



THE ROYAL BANK OF CANADA
Annual Report 1979

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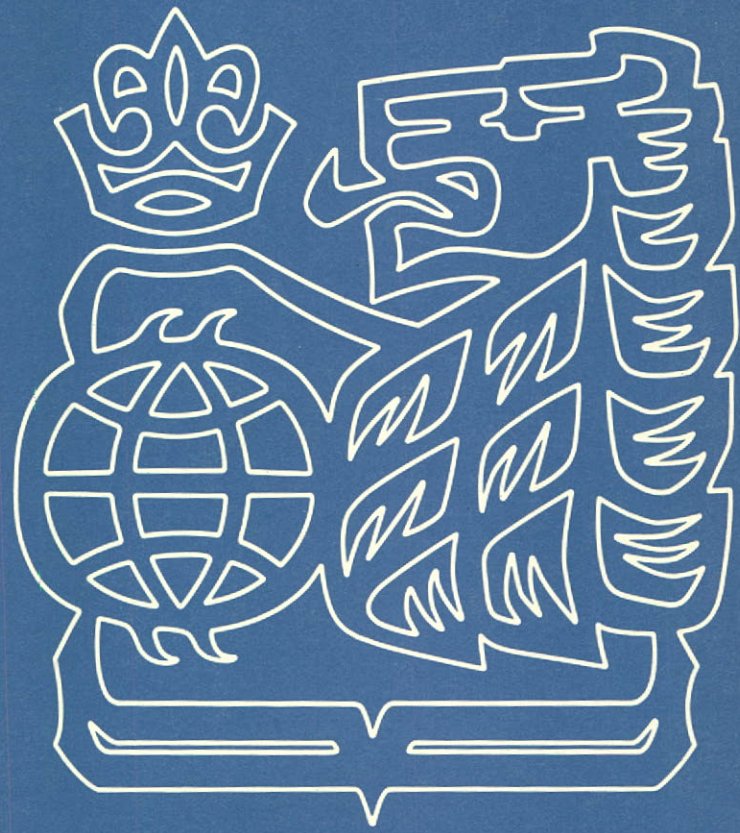
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THE ROYAL BANK OF CANADA

Annual Report 1979



Highlights of the Year

1

For the year ended October 31st	1979	1978	Increase
Balance of Revenue after Taxes (thousands)	\$270,713	\$233,902	15.7%
Dividends (thousands)	\$ 79,767	\$ 57,264	39.3%
Balance of Revenue after Taxes Per Share			
1st quarter	\$ 2.11	\$ 1.41	49.6%
2nd quarter	\$ 1.46	\$ 1.43	2.1%
3rd quarter	\$ 1.53	\$ 1.47	4.1%
4th quarter	\$ 2.30	\$ 2.08	10.6%
Full Year	\$ 7.40	\$ 6.39	15.7%
Dividends Per Share	\$ 2.18	\$ 1.56 ^{1/2}	39.3%

At October 31st **In millions**

Assets	\$ 51,722	\$ 40,905	26.4%
Loans	\$ 31,117	\$ 25,447	22.3%
Securities	\$ 5,827	\$ 4,565	27.6%
Deposits	\$ 46,387	\$ 36,991	25.4%
Capital	\$ 2,170	\$ 1,818	19.4%

Number of

Shareholders	32,058	31,503	1.8%
Shares Outstanding	36,590,400	36,590,400	—
Employees	36,833	35,660	3.3%
Branches	1,604	1,600	0.2%

Contents

Highlights of the Year	1
To Our Shareholders	5
Report on the Year's Operations:	
Corporate Overview	8
Domestic Operations	15
International Operations	27
Highlights of Consolidated Results	37
Financial Statements	39
Selected Statistical Data	48
Ten-Year Statistical Review	50
Directors	53
Royal Bank Organization	56

Highlights of the Year (continued)

In 1979, The Royal Bank of Canada's balance of revenue after taxes was \$271 million, an increase of \$37 million or 16 per cent over last year's total. Domestic operations earned \$178 million while International operations provided \$93 million.

