareholders' Equity** (unaudited)

(C\$ millions)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Preferred shares</b>					
Balance at beginning of period	\$ 1,988	\$ 2,001	\$ 1,959	\$ 2,001	\$ 1,973
Translation adjustment on shares denominated in foreign currency	21	(13)	19	8	5
Balance at end of period	2,009	1,988	1,978	2,009	1,978
<b>Common shares</b>					
Balance at beginning of period	3,704	3,074	3,032	3,074	3,063
Shares issued and options granted on acquisition of a subsidiary	13	640	58	653	76
Issuance costs, net of related income taxes	–	(10)	–	(10)	–
Purchased for cancellation	–	–	(31)	–	(80)
Balance at end of period	3,717	3,704	3,059	3,717	3,059
<b>Retained earnings</b>					
Balance at beginning of period	8,769	8,314	7,547	8,314	7,495
Net income	624	695	562	1,319	1,077
Preferred share dividends	(33)	(34)	(33)	(67)	(66)
Common share dividends	(204)	(203)	(164)	(407)	(328)
Issuance costs, net of related income taxes	–	(3)	–	(3)	–
Premium paid on common shares purchased for cancellation	–	–	(174)	–	(440)
Balance at end of period	9,156	8,769	7,738	9,156	7,738
<b>Accumulated other comprehensive income</b>					
Unrealized gains and losses on available for sale securities, net of related income taxes	38	72	(49)	38	(49)
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	(43)	(38)	(37)	(43)	(37)
Gains and losses on derivatives designated as cash flow hedges, net of related income taxes (note 1)	(30)	(23)	–	(30)	–
	(35)	11	(86)	(35)	(86)
<b>Shareholders' equity at end of period</b>	<b>\$ 14,847</b>	<b>\$ 14,472</b>	<b>\$ 12,689</b>	<b>\$ 14,847</b>	<b>\$ 12,689</b>
<b>Other comprehensive income</b>					
Net income	\$ 624	\$ 695	\$ 562	\$ 1,319	\$ 1,077
Change in unrealized gains and losses on available for sale securities, net of related income taxes	(34)	128	30	94	36
Change in unrealized foreign currency translation gains and losses, net of hedging losses of \$176 million for the three months ended April 30, 2001, and losses of \$125 million for the six months ended April 30, 2001, and related income taxes	(5)	(2)	–	(7)	1
Cumulative effect of initial adoption of FAS 133, net of related income taxes (note 1)	–	60	–	60	–
Change in gains and losses on derivatives designated as cash flow hedges, net of related income taxes (note 1)	(6)	(78)	–	(84)	–
Reclassification to earnings of gains and losses on cash flow hedges, net of related income taxes (note 1)	(1)	(5)	–	(6)	–
<b>Total other comprehensive income</b>	<b>\$ 578</b>	<b>\$ 798</b>	<b>\$ 592</b>	<b>\$ 1,376</b>	<b>\$ 1,114</b>

**Consolidated Statement of Cash Flows** (unaudited)

(C\$ millions)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Cash flows from operating activities</b>					
Net income	\$ 624	\$ 695	\$ 562	\$ 1,319	\$ 1,077
Adjustments to determine net cash provided by (used in) operating activities					
Provision for credit losses	210	248	172	458	345
Depreciation	93	86	87	179	172
Amortization of goodwill and other intangibles	51	31	22	82	40
Loss (gain) on sale of assets	(9)	13	2	4	(4)
Change in accrued interest receivable and payable	1	(163)	(287)	(162)	(242)
Net loss (gain) on sale of available for sale securities	56	60	(19)	116	(20)
Changes in operating assets and liabilities:					
Deferred income taxes	(62)	(4)	15	(66)	(1)
Current income taxes payable	56	(233)	(45)	(177)	(471)
Unrealized gains and amounts receivable on derivative contracts	(434)	(757)	(313)	(1,191)	(3,212)
Unrealized losses and amounts payable on derivative contracts	374	1,220	152	1,594	2,305
Trading account securities	(1,726)	(3,746)	(3,502)	(5,472)	(1,915)
Obligations related to securities sold short	869	1,131	(546)	2,000	(4,492)
Other	(3,872)	(1,050)	186	(4,922)	(1,693)
Net cash provided by (used in) operating activities	(3,769)	(2,469)	(3,514)	(6,238)	(8,111)
<b>Cash flows from investing activities</b>					
Increase in loans	(49)	(515)	(3,203)	(564)	(7,057)
Proceeds from the maturity of held to maturity securities	–	–	147	–	309
Purchases of held to maturity securities	–	–	–	–	(39)
Proceeds from sale of available for sale securities	2,776	2,111	1,393	4,887	5,560
Proceeds from the maturity of available for sale securities	4,270	2,934	4,164	7,204	5,896
Purchases of available for sale securities	(8,427)	(5,017)	(7,002)	(13,444)	(11,371)
Change in interest-bearing deposits with other banks	(638)	2,433	4,584	1,795	4,135
Net acquisitions of premises and equipment	(88)	(64)	(52)	(152)	(119)
Change in assets purchased under reverse repurchase agreements	(4,740)	(3,355)	(4,135)	(8,095)	853
Net cash used in acquisition of subsidiaries	–	(2,706)	(164)	(2,706)	(323)
Net cash provided by (used in) investing activities	(6,896)	(4,179)	(4,268)	(11,075)	(2,156)
<b>Cash flows from financing activities</b>					
Issue of RBC Trust Capital Securities (RBC TruCS™)	–	750	–	750	–
Change in domestic deposits	5,907	(3,031)	4,447	2,876	6,166
Increase in international deposits	2,293	2,973	2,165	5,266	4,809
Issue of subordinated debentures	525	500	–	1,025	500
Subordinated debentures matured	–	(27)	–	(27)	–
Issuance costs	–	(13)	–	(13)	–
Issue of common shares	13	619	8	632	26
Common shares purchased for cancellation	–	–	(205)	–	(520)
Dividends paid	(238)	(214)	(198)	(452)	(379)
Change in assets sold under repurchase agreements	1,160	5,626	(471)	6,786	(2,238)
Decrease in liabilities of subsidiaries	1,090	(493)	2,783	597	1,281
Net cash provided by (used in) financing activities	10,750	6,690	8,529	17,440	9,645
<b>Net change in cash and due from banks</b>	<b>85</b>	<b>42</b>	<b>747</b>	<b>127</b>	<b>(622)</b>
Cash and due from banks at beginning of period	989	947	1,091	947	2,460
<b>Cash and due from banks at end of period</b>	<b>\$ 1,074</b>	<b>\$ 989</b>	<b>\$ 1,838</b>	<b>\$ 1,074</b>	<b>\$ 1,838</b>

## 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, and the unaudited interim consolidated financial statements for the three months ended January 31, 2001. Certain comparative amounts have been reclassified to conform with the current period's presentation.

### 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 in the unaudited interim consolidated financial statements for the three months ended January 31, 2001, and below.

The bank adopted Financial Accounting Standard (FAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, 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 consolidated balance sheet at fair value. The new standard is 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 loss of \$2 million for the three months ended April 30, 2001 (\$12 million unrealized gain for the six months ended April 30, 2001) and a net unrealized loss of \$7 million for the three months ended April 30, 2001 (\$15 million unrealized loss for the six months ended April 30, 2001) 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.

During the quarter, the bank adopted FAS No.140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of FAS 140, which replaces FAS 125, did not have a significant impact on the bank's financial position or results of operation. As at April 30, 2001, the bank had \$1.1 billion of credit card receivables outstanding that were initially securitized in 1999.

### Future Accounting Changes

The Financial Accounting Standards Board issued a revised Exposure Draft dealing with *Business Combinations and Intangible Assets*. The proposed standard would eliminate the amortization of goodwill and includes proposals to amend the method in which goodwill is evaluated for impairment. The standard is expected to be released in late June 2001.

