THE ROYAL BANK OF CANADA

Annual Report
1981

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Annual Report
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Corporate Profile

The Royal Bank of Canada, founded more than a century ago, is Canada's largest chartered bank, with assets of \$87.5 billion. From its beginnings, the Royal has worked towards two fundamental goals: the provision of high-quality banking services to all sectors of Canadian society and a vigorous participation in international trade and world markets.

The Royal's international network of branches, subsidiaries and affiliates now has more than 200 operating units in 46 countries. These units account for more than a third of the Bank's total assets. In terms of both assets and deposits, the Royal is North America's fourth largest bank.

The Bank's domestic operations are managed by regional headquarters in seven major Canadian cities, and marketed through an extensive network of some 1,500 branches across Canada. Serving customers through these branches, along with over 80 in other countries, the Royal Bank is one of the world's largest retail banks. Based on this traditional strength, the Bank also has extended around the world a wide range of commercial and wholesale banking services, backed by specialized groups with particular expertise in energy, mining and trade finance, merchant banking and project financing, money markets, foreign exchange and agricultural financing.

The Corporate Headquarters is in Montreal, Canada, with certain head office functions located in Toronto and Calgary. In order to bring prompt decision-making as close to the client as possible, important area headquarters are also situated around the world, as well as in key Canadian cities. The international offices are well-established in New York, London, Paris, Hong Kong and Coral Gables. The Royal's service is further extended through more than 3,500 correspondent bank relationships in practically every country of the world.

It continues to be the view of Royal Bank management that success is best achieved through developing and providing the highest quality of banking services where they are needed by clients. To that end, the Bank places heavy stress on the selection, training and development of its staff — now nearly 39,000 — and puts a heavy premium not only upon responsiveness, innovation, skill and knowledge, but also upon judgement, integrity and the highest standards of ethics and social responsibility.

Contents

Highlights of the Year

The Royal Bank of Canada performed very well in 1981 as measured by the key financial indicators.

Balance of revenue after taxes (chart I), or after-tax net income, amounted to $492.5 million in 1981, an increase of 50 per cent over 1980. Domestic earnings were $315.5 million, a rise of $133.5 million over 1980. International earnings also registered a gain over 1980, climbing $31.6 million to $177.0 million this year.

Earnings per share (chart II), after adjusting for the March, 1981 two-for-one stock split, were $5.92 in 1981, an increase of 33 per cent over 1980. This growth rate is lower than the increase in total after-tax earnings primarily due to the larger number of average shares outstanding which resulted mainly from the rights issue in the fall of 1980. When the $100 million of convertible debentures issued during 1981 are taken into account, fully diluted earnings per share were 3¢ lower than the basic earnings per share.

Two-thirds of the increase in profits relates to the unusually large growth in the Bank's average total assets (chart III) which were $75.2 billion in 1981, 31 per cent higher than the previous year. Year-end assets of the Bank were $87.5 billion, 39 per cent higher than at the end of fiscal 1980.

Charts IV and V illustrate the five-year trends in two very important performance yardsticks. The Bank's return on assets, as shown on chart IV, or earnings per $100 of assets, amounted to 65¢ in 1981, up 8¢ from last year's figure and is the highest level attained since 1975. Return on equity was 21.7 per cent, considerably higher than the 18.2 per cent earned in 1980, making it possible for shareholders to obtain a satisfactory real rate of return, after inflation is taken into account. As well, such a return is necessary to generate additional capital to support the growing asset level, which is also increased by inflation.

In 1981, the Royal substantially increased dividends paid to shareholders, to $1.70 per share, up 35 per cent from 1980. The Bank maintains a policy of providing reasonable growth in distribution of earnings. A significant portion of earnings must, however, be retained by the Bank to support future asset growth.

Overall, 1981 has been a year of achievement for the Royal Bank and management anticipates continued success.

CHART I

BALANCE OF REVENUE AFTER TAXES

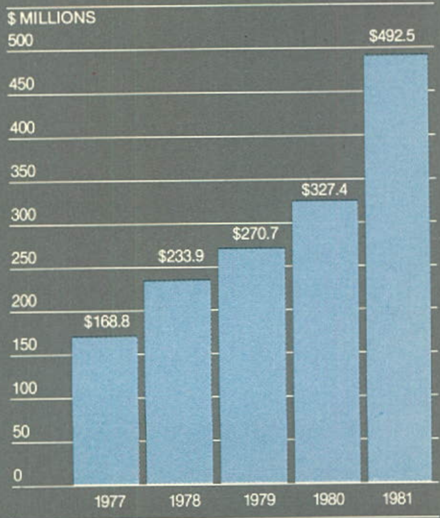


CHART II

EARNINGS PER SHARE

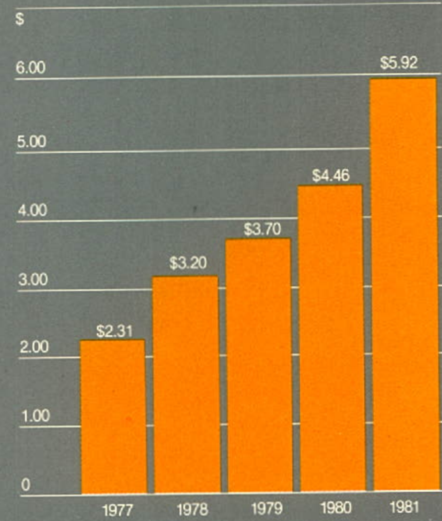


CHART III

TOTAL ASSETS (annual average)

CHART IV

RETURN PER $100 OF ASSETS (return on assets)

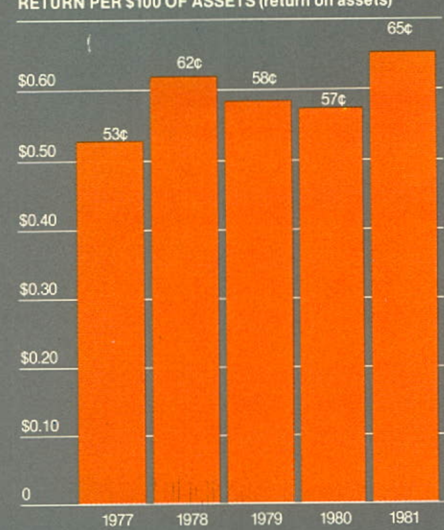


CHART V

RETURN ON EQUITY

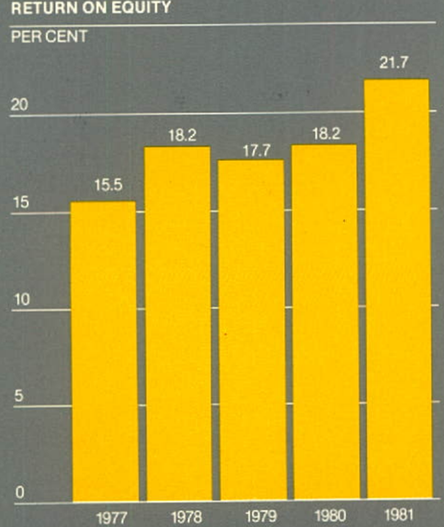
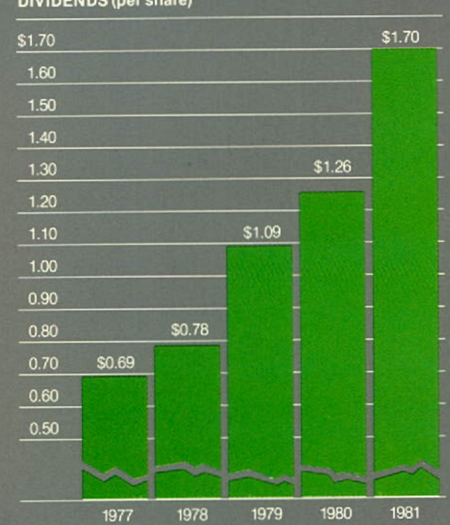


CHART VI

DIVIDENDS (per share)



Chairman's Message

The past year has been a turbulent one, both in Canada and around the world. Economic uncertainty, political disputes and social unrest have resulted in a difficult environment for business. Little of this was unexpected. In our 1980 Report, we identified a number of key external factors which we felt would significantly affect the Bank during the decade of the eighties. They included inflation and energy requirements; a global redistribution of political and economic power, accompanied by an unstable world monetary system, and increasing political tension. Finally, there would be the impact of new technology. Each of these issues, to a greater or lesser degree, have provided challenges to the Bank in the year just completed, and will continue to do so in the future.

As part of our strategic planning process, we developed, and put in place over a year ago, a new and more decentralized management structure. The intention was not only to provide a degree of management flexibility appropriate to our increasing stature as a major international financial institution, but to ensure that the entire organization would be capable of competent and professional responses to the increasingly difficult and uncertain environment we thought lay ahead.

It is my pleasure to present to you the Annual Report of The Royal Bank of Canada for 1981. I hope you will agree that the results fully justify the confidence placed in the new management structure. While general business growth and other factors contributed to your Bank's performance, I am personally proudest of the significant improvements in productivity, and want to give full credit where it is due — to the operating managers and their staffs.

Productivity and profitability are critical to the successful operation of an international bank in a volatile global economic climate. Both are fundamental to the stability of the Bank in the coming years. 1981 was a year of substantial achievement in both areas.

The coming year is certain to present challenges of increasing complexity. In many industrialized nations, including Canada, it will be a critical year, one in which government economic policies and private sector responses will be severely tested by the continuing struggle with inflation. The results may well be the key determinant of

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Chairman's Committee

Consistent with the Royal Bank's management philosophy, which emphasizes teamwork and decentralized decision-making, the Chairman's Committee is the senior policy and strategic planning committee for the Bank's global operations. Chairman Rowland C. Frazee is flanked, on his right, by Vice-Chairman R.A. Utting, and on his left, by President Jock K. Finlayson and Vice-Chairman H.E. Wyatt.

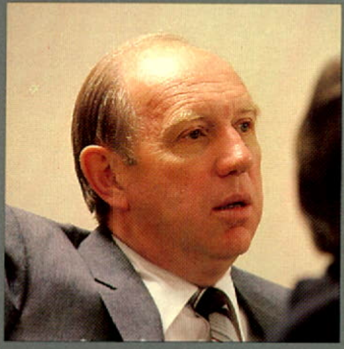
Management Committee

With senior representation from all parts of the Bank, world-wide, the Management Committee is a focal point for discussion and review of operations and corporate and divisional goals. Key members are shown below and on the facing page.

R. C. Paterson
Chairman, RBC Holdings B.V.

H. E. Wyatt
Vice-Chairman
Western Canada

B. D. Gregson
Executive Vice-President
Finance & Investments



Top left:
A.H. Michell
Executive Vice-President
Canada

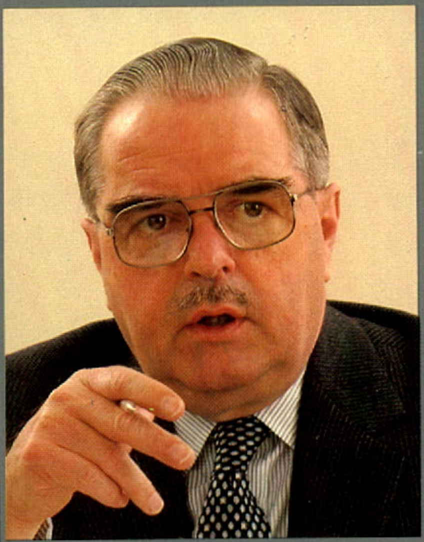
Top right:
J. C. McMillan
Executive Vice-President
National Accounts

Bottom left:
R. G. P. Styles
Executive Vice-President
World Trade & Merchant Banking

Bottom right:
A. R. Taylor
Executive Vice-President
International Banking

Rowland C. Frazee
Chairman and
Chief Executive Officer

J. K. Finlayson
President



R. A. Utting
Vice-Chairman

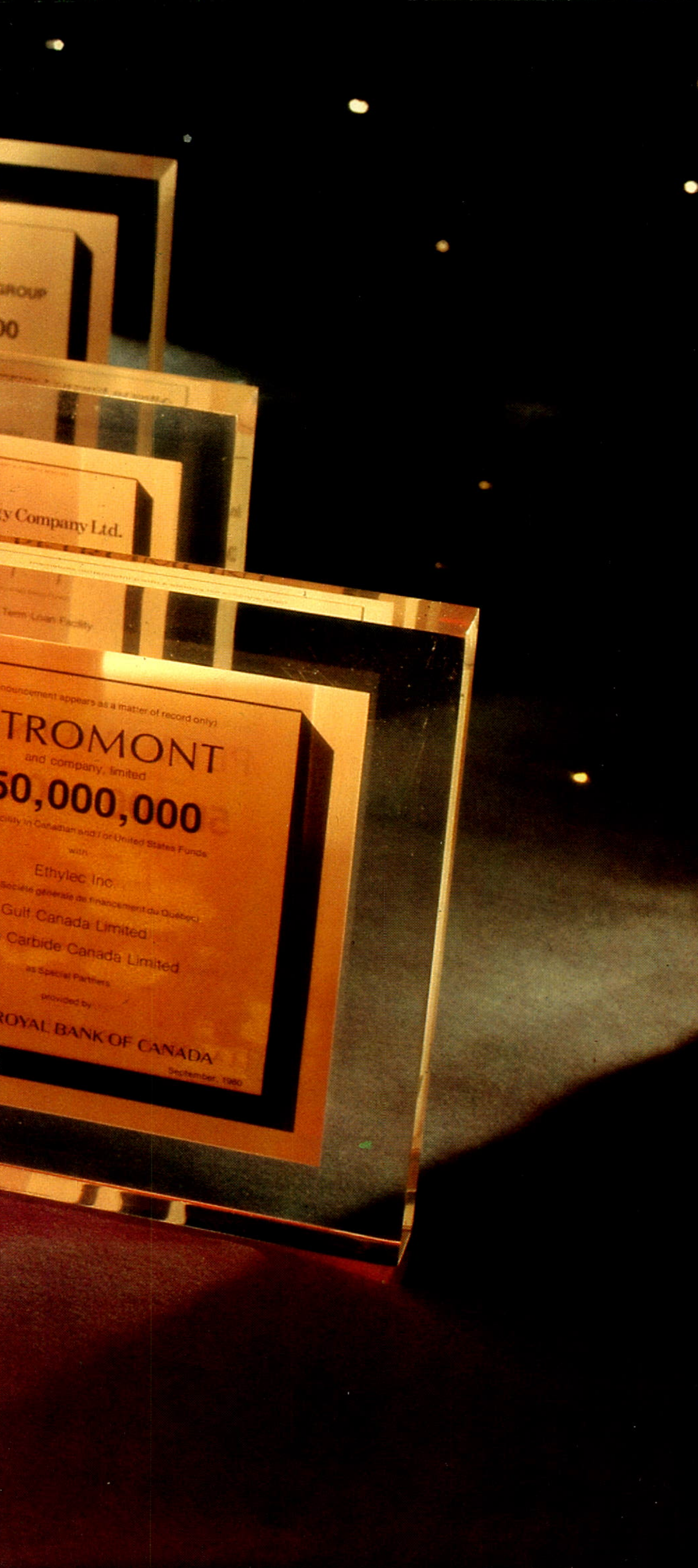
western economies for much of the rest of the decade.

For the Bank, dealing with these difficulties will require professionalism and depth of management skills in increasing degree. This means the continuing development of a new generation of leadership, capable of sustaining our recognized strengths while adapting to new circumstances. My colleagues and I see the task of building on the existing firm foundation of human resources within the Bank as a first priority.

If the Royal is to achieve the potential we believe it to have, it will be because of the abilities of our people. We cannot rely on past successes as guarantees of future achievement. As conditions change, so do the challenges, but we can be certain that good judgement, ingenuity, integrity, entrepreneurial spirit and dedication to service will continue to be fundamental. As I noted last year, I sense those qualities in full measure among Royal Bankers — thirty-nine thousand of them throughout our global network. It is appropriately on their behalf that I submit this Report of their accomplishments over the past year.

Rowland C. Frazee
Chairman and
Chief Executive Officer


ICC
$300,000,000
Grafton Group Limited
SULPETRO LIMITED
$596,000,000
Ten Year Term Facility
CanDel Oil Limited
THE ROYAL BANK OF CANADA
Alberta En
CDC canada development corporation
US $2,100,000,000
Syndicated Credit Facility
Bank of Montreal
The Bank of Nova Scotia
The Royal Bank of Canada



Report on the Year's Operations

Canadian businessmen learn some of the intricacies of world trade including trade financing, foreign exchange transactions management, letter of credit financing, etc., at a workshop given by a team of the Royal's international bankers from its World Trade and Merchant Banking Division. This workshop, one of many given across Canada in 1981, was held in Cobourg, Ontario.

As outlined in the Highlights of the Year, the Royal Bank had a successful year in 1981. The following analysis of operations is segmented into Corporate Overview, Domestic Operations and International Operations to facilitate an understanding of the Bank's overall performance.

The New Bank Act required that, commencing November 1, 1981, the Canadian chartered banks revise their methods of financial reporting somewhat. To provide a historical perspective, five years of annual results have been restated in the Supplementary Financial Information section on page 58 of this report.

Balance of Revenue After Taxes

The Royal Bank earned $492.5 million in fiscal 1981, an increase of 50 per cent over last year. Basic earnings per share, after adjusting for the March 1981 two-for-one stock split, amounted to $5.92, 33 per cent higher than the $4.46 earned in 1980.

The different growth rates in reported total after-tax earnings and earnings per share is a result of the larger average number of shares outstanding in 1981, primarily due to the September 1980 rights issue. Fully diluted earnings per share (assuming conversion of the $100 million convertible debenture outstanding) was $5.89, 3¢ lower than the basic earnings per share.

As can be seen from Chart 1, the major contributor to the earnings improvement was the Bank's Domestic Operations which rebounded from a poor 1980, earning $315.5 million in 1981, an increase of 73 per cent. International Operations showed continued strength, providing $177.0 million in after-tax profits, $31.6 million or 22 per cent higher than in fiscal 1980.

Asset Growth

Total assets of the Bank reached $87.5 billion at October 31, 1981, an increase of $24.7 billion or 39 per cent over 1980. This rapid growth was the result of several key factors:

- The consolidation of Orion Royal Bank Limited added approximately $3.8 billion to 1981's total assets.
- The escalated demand for corporate loans reflecting both take-over activity and the lack of a long-term debt market.
- High inflation automatically translated into expansion in the Bank's assets.

CHART 1

BALANCE OF REVENUE AFTER TAXES (in brackets dollars per share)

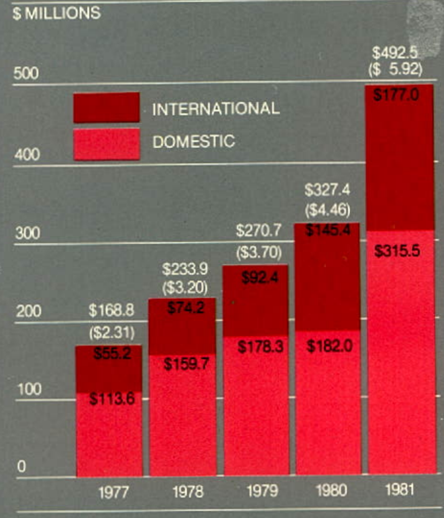


CHART 2

TOTAL ASSETS (annual average)

CHART 3

RETURN ON ASSETS (balance of revenue after taxes as a percentage of average total assets)

	1977	1978	1979	1980	1981
DOMESTIC	.52%	.61%	.54%	.47%	.63%
INTERNATIONAL	.55	.64	.66	.78	.71
TOTAL BANK	.53	.62	.58	.57	.65

- The decline in average value of the Canadian dollar during 1981 increased the translated value of the Bank's foreign currency assets.

The Bank's average total assets in 1981, the measure of the volume of business in place throughout the year, were $75.2 billion, an increase of $17.7 billion or 31 per cent over 1980. This total included domestic assets of $50.4 billion, up 30 per cent over 1980 and international assets of $24.8 billion, 33 per cent higher than the prior year.

The unusually rapid asset growth experienced in 1981 will be discussed later in this report. However, it should be noted that certain of the above factors will have quite different effects in 1982, with the result that asset growth is expected to decelerate markedly in the coming year. This will be carefully monitored, with management's emphasis being on the profitability and quality of the overall asset portfolio.

Return on Assets

The Royal Bank's return on average total assets rose to 0.65 per cent in 1981 from the low level of 0.57 per cent in 1980. This year's return was the highest level since 1975.

As highlighted on Chart 3, the 1981 trends in the Domestic and International Operations' return on assets were reversed relative to the past two years. Domestic return on assets, which hit a ten-year low of 0.47 per cent in 1980, rose considerably in 1981 to 0.63 per cent. International Operations, while still maintaining a strong level, fell 7 basis points to 0.71 per cent in 1981. It can thus be seen that the diversification of the Royal's business is of considerable benefit to the shareholders of the Bank.

While this year's Total Bank return on assets showed considerable improvement over 1980, this level is essential in order to generate an adequate return to investors and to attract additional capital, which, in turn, is essential to future growth.

Net Interest Revenue

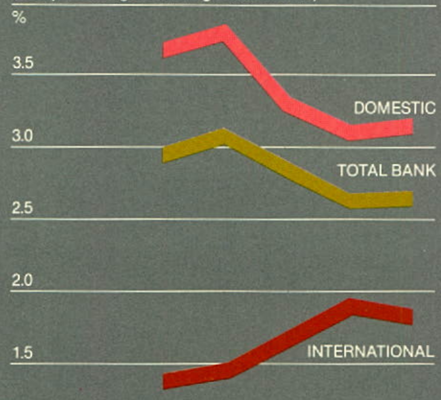
The per cent taxable equivalent net interest revenue, or "spread", which takes into account the effect of tax-exempt income earned on certain Canadian securities, measures the difference between the yield on assets and the interest cost of deposits and debentures.

In 1981, per cent spread on the Bank's domestic business improved after several years of consecutive decline. In general, this can be attributed to the interest rate movements in 1981. The Bank's assets react more quickly to interest rate changes than do its deposits. As a result, when rates rise rapidly there is a temporary improvement in domestic interest spread. On the other hand when rates fall, as they did in the fourth quarter, the per cent spread can be severely squeezed and thus hamper domestic profitability. This topic is discussed in greater detail under "Domestic Operations".

On the international side, interest rate movements do not necessarily have the same effect on per cent spread. International spread registered a modest decline in 1981 to 1.81 per cent, still a very satisfactory level compared with the past five years' performance.