The Royal's after-tax earnings, expressed on a per share basis, amounted to \$7.40 which represents an increase of 16 per cent over last year.

During fiscal 1979, the Royal's average total assets amounted to \$46.8 billion, an increase of 25 per cent over last year. As can be seen from the accompanying chart the Bank's average total assets have doubled in the last five years. (1979 year-end assets were \$51.7 billion.)

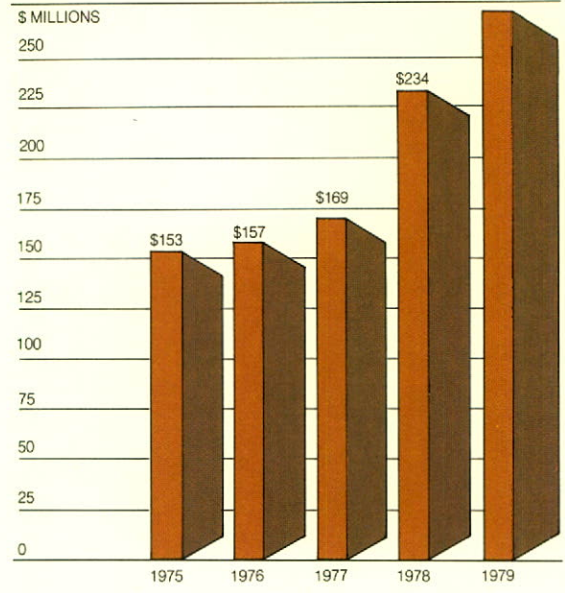
This year's earnings per \$100 of assets amounted to 58¢, down somewhat from last year's figure, but higher than that of 1977. We feel that it is a satisfactory return, given 1979's difficult banking environment.

The Royal's return on total average shareholder equity (including accumulated appropriations for losses) was 17.7 per cent, or approximately 18 cents earned after-tax for every dollar of shareholder investment. This rate is basically the same as last year and is well above either of the preceding two years.

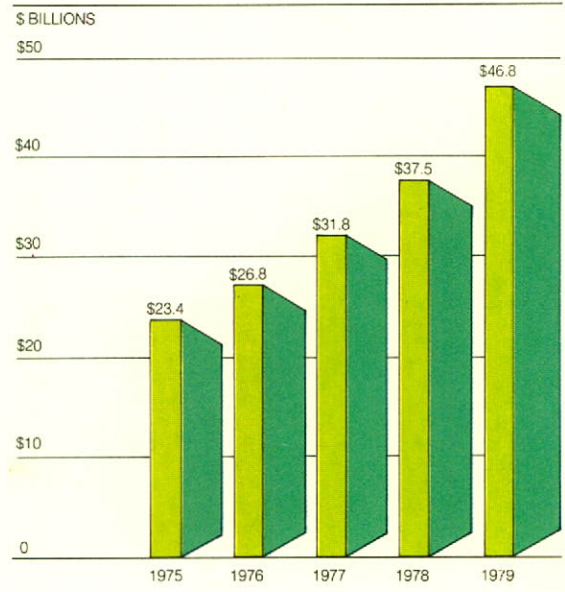
The Royal Bank's dividend was increased significantly during 1979, up 39 per cent to \$2.18 per share. The year-over-year increase in dividends resulted in the payout as a percentage of earnings rising to nearly 30 per cent. We feel that this has moved the payout towards a more appropriate level. Of course, a sizable portion of earnings must be retained to assure an increasing equity base to support future asset growth. The Royal has consistently paid annual dividends since 1870 and has shown consecutive annual dividend increases for the past 12 years.