### Note 2: Acquisitions

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. As a result of the merger, each Centura common share will be converted into 1.684 bank common shares. At a special meeting of shareholders of Centura held on May 3, 2001, the shareholders of Centura approved the merger agreement. The transaction is valued at approximately 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 and other customary closing conditions, is expected to be completed during the quarter ending July 31, 2001.

Had this transaction closed on November 1, 2000, it would have resulted in an increase to net income of C\$29 million for the three months ended April 30, 2001 (C\$55 million for the six months ended April 30, 2001), and a decrease of C\$.06 in earnings per share on a diluted basis for the three months ended April 30, 2001 (C\$.12 for the six months ended April 30, 2001). This calculation assumes earnings, already reported by Centura, have been adjusted only for estimated goodwill amortization charges of approximately C\$27 million each quarter, and also assumes approximately 67 million common shares issued. It does not consider any management actions and is not necessarily indicative of future results.

Subsequent to the closing date, the goodwill recorded on the acquisitions of Dain Rauscher Corporation and Liberty Life Insurance Company and Liberty Insurance Services Corporation has increased by US\$34 million and US\$11 million, respectively, reflecting adjustments to the allocation of the purchase price as a result of valuation of the net assets acquired. Goodwill may be adjusted for up to one year after a transaction closes.

### Note 3: Significant Capital Transactions

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.

In April 2001, the bank issued \$400 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 6.30% until April 12, 2011, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

In April 2001, the bank announced its intention to redeem all of its US\$350 million issued and outstanding subordinated debentures due July 2005 for cash on May 31, 2001.

The following changes to authorized capital were approved this quarter: the aggregate consideration for First Preferred Shares increased from \$5 billion to \$10 billion, and the aggregate consideration for Common Shares increased from \$10 billion to an unlimited amount.

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

(C\$ millions)	Personal & Commercial Banking			Insurance			Wealth Management			Corporate & Investment Banking		
	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2
	01	01	00	01	01	00	01	01	00	01	01	00
Net interest income on taxable equivalent basis	\$ 1,252	\$ 1,269	\$ 1,115	\$ 53	\$ 44	\$ 16	\$ 97	\$ 91	\$ 84	\$ 133	\$ 11	\$ 87
Non-interest revenue	380	515	395	97	59	44	742	626	582	569	712	566
Gross revenues on taxable equivalent basis	1,632	1,784	1,510	150	103	60	839	717	666	702	723	653
Taxable equivalent adjustment	1	1	2	-	-	-	-	-	-	5	4	6
Gross revenues	1,631	1,783	1,508	150	103	60	839	717	666	697	719	647
Provision for credit losses	159	227	164	-	-	-	3	(1)	-	53	27	16
Non-interest expenses	922	962	885	93	76	39	729	535	484	462	452	400
Income taxes (2)	216	219	194	13	(12)	(6)	40	56	66	66	93	82
<b>Net income</b>	<b>334</b>	<b>375</b>	<b>265</b>	<b>44</b>	<b>39</b>	<b>27</b>	<b>67</b>	<b>127</b>	<b>116</b>	<b>116</b>	<b>147</b>	<b>149</b>
Net income as a % of total	53	54	47	7	6	5	11	18	21	19	21	26
Return on common equity (%)	25.3	27.5	20.8	19.4	22.4	40.1	12.2	42.1	52.8	13.5	18.9	26.9
Average assets (\$ billions)	134.7	133.7	128.2	6.6	4.4	1.8	12.1	8.7	8.0	161.3	150.6	130.1
Average loans (\$ billions)	130.0	129.5	124.4	0.4	0.2	-	4.6	3.2	2.7	30.6	32.6	31.2
Average deposits (\$ billions)	105.3	103.7	97.0	-	-	-	15.8	14.7	14.5	75.5	72.2	58.2
Average common equity (\$ billions)	5.3	5.2	4.9	0.9	0.7	0.3	2.0	1.2	0.9	3.3	2.9	2.2

(C\$ millions)	Transaction Processing			Other			Total		
	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2
	01	01	00	01	01	00	01	01	00
Net interest income on taxable equivalent basis	\$ 35	\$ 40	\$ 36	\$ (1)	\$ 18	\$ 8	\$ 1,569	\$ 1,473	\$ 1,346
Non-interest revenue	140	135	123	12	(60)	7	1,940	1,987	1,717
Gross revenues on taxable equivalent basis	175	175	159	11	(42)	15	3,509	3,460	3,063
Taxable equivalent adjustment	-	-	-	-	1	-	6	6	8
Gross revenues	175	175	159	11	(43)	15	3,503	3,454	3,055
Provision for credit losses	(1)	(1)	-	(4)	(4)	(8)	210	248	172
Non-interest expenses	114	114	108	(57)	5	(5)	2,263	2,144	1,911
Income taxes (2)	25	25	22	46	(14)	52	406	367	410
<b>Net income</b>	<b>37</b>	<b>37</b>	<b>29</b>	<b>26</b>	<b>(30)</b>	<b>(24)</b>	<b>624</b>	<b>695</b>	<b>562</b>
Net income as a % of total	6	5	5	4	(4)	(4)	100	100	100
Return on common equity (%)	31.4	29.5	28.1	28.2	(3.9)	(5.8)	19.2	21.9	20.3
Average assets (\$ billions)	2.3	2.2	1.7	9.9	9.4	11.1	326.9	309.0	280.9
Average loans (\$ billions)	1.9	1.8	1.3	1.1	0.6	(1.0)	168.6	167.9	158.6
Average deposits (\$ billions)	7.4	7.5	7.8	12.0	12.1	13.1	216.0	210.2	190.6
Average common equity (\$ billions)	0.5	0.5	0.4	0.6	1.5	1.9	12.6	12.0	10.6

- (1) Personal & Commercial Banking includes the Personal & Commercial Banking Business, Card Services, Prism Financial and the Caribbean. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management includes Global Private Banking, RBC Global Asset Management (Investment Management, Mutual Funds), Canadian Private Client Group (Action Direct, Private Client Division, Royal Financial Planning™, RBC Private Counsel, Personal Trust, Private Banking & Trust) and Dain Rauscher. Corporate & Investment Banking comprises Global Banking, Global Equity, Global Markets, Royal Bank Capital Partners and Dain Rauscher Wessels. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Corporate Resources, Systems & Technology and Real Estate Operations.
- (2) Includes non-controlling interest.

## Note 5: Quarterly Earnings by Geographic Segment

(C\$ millions)	Q2/01			Q1/01			Q2/00		
	Canada	Int'l	Total	Canada	Int'l	Total	Canada	Int'l	Total
Net interest income on taxable equivalent basis	\$ 1,302	\$ 267	\$ 1,569	\$ 1,294	\$ 179	\$ 1,473	\$ 1,198	\$ 148	\$ 1,346
Non-interest revenue	1,184	756	1,940	1,404	583	1,987	1,409	308	1,717
Gross revenues on taxable equivalent basis	2,486	1,023	3,509	2,698	762	3,460	2,607	456	3,063
Taxable equivalent adjustment	6	-	6	6	-	6	8	-	8
Gross revenues	2,480	1,023	3,503	2,692	762	3,454	2,599	456	3,055
Provision for credit losses	161	49	210	254	(6)	248	171	1	172
Non-interest expenses	1,527	736	2,263	1,701	443	2,144	1,651	260	1,911
Income taxes (1)	359	47	406	295	72	367	365	45	410
<b>Net income</b>	<b>\$ 433</b>	<b>\$ 191</b>	<b>\$ 624</b>	<b>\$ 442</b>	<b>\$ 253</b>	<b>\$ 695</b>	<b>\$ 412</b>	<b>\$ 150</b>	<b>\$ 562</b>

- (1) Includes non-controlling interest.