CHART 4

TAXABLE EQUIVALENT NET INTEREST REVENUE
(as a percentage of average total assets)



	1977	1978	1979	1980	1981
DOMESTIC	3.69%	3.75%	3.24%	3.04%	3.10%
INTERNATIONAL	1.34	1.45	1.65	1.88	1.81
TOTAL BANK	2.97	3.01	2.78	2.66	2.67

CHART 5

OTHER OPERATING REVENUE

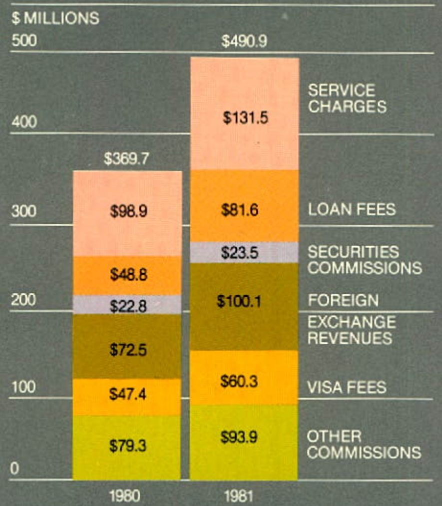
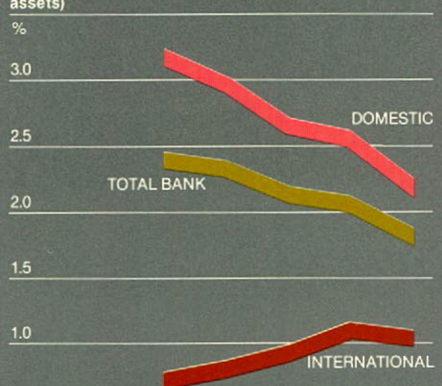


CHART 6

NON-INTEREST EXPENSES
(excl., loan losses, as a percentage of average total assets)



	1977	1978	1979	1980	1981
DOMESTIC	3.18%	2.95%	2.63%	2.51%	2.21%
INTERNATIONAL	.78	.82	.93	1.09	1.08
TOTAL BANK	2.43	2.29	2.12	2.05	1.84

Other Operating Revenue

Other operating revenue or fee revenue is an increasingly important source of income for the Bank. In 1981 these sources contributed $490.9 million towards the Bank's total revenue, 33 per cent more than in 1980. Chart 5 highlights the major categories of other operating revenue for the past two years, most of which showed excellent growth.

Service charge revenue was up 33 per cent over 1980 as a result of higher volumes and increased pricing on many deposit services which for some time had not kept pace with rising costs. Loan fees registered 67 per cent growth in 1981, much of which came from international loan syndications. Securities commissions rose modestly in 1981 principally due to the low level of sales of Canada Savings Bonds in the fall of 1980. Revenue from foreign exchange, a market in which the Royal is among world leaders, displayed favourable growth of 38 per cent in 1981. Visa fees, those revenues mainly generated from merchant discounts on transactions, showed growth of 27 per cent in 1981 largely due to increased volumes. Other commissions, principally in the form of letter of credit commissions and banker's acceptance fees, rose 18 per cent to $93.9 million.

Videotape is used by A.H. Michell, Executive Vice-President, Canada Division, to deliver a message to branch management across Canada. The videotape is being used to introduce a program outlining the ways the Royal's managers can assist independent businessmen to achieve greater productivity and success.

Non-Interest Expenses

During 1981, the Royal Bank's non-interest expenses, excluding the loan loss provision, rose by 17.4 per cent over 1980.

Chart 6 shows the five-year trend of one of the Bank's key productivity measures, non-interest expenses expressed as a percentage of average assets. For the Total Bank, this ratio declined significantly in 1981 to 1.84 per cent from 2.05 per cent last year. As shown on the chart, this was a result of particularly restrained growth in these expenses within Domestic Operations. International operating expenses grew in line with assets in 1981.

Table 1 highlights the key components of non-interest expenses and the relative growth of these components compared to 1980. Staff costs showed modest growth of 16.3 per cent, reflecting increased productivity by the Bank's staff in Canada. Property costs rose by 20.2 per cent in 1981, partially the result of adjustment of rents on property owned by the Bank's subsidiary, Globe Realty Limited, to market rates. Other operating expenses, which include miscellaneous categories such as advertising, stationery, moving costs and the like, rose by 17.9 per cent in 1981. More rapid growth is anticipated in this category in 1982 due in part to increased telephone and postal rates.

The management of the Bank continues to place considerable emphasis on controlling the growth in non-interest expenses as this is essential in maintaining profitability at satisfactory levels.

TABLE 1
Non-Interest Expenses
($ Millions)

	1980	1981	% Change
Staff Costs	$ 727.2	$ 845.4	16.3%
Property Costs	129.0	155.0	20.2
Mechanical Equipment and Other Computer Costs	53.3	66.4	24.6
Other Expenses	266.9	314.6	17.9
Total	$1,176.4	$1,381.4	17.4%

TABLE 2
Loan Loss Statistics
($ Millions)

Loan Loss Experience	**1977**	**1978**	**1979**	**1980**	**1981**
Domestic:					
Consumer Business	$21.6	$30.2	$35.2	$ 38.7	$ 49.5
Independent Business & Agriculture	24.4	25.9	36.1	34.2	42.9
Commercial Business more than $500,000 and National Accounts Division	28.2	7.0	4.4	27.9	64.2
Domestic Recoveries	(5.0)	(5.5)	(10.3)	(9.8)	(13.0)
Domestic Loss Experience	69.2	57.6	65.4	91.0	143.6
International Loss Experience	6.0	5.2	(.6)	55.1	48.8
Total Loan Loss Experience	$75.2	$62.8	$64.8	$146.1	$192.4
Loan Loss Provision					
Domestic Loan Loss Provision	$49.8	$57.8	$ 73.9	$ 89.9	$134.5
International Loan Loss Provision	31.6	35.1	29.2	30.9	41.5
Total Loan Loss Provision	$81.4	$92.9	$103.1	$120.8	$176.0

Loan Losses

In the past two years, loan losses have been of particular concern to the banking industry. In banking, while prudent lending practices should keep losses to acceptable levels, they must be recognized as a cost of doing business.

Table 2 provides a five-year breakdown of the two elements used in developing loan loss statistics. First is the loan loss experience, which is the sum of net loan write-offs plus the net increase in specific appropriations which have been identified as involving likely future losses. The other, the loan loss provision, is the charge to income based on the five-year average ratio of loss experience to risk-related loans.

Total loss experience in 1981 was $192.4 million, up from $146.1 million in 1980. Of the total, $48.8 million represents losses on International Operations, down from $55.1 million in 1980, and $143.6 million was from Domestic Operations, up from $91.0 million. The international loss experience represents new appropriations in light of uncertain situations in various parts of the world. On the domestic side, most of the growth came in the large commercial and corporate loan sector reflecting, in part, prudent appropriations for certain troubled multinational corporations.

Other domestic losses did not increase as dramatically in 1981 but they still remain a concern requiring careful monitoring by management.

Chart 7 illustrates the five-year trend of loan loss experience as a per cent of eligible loans. After a sharp rise in 1980, this measure has fallen somewhat to 0.35 per cent reflecting a modest improvement in the overall quality of the loans portfolio compared to last year.

The management of the Bank feels that prudence is being displayed on the part of its lending officers and that the overall portfolio quality continues to be sound.

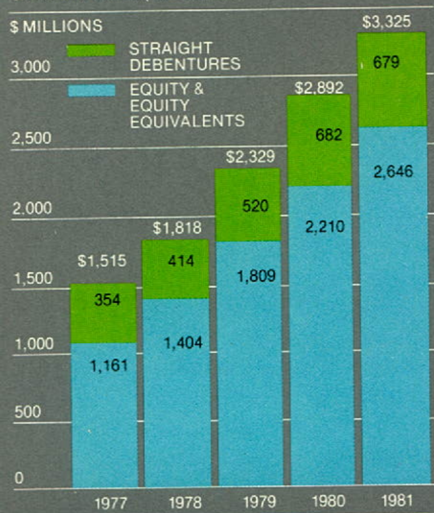
CHART 7

LOAN LOSS EXPERIENCE AS A PERCENTAGE OF ELIGIBLE LOANS

$ MILLIONS	1977	1978	1979	1980	1981
Loss Experience	$75.2	$62.8	$64.8	$146.1	$192.4
Eligible Loans	$20,374	$24,187	$30,142	$36,169	$54,255
LOSS RATIO	.37%	.26%	.22%	.40%	.35%

CHART 8

CAPITAL FUNDS (October 31)



Capital Funds

A basic financial strategy followed by the Bank is to endeavour over time to increase total Bank capital as total assets grow. Such a policy is intended to ensure that the level of capital funds employed in the Bank is adequate in relation to the nature and absolute dollar amount of assets. This is an area given particular attention, considering the accelerated rate of asset growth experienced in recent years.

Chart 8 highlights the growth of capital funds over the past five years. "Total capital funds" are defined to include all classes of common and preferred stock, accumulated appropriations for losses and subordinated debentures. At October 31, 1981, this aggregate was in excess of $3.3 billion, a very large and solid foundation. The "total equity" of the Bank, including preferred shares and equity equivalent issues such as convertible debentures, was over $2.6 billion.

Table 3 shows the total level of Bank capital at October 31st for the last five years and the relationship of capital to assets at each date.

The adequacy level of capital is assessed by application of various measurement standards which require differing amounts of capital underpinning. The "assets to total equity ratio" focuses on the shareholders' relative position, while the "assets to total capital funds ratio" focuses on the depositors' position, as all of the capital funds are subordinate to deposits. As can be seen from the bottom lines on the table, both of the assets to capital ratios stayed relatively level over the period up until this year, when the growth in capital did not keep up with the Bank's asset growth. With the revised reporting required by the New Bank Act (see page 58), total equity is $154 million higher while assets are $2.1 billion lower. The resulting assets to total equity ratio is 30.5:1 and assets to total capital funds ratio is 24.6:1.

TABLE 3
Capital Funds
($ Millions)

(as at October 31)	1977	1978	1979	1980	1981
Common Equity	$ 854	$1,079	$1,292	$1,686	$1,991
Accumulated Appropriations for Losses	307	325	358	370	405
Sub-Total Common Shareholders' Equity	1,161	1,404	1,650	2,056	2,396
Preferred Shares	—	—	159	154	150
Convertible Debentures	—	—	—	—	100
Total Equity (incl. equity equivalents)	1,161	1,404	1,809	2,210	2,646
Subordinated Debentures	354	414	520	682	679
Total Capital Funds	1,515	1,818	2,329	2,892	3,325
Growth	17.4%	20.0%	28.1%	24.2%	15.0%
Assets to Total Equity Ratio	29.6:1	29.1:1	28.6:1	28.4:1	33.1:1*
Assets to Total Capital Funds Ratio	22.7:1	22.5:1	22.2:1	21.7:1	26.3:1**

*(30.5 on New Bank Act basis)
**(24.6 on New Bank Act basis)

In 1981, the Bank realized a net increase of $306 million in capital generated internally. Other sources of new capital included $46 million from the remaining proceeds of the fall of 1980 rights offering, $13 million from the new Stock Dividend and Dividend Reinvestment programs, $13 million from consolidations, and $100 million from the July 1981 private placement of ten-year convertible debentures. Also in 1981, the Globe Realty Limited preferred shares and U.S. dollar debentures were exchanged into securities of the Bank.

Other recent developments intended to further improve the capital funds ratios include the public issue, announced in October 1981 but only completed early in fiscal 1982, of $210 million of convertible preferred shares and $160 million of convertible debentures. An agreement in principle to purchase all of the outstanding shares of Canadian Acceptance Corporation Limited has also been announced, with the major part of the purchase price to be satisfied by the issue to the vendor of $100 million of convertible debentures. These issues, naturally not included in the capital position as of October 31, 1981, considerably strengthen the Bank's capital base for the future.

Of special interest is the amount of internally generated capital. Without an acceptable level of profitability, internal capital growth would fall far short of asset growth. At the same time, adequate profitability is a key factor affecting the Bank's ability to raise capital through share and debenture issues. Thus, adequate profits are an indispensable requirement if the Bank is to continue to play a major role in the financial markets in Canada as well as to realize the opportunities for expansion of its operations in the international marketplace.

TABLE 4
Uses of Additions to Capital Funds
($ Millions)

	1977	1978	1979	1980	1981
Net Increase in Fixed Assets	$ 80.8	$ 61.4	$ 61.9	$ 63.4	$ 31.5
Increase in Investment in Non-Consolidated Subsidiaries and Affiliates	34.0	16.1	(23.9)	—	110.9
Increase in Capital Underpinning of Working Assets	109.2	225.7	313.7	417.1	533.4
Total Increase in Capital Funds	224.0	303.2	351.7	480.5	675.8

Table 4 sets out the uses of the additions to capital for the years 1977 through 1981. Royal Bank management policy is to not use depositors' funds for investments in its own fixed assets and subsidiaries and affiliates. Accordingly, part of the increases in capital were used to upgrade and expand the Bank's network of premises, computers and other equipment. For the five-year period, net fixed assets additions were $299 million after allowing for proceeds received on sales of similar assets and depreciation.

It should be noted that the Royal Bank has approximately $300 million in unrealized gain in the value of its real estate, representing the difference between current market values and net book values. As well, the Bank has increased considerably its investment in subsidiaries and affiliates, for example, Orion Royal Bank Limited, BN Bank A.G. and The Royal Bank and Trust Company.

The remaining Bank capital was used to increase and underpin the working assets of the Bank. (Working assets represent Total Bank assets with the exception of fixed assets and the investment in controlled companies.) It is evident that over time, loan volume increases must be underpinned by increases in bank capital to keep the leverage of the shareholder and depositor stable.

As stated earlier, it is expected that the Bank's 1982 asset growth rate will be significantly less than in 1981, thereby putting virtually no pressure on capital ratios. Overall, the Royal Bank is in a very satisfactory capital position for the future.

Corporate Resource Groups

The Royal Bank's corporate resource groups have been established to oversee and service the operational needs of its banking divisions. Their scope of activity extends to all components of the Royal Bank Group. Very directly related to banking operations are the Personnel, Operations and Systems and Economics Departments, for they provide the fundamental resources to the Bank: people, technical capability and economic research.

The growth of the Bank in recent years has resulted in the recruiting of specialists and the intensified training of employees. The Corporate Personnel Department is responsible for ensuring the development of professional skills among all of the Bank's employees, thus sustaining organizational integrity and management continuity.

To this end, a broad range of training programs is offered to all staff members. Management seminars are conducted regularly to enable officers to cope with the increasing complexities of the banking industry. Assistance is offered to those employees choosing to further their education and, in conjunction with the Institute of Canadian Bankers, the Royal Bank encourages staff members to enroll in ICB courses offered at many Canadian universities.

Through two outstanding in-house programs, the Personnel Department also attempts to provide employees with realistic communication channels through which they are able to call appropriate attention to their more individual needs. The RSVP program, established several years ago, provides employees with a confidential channel, through a co-ordinator, directly to the Chairman. The employee may express particular job-related concerns and receive assistance or counsel in dealing with them. To assist the employee with more personal problems, such as the non-medical use of drugs, alcohol abuse or other problems of a personal nature, the Bank created the ACCESS program. Again, through confidential referral channels, the employee is placed in contact with a professional counsellor. Both of these programs have proven themselves successful in providing immediate help to employees whose difficulties have grown to beyond normal proportions.

Finally, in an attempt to seek avenues to maintain the Bank's reputation of being a fair and responsible employer, the Personnel Department conducts extensive studies into compensation practices, working environments and conditions, and changes in the labour-force composition.

The Operations and Systems Department, which includes roughly ten per cent of the Bank's total staff complement, is composed of three units: Branch and Processing Operations, Real Estate Resources and Systems Development. The Department manages the network of computer centres and provides automated systems, methods and procedures to meet operations and management information needs on a bank-wide basis. It also evaluates and acquires computer, mechanical and communications equipment, and manages the majority of the Bank's property, premises and furnishings.

Throughout the past decade, use of new computer and communications technologies have expanded considerably and have had a dramatic effect on the Bank's market activities, profitability and improved productivity levels. It is anticipated that the evolution of automated systems will become increasingly rapid, providing a new and significantly different set of challenges for all units of the Bank throughout the 80s. Understanding and managing these changes will remain critical to the Royal's continued success.

The third, and perhaps most publicly visible resource group, is the Royal Bank's Economics Department. While its principal function remains the formulation of economic forecasts and analyses for the Bank's operating divisions around the world, it is also an active participant in national and international economic symposiums.

During 1981, the Economics Department introduced the Economic Information System for Management. This in-depth report, including critical analyses and forecasts of sectoral and international developments and trends, business conditions and financial markets, is forwarded to the Bank's senior management team on a timely basis. The department also publishes 'Econoscope', a monthly periodical which has a subscriber list of large corporations, multinationals and foreign governments. 'Trendicator', one of the four leading indicators of economic activity in Canada, is published eight times a year and continues to win the group broad recognition.

This experimental, remote banking station is located one floor below the Toronto Main Branch in the Royal Bank Plaza. All normal banking transactions may be carried out here. The customer communicates with a teller by means of two-way television, while an exchange of funds, Visa or Client Cards, etc. can be made through a pneumatic tube system.

Corporate Social Responsibility

The Royal Bank's Public Affairs Department provides an integral link for the Bank with its many audiences, among which are governments, shareholders, employees, consumer and educational groups, and the general public. The intent of this group is to sustain a vital and sensitive relationship with the communities served by the Bank. To that end, analyses of social and political trends are conducted regularly, providing the basis for long-term policy planning and successful community relations.

Corporate donations, the traditional expression of an organization's social responsibility, are only part of the framework around which the Bank strives to maintain good relations with the communities it serves.

During this "International Year of the Disabled", the Bank focused a good deal of attention on providing better services to the handicapped. Over 200 branches were modified to accommodate clients confined to wheelchairs. A number of Visa centres were equipped with special telephone adaptors for clients with hearing impairments. To assist the blind, a catalogue of Royal Bank services was recorded and made available on cassette tape recordings, and templates were introduced and distributed to facilitate cheque writing. The Bank also sponsored the production of a feature film, "Against All Odds", to illustrate the lives of three highly determined, handicapped Canadians. This film was shown on a national television network and received wide acclaim.

The Bank continued its Junior Olympics program, in which it sponsored the participation in competitive sports of more than 600,000 young Canadians. The Royal Bank Award, which annually recognizes an outstanding achievement of a Canadian for the good of mankind, was doubled in value, and henceforth the recipients will be honoured with the traditional gold medal and a cash award of $100,000. The 1981 Award was presented to Mr. Harry E. "Red" Foster, in recognition of his lifelong efforts on behalf of the mentally handicapped.

Financial Review

Domestic Operations is defined as all of the Bank's Canadian branch-based transactions, regardless of currency. These transactions are carried out in three specific banking markets: retail, commercial and corporate, and are conducted principally through the Bank's Canada Division and National Accounts Division. A number of specific internal allocations and adjustments are made between Domestic and International Operations to take into account head office expenses and capital.

TABLE 5
Domestic Highlights

	1980	1981
Domestic Average Assets ($ billions)	$ 38.8	$ 50.4
Balance of Revenue after Taxes ($ millions)	182.0	315.5
Return on Assets	.47%	.63%

Domestic Operations' profitability showed a considerable improvement over 1980. Average assets rose 30 per cent to $50.4 billion in 1981, and after-tax earnings increased by 73 per cent to $315.5 million. As a result, domestic return on assets rose to 0.63 per cent, 16 basis points above the ten-year low of 0.47 per cent experienced in 1980.

Table 6 shows the Domestic Highlights per $100 of Average Assets. Domestic spread was not significantly changed from 1980, rising by only 6 cents. Domestic non-interest expenses rose by only 14 per cent, much slower than the growth rate in assets and thus non-interest expenses per $100 of assets fell 30 cents to $2.21. The major increase in year-over-year return on assets arose from this considerably improved productivity performance.

TABLE 6
Domestic Highlights per $100 of Average Assets

	1980	1981
Taxable Equivalent Spread	$3.04	$3.10
Other Operating Revenue	.66	.65
Net Revenue	3.70	3.75
Non-Interest Expenses (Excl. Loan Loss Provision)	2.51	2.21
Loan Loss Provision	.23	.27
Total Non-Interest Expenses	2.74	2.48
Pre-Tax Return	.96	1.27
Taxes (Taxable Equivalent Basis)	.49	.64
Return on Assets	$ .47	$ .63

Domestic Per Cent Spread

Canadian interest rate fluctuations experienced in 1981 had a major impact on the Bank's domestic spread. Generally, when interest rates rise rapidly, banks receive a temporary benefit. The yield on loans and investments adjusts to the new rates more quickly than does the cost of funds, which catches up as the term deposit portfolio matures and is renewed at higher rates. When rates fall, the opposite occurs and margins are narrowed.

Chart 9 shows the pattern of domestic per cent spread over the past three years. In the first fiscal quarter of 1981 the rapid increase in the prime rate boosted the spread considerably. However, throughout the rest of the year, even though prime was rising somewhat, the catch-up of the deposit costs was more rapid. The downturn in interest rates, late in the fourth quarter of the year, severely decreased spread, as generally happens when rates decline.

Chart 10 illustrates one of the major determinants of this phenomenon. The components shown are the prime rate, the portfolio cost of large term deposits (including the cost of reserves) and the difference between the two, or "funding spread". The relationship shows that in the spring and summer of 1980 and in September and October of 1981, the yield on the prime rate loans fell much more rapidly than the cost of deposits used to fund them, resulting in a negative impact on the funding spread. This is because depositors, naturally enough, kept their money on deposit at the higher, contracted rates until the term deposits matured. Thus, the cost to the Bank fell much more slowly than did interest rates generally. In mid-1980 and towards the end of fiscal 1981 the funding spread was negative. This phenomenon continued into the first quarter of 1982.

Conversely, the rapid rise in loan rates early in fiscal 1981 caused the yield to rise much more quickly than the cost of term deposits. This caused a large increase in the funding spread and hence a surge in profits in December 1980 and early January 1981. This lasted only briefly, until the cost of term deposits caught up in February. Again in May 1981, an upward trend in interest rates improved this spread, but as deposit costs gradually moved up to the new levels, spread narrowed.

It is important to note that, contrary to popular belief, the spread does not widen permanently when the prime rate is high.