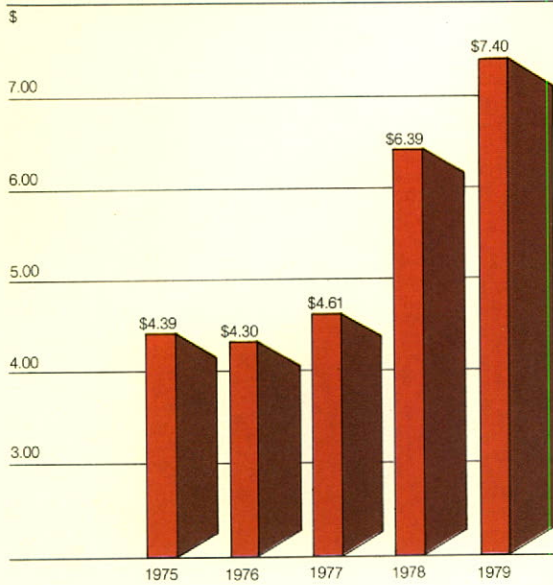
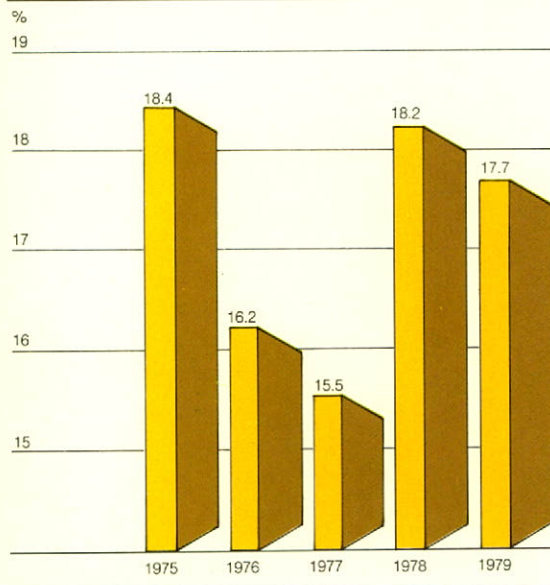
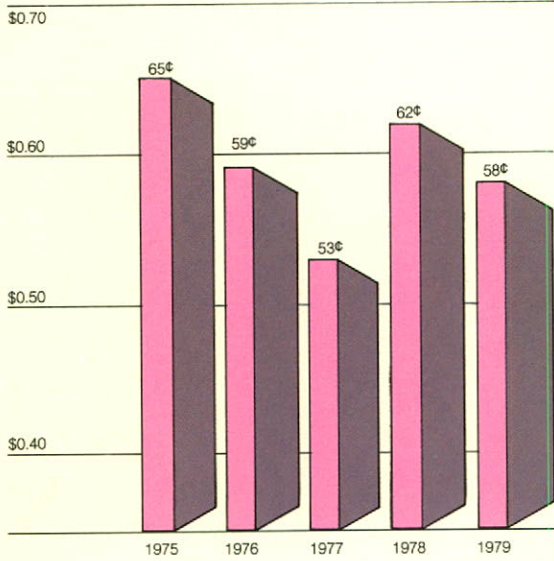
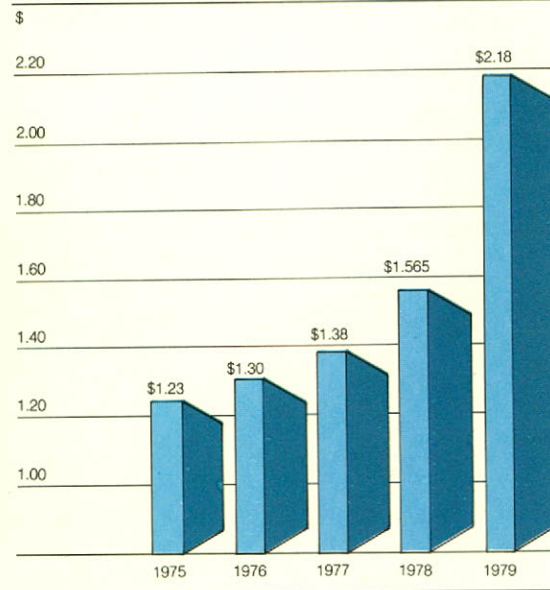
In summary, Management feels that the various performance measures cited present a picture of a satisfactory year for the Bank.