## Note 6: Six-Month Earnings by Business Segment (1)

(C\$ millions)	Personal & Commercial Banking		Insurance		Wealth Management		Corporate & Investment Banking	
	2001	2000	2001	2000	2001	2000	2001	2000
Net interest income on taxable equivalent basis	\$ 2,521	\$ 2,245	\$ 97	\$ 29	\$ 188	\$ 165	\$ 144	\$ 110
Non-interest revenue	895	759	156	85	1,368	1,064	1,281	1,061
Gross revenues on taxable equivalent basis	3,416	3,004	253	114	1,556	1,229	1,425	1,171
Tax equivalent adjustment	2	3	–	–	–	–	9	12
Gross revenues	3,414	3,001	253	114	1,556	1,229	1,416	1,159
Provision for credit losses	386	333	–	–	2	–	80	34
Non-interest expenses	1,884	1,783	169	74	1,264	884	914	712
Income taxes (2)	435	376	1	(14)	96	126	159	144
<b>Net income</b>	<b>709</b>	<b>509</b>	<b>83</b>	<b>54</b>	<b>194</b>	<b>219</b>	<b>263</b>	<b>269</b>
Net income as a % of total	54	47	6	5	15	20	20	25
Return on common equity (%)	26.4	19.5	20.7	42.1	23.3	51.6	16.1	24.0
Average assets (\$ billions)	134.2	126.8	5.5	1.8	10.4	8.2	155.9	129.5
Average loans (\$ billions)	129.7	122.9	0.3	–	3.9	2.6	31.7	31.1
Average deposits (\$ billions)	104.5	97.2	–	–	15.2	14.2	73.8	60.2
Average common equity (\$ billions)	5.2	5.0	0.8	0.2	1.6	0.8	3.1	2.1

	Transaction Processing		Other		Total	
	2001	2000	2001	2000	2001	2000
Net interest income on taxable equivalent basis	\$ 75	\$ 82	\$ 17	\$ (5)	\$ 3,042	\$ 2,626
Non-interest revenue	275	243	(48)	37	3,927	3,249
Gross revenues on taxable equivalent basis	350	325	(31)	32	6,969	5,875
Taxable equivalent adjustment	–	–	1	–	12	15
Gross revenues	350	325	(32)	32	6,957	5,860
Provision for credit losses	(2)	–	(8)	(22)	458	345
Non-interest expenses	228	214	(52)	25	4,407	3,692
Income taxes (2)	50	48	32	66	773	746
<b>Net income</b>	<b>74</b>	<b>63</b>	<b>(4)</b>	<b>(37)</b>	<b>1,319</b>	<b>1,077</b>
Net income as a % of total	5	6	–	(3)	100	100
Return on common equity (%)	30.4	29.1	6.3	(4.8)	20.6	19.4
Average assets (\$ billions)	2.2	1.6	9.8	10.7	318.0	278.6
Average loans (\$ billions)	1.8	1.2	0.8	(1.5)	168.2	156.3
Average deposits (\$ billions)	7.5	7.7	12.1	11.9	213.1	191.2
Average common equity (\$ billions)	0.5	0.4	1.1	1.9	12.3	10.4

(1) Personal & Commercial Banking includes the Personal & Commercial Banking Business, Card Services, Prism Financial and the Caribbean. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management includes Global Private Banking, RBC Global Asset Management (Investment Management, Mutual Funds), Canadian Private Client Group (Action Direct, Private Client Division, Royal Financial Planning, RBC Private Counsel, Personal Trust, Private Banking & Trust) and Dain Rauscher. Corporate & Investment Banking comprises Global Banking, Global Equity, Global Markets, Royal Bank Capital Partners and Dain Rauscher Wessels. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Corporate Resources, Systems & Technology and Real Estate Operations.

(2) Includes non-controlling interest.

## Note 7: Six-Month Earnings by Geographic Segment

(C\$ millions)	For the six months ended April 30			For the six months ended April 30		
	2001	2001	2001	2000	2000	2000
	Canada	Int'l	Total	Canada	Int'l	Total
Net interest income on taxable equivalent basis	\$ 2,596	\$ 446	\$ 3,042	\$ 2,306	\$ 320	\$ 2,626
Non-interest revenue	2,588	1,339	3,927	2,653	596	3,249
Gross revenues on taxable equivalent basis	5,184	1,785	6,969	4,959	916	5,875
Taxable equivalent adjustment	12	–	12	15	–	15
Gross revenues	5,172	1,785	6,957	4,944	916	5,860
Provision for credit losses	415	43	458	322	23	345
Non-interest expenses	3,228	1,179	4,407	3,180	512	3,692
Income taxes (1)	654	119	773	658	88	746
<b>Net income</b>	<b>\$ 875</b>	<b>\$ 444</b>	<b>\$ 1,319</b>	<b>\$ 784</b>	<b>\$ 293</b>	<b>\$ 1,077</b>

(1) Includes non-controlling interest.

**Appendix: Credit Related Information** (unaudited)**Nonaccrual Loans**

(C\$ millions)	April 30	January 31	October 31	July 31	April 30
	2001	2001	2000	2000	2000
<b>Nonaccrual loans</b>					
Residential mortgage	\$ 166	\$ 168	\$ 185	\$ 169	\$ 175
Personal	294	291	247	259	295
Business and government	1,528	1,277	1,246	1,309	1,202
	<b>\$ 1,988</b>	<b>\$ 1,736</b>	<b>\$ 1,678</b>	<b>\$ 1,737</b>	<b>\$ 1,672</b>
<b>Nonaccrual loans as a % of related loans (including acceptances)</b>					
Residential mortgage	.26%	.26%	.29%	.27%	.29%
Personal	.99%	.95%	.88%	.95%	1.10%
Business and government loans and acceptances	2.19%	1.82%	1.73%	1.88%	1.69%
<b>Total</b>	<b>1.18%</b>	<b>1.03%</b>	<b>1.00%</b>	<b>1.06%</b>	<b>1.03%</b>

**Allowance for Credit Losses**

(C\$ millions)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Allowance at beginning of period</b>	\$ 2,056	\$ 1,975	\$ 1,949	\$ 1,975	\$ 1,900
<b>Provision for credit losses</b>	210	248	172	458	345
<b>Charge-offs</b>					
Residential mortgage	(3)	(3)	(3)	(6)	(5)
Personal	(99)	(95)	(71)	(194)	(136)
Credit card	(46)	(42)	(28)	(88)	(75)
Business and government	(116)	(94)	(60)	(210)	(111)
	<b>(264)</b>	<b>(234)</b>	<b>(162)</b>	<b>(498)</b>	<b>(327)</b>
<b>Recoveries</b>					
Personal	15	14	9	29	18
Credit card	10	9	4	19	20
Business and government	9	32	12	41	28
	<b>34</b>	<b>55</b>	<b>25</b>	<b>89</b>	<b>66</b>
<b>Net charge-offs</b>	<b>(230)</b>	<b>(179)</b>	<b>(137)</b>	<b>(409)</b>	<b>(261)</b>
Adjustments	25	12	15	37	15
<b>Allowance at end of period</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Net charge-offs (excluding LDCs) as a % of average loans</b>	<b>.56%</b>	<b>.42%</b>	<b>.35%</b>	<b>.49%</b>	<b>.34%</b>
<b>Net charge-offs as a % of average loans</b>	<b>.56%</b>	<b>.42%</b>	<b>.35%</b>	<b>.49%</b>	<b>.34%</b>
<b>Allocation of allowance (1)</b>					
Residential mortgage	\$ 45	\$ 45	\$ 58	\$ 45	\$ 58
Personal	405	409	386	405	386
Credit card	122	122	54	122	54
Business and government	1,179	1,170	1,196	1,179	1,196
Allocated allowance	1,751	1,746	1,694	1,751	1,694
Unallocated allowance	310	310	305	310	305
<b>Total</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Composition of allowance</b>					
Allocated specific	\$ 762	\$ 756	\$ 810	\$ 762	\$ 810
Allocated country risk	29	30	29	29	29
Allocated general (1)	960	960	855	960	855
<b>Total allocated allowance</b>	<b>1,751</b>	<b>1,746</b>	<b>1,694</b>	<b>1,751</b>	<b>1,694</b>
Unallocated allowance (1)	310	310	305	310	305
	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Consisting of:</b>					
Allowance for loan losses	\$ 1,951	\$ 1,947	\$ 1,869	\$ 1,951	\$ 1,869
Allowance for off-balance sheet and other items (2)	104	104	119	104	119
Allowance for tax-exempt securities	6	5	11	6	11
<b>Total</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Allowance for loan losses as a % of loans (including acceptances)</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>
<b>Allowance for loan losses as a % of loans (including acceptances) and reverse repurchase agreements</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Allowance for loan losses as a % of nonaccrual loans (coverage ratio), excluding LDCs</b>	<b>98%</b>	<b>113%</b>	<b>113%</b>	<b>98%</b>	<b>113%</b>