CHART 9

CANADIAN PRIME RATE VS DOMESTIC PER CENT SPREAD

Quarterly basis 1979-1981

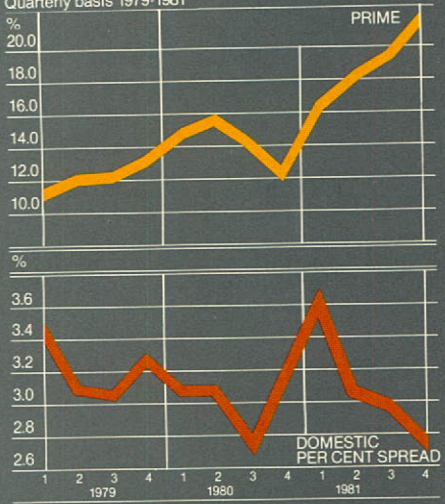


CHART 10

PRIME RATE VERSUS PORTFOLIO COST OF LARGE CANADIAN DOLLAR TERM DEPOSITS (Including Reserve Costs)

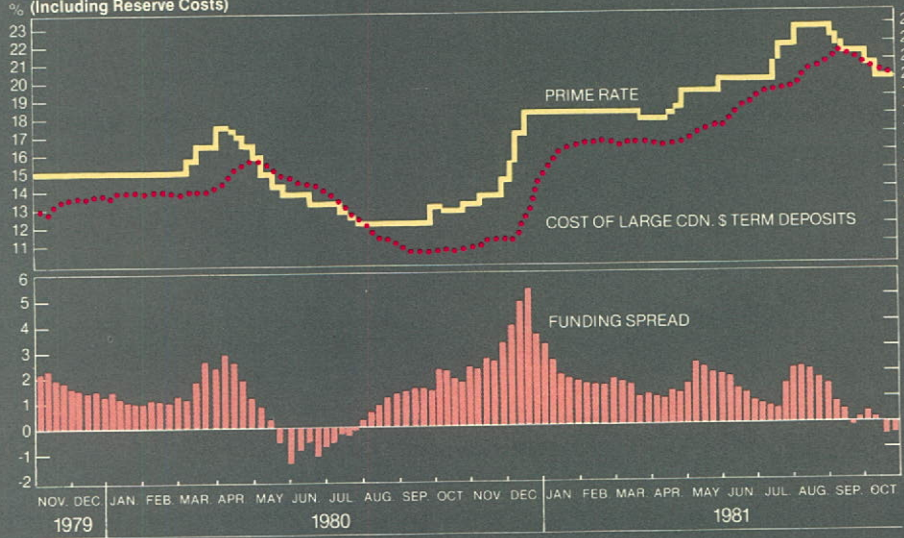


CHART 11

DISTRIBUTION OF DOMESTIC DEPOSITS
Based on Domestic Average Deposits Balances

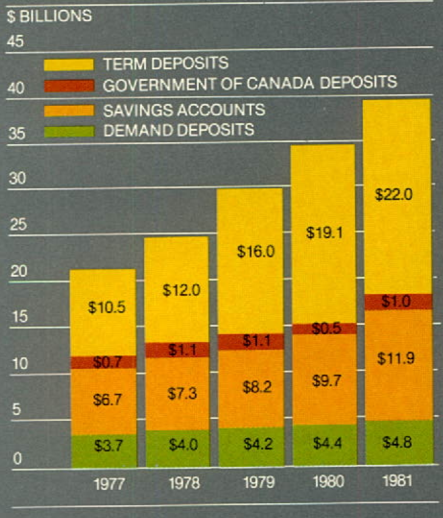
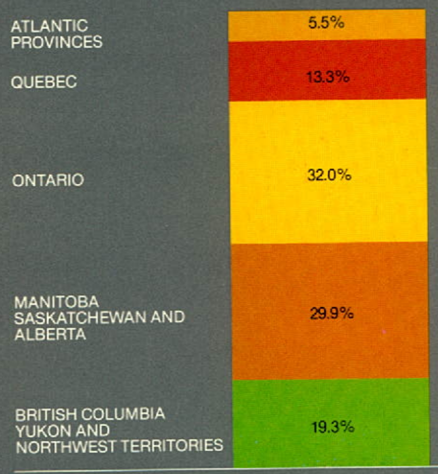


CHART 12

REGIONAL DISTRIBUTION OF DOMESTIC ASSETS PER CENT BY AREA
Based on Balances as at September 30, 1981



Distribution of Deposits and Assets

Charts 11 and 12 illustrate the broad distribution of the Bank's business and highlight its domestic diversification.

On the deposit side, clients became more sensitive to higher interest rate levels and put more of their savings into the high-cost categories.

Chart 12 shows how the Bank's assets are spread across Canada. Relatively fast growth has recently occurred in the strong economy of Western Canada, increasing the proportion of assets in that region.

TABLE 7
Segmentation of 1981 Domestic Operations

	Assets $ Billions	After-Tax Earnings $ Millions	Return on Assets %
Consumer Operations	$13.3	$ 60.6	.46%
Independent Business & Agriculture	6.5	53.9	.83
Commercial Business $500,000 and over and National Accounts Division	14.0	67.8	.48
Canadian Treasury	3.4	60.0	1.76
Foreign Currency Operations in Canada	9.4	73.2	.78
Other Assets	3.8	—	—
Total Domestic Operations	$50.4	$315.5	0.63%

Performance by Key Banking Businesses

For management purposes, the Royal groups its Domestic Operations into several key business categories and analyzes them after adjusting for a number of internal fund transfers and charges. Table 7 shows the highlights for the year of the major businesses. As certain of the business sectors are net suppliers of funds and others are net borrowers, the earnings of each group include the profit effect of the internal sales or purchases of funds. The return on assets and business volumes shown exclude these transfers so as to avoid double-counting the volumes in the totals.

The Royal's domestic retail operations are among the largest in the world. With a branch network of approximately 1,500 units and a staff complement in excess of 30,000, Retail Banking remains the most visible of all the Bank's operational units.

The structure of the retail operations were significantly expanded in 1981, to include not only the consumer group but also the agricultural and independent or small business clients. By incorporating the latter two under the direction of Retail Banking, the Royal intends to provide these clients with greater personal access to their bankers through the branch network.

During 1981, the Royal's continuing effort to adapt to changing markets, while at the same time to enhance branch network productivity, resulted in the opening of 22 new locations across Canada and 39 closures. An important opening took place in Red Deer, Alberta, where the Royal launched an Agricultural Banking Centre. The program of branch rationalization will continue to ensure a proper match of network resources to market needs.

Popular entertainer Jean Lapointe became associated with Royal Bank services, including our new Client Card, in a number of television commercials and personal appearances throughout Quebec during the year.

The Royal's new Personal Touch Banking service (banking machines) was launched during the year with concerts given by Canadian jazz pianist Oscar Peterson in a number of cities across Canada.

The Bank's consumer operations' assets include Termplan or consumer installment loans, mortgages and Visa accounts. Average assets in 1981 were $13.3 billion, or 13 per cent higher than the previous year. This growth rate was after having sold $1.2 billion in mortgages to the Bank's mortgage subsidiary, RoyMor Mortgage Corporation Limited. Deposits rose by 19 per cent to $20.7 billion while after-tax earnings increased by 81 per cent, to $60.6 million, a considerable improvement over 1980's poor results.

A major difficulty which has arisen in this area of the business over the past several years is the low yield on the high proportion of fixed-rate assets, such as consumer installment loans and mortgages. As interest rates (and hence deposit costs) have trended upwards, the effect on profitability has been negative. Chart 13 shows the movement in yield on the Bank's Termplan and mortgage portfolios over the past two years. It can be clearly seen that for much of that period, the yield on these portfolios was considerably below the prime rate, the rate which the Bank's best corporate clients receive on demand loans. As well, it can be seen that the yields do change slowly despite sharp changes in the prime rate.

Chart 14 shows the five-year pattern of profitability in the consumer banking business, as well as the net yield and average cost of funds, which include related operating and overhead expenses. In 1981 the net yield increased slightly more rapidly than did the cost of funds due to two major factors: first, the high money market related rate paid to consumer banking for deposits raised in excess of its own needs; and second, the cost of the Bank's personal term deposit portfolio which rose relatively slowly as the cost of these term deposits changes only when the deposits mature and are replaced at the current high rates. Another major factor in the improvement in consumer banking was the effective management of operating expenses. The net result is that the return on assets improved from the unsustainably low level of 0.19 per cent to 0.46 per cent. While this is a considerable improvement, the consumer banking sector remains the least profitable of our Domestic banking businesses.

The Royal's ability to create highly flexible consumer services continued in 1981. The Retail group, in conjunction with the Operations and Systems Department, introduced the "Client Card" in the larger urban centres across the country. The card combines all the account services subscribed to by the client under his or her name. The client then has immediate access to all of his accounts, including Visa, through the Bank's automated teller machine network. When activated by the Client Card, the machines will transfer, withdraw and / or deposit funds among the client's various savings, chequing and Visa accounts, or provide cash to the client, as requested, on a 24-hour-a-day basis. This program, known as Personal Touch Banking, has been enthusiastically received and will be expanded to other regional centres in the coming year.

The Royal's total mortgage portfolio (including those mortgages of RoyMor Mortgage Corporation), ended the year at approximately $7 billion, involving nearly 200,000 accounts. However, high interest rates caused some clients severe financial difficulty upon mortgage renewal. The Retail Bank, therefore, introduced a mortgage interest deferral plan and nominated mortgage ombudsmen in each province in an attempt to alleviate severe hardship wherever possible.

CHART 13

CONSUMER FIXED RATE LOAN PORTFOLIOS VS PRIME RATE

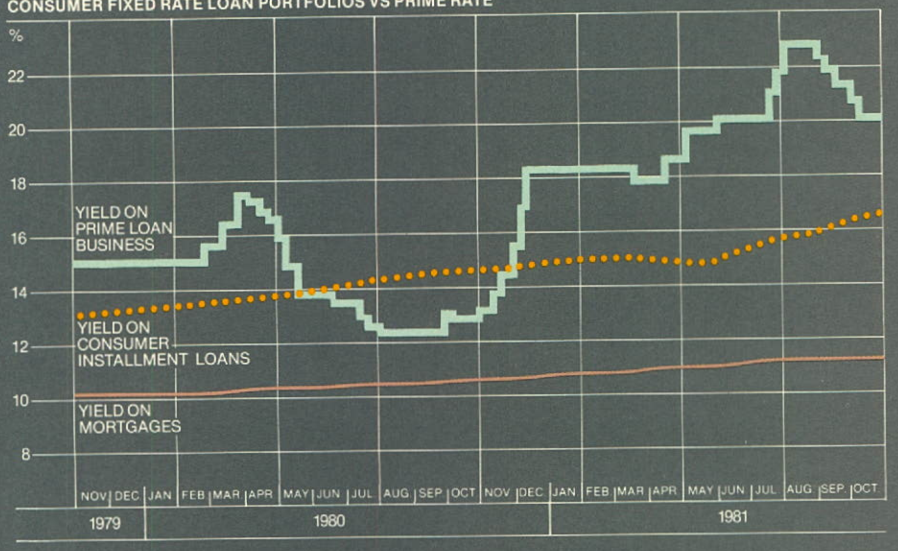


CHART 14

CONSUMER OPERATIONS

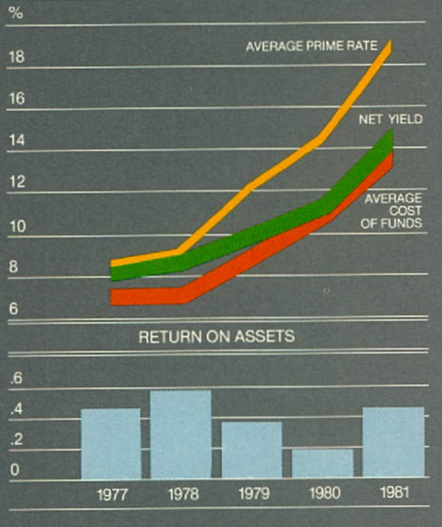
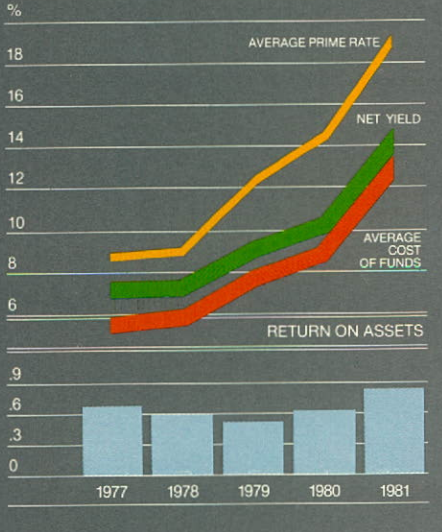


CHART 15

INDEPENDENT BUSINESS & AGRICULTURE



The Bank's Independent Business & Agriculture sector performed very satisfactorily in 1981 earning $53.9 million with a return on assets of 0.83 per cent. The return on assets of this sector of the Bank's business is temporarily enhanced in times of high interest levels because of the current account deposits which fund a substantial proportion of this segment's assets.

The Bank's independent business clients, generally those with sales of below $5 million annually, received considerable attention in 1981. Twice during the course of the year, the Bank increased its allotment of funds to the federal government's Small Business Development Bond program, to reach $650 million at year-end. The program provides low-interest loans to incorporated farmers and small businesses in support of modernization and expansion projects, the acquisition of new depreciable assets including equipment used in research and development and, where warranted, temporary refinancing plans. By the close of the fiscal year, 3,500 small business and farming enterprises had participated, through the Royal Bank, in this innovative government-sponsored program.

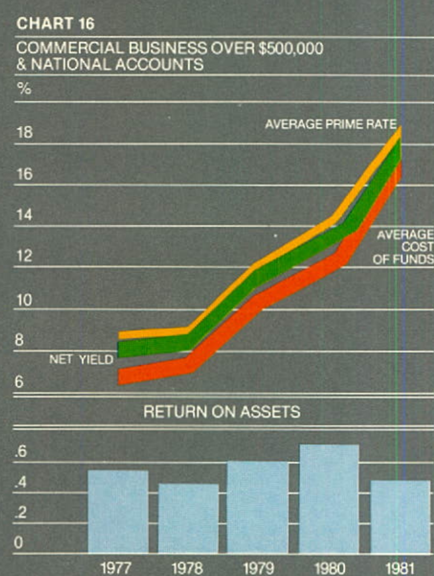
Since its inception in 1975, the "Your Business Matters" series of booklets, intended for small businesses, has been widely acclaimed and circulated to nearly two million clients and interested parties. The series was expanded in 1981 to include a sixteenth volume, entitled "Starting a Business". The Bank also assembled a kit of four volumes of the services under the title of "A Business Start-Up Kit" for distribution, at no charge to the client, throughout the branch network. This package includes lists of appropriate intergovernmental referral channels which have been established to lend further assistance to this vigorous and growing sector of the economy.

In consultation with its 33 agrologists, the Retail Bank's agricultural team originated several service packages in 1981 which have proven valuable to the farming community. The RoyFarm Mortgage Program was amended to provide greater financial flexibility during a period of erratic interest rates.

In support of its financial management and farm credit advisory services, the group has undertaken to publish a monthly "Farm Business Review" letter, which is circulated through the branch network at no charge to clients. Similar information is being distributed through "Grassroots" videotex, a pilot research project in which the Bank is an active participant. The program provides additional weather mapping and forecasting to the farming community through terminals leased by the farmer. This project is in its early stages of development and is being test-marketed in Manitoba.

Finally, in conjunction with the Bank's World Trade group, studies assessing international agricultural trade expansion and the banking potential therein are underway and, to date, show strong indications for expanded business opportunities.

The Bank's RoyFarm Mortgage Program was amended during the year to provide greater financial flexibility for farmers during a period of erratic interest rates. Stuart Pond, Manager, Agricultural Services, left, talks business with farmer Donald Kroeker in Winkler, Manitoba.



The Canadian currency loans of the Bank's large Commercial business and National Accounts Division represent a substantial proportion of the Bank's domestic assets. The performance of this sector weakened in 1981 relative to 1980; after-tax profits declined by 6 per cent to $67.8 million while assets rose by 36 per cent. As a result, the return on assets fell from 0.71 per cent to 0.48 per cent. The Bank is taking measures to improve profitability within this segment while asset growth is expected to slow in 1982.

The growing need for financial and non-lending services, refined to meet specific industry requirements, has become more immediate in the Commercial market. The Bank has, over the past several years, built the foundation for programs that will accommodate such specialization and, during 1981, Commercial Banking brought a number of them to fruition. By segmenting the commercial activities from retail branch operations, in the form of Commercial Banking Centres, bank officers were given a more focused environment in which to work. By year-end, it is anticipated that there will be thirty Commercial Banking Centres in full operation.

New strategies were also developed in 1981 to relate Commercial Banking's recognized strengths more closely to the Royal Bank's long-term objectives. Non-lending services, such as CashCommand and automated payroll systems, which had been successfully introduced in the past few years, were expanded and modified to support the needs of a growing clientele.

During the next several years the commercial banking market will become considerably more competitive, with the advent of up to 60 foreign banks gaining Canadian charters. The Royal Bank has readied itself for such an environment and is confident of vigorous and successful participation in this market.

The National Accounts Division, headquartered in Toronto, with other offices in Montreal, Calgary and Vancouver, maintains a client portfolio of approximately 500 connections which include more than 4,500 individual companies. The Division has the capability, through its "account management" system, of unifying the credit and non-lending requirements of major corporations and their subsidiaries under the responsibility of one account manager. By drawing upon strengths established within other divisions, non-lending services are appropriately co-ordinated to form a complete service package for the client. These services may range from payroll automation, to assessments on the advisability of loan syndication or even technical analysis of potential resource developments. The capability to implement such highly specialized service packages is enhanced by short, direct and highly responsive lines of communication.

Although the Royal Bank has been financing oil and gas loans since the early 1950s, in 1980 approximately 50 energy bankers, technicians, computer experts, engineers and geologists were formally united under the name of the Global Energy and Minerals Group. The mandate of the group is twofold: to provide technical and evaluation services to support the Bank's lending operations, and to market the Bank's credit facilities to the energy and minerals industries on a world-wide scale.

Throughout the course of 1981, the Global Energy and Minerals Group made a considerable contribution to the Royal Bank's overall efforts in Canada. The group produced a number of critical project analyses required for multi-million dollar financing programs. The engineering and geological teams spent a great deal of time in on-site resource development study and the energy bankers continued to create innovative financing packages suitable to these highly-specialized industries. One example was the introduction of a natural gas financing package which, for the first time, recognizes shut-in gas as an asset against which credit can be given. This package will be of particular service to junior gas companies during the initial stages of their development.

With the establishment of the World Trade and Merchant Banking Division last year came a greater directional co-ordination of the Royal Bank Group's domestic and international trade and merchant banking activities.

World Trade's goal is to provide a comprehensive international trade support system in Canada to facilitate and encourage import-export trade. During this past year much progress was made in developing programs which have an immediate potential.

The Division now has responsibility for the Bank's seven international centres, one in each of the Royal's Canadian districts. Experienced trade finance teams have been assigned to them to co-ordinate government and Bank initiatives with the marketing objectives of the client. Regional seminars were conducted across the country to outline the trading opportunities and financing capabilities which exist world-wide for Canadian manufacturers. A computer data base presently under development has begun to provide market profile reports on a geographic and/or product basis.

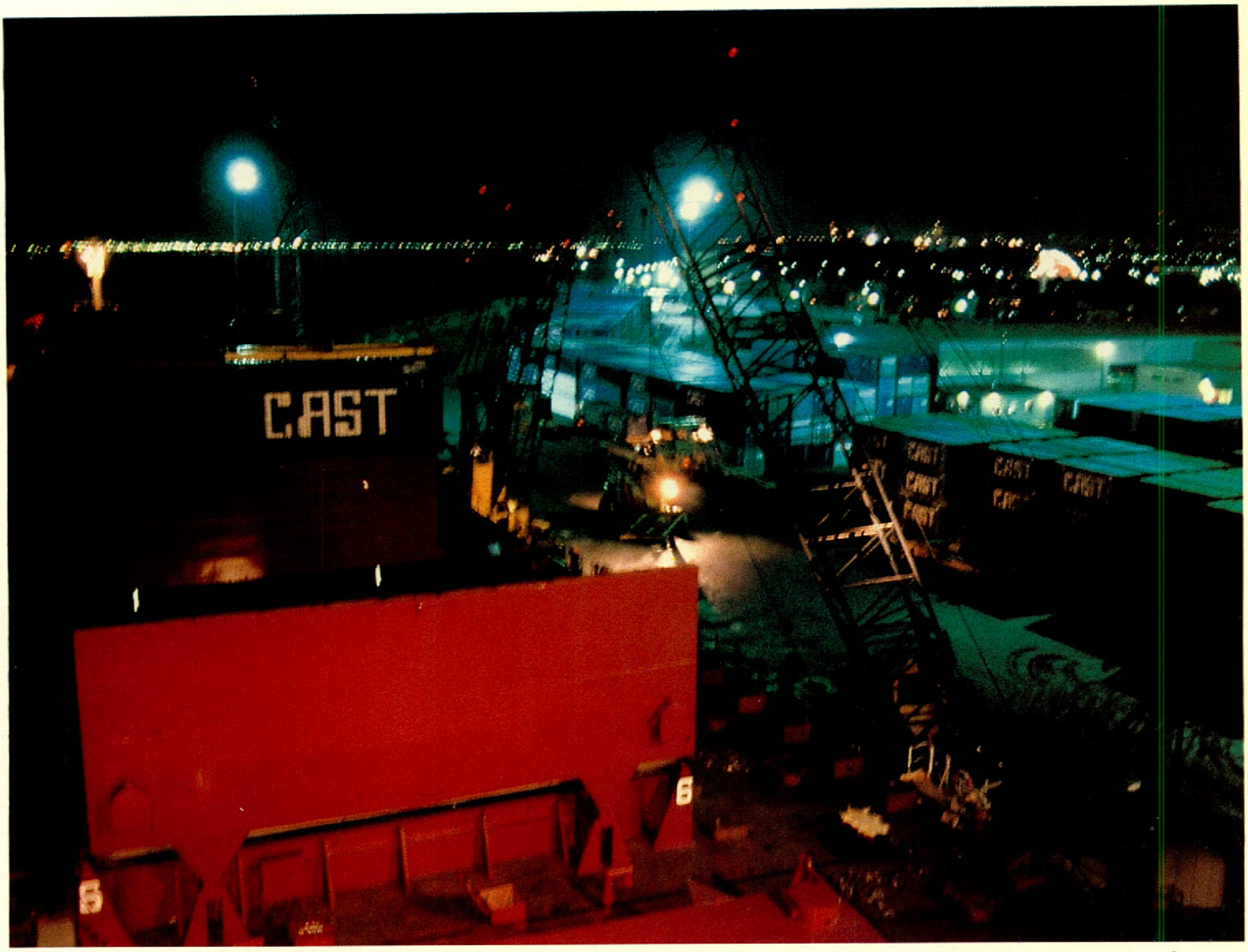
Through the creation of Royal Bank Export Finance Company Limited (REFCO), which provides its clients with recourse and non-recourse purchase of commercial invoices, as well as the recourse financing of more conventional debt instruments, valuable aid is given to the long-term development of Canada's international trading potential.