BALANCE OF REVENUE AFTER TAXES



TOTAL ASSETS (Annual Average)



EARNINGS PER SHARE**RETURN ON EQUITY****RETURN PER \$100 OF ASSETS (return on assets)****DIVIDENDS (per share)**



W. Earle McLaughlin,
Chairman of the Board,
(above), and

Rowland C. Frazee,
President and
Chief Executive Officer

This Annual Report is the first I have the pleasure of presenting as President and Chief Executive Officer. This pleasure is enhanced by the fact that during the fiscal year just past, The Royal Bank of Canada passed a milestone of its own—the figure of \$50 billion in total assets. As well, this report is published at the start of a new decade—the 80's.

For all of us—corporate managers, employees, shareholders, citizens—it is clearly important to examine the prospects of the decade ahead, anticipate the challenges and choices which will present themselves, and think carefully what our responses should be. We have talked about the 80's for years. Now time has run out and they are upon us.

As Chief Executive Officer, it is my responsibility—in concert with the senior executive and directors of the Bank—to plan the strategic directions of The Royal Bank of Canada. Much time and effort went into this during the past year, and it was a rewarding exercise. I would like to share with you, albeit briefly, some of the considerations examined as we surveyed the new business environment we will face in the 80's and beyond.

First, it seems quite clear we will be living in a world of economic, political and social turbulence. Recent political events in Canada and elsewhere, interlinked as they are with economic factors such as energy, bear this out.

It will be a world in which changing social, cultural and political values alter the public's expectations of business. Corporations can expect to be faced with a variety of new demands, challenges and conditions, and business people will be expected to play a greater role in trying to find answers to some of the concerns facing society as a whole.

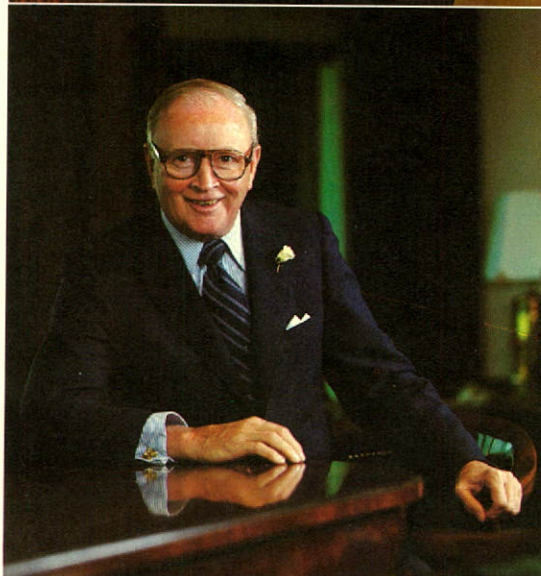
Second, it is also clear that the buoyant growth of some earlier periods is unlikely to be repeated. We will be living in a world of economic constraint, with a sharpened awareness of the finite limits of many natural resources. It seems likely, too, that there will be limits on the availability of capital to build new productive capacity, placing increased pressure on our allocative mechanisms and decision makers.

In addition, there is a danger that this atmosphere of economic restraint could infect business people with a tendency to avoid risk, analogous to the consumer's temptation to demand a "zero-risk" world, with complete protection from all health and safety hazards, along with guaranteed education, health care and income regardless of the productivity of the economy. Obviously, it will be imperative that we foster the entrepreneurial spirit.

Third, it will continue to be a world of scientific and technological change, though the application of technology to practical uses may be slowed by the sense of caution I just referred to. Increasingly, as well, the questions of science and technology are likely to be not merely economic, but social and moral as well.