(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 April 30 2000	As at and for the three months ended			Change from April 30 2000	For the six months ended	
		April 30 2001	January 31 2001	April 30 2000		April 30 2001	April 30 2000
<b>Earnings</b>							
Net interest income (1)	17%	\$ 1,580	\$ 1,466	\$ 1,346	16%	\$ 3,046	\$ 2,626
Other income	12	1,924	2,028	1,724	21	3,952	3,262
Gross revenues (1)	14	3,504	3,494	3,070	19	6,998	5,888
Provision for credit losses	22	210	248	172	33	458	345
Non-interest expenses	20	2,287	2,162	1,900	22	4,449	3,659
Net income	4	602	661	578	14	1,263	1,105
Return on common equity	(210)bp	18.7%	20.8%	20.8%	– bp	19.7%	19.7%
Return on common equity, cash basis (2)	(120)bp	20.3%	21.7%	21.5%	60 bp	21.0%	20.4%
Economic Profit (3)	(2)%	207	172	211	4%	379	364
<b>Balance sheet and off-balance sheet data</b>							
Loans	8%	\$ 183,687	\$ 178,991	\$ 169,455			
Assets	14	313,724	301,910	275,857			
Deposits	8	211,336	203,122	195,632			
Common equity	17	12,705	12,332	10,874			
Assets under administration	9	1,198,700	1,242,800	1,099,400			
Assets under management	17	110,400	112,500	94,000			
<b>Capital ratios</b>							
Common equity to risk-adjusted assets	90 bp	8.0%	7.6%	7.1%			
Tier 1 capital	80 bp	8.8%	8.4%	8.0%			
Total capital	120 bp	12.3%	11.5%	11.1%			
<b>Common share information</b>							
Shares outstanding (in thousands)							
End of period	2%	616,516	616,209	604,723	2%	616,516	604,723
Average basic	1	616,365	608,824	608,285	–	612,532	610,521
Average diluted	2	621,907	614,686	611,114	1	618,252	612,934
Earnings per share							
Basic	3	\$ 0.92	\$ 1.03	\$ 0.89	15	\$ 1.95	\$ 1.70
Diluted	3	0.92	1.02	0.89	14	1.94	1.70
Cash basis, basic (2)	8	1.00	1.08	0.93	18	2.08	1.76
Cash basis, diluted (2)	9	1.00	1.07	0.92	17	2.06	1.76
Share price							
High (4)	34	\$ 51.25	\$ 52.80	\$ 38.25	38	\$ 52.80	\$ 38.25
Low (4)	49	42.42	45.10	28.38	56	42.42	27.25
Close	23	42.95	48.20	34.95	23	42.95	34.95
Dividends per share	22	0.33	0.33	0.27	22	0.66	0.54
Book value per share – period end	15	20.61	20.01	17.98	15	20.61	17.98
Market capitalization (\$ billions)	26	26.5	29.7	21.1	26	26.5	21.1
<b>Number of:</b>							
Employees (full-time equivalent) (5)	4,816	53,646	53,863	48,830			
Automated banking machines	(280)	4,433	4,465	4,713			
Service delivery units:							
Canada	(51)	1,328	1,329	1,379			
International (6)	172	438	437	266			

(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) Intraday high and low share prices.

(5) The number of employees at April 30, 2001, includes 3,861 (3,870 at January 31, 2001) employees at Dain Rauscher Corporation, and 1,059 (1,070 at January 31, 2001) employees at Liberty Life Insurance Company and Liberty Insurance Services Corporation, both acquired during the first quarter of 2001. The numbers at April 30, 2001, January 31, 2001, and April 30, 2000, also include 841, 847 and 763 non-commissioned employees, respectively, at Prism Financial Corporation, which was acquired during the second quarter of 2000.

(6) International service delivery units include branches, specialized business centres, representative offices and agencies. The number at April 30, 2001, includes 106 branches for Dain Rauscher Corporation acquired in the first quarter of 2001 and 216 branches for Prism Financial Corporation, acquired during the second quarter of 2000. The number at April 30, 2001, includes 213 branches for Prism Financial Corporation.

**Interim Consolidated Financial Statements** (unaudited)**Consolidated Balance Sheet** (unaudited)

	April 30	January 31	October 31
(\$ millions)	2001	2001	2000
<b>Assets</b>			
<b>Cash resources</b>			
Cash and deposits with banks	\$ 1,074	\$ 989	\$ 947
Interest-bearing deposits with other banks	16,970	16,344	18,659
	<b>18,044</b>	17,333	19,606
<b>Securities</b>			
Trading account	51,059	47,777	43,016
Investment account	16,496	15,138	13,529
Loan substitute	476	464	465
	<b>68,031</b>	63,379	57,010
<b>Loans</b>			
Residential mortgage	64,557	63,418	62,984
Personal	29,713	30,573	28,019
Credit card	4,862	4,961	4,666
Business and government	60,053	60,273	60,546
Assets purchased under reverse repurchase agreements	26,453	21,713	18,303
	<b>185,638</b>	180,938	174,518
Allowance for loan losses	(1,951)	(1,947)	(1,871)
	<b>183,687</b>	178,991	172,647
<b>Other</b>			
Derivative-related amounts	19,711	19,539	19,155
Customers' liability under acceptances	9,734	9,697	11,628
Premises and equipment	1,315	1,333	1,249
Goodwill	2,350	2,300	648
Other intangibles	202	205	208
Other assets	10,650	9,133	7,589
	<b>43,962</b>	42,207	40,477
	<b>\$ 313,724</b>	\$ 301,910	\$ 289,740
<b>Liabilities and shareholders' equity</b>			
<b>Deposits</b>			
Personal	\$ 93,010	\$ 90,778	\$ 89,632
Business and government	99,743	90,088	93,618
Banks	18,583	22,256	19,646
	<b>211,336</b>	203,122	202,896
<b>Other</b>			
Acceptances	9,734	9,697	11,628
Obligations related to securities sold short	14,628	14,018	13,419
Obligations related to assets sold under repurchase agreements	15,877	14,717	9,005
Derivative-related amounts	19,770	19,234	18,574
Other liabilities	19,312	19,038	14,149
	<b>79,321</b>	76,704	66,775
<b>Subordinated debentures</b>	<b>6,836</b>	6,275	5,825
<b>Non-controlling interest in subsidiaries</b>	<b>1,481</b>	1,453	703
<b>Shareholders' equity</b>			
Capital stock			
Preferred	2,045	2,024	2,037
Common (shares issued and outstanding – 616,516,287; 616,209,281; and 602,397,936)	3,729	3,716	3,076
Retained earnings	8,976	8,616	8,428
	<b>14,750</b>	14,356	13,541
	<b>\$ 313,724</b>	\$ 301,910	\$ 289,740