The Royal Bank began to develop an international loan syndication capability early in 1970 when, along with several other international banks, it took part in the formation of a merchant bank, Orion Bank Limited, in London, England. In 1981 the Royal Bank purchased the remaining 80 per cent of Orion Bank that it did not own. The operations were merged with those of The Royal Bank of Canada (London) Limited, to form Orion Royal Bank Limited.

Whereas previously, the Royal Bank had the capacity to provide merger and acquisition services and loan syndications, it now has an enhanced ability to perform these same roles for its Canadian clients directly through the Orion Royal Bank. Furthermore, through Orion's participation in the Eurocurrency markets, the Royal Bank Group has the largest Eurobond underwriting capability of any Canadian-based chartered bank. Finally, the merger has provided the group with the depth and long-standing merchant banking experience necessary to maintain a high profile within this market and serve its clients' needs throughout the coming decade.

The two other major segments of the Bank's Domestic Operations are Canadian Treasury and Domestic Foreign Currency Operations. The earnings of Canadian Treasury were \$60.0 million, up substantially over 1980, due to the high money market related rate paid to Canadian Treasury for deposits raised in excess of its own needs, and the lag in the increased cost of the non-personal term deposit portfolio, shown on page 23.

The Domestic Foreign Currency operations include foreign currency loans and investments made in Canada as well as foreign currency deposits raised in Canadian branches. This segment earned \$73.2 million representing a return on assets of 0.78 per cent.



One Canadian job in four is related to export trade, symbolized here by the loading of a container vessel in the Port of Montreal. Through its experienced trade finance teams, the Royal's goal is to develop a comprehensive trade support system in Canada to encourage import/export trade.

During the year, the Bank stepped up its penetration of Far Eastern markets. In June, Orion Royal Bank arranged a syndicated loan of $49.1 million for Australian Progress Finance Limited. Pictured is that company's largest vessel, the "M.V. Australian Progress", which carries iron ore from Australia to steel plants in Japan.

Financial Review

The Royal Bank's International Operations performed well in 1981. Competing in this sophisticated marketplace requires skill, flexibility and ingenuity and the Royal Bank continues to meet the demands with great success.

TABLE 8
International Highlights

	1980	1981
International Average Assets ($ billions)	$ 18.7	$ 24.8
Balance of Revenue after Taxes ($ millions)	145.4	177.0
Return on Assets	.78%	.71%

International balance of revenue after taxes built on 1980's strong year, climbing 22 per cent to $177.0 million. This latter figure represents 36 per cent of the Total Bank's profits. International average assets rose by 33 per cent in 1981 to $24.8 billion, roughly one-third of the Bank's total. International return on assets fell 7 basis points from 1980's unusually high level to 0.71 per cent.

The figures in Table 9 break down the components per $100 of international average assets for the past two years. International per cent spread declined slightly from its record high level in 1980. Other operating revenue showed very good growth in 1981, largely resulting from higher levels of foreign exchange revenues, loan fees and commitment fees. Non-interest expenses as a per cent of average assets levelled off in 1981 after earlier increases.

TABLE 9
International Highlights Per $100 of Average Assets

	1980	1981
Taxable Equivalent Spread	$1.88	$1.81
Other Operating Revenue	.62	.65
Net Revenue	2.50	2.46
Non-Interest Expenses (excl. Loan Loss Provision)	1.09	1.08
Loan Loss Provision	.16	.17
Total Non-Interest Expenses	1.25	1.25
Pre-Tax Return	1.25	1.21
Taxes (Taxable Equivalent Basis)	.47	.50
Return on Assets	$ .78	$ .71

Distribution of International Business

The Bank's international business is widely spread in terms of business sector, as well as geographic location. Such a broad base contributes to the diversification of the Bank's operations and thus reduces specific vulnerability. This distribution is expressed in Tables 10, 11 and 12.

TABLE 10
International Banking Recap Average Earning Assets by Sector
($ Billions)

Market Sector	1981	%
Commercial/Corporate	$ 7.8	33.0%
Public/Governments	4.1	17.4
Consumer/Individual	.7	3.0
Correspondent Banks & Other	2.5	10.6
International Money Markets	8.5	36.0
Total*	$23.6	100.0%

*Excluding the effect of Orion Royal Bank Limited

The Royal Bank's primary business targets are the international commercial and wholesale lending sectors. Geographically, emphasis continues to be placed on the United States and Asia/Pacific markets. As can be noted from Table 11, most of the Bank's international exposure is to industrialized countries. The large portion of the Bank's exposure in middle income developing countries reflects the local banking business of the extensive Latin America & Caribbean branch network.

TABLE 11
Distribution of International Foreign Currency Earning Assets by Income Classification

($ Billions)	October 31 1981	%
Industrialized Countries	$20.8	67.6%
Centrally Planned Countries	.9	2.7
Oil Exporting Countries	1.0	3.4
Developing Countries:		
Higher Income	1.4	4.5
Middle Income	6.5	21.2
Low Income	.2	0.6
Total	$30.8	100.0%

TABLE 12
Geographic Distribution of Risk

	Total Earning Assets		Loans to Non-Banks	
	1980	1981	1980	1981
U.S.A.	19.2%	22.3%	13.7%	21.5%
Latin America & Caribbean	26.0	21.8	39.8	32.9
Continental Europe	21.7	21.8	11.3	11.1
U.K., Ireland & Nordic Countries	17.7	17.7	20.1	19.5
Asia Pacific	6.9	7.7	5.5	6.7
Canada	6.4	6.9	6.4	5.8
Middle East & Africa	2.1	1.8	3.2	2.5
	100.0%	100.0%	100.0%	100.0%
Total Volumes ($ Billions at Year-End)	$21.0	$30.8	$9.7	$15.1

TABLE 13
International Network
(at October 31, 1981)

	U.K. Ireland and Nordic Countries	Continental Europe	Middle East and Africa	Asia/Pacific	United States	Latin America and Caribbean	Total
Branches	2	1	1	4	1	71	80
Agencies	—	—	—	—	3	—	3
Representative offices	1	3	3	9	9	4	29
Trust companies	4	3	—	—	—	6	13
Head offices and branches of wholly-owned banking subsidiaries	21	18	3	3	1	20	66
Head offices and branches of other significant banking subsidiaries	—	2	—	2	—	15	19
Total	28	27	7	18	14	116	210
Number of countries in which offices are located	2	6	5	7	1	25	46

The Royal Bank's International Operations, which include all banking and related financial services conducted outside of Canada, are among the largest of the world-scale banks. Based upon 99 years of foreign market development, the Royal's present-day network of more than 200 operating units extends to 46 countries. Comprehensive technical capabilities allow the Bank to offer extensive banking services to its wide-ranging and increasingly sophisticated clientele. However, the success of these operations, as outlined earlier, is achieved through the effective co-ordination of the efforts of many specialists throughout the Bank.

The Royal Bank's international subsidiary network is large and diverse. At October 31, 1981, assets of international subsidiaries accounted for approximately one-tenth of the Royal Bank's total assets and, in 1981, these subsidiaries produced roughly one-eighth of the Bank's after-tax income.

In past years, the Annual Report to Shareholders often described the Bank's International Operations and strategies in terms of regional or divisional compartments. This year's report reflects changes brought about by the 1980 realignment of the senior international management team, which was designed to increase operational autonomy and flexibility, and yet provide a broader perspective to the many elements of global banking. The following section details those operating arms most directly involved in international banking: the International Banking Division, the World Trade and Merchant Banking Division, the Global Energy and Minerals Group, and the Bank's many subsidiary and affiliated banks and financial institutions. Each of these groups has a mandate of its own, but because of the nature of international banking, each is also dependent on the others for the closely co-ordinated banking skills necessary to carry out transactions which cross geographic or divisional boundaries.

The largest single unit of the Bank's International Operations is the International Banking Division. The Division was restructured in 1981 to focus upon five market sectors: retail, commercial, wholesale (which includes corporate and public sector clients) and correspondent banking and international money markets. Complementing this organization is the Bank's "Amsterdam Group" which consists largely of European-based subsidiaries and affiliates, the major holding company being RBC Holdings BV.

The retail banking sector, responsible for consumer-related business, maintains over 80 direct Royal Bank branch outlets, with many additional branches in subsidiary and affiliated banks. Generally, this market offers a different mix of services to the client than does the Canadian retail operation because of many divergent local business customs. The Royal has, therefore, attempted to provide services consistent with the needs of the countries in which it operates.

One example of the Royal's flexibility is found in England, where less than 50 per cent of the population use personal banking facilities. The Royal Bank's subsidiary, Western Trust and Savings Limited, based in Plymouth, makes such facilities considerably more accessible through an innovative postal banking system. Complementing this service are 24 branch outlets, six of which were opened in 1981. Another example is InchRoy Credit Corporation Limited, a Hong Kong subsidiary, which participates in the retail market as a consumer finance company.

Branch network expansion continues on a selective basis. Through its subsidiary, BN Bank, the Royal Bank acquired one of West Germany's oldest retail banks, Schneider and Muenzing A.G., which operates in the Cologne region. The Latin America & Carribean Area continues to be one of the Royal's significant retail markets, with 71 branches in the region.

Within the past year, concerted efforts have been made, in conjunction with the World Trade group, to develop a trade financing and advisory service capability which will be of direct benefit to many smaller trading nations. Trade finance teams have been appointed in key locations around the world and market acceptance of this program has been most encouraging. While credit facilities of this sort are most often booked in the commercial market sector, they fall under the operational responsibility of the international retail group.

The commercial banking sector focuses attention on providing banking services to independent companies, typically those with sales of up to $100 million annually. By this definition, market penetration is presently deepest in the industrialized nations of the world. However, it is generally accepted that the Asia Pacific countries hold the greatest potential for accelerating industrial development, the outcome of which could lead to a dramatic increase in international trade. In view of these expectations, the Bank is expanding its business connections through its present international network and, where merited, through the establishment of new outlets, such as the newly-opened full service branch in Tokyo.

During 1981, the Royal's participation in the U.S. commercial market showed particularly strong growth. The Bank's subsidiary, The Royal Bank and Trust Company, a New York State chartered bank, increased its calling officer staff by 50 per cent, to expand its commercial lending activities. Similarly, the other Royal Bank representative offices and agencies across the U.S. increased their staff of speciality bankers to continue pursuit of one of the Bank's underlying goals, the successful matching of Royal Bank capabilities to client needs.

The energy and mineral resource sectors, for example, were expanding to an extent that it was appropriate for the Global Energy and Minerals Group to locate several of their technical support staff and energy bankers in the centres of these growth industries, specifically Houston, Dallas and Denver. Overall growth of the U.S. middle-market is anticipated to be rapid and this will create demand for innovative lending and non-lending services in a number of areas.

The international wholesale banking sector includes among its clientele governments, multinational corporations and large national corporations, where financing requirements are generally in excess of $25 million. The principal differences between the domestic and international wholesale market sectors lie in the vast geographical distances a client corporation may have between its various operating facilities and the more diverse range of services required by them. Thus, it is imperative that the Royal maintain an appropriate network to co-ordinate the needs of each facility or subsidiary of the parent corporation.

A representative for InchRoy Credit Corporation, a Royal Bank affiliate in Hong Kong, talks business with a potential client in Hong Kong Harbour.

In a fashion similar to the account management system in place within the National Accounts Division, the International Division maintains an extensive relationship management system, directed at the world's major multinational corporations. Through this structure, a relationship manager will study the credit and non-lending needs of his client's international operations, such as foreign exchange and cash management, establish a suitable team of bankers to service those needs wherever they may exist, and then link them together through network connections to assure an integrated international banking effort for the parent corporation.

Very special banking services are also required by this market sector, the principal ones being those covered by "Merchant Banking". Syndication of loans, or contracting to provide funds through resources made available by many lending institutions, and management and underwriting of Eurobond issues are the core merchant banking activities. Increasingly, however, the ability to act as a financial advisor, portfolio manager and supervisor of mergers and acquisitions is within the realm of merchant banking.

The Royal participated in the financing of this new aluminum smelter being built for Alcan Aluminio do Brasil S.A. in Bahia, about 2,000 kilometers north of São Paulo. Orion Royal Bank of London acted as lead manager for the Eurodollar loan.

Among the Royal Bank's primary business targets are the international commercial and wholesale lending sectors, with particular emphasis on the United States. During 1981, the Bank participated in the interim financing of this steel rail mill, the most modern in North America, located in Monessen, Pennsylvania, and owned by the Wheeling-Pittsburgh Steel Corporation.

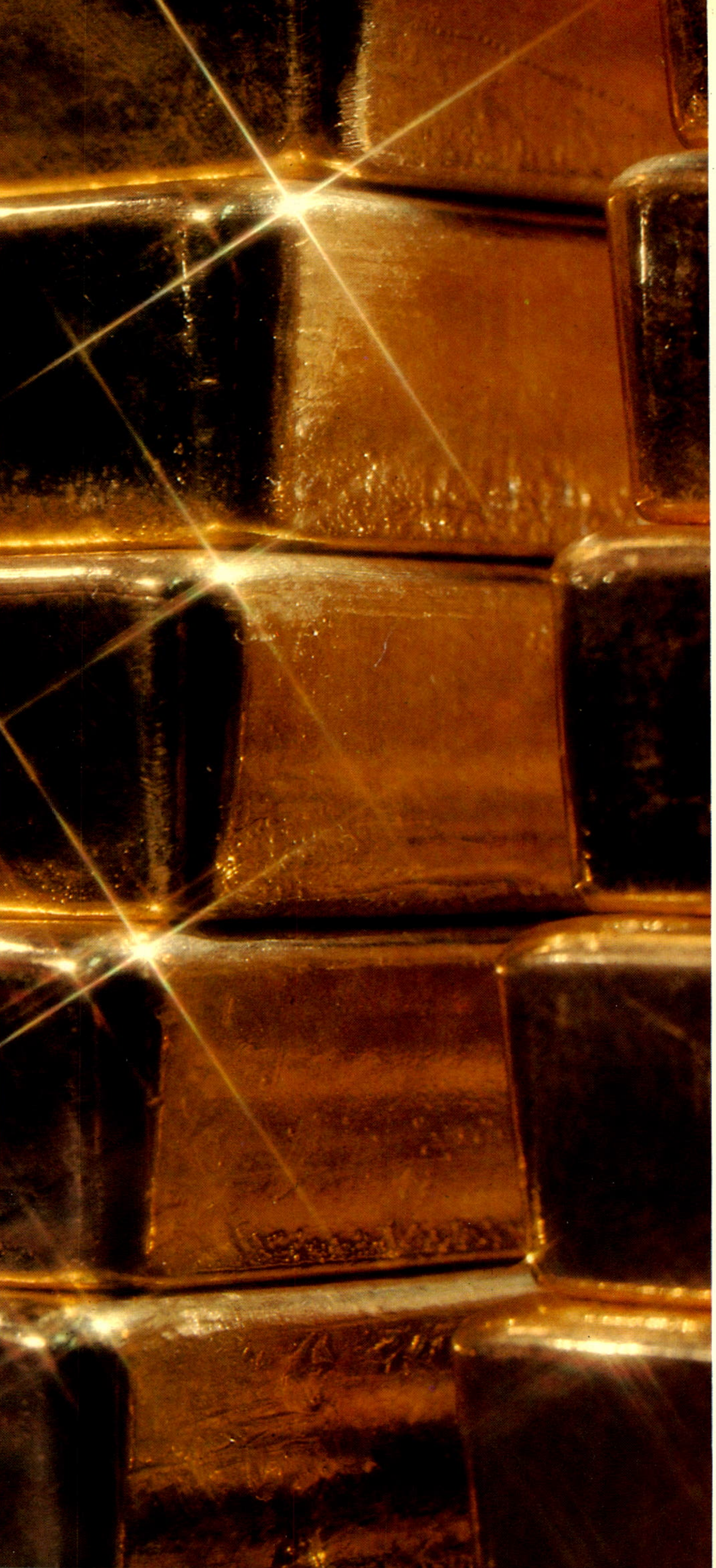
Orion Royal Bank Limited, the Royal's newly acquired merchant banking flagship, is one of the world's largest underwriters of Eurobond issues and among the leading syndicators of Eurocurrency loans. This has placed the Royal Bank high on the scale of global merchant bankers and made the sought-after services they provide more readily available to the Bank's clients throughout the world. Similar merchant banking facilities are under development in the Far Eastern money market centre of Hong Kong, through the merger of Orion Pacific Limited and RoyEast Investments Corporation, to form the subsidiary, Orion Royal Pacific Limited. It is through the World Trade and Merchant Banking Division that the merchant banking activities world-wide are co-ordinated.

Ongoing efforts to bring the Bank's services closer to clients, through decentralization, continue to enhance the Bank's international network and service capability. During 1981, representative offices were opened in Spain, Australia, the People's Republic of China and Thailand. Each of these countries has announced major growth expectations for certain of their industrial sectors which, in turn, presents the Royal Bank with great opportunity and challenge. Furthermore, continued expansion of field representation assures the Bank's clientele, both at home and abroad, of the availability of financial resources and support services in almost any country in which they choose to operate.

The Royal has been acting as a correspondent banker to many international banks for more than a century. In 1979, however, recognizing the potential for increased opportunities in this market, the Bank formally designated a team of correspondent bankers. The function provides financial and operational services to international banks that have specific service requirements. During 1981, the Royal's correspondent banking network grew to include more than 3,500 banking relationships.

In support of all the Royal Bank's international banking operations is the International Money Market unit. This group is responsible for funding the Bank's overall foreign currency requirements, managing foreign exchange and foreign currency liquidity through operating centres in Paris, London, Toronto, New York, Hong Kong, Singapore and Tokyo. There can be no doubt that as economic uncertainties persist world-wide, the task of the International Money Market group will become even more vital to the Bank's long-term profitability and operational stability. To this end, the depth and breadth of funding capabilities are supported by field marketing teams along with further innovation by the Bank's Systems group through an integrated computer network.

The Royal's international operations are among the largest of the world-scale banks. Shown here in Frankfurt are, from left, F.J. Hentrei, head of BN Bank, the Royal's German subsidiary, R.C. Paterson, Chairman of RBC Holdings B.V. of Amsterdam and R.A. Thomas, Managing Director.



Financial Statements

Management's Responsibility for Financial Reporting

The financial statements in this annual report were prepared by the management of The Royal Bank of Canada. While the form of the financial statements as well as most of the significant accounting policies of the Bank are as stipulated in the Bank Act and related rules issued by the Inspector General of Banks, many amounts must of necessity be based on the best estimates and judgements of management. The financial data contained in other sections of this annual report is consistent with the content of the financial statements.

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

The system of internal controls is augmented by a world-wide inspection staff which conducts periodic surprise inspections of all facets of the Bank's operations. In addition, the Bank's Chief Inspector has full and free access to the Audit Committee of the Bank's Board of Directors which oversees management's responsibilities for financial reporting. The Audit Committee is composed entirely of directors who are neither officers nor employees of the Bank.

The Inspector General of Banks, at least once a year, makes such examination and enquiry into the affairs of the Bank as he feels necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Price Waterhouse and Touche Ross & Co. who have been appointed by the shareholders of the Bank have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal controls.

ROWLAND C. FRAZEE,
Chairman and Chief Executive Officer
R.A. UTTING,
Vice-Chairman

Auditors' Report

To the Shareholders,
The Royal Bank of Canada

We have examined the statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1981 and the related statements of revenue, expenses and undivided profits and accumulated appropriations for losses for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Bank as at October 31, 1981 and its revenue, expenses and undivided profits and its accumulated appropriations for losses for the year then ended.

Montreal, December 1, 1981
Price Waterhouse
Touche Ross & Co.