Fourth, the world of the next few decades will crystallize the interdependence between regions and nations. The development patterns of today's less developed countries will have profound effects on Canada. International competition will get tougher, and economic nationalism and protectionism may well be on the rise. Exports, and trade generally, will be even more critical for Canada than they are today. Business leaders will have to develop a global view of the opportunities and challenges for their enterprises.

Fifth, the credibility and legitimacy of business enterprises are likely to be questioned even more than they are today, unless business itself, along with other sectors of society such as the media and politicians, takes serious steps to examine and explain the role and functions of the corporation in society.



J.K. Finlayson,
Vice-Chairman, Montreal,
(top)

W.D.H. Gardiner,
Vice-Chairman, Toronto,
(centre) and

H.E. Wyatt,
Vice-Chairman, Calgary

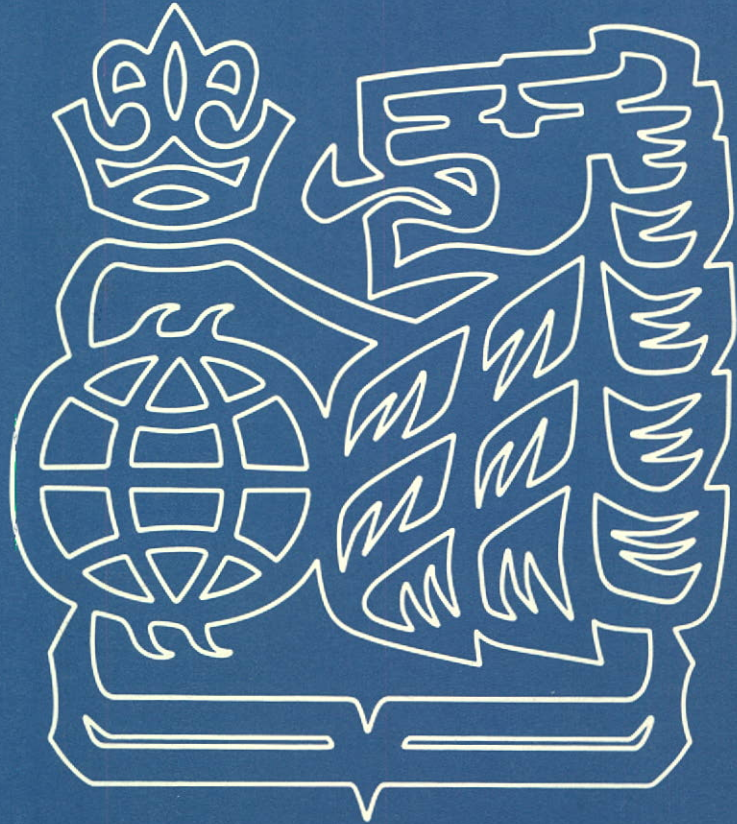
Sixth and finally, those who lead organizations—whether they be in business or in other sectors—will face the challenge of mobilizing and unleashing the tremendous potential of the organization's people. While this is an old challenge, it is also new in that the values of employees are changing—from uncritical acceptance of authority to questioning of everything from basic objectives to detailed methods; changing to a clear requirement for work which is meaningful, socially-useful and affords opportunities to develop the individual's own potential. The implications of this are far-reaching and will require new ways of managing, planning, organizing and communicating.

So in the end it all comes down to people, and the changing ways in which they confront the world. As you read this Annual Report, I am sure you will realize that banking is, above all else, a people-oriented business. While the conditions and circumstances of the Bank's marketplace may be complex and difficult, the ingenuity and energy of our people continues to sustain the organization's usefulness and success. I am sure that is one factor which will not change in the decades ahead.

A handwritten signature in cursive script that reads "Rowland C. Frazee".