**Consolidated Statement of Income** (unaudited)

(\$ millions, except per share data)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Interest income</b>					
Loans	\$ 3,357	\$ 3,454	\$ 3,111	\$ 6,811	\$ 6,032
Securities	783	746	598	1,529	1,214
Deposits with banks	229	262	214	491	464
	<b>4,369</b>	<b>4,462</b>	<b>3,923</b>	<b>8,831</b>	<b>7,710</b>
<b>Interest expense</b>					
Deposits	2,245	2,496	2,135	4,741	4,213
Other liabilities	445	408	365	853	726
Subordinated debentures	105	98	85	203	160
	<b>2,795</b>	<b>3,002</b>	<b>2,585</b>	<b>5,797</b>	<b>5,099</b>
<b>Net interest income</b>	<b>1,574</b>	<b>1,460</b>	<b>1,338</b>	<b>3,034</b>	<b>2,611</b>
<b>Other income</b>					
Capital market fees	518	419	503	937	868
Trading revenues	429	566	367	995	739
Deposit and payment service charges	201	204	181	405	359
Investment management and custodial fees	240	198	171	438	322
Mutual fund revenues	134	138	130	272	255
Card service revenues	101	116	106	217	217
Credit fees	56	62	51	118	101
Insurance revenues	68	75	44	143	95
Foreign exchange revenue, other than trading	79	69	73	148	140
Securitization revenues	19	17	36	36	72
Gain (loss) on sale of securities	(56)	(60)	19	(116)	20
Other	135	224	43	359	74
	<b>1,924</b>	<b>2,028</b>	<b>1,724</b>	<b>3,952</b>	<b>3,262</b>
<b>Gross revenues</b>	<b>3,498</b>	<b>3,488</b>	<b>3,062</b>	<b>6,986</b>	<b>5,873</b>
<b>Provision for credit losses</b>	<b>210</b>	<b>248</b>	<b>172</b>	<b>458</b>	<b>345</b>
	<b>3,288</b>	<b>3,240</b>	<b>2,890</b>	<b>6,528</b>	<b>5,528</b>
<b>Non-interest expenses</b>					
Human resources	1,337	1,333	1,190	2,670	2,274
Occupancy	162	181	140	343	271
Equipment	180	162	159	342	322
Communications	172	155	172	327	332
Other	436	331	239	767	460
	<b>2,287</b>	<b>2,162</b>	<b>1,900</b>	<b>4,449</b>	<b>3,659</b>
<b>Net income before income taxes</b>	<b>1,001</b>	<b>1,078</b>	<b>990</b>	<b>2,079</b>	<b>1,869</b>
Income taxes	370	395	410	765	760
<b>Net income before non-controlling interest</b>	<b>631</b>	<b>683</b>	<b>580</b>	<b>1,314</b>	<b>1,109</b>
Non-controlling interest in net income of subsidiaries	29	22	2	51	4
<b>Net income</b>	<b>\$ 602</b>	<b>\$ 661</b>	<b>\$ 578</b>	<b>\$ 1,263</b>	<b>\$ 1,105</b>
Preferred share dividends	33	34	33	67	66
<b>Net income available to common shareholders</b>	<b>\$ 569</b>	<b>\$ 627</b>	<b>\$ 545</b>	<b>\$ 1,196</b>	<b>\$ 1,039</b>
Average number of common shares (in thousands)	616,365	608,824	608,285	612,532	610,521
<b>Earnings per share</b> (in dollars)	<b>\$ 0.92</b>	<b>\$ 1.03</b>	<b>\$ 0.89</b>	<b>\$ 1.95</b>	<b>\$ 1.70</b>
Average number of diluted common shares (in thousands)	621,907	614,686	611,114	618,252	612,934
<b>Diluted earnings per share</b> (in dollars)	<b>\$ 0.92</b>	<b>\$ 1.02</b>	<b>\$ 0.89</b>	<b>\$ 1.94</b>	<b>\$ 1.70</b>

**Consolidated Statement of Changes in Shareholders' Equity** (unaudited)

(\$ millions)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Preferred shares</b>					
Balance at beginning of period	\$ 2,024	\$ 2,037	\$ 1,995	\$ 2,037	\$ 2,009
Translation adjustment on shares denominated in foreign currency	21	(13)	19	8	5
Balance at end of period	<b>2,045</b>	2,024	2,014	<b>2,045</b>	2,014
<b>Common shares</b>					
Balance at beginning of period	3,716	3,076	3,034	3,076	3,065
Shares issued and options granted on acquisition of a subsidiary	13	640	58	653	76
Purchased for cancellation	–	–	(31)	–	(80)
Balance at end of period	<b>3,729</b>	3,716	3,061	<b>3,729</b>	3,061
<b>Retained earnings</b>					
Balance at beginning of period	8,616	8,428	7,606	8,428	7,541
Net income	602	661	578	1,263	1,105
Preferred share dividends	(33)	(34)	(33)	(67)	(66)
Common share dividends	(204)	(203)	(164)	(407)	(328)
Cumulative effect of initial adoption of Employee Future Benefits accounting standard, net of related income taxes	–	(221)	–	(221)	–
Premium paid on common shares purchased for cancellation	–	–	(174)	–	(440)
Issuance costs, net of related income taxes	–	(13)	–	(13)	–
Unrealized foreign currency translation gains and losses, net of hedging activities and related income taxes	(5)	(2)	–	(7)	1
Balance at end of period	<b>8,976</b>	8,616	7,813	<b>8,976</b>	7,813
<b>Shareholders' equity at end of period</b>	<b>\$ 14,750</b>	\$ 14,356	\$ 12,888	<b>\$ 14,750</b>	\$ 12,888

**Consolidated Statement of Cash Flows** (unaudited)

(\$ millions)	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000
<b>Cash flows from operating activities</b>					
Net income	\$ 602	\$ 661	\$ 578	\$ 1,263	\$ 1,105
Adjustments to determine net cash provided by (used in) operating activities					
Provision for credit losses	210	248	172	458	345
Depreciation	93	87	87	180	172
Amortization of goodwill and other intangibles	50	30	21	80	38
Loss (gain) on sale of assets	(9)	13	2	4	(4)
Net decrease in accrued interest receivable and payable	(33)	48	(295)	15	(250)
Net loss (gain) on sale of investment securities	56	60	(19)	116	(20)
Changes in operating assets and liabilities:					
Deferred income taxes	(28)	(295)	(6)	(323)	(9)
Current income taxes payable	56	(233)	(45)	(177)	(471)
Unrealized gains and amounts receivable on derivative contracts	(172)	(377)	(105)	(549)	(3,004)
Unrealized losses and amounts payable on derivative contracts	536	660	167	1,196	2,305
Trading account securities	(3,282)	(4,267)	(1,348)	(7,549)	(1,091)
Obligations related to securities sold short	610	528	(954)	1,138	(4,071)
Other	(2,339)	(57)	(414)	(2,396)	(42)
Net cash provided by (used in) operating activities	(3,650)	(2,894)	(2,159)	(6,544)	(4,997)
<b>Cash flows from investing activities</b>					
Increase in loans	(166)	(429)	(3,211)	(595)	(7,059)
Proceeds from sale of investment securities	2,776	2,110	1,393	4,886	5,516
Proceeds from the maturity of investment securities	4,270	2,934	4,311	7,204	6,205
Purchases of investment securities	(8,460)	(4,827)	(6,476)	(13,287)	(11,150)
Change in loan substitute securities	(12)	1	(16)	(11)	28
Change in interest-bearing deposits with other banks	(626)	2,433	4,584	1,807	4,135
Net acquisitions of premises and equipment	(71)	(72)	(51)	(143)	(117)
Change in assets purchased under reverse repurchase agreements	(4,740)	(3,355)	(4,135)	(8,095)	853
Net cash used in acquisition of subsidiaries	–	(2,706)	(164)	(2,706)	(323)
Net cash provided by (used in) investing activities	(7,029)	(3,911)	(3,765)	(10,940)	(1,912)
<b>Cash flows from financing activities</b>					
Issue of RBC Trust Capital Securities (RBC TruCS)	–	750	–	750	–
Increase in deposits	8,214	99	4,755	8,313	7,618
Issue of subordinated debentures	525	500	–	1,025	500
Subordinated debentures matured	–	(27)	–	(27)	–
Issuance costs	–	(13)	–	(13)	–
Issue of common shares	13	619	8	632	26
Common shares purchased for cancellation	–	–	(205)	–	(520)
Dividends paid	(238)	(214)	(199)	(452)	(380)
Change in assets sold under repurchase agreements	1,160	5,626	(471)	6,786	(2,238)
Decrease in liabilities of subsidiaries	1,090	(493)	2,783	597	1,281
Net cash provided by (used in) financing activities	10,764	6,847	6,671	17,611	6,287
<b>Net change in cash and deposits with banks</b>	<b>85</b>	<b>42</b>	<b>747</b>	<b>127</b>	<b>(622)</b>
Cash and deposits with banks at beginning of period	989	947	1,091	947	2,460
<b>Cash and deposits with banks at end of period</b>	<b>\$ 1,074</b>	<b>\$ 989</b>	<b>\$ 1,838</b>	<b>\$ 1,074</b>	<b>\$ 1,838</b>