Chartered Accountants

Statement of Revenue, Expenses and Undivided Profits

	Year Ended October 31, 1981	Year Ended October 31, 1980
Revenue		
Income from loans	$ 9,639,679,834	$6,076,228,894
Income from securities	789,803,875	578,120,163
Other operating revenue	490,924,475	369,661,315
Total Revenue	10,920,408,184	7,024,010,372
Expenses		
Interest on deposits and bank debentures	8,706,511,210	5,341,662,944
Salaries, pension contributions and other staff benefits	845,382,755	727,256,116
Property expenses, including depreciation	221,389,312	182,252,561
Other operating expenses, including a provision of $176,000,000 ($120,775,000 in 1980) for losses on loans based on five-year average loss experience	490,604,521	387,708,937
Total Expenses	10,263,887,798	6,638,880,558
Balance of revenue	656,520,386	385,129,814
Provision for income taxes relating thereto (note 2)	164,000,000	57,700,000
Balance of revenue after provision for income taxes	492,520,386	327,429,814
Per share, after deduction of preferred dividends (note 12)		
Basic — $5.92; 1980 — $4.46		
Fully diluted — $5.89; 1980 — $4.46		
Appropriation for losses	204,000,000	135,700,000
Balance of profits for the year	288,520,386	191,729,814
Dividends		
Preferred	8,545,869	—
Common (per share — $1.70; 1980 — $1.26)	139,429,954	94,549,404
Amount carried forward	140,544,563	97,180,410
Undivided profits at beginning of year	1,620,807	1,329,485
Transfer from accumulated appropriations for losses	89,000,000	104,000,000
	231,165,370	202,509,895
Transferred to Rest Account	229,901,928	200,889,088
Undivided profits at end of year	$ 1,263,442	$ 1,620,807

Statement of Assets and Liabilities

Assets	**October 31, 1981**	October 31, 1980
Cash and due from banks (note 4)	**$16,313,202,464**	$12,637,284,876
Cheques and other items in transit, net	**1,521,275,860**	152,955,859
Total Cash Resources	**17,834,478,324**	12,790,240,735
Securities issued or guaranteed by Canada, at amortized value	**3,156,592,197**	2,571,427,923
Securities issued or guaranteed by provinces, at amortized value	**32,831,615**	45,196,154
Other securities, not exceeding market value	**3,962,006,779**	3,529,300,305
Total Securities (note 5)	**7,151,430,591**	6,145,924,382
Day, call and short loans to investment dealers and brokers, secured	**818,366,104**	455,900,413
Other loans, including mortgages, less provision for losses (note 6)	**52,432,213,421**	37,112,954,908
Total Loans	**53,250,579,525**	37,568,855,321
Bank premises, at cost less accumulated depreciation (note 7)	**631,365,114**	599,897,722
Securities of and loans to corporations controlled by the Bank	**375,373,499**	188,944,415
Customers' liability under acceptances, guarantees and letters of credit, as per contra (note 8)	**7,933,317,800**	5,433,247,426
Other assets	**339,576,147**	106,741,508
Total Sundry Assets	**9,279,632,560**	6,328,831,071
	$87,516,121,000	$62,833,851,509

	October 31, 1981	October 31, 1980
Liabilities		
Deposits by Canada	$ 897,905,108	$ 816,138,011
Deposits by provinces	127,799,086	82,889,878
Deposits by banks	21,113,619,408	11,677,982,121
Personal savings deposits payable after notice, in Canada, in Canadian currency	21,831,310,432	18,068,668,630
Other deposits	31,644,204,165	23,656,137,975
Total Deposits	75,614,838,199	54,301,816,615
Acceptances, guarantees and letters of credit (note 8)	7,933,317,800	5,433,247,426
Other liabilities	641,995,945	448,554,976
Total Sundry Liabilities	8,575,313,745	5,881,802,402
Debentures issued and outstanding (notes 9 & 15)	779,324,500	594,226,000
Accumulated appropriations for losses	405,253,489	370,142,935
Shareholders' Equity		
Capital stock (notes 10 & 15):		
Preferred	150,285,000	—
Common	82,842,625	80,242,750
Rest Account (note 11)	1,907,000,000	1,604,000,000
Undivided profits	1,263,442	1,620,807
Total Shareholders' Equity	2,141,391,067	1,685,863,557
	$87,516,121,000	$62,833,851,509

ROWLAND C. FRAZEE,
Chairman and Chief Executive Officer
R.A. UTTING,
Vice-Chairman

Statement of Accumulated Appropriations for Losses

	Year Ended October 31, 1981	Year Ended October 31, 1980
Accumulated appropriations at beginning of year		
General appropriations	**$198,871,300**	$195,448,909
Tax-paid appropriations	**171,271,635**	162,202,799
Total	**370,142,935**	357,651,708
Changes during the year		
Appropriation from current year's operations	**204,000,000**	135,700,000
Excess of loss experience on loans for the year over provision for losses on loans based on five-year average loss experience (included in other operating expenses) (note 3)	**(16,420,960)**	(25,344,794)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and the provinces to values not exceeding market (note 3)	**(139,454,661)**	(13,619,071)
Other profits, losses and non-recurring items, net	**(11,213,825)**	2,819,092
Provision for income taxes, including credit of $89,000,000 ($21,200,000 in 1980) relating to appropriation from current year's operations (note 2)	**87,200,000**	16,936,000
Transferred to undivided profits	**(89,000,000)**	(104,000,000)
Total	**35,110,554**	12,491,227
Accumulated appropriations at end of year		
General appropriations	**242,233,074**	198,871,300
Tax-paid appropriations	**163,020,415**	171,271,635
Total	**$405,253,489**	$370,142,935

Notes to the Financial Statements

1. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with the reporting requirements of the Bank Act of 1967. Financial statements for periods subsequent to October 31, 1981 will be prepared in accordance with the requirements of the Bank Act of 1980.

The Bank Act of 1967 and the related Rules issued under the authority of the Minister of Finance stipulate the form of the financial statements published by Canadian chartered banks, as well as most of the significant accounting policies. The significant accounting policies followed by the Bank are:

Basis of Consolidation
The financial statements include the assets and liabilities and results of operations of all wholly-owned banking subsidiaries. The significant subsidiaries so included are:

- The Royal Bank of Canada (France) S.A.
- The Royal Bank of Canada (Middle East) S.A.L.
- The Royal Bank of Canada International Limited
- The Royal Bank of Canada (Channel Islands) Limited
- The Royal Bank of Canada (Curaçao) N.V.
- The Royal Bank of Canada (Overseas) N.V.
- The Royal Bank of Canada (Asia) Limited
- The Royal Bank and Trust Company (1)
- RoyEast Investments Limited
- RoyWest Banking Corporation Limited (2)
- RoyAust Limited
- RoyMidEast Investments Limited
- RoyCan Finanz AG
- Western Trust & Savings Limited
- RBC Finance B. V.
- Burgardt und Nottebohm Bank AG
- Bankhaus Bohl KG (2)
- Hansische Kaufmannsbank AG
- Banco de San Juan (2)
- Orion Royal Bank Limited (3)
- Orion Royal Pacific Limited (3)
- Orion Bank (Guernsey) Limited (3)

(1) The Royal Bank and Trust Company was consolidated for the first time in January 1980 and had total assets at that time of $250 million.

(2) RoyWest Banking Corporation Limited, Bankhaus Bohl KG and Banco de San Juan were consolidated for the first time in October 1980 and had total assets at that time of $650 million.

(3) In July 1981 the Bank's investment in Orion Bank Limited was increased from 20% to 100%. At the same date Orion Bank Limited was merged with The Royal Bank of Canada (London) Limited (a previously consolidated subsidiary) to form Orion Royal Bank Limited. The addition of Orion Bank Limited, together with the related companies Orion Royal Pacific Limited and Orion Bank (Guernsey) Limited, added $3.8 billion to the consolidated assets of the Bank.

The Bank accounts for the acquisition of banking subsidiaries using the purchase method. Under this method the difference between the cost of the investment and fair value of net assets acquired is added to or deducted from other assets and amortized over an appropriate period.

All other investments in subsidiaries and in affiliates (companies owned between 20% and 50%) are carried at the lower of cost and estimated net realizable value, and income from such investments is recognized only when dividends are received. As required by the Bank Act, the statements of assets and liabilities of significant non-consolidated subsidiaries are shown separately.

Securities
Securities issued or guaranteed by Canada or the provinces are recorded at amortized value. Other securities in the Bank's investment account are recorded at the lower of cost and market value. Trading account securities are carried at market value.

Profits and losses on disposals and write-downs to market value of securities held in the Bank's investment account are included in the Statement of Accumulated Appropriations for Losses, whereas profits, losses and write-downs of trading account securities are included in "Income from Securities" in the Statement of Revenue, Expenses and Undivided Profits.

Loans
Loans include accrued interest. However, when interest on a loan is due and has not been collected for a period of 90 days, the Bank classifies such a loan as non-current and previously accrued interest is then reversed.

Bank Premises
Bank premises are recorded at cost and are depreciated over their estimated useful lives using primarily the straight-line method.

Acceptances, Guarantees and Letters of Credit
The Bank's potential liability under acceptances, guarantees and letters of credit is reported as a liability in the Statement of Assets and Liabilities. The Bank's recourse against the customer in the case of a call on any of these commitments is reported as an offsetting asset of the same amount.

Appropriations for Losses
In arriving at the balance of profits for the year, the Bank makes an appropriation to provide for possible unforeseen future losses on loans, securities and other assets. This appropriation is in addition to a provision for losses on loans (based upon a formula prescribed by the Minister of Finance designed to average the loss experience over a five-year period) which is included in other operating expenses.

The difference between the provision for losses on loans based on five-year average loss experience and the actual loss experience for the year is recorded in the Statement of Accumulated Appropriations for Losses.

The Accumulated Appropriations for Losses consist of two elements — general and tax-paid. The general portion, which is deductible for income tax purposes, is limited to an amount equal to a percentage (1 ½% of the first $2 billion and 1% in excess thereafter) of eligible assets less specific provisions for losses relating to such assets. The tax-paid portion has accumulated over the years from certain non-taxable items and from profits upon which income tax has been paid.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; revenue and expenses are translated at prevailing quarter-end rates.

Foreign exchange positions are hedged as much as practicable by forward exchange contracts. Any gain or loss on the unhedged foreign exchange position at the end of each quarter is included in income.

2. Provision for Income Taxes

	1981	1980
Statement of Revenue, Expenses and Undivided Profits	$ 164,000,000	$ 57,700,000
Statement of Accumulated Appropriations for Losses	(87,200,000)	(16,936,000)
Rest Account (note 11)	—	(1,277,000)
Net provision for income taxes	$ 76,800,000	$ 39,487,000

The provision for income taxes in the Statement of Revenue, Expenses and Undivided Profits is less than the amount obtained by applying the combined federal and provincial statutory income tax rate to Balance of Revenue. The reasons for the difference are as follows:

	1981	1980
Combined federal and provincial statutory income tax rate	51.0%	50.5%
Increase (decrease) in rate resulting from:		
Tax exempt income from securities, primarily income debentures and term preferred shares	(23.2)	(31.0)
Lower average tax rate applicable to foreign consolidated banking subsidiaries	(4.4)	(5.6)
Other	1.6	1.1
Effective income tax rate	25.0%	15.0%

3. Accumulated Appropriations for Losses

Deductions from Accumulated Appropriations for Losses relating to loans and securities held for investment and mortgages comprised the following:

	1981	1980
Loans		
Loss experience for the year on loans (net new specific provisions for losses on loans plus write-offs less recoveries of loans previously written off)	$ (192,420,960)	$ (146,119,794)
Provision for losses on loans based on five-year average loss experience included in other operating expenses in the Statement of Revenue, Expenses and Undivided Profits	176,000,000	120,775,000
Net deduction from Accumulated Appropriations for Losses	$ (16,420,960)	$ (25,344,794)
Securities Held for Investment and Mortgages		
Net profits (losses) on disposals of		
Government of Canada securities	$ (54,506,327)	$ (5,346,222)
Other securities	(15,660,898)	20,158,286
Mortgages (note 6)	(41,935,172)	(13,924,617)
Net change in specific provisions on securities to adjust to values not exceeding market	(27,352,264)	(14,506,518)
Net deduction from Accumulated Appropriations for Losses	$ (139,454,661)	$ (13,619,071)

4. Cash and Due from Banks

	1981	1980
Cash and deposits with Bank of Canada	**$ 1,650,459,545**	$ 1,549,304,723
Loans and deposits with banks	**14,662,742,919**	11,087,980,153
	$16,313,202,464	$12,637,284,876

5. Securities

	Maturity: Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	1981	1980
Securities Issued or Guaranteed by							
Canada	$2,802,110,744	$281,835,075	$ 50,516,062	$ 20,357,772	$ 1,772,544	**$3,156,592,197**	$2,571,427,923
Provinces	10,218,090	11,927,887	748,844	7,484,573	2,452,221	**32,831,615**	45,196,154
Other Securities							
Debt Securities:							
Municipal and school corporations	20,492,144	26,839,156	2,144,123	5,282,457	406,701	**55,164,581**	80,156,356
Floating rate income debentures	101,505,646	300,057,442	128,679,355	166,041,491	139,273,500	**835,557,434**	924,453,163
Other Canadian issuers	22,195,346	5,942,358	485,956,575	1,046,667	5,334,963	**520,475,909**	297,007,975
Issuers other than Canadian	251,613,460	49,105,080	9,691,525	63,842,279	79,223,435	**453,475,779**	432,399,054
	$3,208,135,430	$675,706,998	$677,736,484	$264,055,239	$228,463,364		
Equity Securities:							
Floating rate term preferred shares						**1,916,313,308**	1,671,303,380
Other Canadian issuers						**138,283,351**	110,433,599
Issuers other than Canadian						**42,736,417**	13,546,778
						$7,151,430,591	$6,145,924,382

6. Other Loans

	1981	1980
N.H.A. and conventional mortgages	**$ 4,731,053,338**	$ 5,010,168,033
Loans to provinces	**79,453,117**	75,277,629
Loans to municipalities and school corporations	**328,385,187**	312,635,791
Other loans in Canadian currency	**26,973,797,332**	20,585,961,254
Other loans in currencies other than Canadian	**20,319,524,447**	11,128,912,201
	$52,432,213,421	$37,112,954,908

During the year the Bank sold $1,217,988,000 (1980 — $461,004,000) principal amount of mortgages to its wholly-owned subsidiary RoyMor Mortgage Corporation at market values and incurred losses on such sales aggregating $41,951,000 (1980 — $13,842,000). These losses were charged against the Accumulated Appropriations for Losses.

7. Bank Premises

	Cost	Accumulated Depreciation	1981 Net Book Value	1980 Net Book Value
Land	$ 61,205,623	$ —	**$ 61,205,623**	$ 60,220,853
Buildings	386,465,609	63,624,337	**322,841,272**	326,475,393
Furniture, fixtures and equipment	330,996,565	171,776,886	**159,219,679**	138,792,039
Leasehold improvements	148,975,154	60,876,614	**88,098,540**	74,409,437
	$927,642,951	$296,277,837	**$631,365,114**	$599,897,722

8. Acceptances, Guarantees and Letters of Credit

	1981	1980
Acceptances	**$2,381,336,000**	$1,435,830,192
Guarantees and letters of credit, including $2,325,920,000 (1980 — $1,670,438,000) of guarantees relating to non-consolidated subsidiaries	**5,551,981,800**	3,997,417,234
	$7,933,317,800	$5,433,247,426

9. Debentures

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. In accordance with the formula prescribed in the Bank Act, as at November 1, 1981 the Bank had the capacity to issue an additional $325,000,000 of debentures. (note 15)

Maturity	Rate		1981	1980
April 1, 1982	$8\frac{3}{4}$%	Callable on or after April 1, 1981	**$ 35,000,000**	$ 35,000,000
February 15, 1984	8%	Callable on or after February 15, 1982	**40,000,000**	40,000,000
May 15, 1986	10%	Callable on or after May 15, 1984	**40,000,000**	40,000,000
June 1, 1986	$9\frac{1}{4}$%		**60,000,000**	60,000,000
June 1, 1987	9%		**75,000,000**	75,000,000
December 1, 1987	$7\frac{1}{2}$%	Callable on or after December 1, 1982	**950,000**(1)	1,019,000(1)
April 1, 1988	$9\frac{1}{2}$%	Callable on or after April 1, 1984	**30,210,000**(1)	35,000,000(1)
February 15, 1989	10.40%		**75,000,000**	75,000,000
November 15, 1990	(2)		**75,000,000**	75,000,000
April 15, 1991	7%	Callable on or after April 15, 1983	**3,172,000**(1)	3,207,000(1)
July 22, 1991	12%	Convertible(3)	**100,000,000**	—
February 15, 1992	9%	Callable on or after February 15, 1985	**40,000,000**(1)	40,000,000(1)
May 15, 1994	10%	Callable on or after May 15, 1986	**40,000,000**(1)	40,000,000(1)
December 1, 1994	10%	Maturity on December 1, 1984 at the option of the holder and callable on or after that date	**75,000,000**(1)	75,000,000(1)
May 22, 2000	$11\frac{5}{8}$%	Callable on or after November 22, 1992	**89,992,500**(4)	—
			$779,324,500	$594,226,000

(1) Subject to sinking fund provisions.
(2) The 1990 debentures bear interest at a rate of 5/8 of 1% below the Bank's average daily prime rate.
(3) The July 22, 1991 debentures are convertible at the option of the holder prior to July 21, 1991 into common shares at a conversion price of $35 per common share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of $35 per common share if the common shares have traded at or in excess of certain weighted average prices.
(4) The 2000 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $75,000,000.

10. Capital Stock

Preferred Shares

Authorized — 50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed $1,250,000,000 in each case.

Outstanding —

	Number of Shares	Amount
$1.88 Cumulative Redeemable First Preferred Shares Series A (issued in February 1981 in exchange for an equal number of preferred shares of Globe Realty Limited, a wholly-owned subsidiary of the Bank)		
Issued during the year	6,093,600	$152,340,000
Purchased for cancellation	(82,200)	(2,055,000)
Outstanding at end of year	6,011,400	$150,285,000

The Bank has undertaken to purchase in each calendar quarter 48,000 of the First Preferred Shares, if available, at prices not exceeding $25 per share.

Common Shares

Authorized — 250,000,000 shares of $1 each

Outstanding —

	1981			1980		
	Number of Shares			Number of Shares		
	Fully Paid	Partly Paid	Amount	Fully Paid	Partly Paid	Amount
Outstanding at beginning of year	79,988,534	2,339,866	$80,242,750	73,180,800	—	$73,180,800
Issued during the year — 1980 rights offering	2,339,866	(2,339,866)	2,085,650	6,807,734	2,339,866	7,061,950
Stock Dividend and Dividend Reinvestment Plans	514,225	—	514,225	—	—	—
Outstanding at end of year	82,842,625	—	$82,842,625	79,988,534	2,339,866	$80,242,750

In March 1981, the common shares were split on a two for one basis and all shares shown above have been adjusted to reflect the split.

In April 1981, the Bank established a Stock Dividend Plan and a Dividend Reinvestment Plan under which holders of common shares may elect to receive dividends in the form of additional common shares or to invest cash dividends in new common shares.

	Number of Shares
Common shares reserved at October 31, 1981 for possible issuance	
— under the Stock Dividend Plan	2,204,056
— under the Dividend Reinvestment Plan	2,281,719
— upon conversion of the 12% July 22, 1991 debentures	2,857,143
	7,342,918

11. Rest Account

	1981	1980
Balance at beginning of year	**$1,604,000,000**	$1,218,000,000
Proceeds from 1980 rights issue in excess of the par value of the common shares	**45,884,304**	155,362,896
Proceeds from issue of common shares under the Stock Dividend Plan and the Dividend Reinvestment Plan in excess of the par value of the shares	**13,219,811**	—
Expenses of 1980 rights issue (net of income taxes of $1,277,000)	—	(1,250,815)
Excess of stated value over cost of preferred shares purchased for cancellation	**643,222**	—
Share of post-acquisition earnings of subsidiaries not previously consolidated	**13,350,735**	30,998,831
Transfer from undivided profits	**229,901,928**	200,889,088
Balance at end of year	**$1,907,000,000**	$1,604,000,000

12. Earnings per Share

Earnings per share have been calculated on the daily average equivalent of fully paid shares outstanding. After giving effect to the two-for-one stock split in March 1981, the daily average number of shares outstanding for the year ended October 31, 1981 was 81,710,495 (1980 — 73,401,956).

Fully diluted earnings per common share are calculated on the weighted average number of common shares which would have been outstanding if all the $100 million 12% Convertible Debentures due July 22, 1991 had been converted to common shares as at July 22, 1981, the date of issue.

13. Long-term Commitments for Leases

Rental expense for buildings for the year ended October 31, 1981 was $77,286,000 (1980 — $58,009,000). Minimum future rental commitments for buildings under long-term non-cancellable leases for the next five years are (1982 — $45,370,000; 1983 — $40,707,000; 1984 — $37,787,000; 1985 — $35,108,000; 1986 — $30,611,000). Annual rental commitments after 1986 are in decreasing amounts.

14. Pension Plan

The Bank has an employee pension plan which is available to all employees after five years service or at age 25 on a contributory or a non-contributory basis.

The total cost in respect of both current service and past service charged to income for the year ended October 31, 1981 amounted to $22,193,000 (1980 — $30,895,000).

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements. The estimated unfunded past service obligation at October 31, 1980 amounted to $70,800,000; this amount was fully funded in December, 1980 and is being charged to income over 13 years. All vested pension rights of employees are fully funded.

15. Subsequent Events

Pursuant to an underwriting agreement dated November 19, 1981 the Bank has agreed to issue a minimum of $150,000,000 and maximum of $160,000,000 principal amount of Convertible Debentures due December 9, 1991 for estimated net proceeds of $146,925,000 and $156,777,000, respectively, after deducting the underwriting commission and estimated expenses of issue. The Convertible Debentures will be convertible at the option of the holder at any time up to and including December 9, 1991 into Common Shares of the Bank at a conversion price of $30 per Common Share, being a rate of approximately 33 1/3 Common Shares for each $1,000 principal amount of Convertible Debentures.

Pursuant to an underwriting agreement dated November 19, 1981 the Bank has agreed to issue a minimum of 8,000,000 and maximum of 8,400,000 $2.75 Redeemable Convertible Second Preferred Shares Series A for estimated net proceeds of $193,700,000 and $203,460,000, respectively, after deducting the underwriting commission and estimated expenses of issue. Each Convertible Preferred Share will be convertible at the option of the holder at any time up to and including December 8, 1988 into one Common Share of the Bank upon payment by the holder of $5, being a conversion price of $30 per Common Share.

Pursuant to an agreement in principle dated November 9, 1981 the Bank has agreed to purchase all of the shares of Canadian Acceptance Corporation Limited. The purchase price will be satisfied in part by the issue to the vendor of $100,000,000 principal amount of convertible debentures with attributes essentially identical to the Convertible Debentures due December 9, 1991 and the balance estimated to be $30,000,000 will be payable in cash.

Statements of Assets and Liabilities of Controlled Corporations

Globe Realty Limited

(Incorporated under the laws of Canada)
and its wholly-owned subsidiary company
Globe Realty Management Limited
Condensed Consolidated Statement as at October 31, 1981
(In Canadian Dollars)

Assets		Liabilities	
Real estate, buildings and equipment, at cost less accumulated depreciation (note 2)	**$169,943,618**	Accounts payable and other liabilities	**$ 6,197,007**
Cash in bank	**2,655,437**	Short-term promissory notes	**76,389,828**
Other assets	**3,546,594**	6¾% Mortgage Payable	**2,447,355**
		The Royal Bank of Canada	**8,610,000**
		Deferred income taxes	**9,681,516**
		Capital stock fully paid (585,046 common shares of no par value)	**58,504,600**
		Retained earnings	**14,315,343**
	$176,145,649		**$176,145,649**

NOTES: (1) The Royal Bank of Canada owns the entire capital stock of Globe Realty Limited. This investment is carried on the books of the Bank at $56,086,500.

(2) In accordance with agreements providing for the leasing of certain lands to third parties, Globe Realty Limited has pledged lands having a cost of $8,826,417 as part of the security for mortgages arranged by the third parties on the properties. The terms of the agreements provide that buildings on these lands become the property of the Company at the expiration of the leases.

(3) The Company entered into an agreement effective November 1, 1981 with The Royal Bank of Canada to purchase land and buildings for a consideration of $149 million, their approximate net book value.