Rowland C. Frazee
President and Chief Executive Officer

Report on the Year's Operations



Corporate Overview

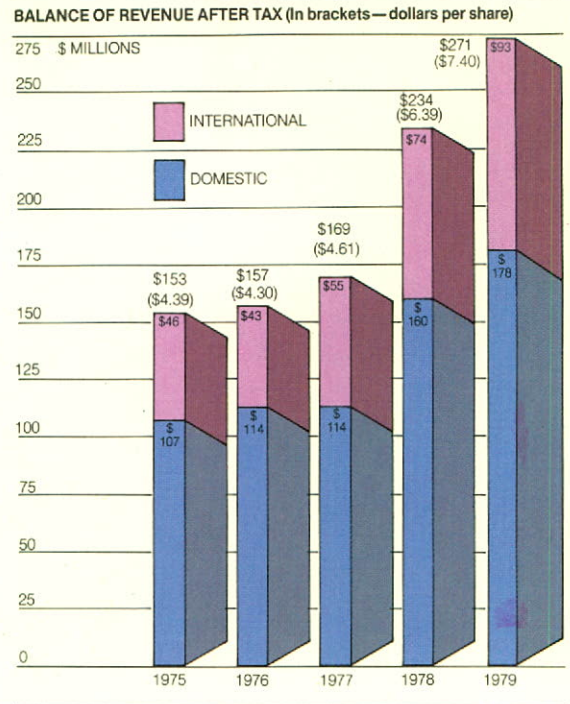
by R.A. Utting

In the past year, the Royal showed good financial operating results, particularly in light of the difficult economic environment for banking in Canada. During the year we made vigorous efforts to expand our business and satisfy our customers' needs both in Canada and abroad.

This year we have slightly modified our annual report presentation to provide our shareholders with a more in-depth analysis of the operations of the Bank. Consequently, we have divided this Report on the Year's Operations into three distinct sections—the Corporate Overview, the Domestic Operations and the International Operations.

My first subject deals with the balance of revenue after taxes which amounted to \$271 million, up 16 per cent over last year. On a per share basis this represents \$7.40. As can be seen from Chart 1, our Domestic earnings rose to \$178 million, an increase of 12 per cent, while stronger earnings growth came from the International sector which climbed 25 per cent to \$93 million, and now represents 34 per cent of the Bank's total earnings. The factors leading to the profit performance of the two sectors will be discussed in greater detail further into this report.

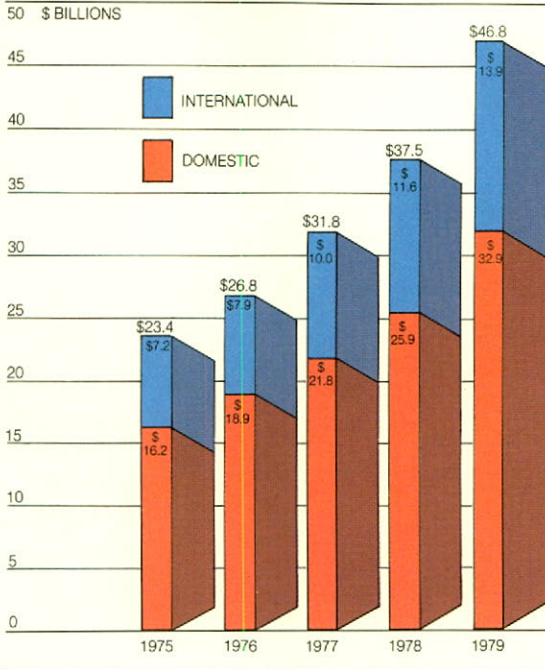
CHART 1



R.A. Utting,
Executive Vice-President and Chief General Manager

CHART 2

TOTAL ASSETS (Annual average)