## 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, and the unaudited interim consolidated financial statements for the three months ended January 31, 2001. Certain comparative amounts have been reclassified to conform with the current period's presentation.

### 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 in the unaudited interim consolidated financial statements for the three months ended January 31, 2001.

### *Future Accounting Changes*

The Canadian Institute of Chartered Accountants issued a revised Exposure Draft dealing with *Business Combinations and Intangible Assets*. The proposed standard would eliminate the amortization of goodwill and includes proposals to amend the method in which goodwill is evaluated for impairment. The proposed standard is consistent with the proposed standard to be issued by the Financial Accounting Standards Board in the U.S. and is expected to be released in late June 2001.

### Note 2: Acquisitions

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. As a result of the merger, each Centura common share will be converted into 1.684 bank common shares. At a special meeting of shareholders of Centura held on May 3, 2001, the shareholders of Centura approved the merger agreement. The transaction is valued at approximately US\$1.9 billion based on the bank's closing share price on April 30, 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\$1.0 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 and other customary closing conditions, is expected to be completed during the quarter ending July 31, 2001.

Had this transaction closed on November 1, 2000, it would have resulted in an increase to net income of C\$36 million for the three months ended April 30, 2001 (C\$69 million for the six months ended April 30, 2001), and a decrease of C\$.05 in earnings per share on a diluted basis for the three months ended April 30, 2001 (C\$.10 for the six months ended April 30, 2001). This calculation assumes earnings, already reported by Centura, have been adjusted only for estimated goodwill amortization charges of approximately C\$20 million each quarter, and also assumes approximately 67 million common shares issued. It does not consider any management actions and is not necessarily indicative of future results.

Subsequent to the closing date, the goodwill recorded on the acquisitions of Dain Rauscher Corporation and Liberty Life Insurance Company and Liberty Insurance Services Corporation has increased by US\$34 million and US\$6 million, respectively, reflecting adjustments to the allocation of the purchase price as a result of valuation of the net assets acquired. Goodwill may be adjusted for up to one year after a transaction closes.

### Note 3: Significant Capital Transactions

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.

In April 2001, the bank issued \$400 million of subordinated debentures. Interest is payable semi-annually at an annualized rate of 6.30% until April 12, 2011, and thereafter at a rate of 1.00% above the 90-day bankers' acceptance rate.

In April 2001, the bank announced its intention to redeem all of its US\$350 million issued and outstanding subordinated debentures due July 2005 for cash on May 31, 2001.

The following changes to authorized capital were approved this quarter: the aggregate consideration for First Preferred Shares increased from \$5 billion to \$10 billion, and the aggregate consideration for Common Shares increased from \$10 billion to an unlimited amount.

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

(\$ millions)	Personal & Commercial Banking			Insurance			Wealth Management			Corporate & Investment Banking		
	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2
	01	01	00	01	01	00	01	01	00	01	01	00
Net interest income on taxable equivalent basis	\$ 1,251	\$ 1,269	\$ 1,115	\$ 53	\$ 44	\$ 16	\$ 97	\$ 91	\$ 84	\$ 133	\$ 12	\$ 87
Other income	411	537	395	65	67	45	742	626	582	568	704	566
Gross revenues on taxable equivalent basis	1,662	1,806	1,510	118	111	61	839	717	666	701	716	653
Tax equivalent adjustment	1	1	2	-	-	-	-	-	-	5	4	6
Gross revenues	1,661	1,805	1,508	118	111	61	839	717	666	696	712	647
Provision for credit losses	159	227	164	-	-	-	3	(1)	-	53	27	16
Non-interest expenses	947	980	880	93	76	39	728	534	482	462	452	397
Income taxes (2)	227	242	196	(7)	(5)	(7)	41	56	67	67	98	83
<b>Net income</b>	<b>328</b>	<b>356</b>	<b>268</b>	<b>32</b>	<b>40</b>	<b>29</b>	<b>67</b>	<b>128</b>	<b>117</b>	<b>114</b>	<b>135</b>	<b>151</b>
Net income as a % of total	55	54	46	5	6	5	11	19	20	19	20	26
Return on common equity (%)	24.7	26.1	21.1	13.9	22.7	43.0	12.4	42.4	53.4	13.2	17.2	27.2
Average assets (\$ billions)	134.7	133.7	128.2	5.5	4.0	1.8	12.1	8.7	8.0	157.7	147.8	130.1
Average loans and bankers' acceptances (\$ billions)	130.0	129.4	124.4	0.4	0.2	-	4.6	3.2	2.7	61.2	57.8	54.7
Average deposits (\$ billions)	105.3	103.7	97.0	-	-	-	15.8	14.7	14.5	71.9	70.5	58.2
Average common equity (\$ billions)	5.3	5.2	4.9	0.9	0.7	0.3	2.0	1.2	0.9	3.3	2.9	2.2

(\$ millions)	Transaction Processing			Other			Total		
	Q2	Q1	Q2	Q2	Q1	Q2	Q2	Q1	Q2
	01	01	00	01	01	00	01	01	00
Net interest income on taxable equivalent basis	\$ 35	\$ 40	\$ 36	\$ 11	\$ 10	\$ 8	\$ 1,580	\$ 1,466	\$ 1,346
Other income	140	135	123	(2)	(41)	13	1,924	2,028	1,724
Gross revenues on taxable equivalent basis	175	175	159	9	(31)	21	3,504	3,494	3,070
Tax equivalent adjustment	-	-	-	-	1	-	6	6	8
Gross revenues	175	175	159	9	(32)	21	3,498	3,488	3,062
Provision for credit losses	(1)	(1)	-	(4)	(4)	(8)	210	248	172
Non-interest expenses	114	113	108	(57)	7	(6)	2,287	2,162	1,900
Income taxes (2)	25	26	22	46	-	51	399	417	412
<b>Net income</b>	<b>37</b>	<b>37</b>	<b>29</b>	<b>24</b>	<b>(35)</b>	<b>(16)</b>	<b>602</b>	<b>661</b>	<b>578</b>
Net income as a % of total	6	6	5	4	(5)	(2)	100	100	100
Return on common equity (%)	31.5	29.5	28.3	34.0	(4.8)	(4.2)	18.7	20.8	20.8
Average assets (\$ billions)	2.3	2.2	1.7	9.6	8.0	8.8	321.9	304.4	278.6
Average loans and bankers' acceptances (\$ billions)	1.9	1.8	1.3	(0.8)	(1.2)	(2.8)	197.3	191.2	180.3
Average deposits (\$ billions)	7.4	7.5	7.8	12.4	10.6	11.1	212.8	207.0	188.6
Average common equity (\$ billions)	0.5	0.5	0.4	0.5	1.5	2.0	12.5	12.0	10.7

- (1) Personal & Commercial Banking includes the Personal & Commercial Banking Business, Card Services, Prism Financial and the Caribbean. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management includes Global Private Banking, RBC Global Asset Management (Investment Management, Mutual Funds), Canadian Private Client Group (Action Direct, Private Client Division, Royal Financial Planning, RBC Private Counsel, Personal Trust, Private Banking & Trust) and Dain Rauscher. Corporate & Investment Banking comprises Global Banking, Global Equity, Global Markets, Royal Bank Capital Partners and Dain Rauscher Wessels. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Corporate Resources, Systems & Technology and Real Estate Operations.
- (2) Includes non-controlling interest.