The Royal Bank Jamaica Limited

(Incorporated under the laws of Jamaica)
and its wholly-owned subsidiary company
Royal Bank Trust Company (Jamaica) Limited
Condensed Consolidated Statement as at September 30, 1981
(In Jamaican Dollars; Canadian Equivalent $0.684)

Assets		Liabilities	
Cash and due from banks	**$ 30,485,402**	Deposits	**$257,097,359**
Cheques and other items in transit, net	**3,790,501**	The Royal Bank of Canada	**8,292,411**
Securities, at cost	**92,595,072**	Acceptances, guarantees and letters of credit	**84,333,574**
Loans and advances, less provision for losses	**143,656,771**	Other liabilities	**46,878,601**
Real estate, buildings and equipment, at cost or valuation less accumulated depreciation	**5,925,801**	Capital stock fully paid (4,000,000 stock units of $1 each)	**4,000,000**
Customers' liability under acceptances, guarantees and letters of credit	**84,333,574**	Capital reserve (note 2)	**625,645**
Other assets	**49,003,611**	Contributed surplus	**337,235**
		Statutory reserve	**6,459,000**
		Surplus	**1,766,907**
	$409,790,732		**$409,790,732**

NOTES: (1) The Royal Bank of Canada owns 56.25% of the capital stock of the The Royal Bank Jamaica Limited. This investment is carried on the books of the Bank at Can. $1,527,487.

(2) The capital reserve arises from the independent appraisal of the real estate and buildings.

RoyLease Limited

(Incorporated under the laws of Canada)
Condensed Statement as at October 31, 1981
(In Canadian Dollars)

Assets		Liabilities	
Receivable under financial lease contracts less unearned income of $105,747,801	**$317,990,286**	Accrued interest payable and other liabilities	**$ 11,691,783**
Preliminary outlays for leased assets	**6,527,895**	Short-term promissory notes	**28,333,854**
	324,518,181	Long-term debt	**115,551,969**
Provision for losses	**325,666**	The Royal Bank of Canada	**140,431,807**
	324,192,515	Deferred income taxes	**5,760,042**
Amount due under conditional sales agreements and secured loans less unearned income of $526,495	**9,976,496**	Capital stock fully paid (280,000 $6.25 fixed non-cumulative redeemable preferred shares Series B)	**28,000,000**
Term deposits	**2,939,855**	(1,985,000 common shares of no par value)	**19,850,000**
Other assets	**7,458,084**	Deficit	**(5,052,505)**
	$344,566,950		**$344,566,950**

NOTE: The Royal Bank of Canada owns the entire capital stock of RoyLease Limited. This investment is carried on the books of the Bank at $47,853,716.

RoyMor Mortgage Corporation

(Incorporated under the laws of Canada)
Condensed Statement as at October 31, 1981
(In Canadian Dollars)

Assets		Liabilities	
Residential mortgages at outstanding principal amount less unamortized purchase discount of $39,450,463	**$2,178,089,353**	Accrued interest payable and other liabilities	**$ 95,801,195**
		The Royal Bank of Canada	**33,541,453**
		Short-term promissory notes	**101,998,400**
Other investments	**101,790,000**	Investment certificates	
Other assets	**5,448,817**	Due within one year	**759,948,026**
		Due beyond one year	**1,155,231,053**
		Debentures	**33,836,000**
		Deferred income taxes	**13,852,685**
		Capital stock fully paid (250,000 $100 cumulative redeemable 6% preferred shares Series A)	**25,000,000**
		(350,000 $100 cumulative redeemable 9½% preferred shares Series B)	**35,000,000**
		(15,000 $100 cumulative redeemable 10% preferred shares Series C)	**15,000,000**
		(48,000 $100 common shares)	**4,800,000**
		Retained earnings	**11,319,358**
	$2,285,328,170		**$2,285,328,170**

NOTE: The Royal Bank of Canada owns the entire capital stock of RoyMor Mortgage Corporation with the exception of the directors' qualifying shares. This investment is carried on the books of the Bank at $80,108,050.

InchRoy Credit Corporation Limited

(Incorporated under the laws of Hong Kong)
Condensed Statement as at December 31, 1980
(In Hong Kong Dollars; Canadian Equivalent $.235)

Assets		Liabilities	
Cash and due from banks	HK$ 678,704	Accounts payable and accrued liabilities	HK$ 16,246,974
Loans and advances, less provision for losses	103,286,855	Bank loans and overdrafts	277,916,044
Receivable under lease agreements less unearned income of $76,133,352	417,787,953	Amount due to holding company	45,694,989
Leasing assets	1,440,805	Short-term borrowings	66,419,285
Furniture, fixtures and equipment at cost less accumulated depreciation	354,150	Term loan	96,835,715
Other assets	7,916,236	Capital stock fully paid (2,000,000 shares of HK$10 each)	20,000,000
		Retained earnings	8,351,696
	HK$531,464,703		HK$531,464,703

NOTE: The Royal Bank of Canada owns 70% of the capital stock of InchRoy Credit Corporation Limited through its wholly-owned subsidiary, RBC Holdings B.V. This investment is carried on the books of the consolidated group at Can. $8,036,811.

Banque Belge pour l'Industrie

(Incorporated under the laws of Belgium)
Condensed Statement as at December 31, 1980
(In Belgian Francs; Canadian Equivalent $0.037)

Assets		Liabilities	
Cash and due from banks	F 2,500,735,987	Deposits	F 6,088,520,893
Belgian Government securities	1,575,504,124	Due to banks	3,383,767,815
Other Securities	315,790,581	The Royal Bank of Canada	217,381,237
Loans and advances	5,918,977,595	Acceptances	215,646,366
Real estate, buildings and equipment	116,000,000	Other liabilities	763,531,165
Customers' liability under acceptances	215,646,366	Convertible subordinated loan	52,178,000
Other assets	597,269,804	Capital stock fully paid (222,778 stock units of no par value)	440,000,000
		Reserves	39,000,000
		Retained earnings	39,898,981
	F11,239,924,457		F11,239,924,457

NOTE: The Royal Bank of Canada owns 62.43% of the capital stock of Banque Belge pour l'Industrie, including 42.43% held by its wholly-owned subsidiary, RBC Holdings B.V. This investment is carried on the books of the consolidated group at Canadian $1.

Auditors' Report

To the Shareholders,
The Royal Bank of Canada:

We have examined the statements of assets and liabilities of controlled corporations of The Royal Bank of Canada as at the dates indicated. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the corporations as at the dates indicated.

Montreal, December 1, 1981
Price Waterhouse
Touche Ross & Co.

Chartered Accountants

Supplementary Financial Information

Ten-Year Analytical Review

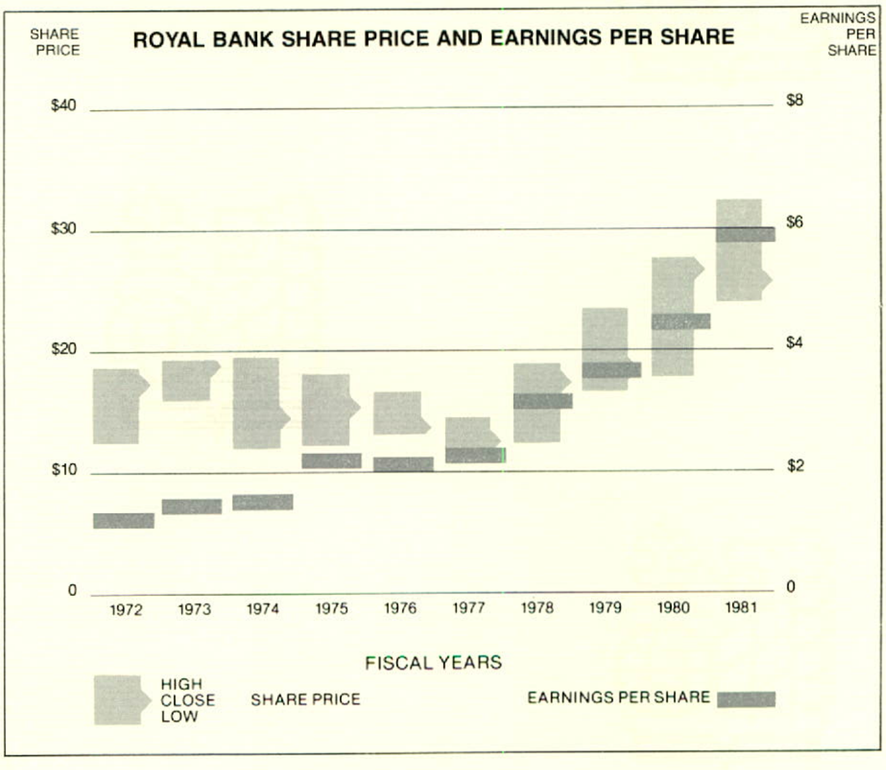
	1981	1980	1979	1978	1977
Revenue and expenses as a per cent of average total assets					
Average total assets ($ millions)	**$75,243**	$57,459	$46,847	$37,514	$31,763
Net interest revenue (taxable equiv. basis)	**2.68%**	2.66%	2.78%	3.01%	2.97%
Other operating revenue	**.65%**	.64%	.66%	.69%	.71%
Non-interest expenses (excl. loan losses)	**1.84%**	2.05%	2.12%	2.29%	2.43%
Loan loss provision	**.23%**	.21%	.23%	.25%	.26%
Total non-interest expenses	**2.07%**	2.26%	2.35%	2.54%	2.68%
Balance of revenue after taxes	**.65%**	.57%	.58%	.62%	.53%
Share information					
Shares outstanding (thousands) (1)	**81,710**	73,402	73,180	73,180	73,180
Earnings per share	**$ 5.92**	$ 4.46	$ 3.70	$ 3.20	$ 2.31
Dividends	**$ 1.70**	$ 1.26	$ 1.09	$ .78	$ .69
Share price (2) high	**$ 32.25**	$ 27.75	$ 23.38	$ 19.00	$ 14.31
low	**$ 24.13**	$ 17.94	$ 16.88	$ 12.19	$ 11.38
close	**$ 25.75**	$ 26.75	$ 18.69	$ 17.50	$ 12.38
Book value (3)	**$ 28.93**	$ 25.62	$ 22.55	$ 19.19	$ 15.87
Price/earnings ratio (4)	**4.8**	5.1	5.4	4.9	5.6
Dividend yield (5)	**6.0%**	5.5%	5.4%	5.0%	5.4%
Other information					
Deposit to capital ratio (6)	**22.7:1**	18.8:1	19.9:1	20.3:1	20.7:1
Return on equity (7)	**21.7%**	18.2%	17.7%	18.2%	15.5%
Number of shareholders (8)	**47,587**	38,463	32,058	31,503	32,276
Number of employees (9)	**38,783**	37,034	36,507	35,660	35,335
Number of branches (10)	**1,574**	1,592	1,604	1,600	1,595

Quarterly Perspective
(in thousands except per share)

Year	Fiscal Quarter	Net interest Revenue (Taxable Equiv. Basis)	Other Operating Revenue	Non-Interest Expenses (Excl. Loan Loss Provision)	Loan Loss Provision	Balance of Revenue After Taxes	Earnings Per Share	Dividends Per Share
1980	I	$ 363,393	$ 86,216	$ 274,586	$ 27,700	$ 78,555	$1.08	$ .30
1980	II	374,626	87,130	290,289	29,800	75,091	1.02	.30
1980	III	371,738	99,431	296,720	31,700	76,205	1.04	.32
1980	IV	424,490	96,884	314,848	31,575	97,579	1.32	.34
1980	Full Year	$1,534,247	$369,661	$1,176,443	$120,775	$327,430	$4.46	$1.26
1981	I	$ 514,957	$111,234	$ 318,404	$ 35,000	$138,361	$1.72	$ .36
1981	II	461,310	122,276	338,314	40,000	104,837	1.25	.40
1981	III	518,404	134,851	345,332	53,000	133,965	1.59	.45
1981	IV	521,917	122,563	379,327	48,000	115,357	1.36	.49
1981	**Full Year**	**$2,016,588**	**$490,924**	**$1,381,377**	**$176,000**	**$492,520**	**$5.92**	**$1.70**

1976	1975	1974	1973	1972
$26,763	$23,393	$20,344	$16,271	$13,847
3.09%	3.16%	2.78%	2.87%	2.77%
.74%	.77%	.68%	.71%	.73%
2.51%	2.43%	2.23%	2.24%	2.14%
.25%	.21%	.15%	.13%	.13%
2.76%	2.64%	2.38%	2.37%	2.27%
.59%	.66%	.53%	.61%	.63%
73,152	69,850	66,528	66,528	66,528
$ 2.15	$ 2.20	$ 1.61	$ 1.49	$ 1.31
$ .65	$ .62	$ .55	$ .51	$ .48
$ 16.75	$ 18.25	$ 19.63	$ 19.56	$ 18.75
$ 13.13	$ 12.19	$ 12.13	$ 16.06	$ 12.56
$ 13.50	$ 15.38	$ 14.38	$ 19.19	$ 17.38
$ 13.95	$ 12.62	$ 11.48	$ 10.90	$ 9.90
6.9	6.9	9.9	12.0	12.0
4.4%	4.0%	3.5%	2.9%	3.1%
20.4:1	20.4:1	21.9:1	19.8:1	18.5:1
16.2%	18.4%	14.4%	14.3%	13.9%
32,079	32,329	31,345	31,562	31,600
34,429	32,464	31,094	28,225	25,701
1,567	1,524	1,470	1,409	1,393

(1) Weighted average of equivalent fully paid shares outstanding.
(2) High and low price of shares traded on the Toronto stock exchange during the fiscal year and the closing price on the last trading day of October.
(3) Shareholders' equity plus accumulated appropriations for losses divided by the number of equivalent fully paid shares outstanding at fiscal year-end.
(4) The average of the high and low share price for the year divided by earnings per share.
(5) Dividends per share divided by the average of the high and low share price.
(6) Total deposits to total capital (shareholders' equity, accumulated appropriations for losses and debentures) at fiscal year-end. Included in 1979's figure is $159 million of Globe Realty Limited's preferred shares which are exchangeable into those of the Bank. In 1980's figure is $154 million of the preferred shares plus US$75 million (Cdn$88 million) of exchangeable Globe Realty Limited debentures.
(7) Balance of revenue after taxes divided by average shareholders' equity plus accumulated appropriations for losses.
(8) Royal Bank shareholders at fiscal year-end.
(9) For 1978 and prior, figures are for full time staff of the Royal Bank not including consolidated subsidiaries at fiscal year-end. Since 1979, figures include all consolidated subsidiaries but exclude staff on leave without pay. As a result of local incorporation of our operations in several countries, a number of staff and branches cease to be included in reported figures. The approximate number of staff affected are:
1971 Venezuela-230
1972 Jamaica-230, Trinidad & Tobago-345
1977 Colombia-230
(10) The number of branches dropped because of local incorporation are:
1971 Venezuela-6
1972 Jamaica-14, Trinidad & Tobago-15
1977 Colombia-9



For the information of shareholders, the valuation day, December 22, 1971, value of the Bank's capital stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is $14.75.

(in thousands)

Assets and Liabilities	1981	1980	1979	1978
Assets				
Cash resources	**$17,834,478**	$12,790,241	$11,081,313	$ 8,147,142
Securities	**7,151,431**	6,145,924	5,826,709	4,564,849
Loans including day loans	**53,250,580**	37,568,855	31,116,655	25,446,577
Bank premises (net)	**631,365**	599,898	536,476	474,626
Other assets	**8,648,267**	5,728,934	3,160,763	2,271,322
Total assets	**$87,516,121**	$62,833,852	$51,721,916	$40,904,516
Liabilities				
Canadian dollar deposits	**$37,184,811**	$30,549,226	$25,977,003	$22,794,641
Foreign currency deposits	**38,430,027**	23,752,591	20,409,786	14,195,918
Total deposits	**75,614,838**	54,301,817	46,386,789	36,990,559
Sundry liabilities	**8,575,314**	5,881,802	3,165,406	2,095,954
Debentures	**779,325**	594,226	519,559	413,666
Accumulated appropriations for losses	**405,253**	370,143	357,652	325,470
Shareholders' equity	**2,141,391**	1,685,864	1,292,510	1,078,867
Total liabilities	**$87,516,121**	$62,833,852	$51,721,916	$40,904,516
Revenue & Expenses				
Income from loans	**$ 9,639,680**	$ 6,076,229	$ 4,215,510	$ 2,838,446
Income from securities (tax. equiv. basis)	**1,083,419**	799,681	670,253	367,355
Sub-total	**10,723,099**	6,875,910	4,885,763	3,205,801
Interest paid on deposits and debentures	**8,706,511**	5,341,663	3,584,478	2,081,100
Net interest revenue (tax. equiv. basis)	**2,016,588**	1,534,247	1,301,285	1,124,701
Other operating revenue	**490,924**	369,661	310,240	258,356
Staff costs	**845,383**	727,256	627,490	536,793
Property expenses	**221,389**	182,253	162,492	151,076
Other expenses	**314,605**	266,934	205,716	171,350
Loan loss provision	**176,000**	120,775	103,148	92,856
Non-interest expenses	**1,557,377**	1,297,218	1,098,846	952,075
Balance of revenue (tax. equiv. basis)	**950,135**	606,690	512,679	430,982
Taxable equivalent adjustment	**293,615**	221,560	195,666	69,780
Balance of revenue (statutory)	**656,520**	385,130	317,013	361,202
Provision for income taxes	**164,000**	57,700	46,300	127,300
Balance of revenue after taxes	**$ 492,520**	$ 327,430	$ 270,713	$ 233,902
Dividends				
Common	**$ 139,430**	$ 94,549	$ 79,767	$ 57,264
Preferred	**8,546**	—	—	—

1977	1976	1975	1974	1973	1972
$ 7,165,038	$ 6,239,013	$ 5,348,281	$ 4,563,183	$ 5,338,982	$ 3,688,244
3,403,064	3,185,296	2,576,057	2,812,869	2,143,978	2,296,048
21,819,176	17,825,430	15,816,493	12,713,031	9,972,051	8,111,053
413,273	332,449	237,253	168,306	137,749	119,920
1,549,783	1,249,398	1,233,047	1,412,491	770,775	552,251
$34,350,334	$28,831,586	$25,211,131	$21,669,880	$18,363,535	$14,767,516
$20,056,061	$17,475,414	$14,933,619	$12,503,119	$10,371,937	$ 9,065,749
11,323,853	8,815,417	7,937,256	6,938,254	6,428,364	4,471,633
31,379,914	26,290,831	22,870,875	19,441,373	16,800,301	13,537,382
1,455,640	1,249,906	1,219,866	1,340,098	713,124	496,985
353,891	270,000	200,000	125,000	125,000	75,000
306,660	289,947	277,113	246,623	233,835	215,840
854,229	730,902	643,277	516,786	491,275	442,309
$34,350,334	$28,831,586	$25,211,131	$21,669,880	$18,363,535	$14,767,516
$ 2,283,792	$ 2,020,941	$ 1,793,722	$ 1,613,365	$ 1,015,923	$ 728,294
275,603	238,421	201,134	173,244	123,980	117,701
2,559,395	2,259,362	1,994,856	1,786,609	1,139,903	845,995
1,617,028	1,431,877	1,256,592	1,221,258	673,477	462,656
942,367	827,485	738,264	565,351	466,426	383,339
225,333	198,245	179,378	137,569	115,364	100,534
484,342	428,391	362,099	291,197	233,661	181,681
133,572	111,866	88,003	70,503	56,730	48,857
153,012	131,206	118,283	92,222	74,136	65,727
81,449	66,503	49,954	30,972	21,649	18,708
852,375	737,966	618,339	484,894	386,176	314,973
315,325	287,764	299,303	218,026	195,614	168,900
40,703	20,375	11,431	7,024	3,470	3,401
274,622	267,389	287,872	211,002	192,144	165,499
105,800	110,000	134,630	103,800	92,900	78,286
$ 168,822	$ 157,389	$ 153,242	$ 107,202	$ 99,244	$ 87,213
$ 50,495	$ 47,751	$ 43,751	$ 36,590	$ 33,929	$ 31,933
—	—	—	—	—	—

Highlights of Financial Statements under the New Bank Act

The transitional provisions of the New Bank Act specified that the Bank's Annual Statement for the year ended October 31, 1981 was to be prepared in accordance with the requirements of the Old Bank Act; new financial reporting requirements were to take effect November 1, 1981.

The schedule on page 59 provides condensed statements of assets and liabilities and condensed statements of income for the Bank for the last five fiscal years restated in accordance with the requirements of the New Bank Act. In addition the schedule compares the restated financial statements for 1981 with the financial statements prepared in accordance with the Old Bank Act for the same year.

The major changes in the New Bank Act involve the consolidation of all companies in which there is over 50% ownership, and equity accounting for those companies in the 20-50% ownership category. In prior years, under the Old Bank Act, only wholly-owned banking subsidiaries were consolidated and all other investments were carried at cost. Another major change is that letters of credit and guarantees are no longer included as assets. There are also changes in the accounting for securities. Now all securities are carried at cost or amortized value. In prior years securities other than those guaranteed by Canada or the provinces were carried at amounts not exceeding market value. For dispositions, gains and losses from shares are recorded in income whereas gains and losses from interest-bearing securities are deferred and amortized to income over five years. In prior years all gains and losses on disposal of securities were included in Accumulated Appropriations for Losses.

Restated Net Income for the Year ended October 31, 1981, of $478 million was $14 million lower than the total under the Old Bank Act basis primarily because of the new accounting for gains and losses on disposals and write-downs of securities.

At October 31, 1981 restated total assets of $85.4 billion were $2.1 billion less than total assets under the Old Bank Act. The reduction results from the elimination of customers' liability under guarantees and letters of credit of $5.5 billion partially offset by an increase of $3.4 billion resulting from additional consolidations and equity accounting. Restated Capital and Reserves as at October 31, 1981 of $2,701 million was $154 million higher than the total under the Old Bank Act basis.