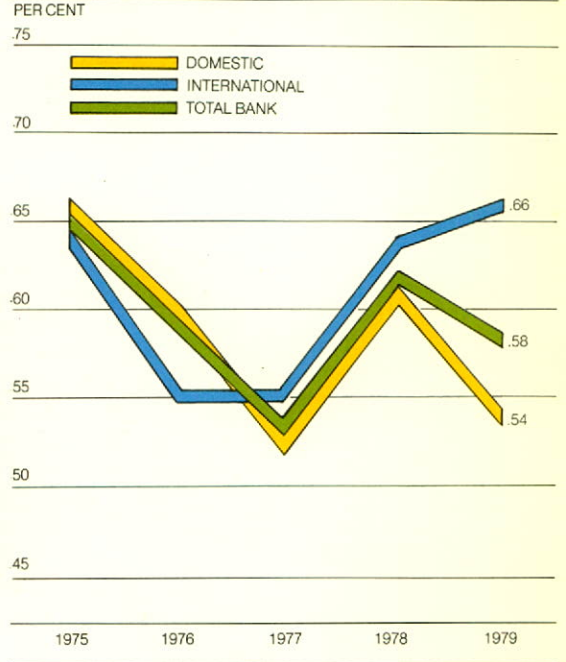


Total assets of the Bank at October 31, 1979 were \$51.7 billion, an increase of 26 per cent over the same date last year. Of this growth in total assets, approximately \$1.3 billion was the result of the initial consolidation of several international subsidiaries (see International Operations).

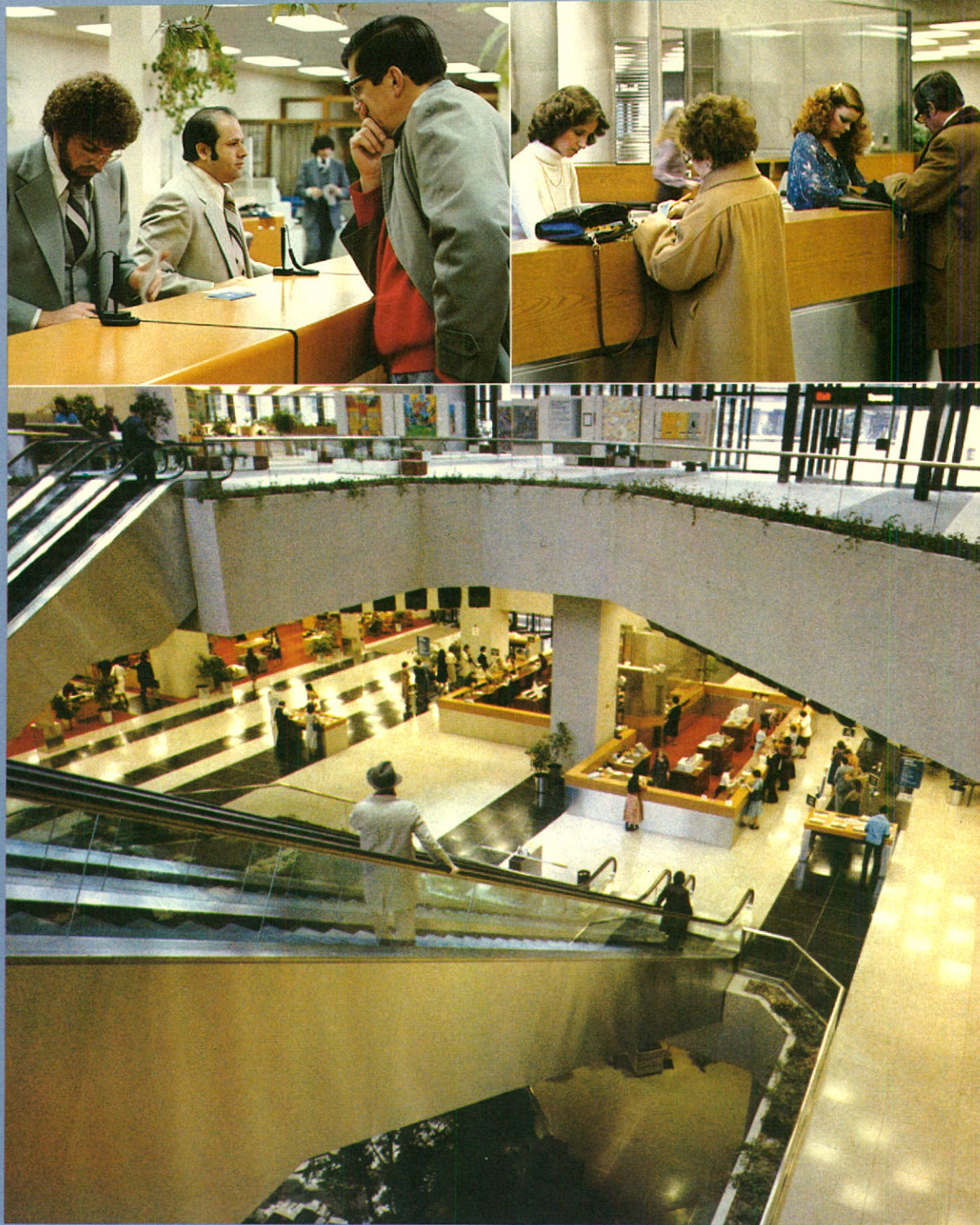
While the Bank had assets exceeding \$51 billion at year end, average total assets for 1979 were \$46.8 billion, up 25 per cent from the \$37.5 billion of the previous year. As can be seen from the chart, International Operations accounted for \$13.9 billion in average assets, up 20 per cent over last year, while Domestic Operations amounted to \$32.9 billion, up 27 per cent over last year.