## Note 5: Quarterly Earnings by Geographic Segment

(\$ millions)	Q2/01			Q1/01			Q2/00		
	Canada	Int'l	Total	Canada	Int'l	Total	Canada	Int'l	Total
	Net interest income on taxable equivalent basis	\$ 1,313	\$ 267	\$ 1,580	\$ 1,287	\$ 179	\$ 1,466	\$ 1,198	\$ 148
Other income	1,219	705	1,924	1,449	579	2,028	1,412	312	1,724
Gross revenues on taxable equivalent basis	2,532	972	3,504	2,736	758	3,494	2,610	460	3,070
Tax equivalent adjustment	6	-	6	6	-	6	8	-	8
Gross revenues	2,526	972	3,498	2,730	758	3,488	2,602	460	3,062
Provision for credit losses	161	49	210	254	(6)	248	171	1	172
Non-interest expenses	1,551	736	2,287	1,719	443	2,162	1,640	260	1,900
Income taxes (1)	380	19	399	339	78	417	367	45	412
<b>Net income</b>	<b>\$ 434</b>	<b>\$ 168</b>	<b>\$ 602</b>	<b>\$ 418</b>	<b>\$ 243</b>	<b>\$ 661</b>	<b>\$ 424</b>	<b>\$ 154</b>	<b>\$ 578</b>

- (1) Includes non-controlling interest.

## Note 6: Six-Month Earnings by Business Segment (1)

(\$ millions)	Personal & Commercial Banking		Insurance		Wealth Management		Corporate & Investment Banking	
	2001	2000	2001	2000	2001	2000	2001	2000
Net interest income on taxable equivalent basis	\$ 2,520	\$ 2,245	\$ 97	\$ 29	\$ 188	\$ 165	\$ 145	\$ 110
Other income	948	759	132	91	1,368	1,064	1,272	1,061
Gross revenues on taxable equivalent basis	3,468	3,004	229	120	1,556	1,229	1,417	1,171
Tax equivalent adjustment	2	3	–	–	–	–	9	12
Gross revenues	3,466	3,001	229	120	1,556	1,229	1,408	1,159
Provision for credit losses	386	333	–	–	2	–	80	34
Non-interest expenses	1,927	1,765	169	74	1,262	879	914	706
Income taxes (2)	469	384	(12)	(10)	97	129	165	147
<b>Net income</b>	<b>684</b>	<b>519</b>	<b>72</b>	<b>56</b>	<b>195</b>	<b>221</b>	<b>249</b>	<b>272</b>
Net income as a % of total	54	47	6	5	16	20	20	25
Return on common equity (%)	25.4	19.9	17.7	44.3	23.5	52.2	15.1	24.3
Average assets (\$ billions)	134.2	126.8	4.7	1.7	10.4	8.2	152.7	129.5
Average loans and bankers' acceptances (\$ billions)	129.7	122.8	0.3	–	3.9	2.6	59.5	53.0
Average deposits (\$ billions)	104.5	97.2	–	–	15.2	14.2	70.7	60.2
Average common equity (\$ billions)	5.2	5.0	0.8	0.2	1.6	0.8	3.1	2.1

	Transaction Processing		Other		Total	
	2001	2000	2001	2000	2001	2000
Net interest income on taxable equivalent basis	\$ 75	\$ 82	\$ 21	\$ (5)	\$ 3,046	\$ 2,626
Other income	275	243	(43)	44	3,952	3,262
Gross revenues on taxable equivalent basis	350	325	(22)	39	6,998	5,888
Taxable equivalent adjustment	–	–	1	–	12	15
Gross revenues	350	325	(23)	39	6,986	5,873
Provision for credit losses	(2)	–	(8)	(22)	458	345
Non-interest expenses	227	214	(50)	21	4,449	3,659
Income taxes (2)	51	48	46	66	816	764
<b>Net income</b>	<b>74</b>	<b>63</b>	<b>(11)</b>	<b>(26)</b>	<b>1,263</b>	<b>1,105</b>
Net income as a % of total	5	6	(1)	(3)	100	100
Return on common equity (%)	30.5	29.2	5.6	(3.6)	19.7	19.7
Average assets (\$ billions)	2.2	1.6	8.8	9.2	313.0	277.0
Average loans (\$ billions)	1.8	1.2	(1.0)	(3.1)	194.2	176.5
Average deposits (\$ billions)	7.5	7.7	11.9	10.6	209.8	189.9
Average common equity (\$ billions)	0.5	0.4	1.1	2.1	12.3	10.6

- (1) Personal & Commercial Banking includes the Personal & Commercial Banking Business, Card Services, Prism Financial and the Caribbean. Insurance comprises travel, life, health, creditor, home, auto and reinsurance products. Wealth Management includes Global Private Banking, RBC Global Asset Management (Investment Management, Mutual Funds), Canadian Private Client Group (Action Direct, Private Client Division, Royal Financial Planning, RBC Private Counsel, Personal Trust, Private Banking & Trust) and Dain Rauscher. Corporate & Investment Banking comprises Global Banking, Global Equity, Global Markets, Royal Bank Capital Partners and Dain Rauscher Wessels. Transaction Processing consists of Global Securities Services (Custody), Cash Management, Trade Finance, Correspondent Banking and Broker Dealers. "Other" consists largely of Corporate Treasury, Corporate Resources, Systems & Technology, and Real Estate Operations.
- (2) Includes non-controlling interest.

## Note 7: Six-Month Earnings by Geographic Segment

(\$ millions)	For the six months ended April 30			For the six months ended April 30		
	2001	2001	2001	2000	2000	2000
	Canada	Int'l	Total	Canada	Int'l	Total
Net interest income on taxable equivalent basis	\$ 2,600	\$ 446	\$ 3,046	\$ 2,306	\$ 320	\$ 2,626
Other income	2,668	1,284	3,952	2,667	595	3,262
Gross revenues on taxable equivalent basis	5,268	1,730	6,998	4,973	915	5,888
Taxable equivalent adjustment	12	–	12	15	–	15
Gross revenues	5,256	1,730	6,986	4,958	915	5,873
Provision for credit losses	415	43	458	322	23	345
Non-interest expenses	3,270	1,179	4,449	3,147	512	3,659
Income taxes (1)	719	97	816	676	88	764
<b>Net income</b>	<b>\$ 852</b>	<b>\$ 411</b>	<b>\$ 1,263</b>	<b>\$ 813</b>	<b>\$ 292</b>	<b>\$ 1,105</b>

- (1) Includes non-controlling interest.