Restatement of Balance of Revenue After Taxes under the Old Bank Act to Net Income for the Year under the New Bank Act (in thousands)

Financial years ended October 31	1981	1980	1979	1978	1977
Balance of Revenue after Taxes under the Old Bank Act	**$492,520**	$327,430	$270,713	$233,902	$168,822
Share of net income and losses of subsidiaries not previously consolidated	**(1,828)**	(3,048)	6,447	10,572	6,579
Share of net income and losses of equity accounted companies	**(2,163)**	8,143	10,952	8,289	5,487
Items previously recorded in appropriations but now included in income:					
Profits and losses on securities	**(14,831)**	14,755	(3,068)	6,000	362
Other	**4,478**	752	4,647	2,342	6,706
Net Income for the Year under the New Bank Act	**$478,176**	$348,032	$289,691	$261,105	$187,956

Restatement of Capital Accounts under the Old Bank Act to Capital and Reserves under the New Bank Act (in thousands)

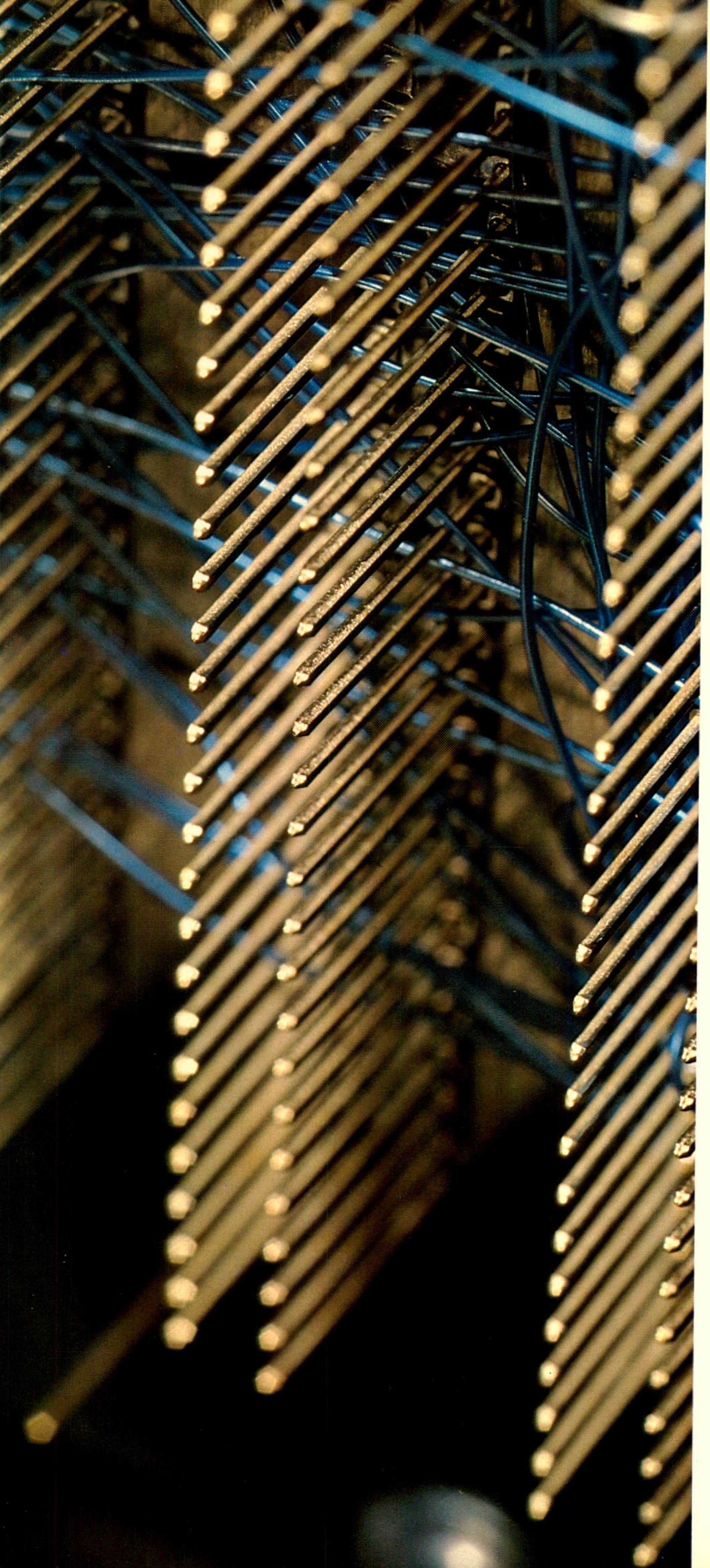
As at October 31	1981	1980	1979	1978	1977
Capital Accounts— Shareholders' Equity and Accumulated Appropriations for Losses under the Old Bank Act	**$2,546,644**	$2,056,007	$1,650,162	$1,404,338	$1,160,890
Share of post-acquisition earnings of subsidiaries not previously consolidated	**41,527**	22,657	43,227	54,309	49,609
Share of net income since acquisition of investments accounted for on the equity method	**28,848**	42,118	34,567	23,615	9,791
Unamortized portion of gains and losses on the disposal of securities (net of income taxes)	**34,533**	12,528	12,556	3,732	645
Specific provisions for losses on investments as at October 31	**58,572**	31,220	16,714	8,061	17,326
Other	**(9,326)**	(9,295)	(4,589)	(7,405)	500
Capital and Reserves under the New Bank Act	**$2,700,798**	$2,155,235	$1,752,637	$1,486,650	$1,238,761

Statement of Assets and Liabilities (in thousands)

	Old Bank Act	New Bank Act				
	October 31, 1981	October 31, 1981	October 31, 1980	October 31, 1979	October 31, 1978	October 31, 1977
Assets						
Cash resources	$17,834,478	$15,851,527	$11,141,883	$ 9,752,064	$ 7,463,315	$ 6,565,099
Securities	7,151,431	7,346,426	6,567,092	6,103,886	4,674,358	3,478,874
Loans	53,250,580	57,131,133	40,805,248	32,713,333	26,977,407	23,066,315
Customers' liability under acceptances	7,933,318	2,414,937	1,451,068	934,171	498,963	365,019
Land, buildings and equipment	631,365	810,266	732,806	621,170	543,774	478,413
Other assets	714,949	1,805,163	784,014	550,963	445,237	321,439
Total Assets	**$87,516,121**	**$85,359,452**	**$61,482,111**	**$50,675,587**	**$40,603,054**	**$34,275,159**
Liabilities						
Deposits	$75,614,838	$76,919,508	$56,017,911	$46,665,077	$37,619,894	$31,929,635
Acceptances	7,933,318	2,414,937	1,451,068	934,171	498,963	365,019
Other liabilities	641,996	2,538,579	1,087,441	639,487	569,274	378,966
Minority interest in subsidiaries	—	6,305	176,230	164,656	14,607	8,887
Subordinated debt — bank debentures	779,325	779,325	594,226	519,559	413,666	353,891
	84,969,477	82,658,654	59,326,876	48,922,950	39,116,404	33,036,398
Capital and Reserves						
Appropriations for contingencies	242,233	257,800	213,180	212,163	129,914	64,270
Shareholders' equity:						
Capital stock — preferred	150,285	150,285	—	—	—	—
— common	82,843	82,843	80,243	73,181	73,181	73,181
Contributed surplus	407,229	407,229	348,125	192,762	192,762	192,762
General reserve	163,020	206,025	188,183	162,203	203,618	259,716
Retained earnings	1,501,034	1,596,616	1,325,504	1,112,328	887,175	648,832
	2,546,644	2,700,798	2,155,235	1,752,637	1,486,650	1,238,761
Total Liabilities, Capital and Reserves	**$87,516,121**	**$85,359,452**	**$61,482,111**	**$50,675,587**	**$40,603,054**	**$34,275,159**

Statement of Income (in thousands)

Interest and dividend income	$10,429,484	$10,750,400	$ 6,768,189	$ 4,812,988	$ 3,239,251	$ 2,587,633
Interest expense	8,706,511	9,042,065	5,410,025	3,651,103	2,133,543	1,659,129
Net interest income	1,722,973	1,708,335	1,358,164	1,161,885	1,105,708	928,504
Provision for loan losses	176,000	185,601	124,430	106,021	96,544	83,710
Net interest income after loan loss provision	1,546,973	1,522,734	1,233,734	1,055,864	1,009,164	844,794
Other income	490,924	516,110	377,647	321,292	270,480	244,747
Net interest and other income	2,037,897	2,038,844	1,611,381	1,377,156	1,279,644	1,089,541
Non-interest expenses	1,381,377	1,396,316	1,189,629	1,010,935	879,588	785,078
Net income before provision for income taxes	656,520	642,528	421,752	366,221	400,056	304,463
Provision for income taxes	164,000	160,219	60,876	60,557	135,651	114,289
Net income before minority interest in subsidiaries	492,520	482,309	360,876	305,664	264,405	190,174
Minority interest in subsidiaries	—	4,133	12,844	15,973	3,300	2,218
Net income for the year	**$ 492,520**	**$ 478,176**	**$ 348,032**	**$ 289,691**	**$ 261,105**	**$ 187,956**
Net income per share						
Basic	$5.92	$5.75	$4.74	$3.96	$3.57	$2.57
Fully diluted	$5.89	$5.71	$4.74	$3.96	$3.57	$2.57
Return on assets	.65%	.65%	.62%	.63%	.70%	.59%
Net income for the quarters:						
First	$ 138,361	$ 139,425				
Second	104,837	104,516				
Third	133,965	130,910				
Fourth	115,357	103,325				
Total Year	**$ 492,520**	**$ 478,176**				

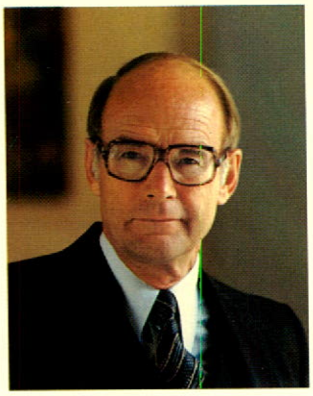


Directors

These copper pins connect the memory chips of this high-speed storage device with various parts of the computer in much the same way as a telephone exchange with the exception that the lines are permanently connected.

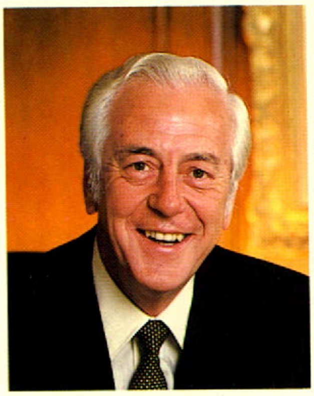
Directors

Chairman
and Chief
Executive Officer



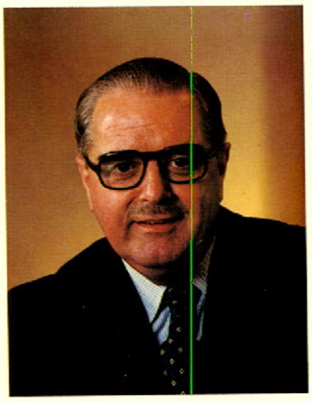
Rowland C. Frazee
Montreal
Chairman and
Chief Executive Officer
The Royal Bank of Canada

President



Jock K. Finlayson
Toronto
President
The Royal Bank of Canada

Vice-Chairmen



R.A. Utting
Montreal
Vice-Chairman
The Royal Bank of Canada

H.E. Wyatt
Calgary
Vice-Chairman
The Royal Bank of Canada

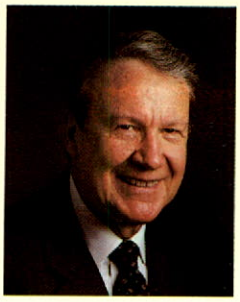
Vice-Presidents

W.O. Twaits, C.C.
Toronto
Company Director

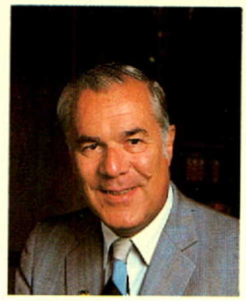
Ian D. Sinclair
Montreal
Chairman and
Chief Executive Officer
Canadian Pacific Enterprises
Limited

Directors

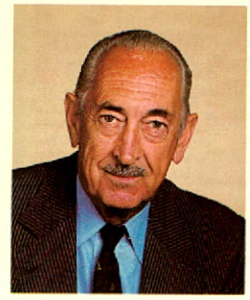
D.S. Anderson
Toronto
Chairman
Canada Realties Limited



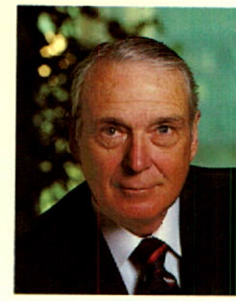
John A. Armstrong
Toronto
Chairman and
Chief Executive Officer
Imperial Oil Limited



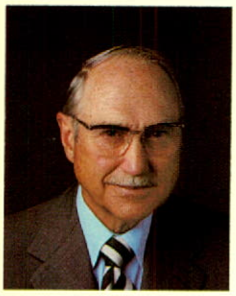
Ian A. Barclay
Vancouver
Chairman
British Columbia
Forest Products Limited



T.J. Bell, M.C.
Toronto
Chairman of the Board
Abitibi-Price Inc.



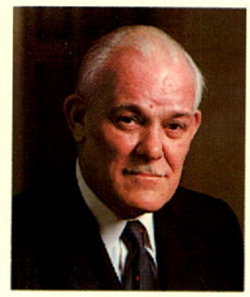
G.H. Blumenauer
Hamilton
Chairman and
Chief Executive Officer
Otis Elevator Company Limited



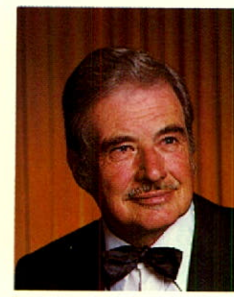
G. Allan Burton, D.S.O., E.D., LL.D.
Toronto
Company Director

R.B. Cameron, O.C., D.S.O.
New Glasgow
Chairman
Cameron Corporation Limited

John H. Coleman
Toronto
President
J.H.C. Associates Limited



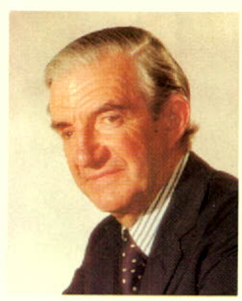
Frank B. Common, Jr., Q.C.
Montreal
Partner
Ogilvy, Renault



F.M. Covert, O.B.E., D.F.C., Q.C.
Halifax
Partner
Stewart, MacKeen & Covert

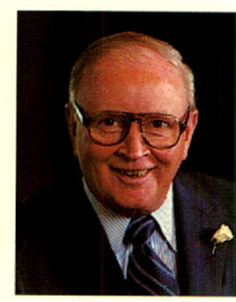
Camille A. Dagenais
Montreal
Chairman and
Chief Executive Officer
The SNC Group

Mrs. Mitzi S. Dobrin
Montreal
Group Vice-President
and General Manager
Steinberg Inc.

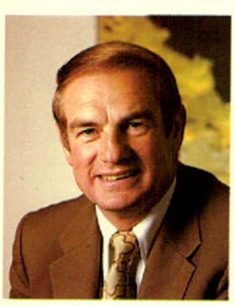


Sir Alastair Down, O.B.E., M.C., T.D.,
Wiltshire, England
Chairman
The Burmah Oil Company

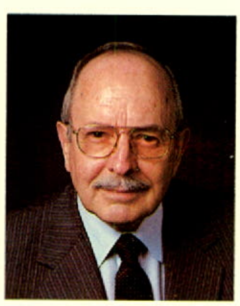
G. Campbell Eaton, O.C., M.C., C.D., LL.D.
St. John's, Nfld.
Managing Director
Nfld. Tractor & Equip. Co., Ltd.



W.D.H. Gardiner
Vancouver
President
W.D.H.G. Financial
Associates Ltd.



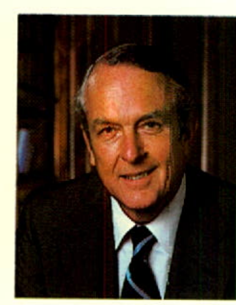
D.R. Getty
Edmonton
President
D. Getty Investments Ltd.



Floyd D. Hall
New York
Company Director

Walter F. Light
Mississauga
President and Chief
Executive Officer
Northern Telecom Limited

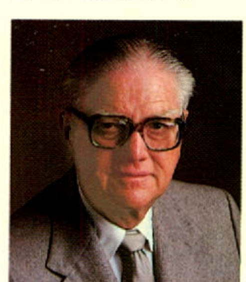
Tong Louie
Vancouver
President and
Chief Executive Officer
H.Y. Louie Co. Limited



P.L.P. Macdonnell, C.M., Q.C.
Edmonton
Partner
Milner & Steer

J.D. Maclennan
Regina
President and
Chief Executive Officer
Interprovincial Steel and Pipe
Corporation Ltd.

Clifford S. Malone
Toronto
Chairman and
Chief Executive Officer
Canron Inc.

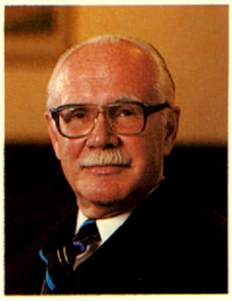


F.C. Mannix
Calgary
Company Director

J. Pierre Maurer
New York
Executive Vice-President
Metropolitan Life
Insurance Company

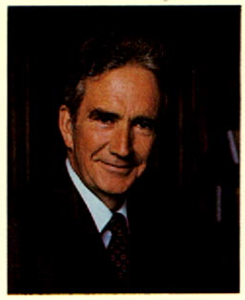
John R. McCaig
Calgary
Chairman and
Chief Executive Officer
Trimac Limited

Mrs. Dawn R. McKeag
Winnipeg
President
Walford Investments Ltd.

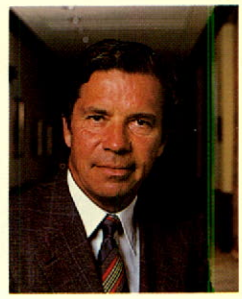


W. Earle McLaughlin
Montreal
Former Chairman of the Board
The Royal Bank of Canada

J.P. Monge
Rancho Santa Fe, Ca.
Chairman
Amcan Group, Inc.

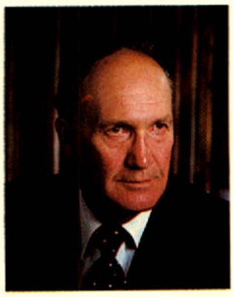


Pierre A. Nadeau
Montreal
Special Consultant
Cemp Investments Limited



Paul Paré
Montreal
Chairman and
Chief Executive Officer
Imasco Limited

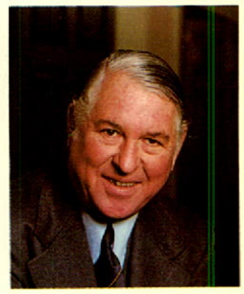
Neil F. Phillips, Q.C.
Montreal
Partner
Phillips & Vineberg



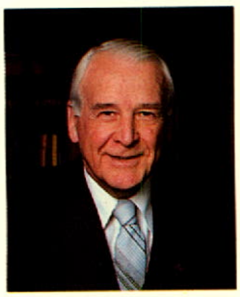
Herbert C. Pinder
Saskatoon
President
Saskatoon Trading Company Limited

Claude Pratte, Q.C.
Quebec
Advocate

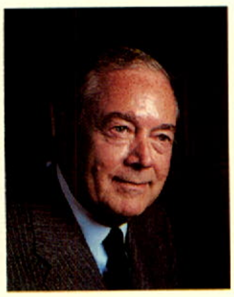
L. Merrill Rasmussen
Denver, Co.
President and
Chief Executive Officer
Husky Oil Company



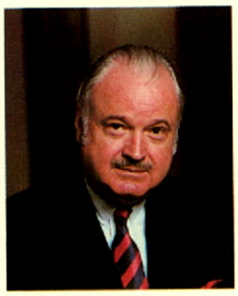
Charles I. Rathgeb
Toronto
Chairman
Comstock International Ltd.



A.M. Runciman
Winnipeg
Company Director

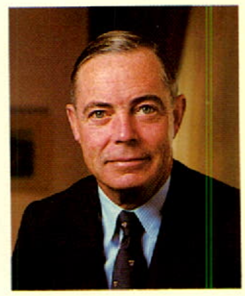


P.R. Sandwell
Vancouver
Chairman
Sandwell and Company Limited



P.N. Thomson
Coral Harbour, Bahamas
Chairman
TIW Industries Ltd.

John A. Tory, Q.C.
Toronto
President
The Thomson Corporation Limited



W.P. Wilder
Toronto
President and
Chief Executive Officer
Hiram Walker Resources Ltd.

C.N. Woodward
Vancouver
Chairman of the Board and
Chief Executive Officer
Woodward Stores Limited

Board Committees

The five standing committees of the Board of Directors of The Royal Bank of Canada, as listed below, have the responsibility of maintaining integrity and sensitivity within the major areas of activity of the Bank, consistent with the strategic development goals of the corporation.

The Loan Policy Committee sustains an advisory role with regard to the lending policies and practices of the Bank.

Chairman: F.B. Common.
Members: D.S. Anderson, R.C. Frazee, T. Louie, J.D. Maclennan, F.C. Mannix, W.E. McLaughlin, A.M. Runciman, P.N. Thomson, R.A. Utting.

The Loan Policy Committee reviews and monitors the application of credit policy to ensure prudent risk management and consistent strategic planning. Loans of magnitude exceeding the generally acceptable percentage of capital, and those involving unusual circumstance are studied by the committee prior to management approval. Loans to directors and employees are approved by this group and, as required by the Bank Act, are reported to the Board of Directors. Finally, subject to the provisions of the Bank Act, administrative matters of an urgent nature may be referred to this committee for approval prior to subsequent review by the following meeting of the Board.

The Committee meets regularly, twice a month, in addition to policy meetings and reports its activities to the Board with appropriate recommendations, desirable in the circumstances.

The Audit Committee assumes the responsibility of reviewing the auditing annual financial statements and internal control procedures of the Bank, and of ensuring that disclosure of accurate, reliable data is made to interested parties.

Chairman: F.M. Covert.
Members: T.J. Bell, G.A. Burton, N.F. Phillips, H.C. Pinder.

The Audit Committee, through meetings with shareholders' auditors, Chief Inspector and periodic reviews of internal control procedures and accounting practices of the Bank, ensures compliance with the law and avoidance of conflicts of interest. Management information systems development and revisions to accounting practices are also subject to review by this committee.

The committee meets as required and at least twice annually it reports to the Board of Directors on its activities, particularly its review of the Bank's financial statements and on the nomination and remuneration of auditors.

The Nominating Committee, under given criteria governing the overall composition of the Board, is elected to recommend suitable candidates for appointment as directors.

Chairman: C.N. Woodward.
Members: G.H. Blumenauer, Mrs. M. Dobrin, P. Macdonnell, C. Pratte.

The Nominating Committee, under guidelines established to sustain Board composition, reviews and recommends areas of representation which are complementary to the Bank's strategic development goals. The committee further seeks to identify candidates who are able and willing to participate in the diverse scope of the Royal Bank's activities.

The committee meets at least semi-annually and is required to report to the Board of Directors at least once each fiscal year.

The Personnel and Compensation Committee, in an advisory capacity, reviews and monitors Personnel policies, management development program and total compensation practices of the Bank.

Chairman: W.O. Twaits.
Members: W.F. Light, J.P. Monge, I.D. Sinclair, J.A. Tory.

The Personnel and Compensation Committee is charged with periodic reviewing of the Bank's long range plans and policies for recruiting, developing and motivating personnel. Compensation practices and management succession are areas of regular review and approval of remuneration of the Bank's most senior executive staff is required of this committee.