## Note 8: Reconciliation of Canadian and U.S. Generally Accepted Accounting Principles

	Three months ended April 30	Six months ended April 30	As at April 30	
	2001	2001	2001	2001
(\$ millions)	Net income	Net income	Shareholders' equity	Assets
<b>Canadian GAAP</b>	\$ 602	\$ 1,263	\$ 14,750	\$ 313,724
Derivative instruments and hedging activities (1)	4	–	(33)	604
Substantively enacted tax rate change (2)	8	41	57	57
Reclassification of securities	–	–	49	49
Trade date accounting	–	–	–	321
Insurance accounting	10	14	(7)	1,185
Other	–	1	31	3,003
<b>U.S. GAAP</b>	\$ 624	\$ 1,319	\$ 14,847	\$ 318,943

	Three months ended April 30	Six months ended April 30	As at April 30	
	2000	2000	2000	2000
(\$ millions)	Net income	Net income	Shareholders' equity	Assets
<b>Canadian GAAP</b>	\$ 578	\$ 1,105	\$ 12,888	\$ 275,857
Reclassification of securities	–	–	(49)	(49)
Postretirement benefits other than pensions (3)	(9)	(17)	(145)	110
Pension benefits (3)	4	1	(26)	(26)
Trade date accounting	–	–	–	434
Other	(11)	(12)	21	3,711
<b>U.S. GAAP</b>	\$ 562	\$ 1,077	\$ 12,689	\$ 280,037

	Three months ended January 31	As at January 31	
	2001	2001	2001
(\$ millions)	Net income	Shareholders' equity	Assets
<b>Canadian GAAP</b>	\$ 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
<b>U.S. GAAP</b>	\$ 695	\$ 14,472	\$ 306,811

- (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 increased net income by \$4 million for the three months ended April 30, 2001; increased cash resources by \$12 million, other assets by \$684 million, deposits by \$259 million, other liabilities by \$222 million and subordinated debentures by \$156 million; and decreased securities by \$30 million, loans by \$62 million and shareholders' equity by \$33 million as at April 30, 2001.
- (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 by \$8 million for the three months ended April 30, 2001, and by \$41 million for the six months then ended; and increased other assets and shareholders' equity by \$57 million as at April 30, 2001.
- (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.
- (4) As at October 31, 2000, shareholders' equity and assets were \$13,541 and \$289,740, respectively, under Canadian GAAP and \$13,297 and \$294,054, respectively, under U.S. GAAP.

For a complete discussion of the reasons for 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: Credit Related Information** (unaudited)**Impaired Loans**

	April 30	January 31	October 31	July 31	April 30
(\$ millions)	2001	2001	2000	2000	2000
<b>Net impaired loans</b> <sup>(1)</sup>					
Residential mortgage	\$ 142	\$ 144	\$ 157	\$ 132	\$ 136
Personal	105	98	51	70	95
Business and government	950	708	695	725	602
Total before general allowance	1,197	950	903	927	833
General allowance	(1,166)	(1,166)	(1,102)	(1,041)	(1,041)
<b>Total</b>	<b>\$ 31</b>	<b>\$ (216)</b>	<b>\$ (199)</b>	<b>\$ (114)</b>	<b>\$ (208)</b>
<b>Net impaired loans as a % of related loans and acceptances</b>					
Residential mortgage	.22%	.23%	.25%	.21%	.22%
Personal	.36%	.32%	.18%	.26%	.36%
Business and government loans and acceptances	.99%	.78%	.77%	.86%	.67%
Total before general allowance	.62%	.50%	.49%	.52%	.46%
<b>Total</b>	<b>.02%</b>	<b>(.11)%</b>	<b>(.11)%</b>	<b>(.06)%</b>	<b>(.12)%</b>

(1) Net of specific allowance.

**Allowance for Credit Losses**

	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
(\$ millions)	2001	2001	2000	2001	2000
<b>Allowance at beginning of period</b>	\$ 2,056	\$ 1,975	\$ 1,949	\$ 1,975	\$ 1,900
<b>Provision for credit losses</b>	210	248	172	458	345
<b>Write-offs</b>					
Residential mortgage	(3)	(3)	(3)	(6)	(5)
Personal	(99)	(95)	(71)	(194)	(136)
Credit card	(46)	(42)	(28)	(88)	(75)
Business and government	(116)	(94)	(60)	(210)	(111)
	(264)	(234)	(162)	(498)	(327)
<b>Recoveries</b>					
Personal	15	14	9	29	18
Credit card	10	9	4	19	20
Business and government	9	32	12	41	28
	34	55	25	89	66
<b>Net write-offs</b>	<b>(230)</b>	<b>(179)</b>	<b>(137)</b>	<b>(409)</b>	<b>(261)</b>
Adjustments	25	12	15	37	15
<b>Allowance at end of period</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Net write-offs (excluding LDCs) as a % of average loans and acceptances</b>	<b>.48%</b>	<b>.37%</b>	<b>.31%</b>	<b>.42%</b>	<b>.30%</b>
<b>Net write-offs as a % of average loans and acceptances</b>	<b>.48%</b>	<b>.37%</b>	<b>.31%</b>	<b>.42%</b>	<b>.30%</b>
<b>Allocation of allowance</b> <sup>(1)</sup>					
Residential mortgage	\$ 45	\$ 45	\$ 58	\$ 45	\$ 58
Personal	405	409	386	405	386
Credit card	122	122	54	122	54
Business and government	1,179	1,170	1,196	1,179	1,196
Allocated allowance	1,751	1,746	1,694	1,751	1,694
General unallocated allowance	310	310	305	310	305
<b>Total</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Composition of allowance</b>					
Specific, including allowance for loan substitute securities	\$ 762	\$ 756	\$ 810	\$ 762	\$ 810
Country risk	29	30	29	29	29
General allocated allowance for credit losses <sup>(1)</sup>	960	960	855	960	855
General unallocated allowance for credit losses <sup>(1)</sup>	310	310	305	310	305
<b>Total allowance for credit losses</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Consisting of:</b>					
Allowance for loan losses	\$ 1,951	\$ 1,947	\$ 1,869	\$ 1,951	\$ 1,869
Allowance for off-balance sheet and other items <sup>(2)</sup>	104	104	119	104	119
Allowance for loan substitute securities	6	5	11	6	11
<b>Total</b>	<b>\$ 2,061</b>	<b>\$ 2,056</b>	<b>\$ 1,999</b>	<b>\$ 2,061</b>	<b>\$ 1,999</b>
<b>Allowance for loan losses as a % of loans (including reverse repurchase agreements) and acceptances</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Allowance for loan losses as a % of gross impaired loans (coverage ratio), excluding LDCs</b>	<b>98%</b>	<b>113%</b>	<b>113%</b>	<b>98%</b>	<b>113%</b>

(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.

**Appendix: Share Information** (unaudited)

	April 30	January 31	October 31
(Number of shares in thousands)	2001	2001	2000
<b>First preferred shares</b> (1)			
Non-cumulative Series E	1,500	1,500	1,500
Non-cumulative Series H	12,000	12,000	12,000
US\$ Non-cumulative Series I	8,000	8,000	8,000
Non-cumulative Series J	12,000	12,000	12,000
US\$ Non-cumulative Series K	10,000	10,000	10,000
Non-cumulative Series N	12,000	12,000	12,000
Non-cumulative Series O	6,000	6,000	6,000
US\$ Non-cumulative Series P	4,000	4,000	4,000
	<b>65,500</b>	65,500	65,500
<b>Series 2010 and 2011 trust securities issued by RBC Capital Trust</b> (2)	<b>1,400</b>	1,400	650
<b>Class B and C shares issued by Royal Bank DS Holdings Inc.</b> (1)	<b>1,939</b>	1,939	1,961
<b>Stock options</b> (3)			
Outstanding at end of period	<b>31,440</b>	31,636	25,877
Exercisable at end of period	<b>13,886</b>	14,013	8,881
<b>Common shares</b>	<b>616,516</b>	616,209	602,398

(1) Details provided in Royal Bank of Canada's 2000 Annual Report Notes 7 and 11 on pages 66 and 71, respectively.

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

### Transfer Agent and Registrar

*Main Agent*  
Montreal Trust Company  
of Canada

Street address:  
1800 McGill College Avenue  
Montreal, Quebec  
Canada H3A 3K9  
Tel: (514) 982-7555, or  
1-800-564-6253  
Fax: (514) 982-7635

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

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

### 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 Apr. 24 Jul. 25 Oct. 24	Feb. 23 May 24 Aug. 24 Nov. 23
Preferred shares series E	Last trading day of each month	12th day of the following month

### 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.





ROYAL BANK  
OF CANADA