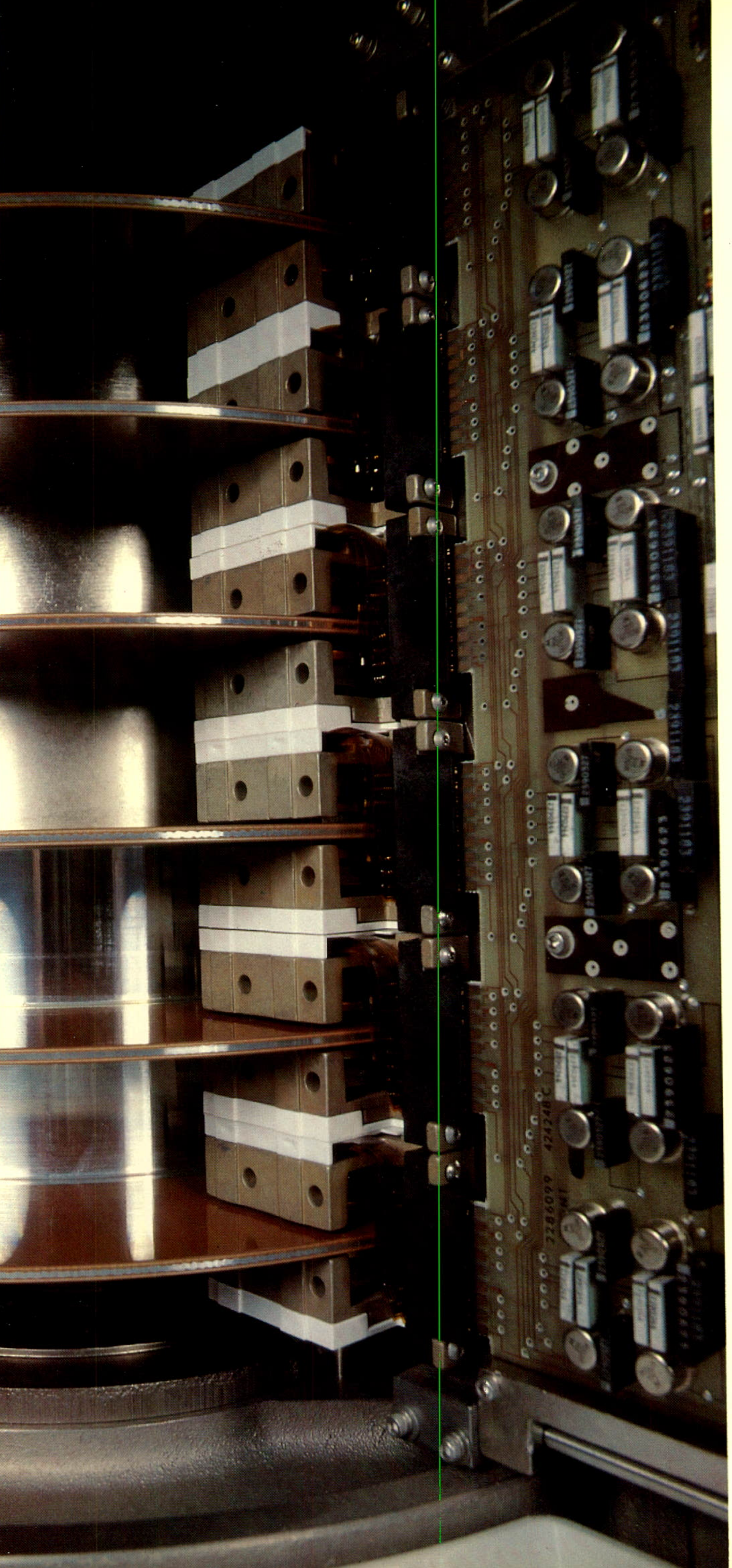
The committee is required to submit to the Board of Directors a report on its activities and any recommendations it deems appropriate.

The Public Policy Committee reviews the Bank's public posture to ensure that its operations remain consonant with the changing values and expectations of society.

Chairman: P. Paré.
Members: J.A. Armstrong, I.A. Barclay, J.P. Maurer, Mrs. D.R. McKeag.

The Public Policy Committee acts in an advisory capacity to the Board of Directors in areas relating to the Bank's overall interaction with its various key publics. Studies of the Bank's efforts to ensure ethical and socially responsible business conduct, corporate responsibility by way of both human resource and financial contributions, and the appropriateness of Public Affairs considerations as related to the Bank's strategic goals, form the key elements of this committee's functional mandate.

Reports and recommendations are made annually to the Board of Directors, subsequent to at least two meetings of the committee during the fiscal year.



Organization

Computers and their associated equipment are used to process the incredible volume of data generated in modern banking. This is a device that can be compared to a card-index in a library. Data stored on both sides of the high-speed magnetic discs provide almost instant access to the location of programs stored in the computer memory, thus enabling rapid retrieval.

CHAIRMAN & CHIEF EXECUTIVE OFFICER
ROWLAND C. FRAZEE

VICE-CHAIRMAN
H.E. WYATT
(Calgary)

CANADA DIVISION
EXECUTIVE VICE-PRESIDENT
A.H. MICHELL

SENIOR VICE-PRESIDENTS
M.C.S. Baptista
L.E. Gillmoure
A.G. Halliwell
W.A.R. MacDonald
D.C. Maltby*
M.O.P. Morrison*
J.C. Sinclair*
(*Toronto)

SENIOR VICE-PRESIDENTS & GENERAL MANAGERS

ALBERTA
R.B. Ashforth
(Calgary)

ATLANTIC PROVINCES
J.G. Macpherson
(Halifax)

BRITISH COLUMBIA
J.E. Cleghorn
(Vancouver)

MANITOBA
J.B. McDonald
(Winnipeg)

ONTARIO
W.D. Henry
(Toronto)

QUEBEC
F.P. Paradis
(Montreal)

SASKATCHEWAN
R.B. Robertson
(Regina)

GLOBAL ENERGY & MINERALS
SENIOR VICE-PRESIDENTS
G.J. Johnson
J.G. Stabback
(Calgary)

AGRICULTURAL SERVICES
ASSISTANT GENERAL MANAGER
H.D. McRorie
(Winnipeg)

NATIONAL ACCOUNTS DIVISION
EXECUTIVE VICE-PRESIDENT
J.C. McMILLAN
M.J. REGAN (DESIGNATE)
(Toronto)

SENIOR VICE-PRESIDENTS
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P.A. Taylor
(Toronto)

SENIOR VICE-PRESIDENT &
CHIEF ECONOMIST
E.P. Neufeld

CORPORATE PLANNING & ORGANIZATION
VICE-PRESIDENT
W.C. Bull

PERSONNEL
SENIOR VICE-PRESIDENT
A.H. MacKenzie

PUBLIC AFFAIRS
SENIOR VICE-PRESIDENT
H.S. Hardy

SECRETARY
R.J. Moores

PRESIDENT
J.K. FINLAYSON
(Toronto)

VICE-CHAIRMAN
R.A. UTTING

CHIEF INSPECTOR
D.F.W. Bruce

VICE-PRESIDENT &
GENERAL COUNSEL
J.T. Burnett

TAXATION
VICE-PRESIDENT
N.L. Rapkin

INTERNATIONAL BANKING DIVISION
EXECUTIVE VICE-PRESIDENT
A.R. TAYLOR

SENIOR VICE-PRESIDENTS
B.V. Kelly
W.N. McFadyen

SENIOR VICE-PRESIDENTS &
GENERAL MANAGERS

ASIA PACIFIC
J.N.T. Rednall
(Hong Kong)

CONTINENTAL EUROPE
A. de Takacsy
(Paris, France)

LATIN AMERICA & CARIBBEAN
C.P. de Souza
(Coral Gables, Florida, USA)

MIDDLE EAST & AFRICA
W.C.C. Mackay
(London, England)

U.K., IRELAND & NORDIC COUNTRIES
P.J. Rossiter
(London, England)

UNITED STATES OF AMERICA
W.S. Snook
(New York)

VICE-PRESIDENT
INTERNATIONAL MONEY MARKETS
E.L. Grosland
(Toronto)

WORLD TRADE & MERCHANT BANKING DIVISION
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(Toronto)

SENIOR VICE-PRESIDENTS
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J.M. Walker
(Toronto)

FINANCE & INVESTMENTS DIVISION
EXECUTIVE VICE-PRESIDENT
B.D. GREGSON

VICE-PRESIDENT & COMPTROLLER
K.A. Smee

VICE-PRESIDENT & TREASURER
G.C. Aitken

AFFILIATED BANKS & FINANCIAL ORGANIZATIONS

RBC HOLDINGS B.V.
RBC HOUDSTERMAATSCHAPPIJ B.V.
CHAIRMAN OF THE BOARD OF SUPERVISING DIRECTORS
R.C. PATERSON
(LONDON, ENGLAND)

Orion Royal Bank Limited
Chief Executive
N.H.P. Hardinge
(London, England)

Executive Officers

Chairman & Chief Executive Officer
Rowland C. Frazee

President
J.K. Finlayson (Toronto)

Vice-Chairman
R.A. Utting

Vice-Chairman
H.E. Wyatt (Calgary)

Executive Vice-Presidents
B.D. Gregson, *Finance & Investments*

J.C. McMillan, *National Accounts* (Toronto)
M.J. Regan, *National Accounts (Designate)* (Toronto)

A.H. Michell, *Canada*

R.G.P. Styles, *World Trade & Merchant Banking* (Toronto)

A.R. Taylor, *International Banking*

Head Office Management

Senior Vice-Presidents
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H.S. Hardy
G.J. Johnson (Calgary)
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W.A.R. MacDonald
A.H. MacKenzie
W.N. McFadyen
V.G. McKay (Toronto)
E.P. Neufeld
W.J.H. Nimmo (Toronto)
J.G. Stabback (Calgary)
P.A. Taylor (Toronto)
J.M. Walker (Toronto)

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J.T. Burnett
A.M. Channell
V.L. Chapin (Toronto)
G.J. Feeney
W.R. Fithern
J.C. Grant
E.L. Grosland (Toronto)
W.J. MacKay
W.J. McCartney (Toronto)
J.A. Milburn
K.J. Morrison
N.L. Rapkin
H.C. Stewart
E.G. Stone (Calgary)
D.S. Wells
G.W. Wheeler

Vice-President & Comptroller
K.A. Smee

Chief Inspector
D.F.W. Bruce

Secretary
R.J. Moores

Affiliated Banks & Financial Organizations

RBC Holdings B.V.
R.C. Paterson, Chairman of the Board of Supervising Directors (London, England)

RBC Houdstermaatschappij B.V.
R.C. Paterson, Chairman of the Board of Supervising Directors (London, England)

Orion Royal Bank Limited
N.H.P. Hardinge, Chief Executive (London, England)

Field Management

Assistant General Managers
N.C. Achen (Toronto)
R.W. Baguley
J.P. Béland
G.A. Bellevue
H.G. Buckrell
W.P. Carter
J.P. Clarke
W.B. Cockburn (Calgary)
J. Driedger (Toronto)
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E.D. Ferguson (Toronto)
J.M. Froese (Toronto)
G.F. Gaffney (Vancouver)
B.C. Galloway (Toronto)
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D.D.E. Grier
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R.F. Gulliford (Toronto)
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G.R. Heckman
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R.W. Hoke
C.P. James (Toronto)
A.R. Kuhlmann (Toronto)
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G.D. Loewen
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I.A. MacKay (London, England)
C.G. MacKenzie
B.C. Marshall
R.A. Masleck
A.A. McArthur (Houston, Texas)
H.D. McRorie (Winnipeg)
J.V. Oram
E.R. Robertson
R.L. Spicer
R.J. Sutherland (Toronto)
G.G. Tallman (Calgary)
G.C. Tibbatts
A.L. Tower (Toronto)
P.H. Tucker
J.A.W. Van Slyck
B.G. Wallace (Toronto)
A.A. Webb (Toronto)
K.G. Wilson

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J.E. Cleghorn (Vancouver)
W.D. Henry (Toronto)
W.C.C. Mackay (London, England)
J.G. Macpherson (Halifax)
J.B. McDonald (Winnipeg)
F.P. Paradis (Montreal)
J.N.T. Rednall (Hong Kong)
R.B. Robertson (Regina)
P.J. Rossiter (London, England)
W.S. Snook (New York)
C.P. de Souza (Coral Gables, Florida)
A. de Takacsy (Paris, France)

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M.O.P. Morrison (Toronto)
J.C. Sinclair (Toronto)

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L.G. Edmonds (Vancouver)
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D.N. Kitchen (Calgary)
R.P. Lasnier (Montreal)
W.P. Lefaivre (Edmonton)
E.R. McCutcheon (New York)
J.M. Messmer (Toronto)
M.L. Turcotte (Montreal)

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J.D. Anderson (San Francisco)
W.D. Anderson (Winnipeg)
D.M. Baxter (Calgary)
R.G. Bernard (Montreal)
J.G. Bisaillon (Montreal)
J.H.E. Bolduc (New York)
N. Brewis (Hong Kong)
V.A. Brown (Coral Gables, Florida)
E.R.G. Burgess (Ottawa)
J.G.H. Camiré (Montreal)
J.T. Clayden (Hong Kong)
A.E. Colling (Hamilton)
M.A. Corlett (Chicago)
J.D. Davison (Toronto)
W.R. Dinwoodie (New York)
W.D. Dobson (Regina)
K.W. Doupe (Toronto)
J.B. Easton (Toronto)
V.T. Forster (New York)
J. Garon (Montreal)
W.H. Gilbert (Toronto)
J.R. Glahome (Coral Gables, Florida)
W.J. Grace (Sudbury)
B.M. Gray (Paris, France)
F.W. Hedger (London, England)
R.F. Hemeon (Vancouver)
N.G. Homsy (London, England)
A.L. Johnson (London, Ontario)
A.J.P. Joss (Toronto)
V.E. Keating (Vancouver)
R.G. Laliberté (Los Angeles)
E.W. Latimer (Toronto)
W.D. Marble (Edmonton)
H.R. McLean (Toronto)
S.A. Middaugh (Halifax)
W.E. Neapole (Calgary)
P.A. Palmer (Toronto)
W.R. Penner (Toronto)
J.E.G. Perron (Montreal)
M.D. Pollock (Vancouver)
A.L. Pottle (Halifax)
J.H. Prenger (London, England)
M.J. Ross (New York)
R.D. Séguin (Montreal)
J.K. Talbot (Coral Gables, Florida)
R.E. Travis (Winnipeg)
W.C. Watt (Regina)
D.C. Williamson (Vancouver)
G.M. Youssef (New York)

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R. Stone, *Manager*

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D.R. Kester, *Deputy Chairman and Managing Director*

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P.O. Bag Service 1011
Bridgetown
The Royal Bank of Canada (Barbados) Limited
Trident House, Lower Broad Street
P.O. Bag Service 1022
Bridgetown
G.A. Voyer, *Managing Director*
Royal Bank Trust Company (Barbados) Limited
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P.O. Box 626C
Bridgetown
N.L. Smith, *General Manager*

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J.P. Bélanger, *Managing Director*

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C.J. 121
01311 São Paulo
Banco Internacional S.A. (Affiliate)
Caixa Postal 8065, C.E.P. 01000
Rua 15 de Novembro 240
São Paulo
C.W.J. Edwards, *Vice-President*

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R. King, *Vice-President*
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R.G. Hunkin, *President*

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B.D. Marshall, *President*

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W.A.R. MacDonald, *President*

RoyNat Ltd.
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Montreal, Quebec H3B 1P2
J.D. Thompson, *President*

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Cayman Islands, B.W.I.

RoyWest Trust Corporation (Cayman) Limited (Affiliate)
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B.A. Ramsey, *Managing Director*

CHANNEL ISLANDS
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St. Peter Port, Guernsey
T.J. Betley, *Managing Director*

RBC Investment Managers Limited
P.O. Box 246, Ann's Place
St. Peter Port, Guernsey
J.J. Morris, *Managing Director*

The Royal Bank of Canada Trustees (Guernsey) Limited
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St. Peter Port, Guernsey
T.J. Betley, *Managing Director*

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Banco Royal Colombiano (Affiliate)
Apartado Aereo 3438
Bogota
P.B. Arthur, *President & General Manager*

DOMINICAN REPUBLIC
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El Zamalek
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ENGLAND
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C.G. Morkel, *Regional Representative*
R.K. Stölting, *Special Business Consultant*
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6000 Frankfurt (Main) 1
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J. Beckermann, *Member of the Management Board (Frankfurt)*
P. Brauns, *Member of the Management Board (Dusseldorf)*
M.A. Nicolai, *Member of the Management Board (Frankfurt)*
H. Plaschna, *Member of the Management Board (Hamburg)*

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K. Grasenick, *Member of the Management Board*

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See Italy & Greece

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Paradisos Amarousion, Athens
K.N. Kikano, *Managing Director*

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K. Maraj, *Manager*

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A.B. Caldwell, *Branch Manager*
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G.P.O. Box 3302
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12th Floor
10 Ice House Street, Central
G.P.O. Box 2563
G.F. Burnett, *Managing Director*

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16-20 Chater Road
A.A. Bowbyes, *Chief Executive*

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Kingston
G.L. Byles, *Managing Director*

JAPAN
G.E. Turner, *General Manager*
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C.P.O. Box 1709
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B.D. Champion, *Managing Director*

RBC Holdings B.V.
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R.C. Paterson, *Chairman of the Board of Supervising Directors*
R.A. Thomas, *Managing Director*
B.D. Champion, *Deputy Managing Director*

RBC Houdstermaatschappij B.V.
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R.A. Thomas, *Managing Director*
B.D. Champion, *Deputy Managing Director*

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H.P. Urich, *Chairman and Managing Director*

Royal Bank Trust Company (Trinidad) Limited (Affiliate)
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A. Cravero, *Executive Vice-President*
W.H.M. de Gelsey, *Deputy Chairman*
C.J. Chataway, *Vice-Chairman*
P.M. Hubbard, *Vice-Chairman*
M.A. Brennan, *Managing Director*
A.W. Broughton, *Managing Director*
M.J. Perry, *Managing Director*

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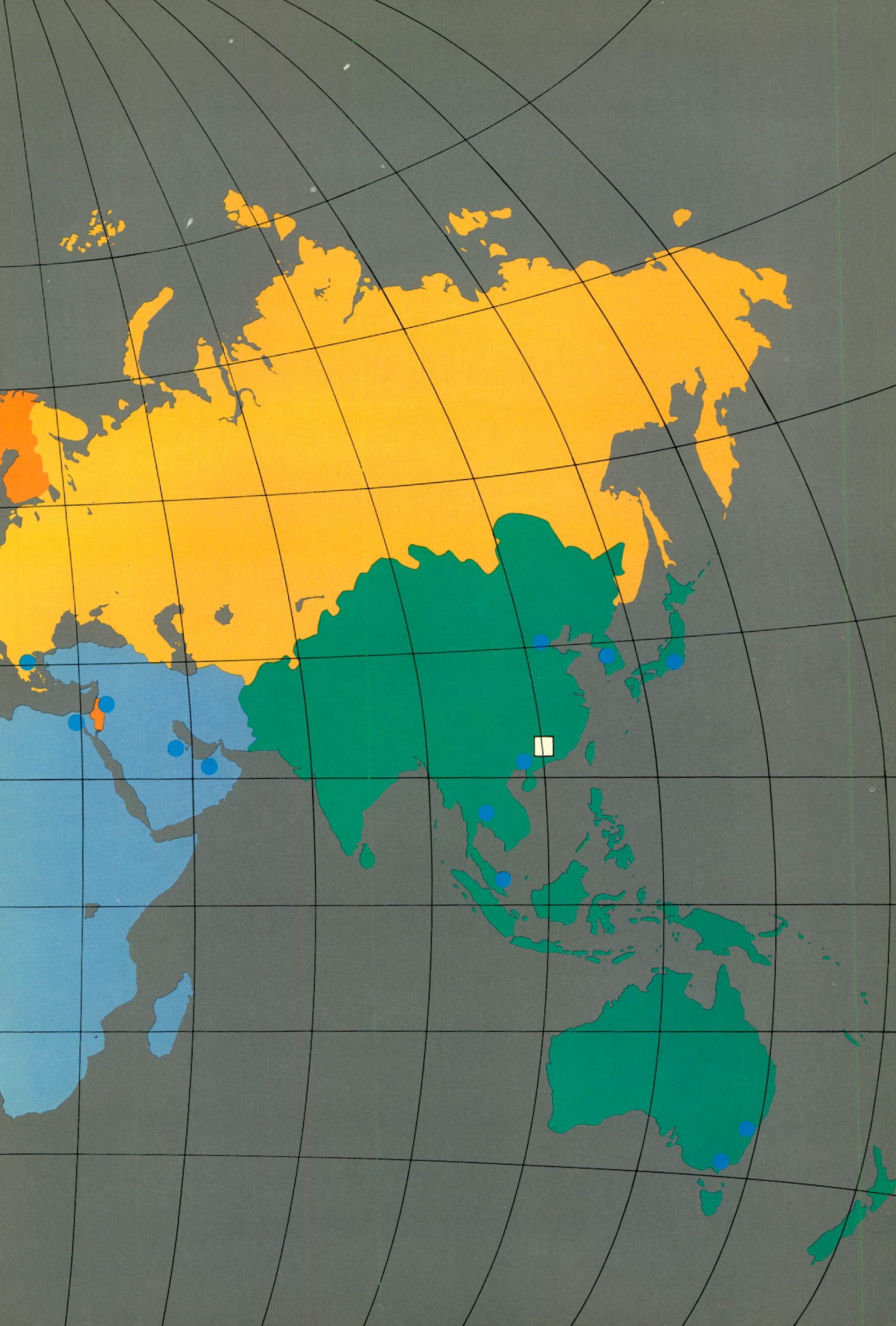
A.G. Stewart, *Vice-President*

The Royal Bank of Canada Group: Global Network



Canadian Branches

Alberta 163 / British Columbia 193 / Manitoba 106 / New Brunswick 31 / Newfoundland & Labrador 20 / North West Territories 3 / Nova Scotia 84 / Ontario 563 / Prince Edward Island 6 / Quebec 213 / Saskatchewan 106 / Yukon 3

Total 1,491

Branches and agencies in Other Countries 83.
Total (including sub-branches) 1,574.
As at October 31, 1981.

In addition to the above, the Royal Bank has financial interest in 110 Subsidiaries and Affiliates throughout the world.

Detailed information concerning Royal Bank representation throughout the world may be obtained from any branch of the Bank, or from the Bank's Head Office, 1 Place Ville Marie, Montreal, Quebec, Canada (P.O. Box 6001, Montreal, Quebec, H3C 3A9, Canada) Telephone (514) 874-2110.

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