CHART 3

RETURN ON ASSETS (Balance of revenue after tax as a percentage of average total assets)



Return on assets, an important profitability measure defined as balance of revenue after taxes divided by average total assets, declined somewhat from .62 per cent in 1978 to .58 per cent this year, or, expressed another way, the Bank earned 58¢ per \$100 of assets this year versus 62¢ last year. Over the past several years there has been a noticeable shift in the profitability of our Domestic and International Operations. This year, the return on assets for Domestic Operations fell from .61 per cent to .54 per cent. On the other hand, our International return on assets rose from .64 per cent to .66 per cent.



Retail banking, which in 1979 contributed 28 per cent of our assets, includes the operation of our more than 1,500 branches in Canada and is the largest segment of the Bank's domestic business.

Spread

The slow growth of net interest revenue or "spread" was one of the major difficulties that we experienced this year. The per cent spread, which is the revenue from loans and investments less the cost of deposits and debentures expressed as a percentage of average total assets, was particularly hard hit this year as a result of three principal factors. Firstly, this year we were faced with an interest cost squeeze; that is to say Canadian interest costs, particularly those of term deposits, increased more rapidly than the yield on loans. Secondly, the Bank was obliged to raise a greater proportion of these high cost term deposits in order to fund asset growth. The third factor affecting the decline in per cent spread was the faster growth rate of the foreign currency side of the Bank which traditionally operates at relatively lower margins.

Chart 4 shows per cent spread adjusted to a taxable equivalent basis, which takes into account the tax-exempt status of income debentures and preferred shares. On this basis, total per cent spread in 1979 was 2.78 per cent, down from 2.99 per cent in 1978.

Other Operating Revenue

Other operating revenue contributed approximately 20 per cent of the Bank's net revenue and showed good growth during 1979, climbing from \$258 million last year to \$310 million this year.

Chart 5 provides a breakdown of the major categories of other operating revenue for the last two years. Service charges showed only minor growth this year, up \$6 million or less than ten per cent. The Royal was reluctant in times of high inflation to raise service charge rates on our customers' accounts. However, the cost pressures forced us to increase certain categories of rates. This will have a moderately beneficial effect on growth in revenues from service charges next year.

The Royal's loan fees grew 15 per cent to \$46 million in 1979. Chargex/Visa fees, obtained from merchants based on their sales, were up sharply for the year as charge card sales volumes continued to climb. These fees amounted to \$37 million this year, up 33 per cent over last year. Commissions on securities transactions doubled to \$27 million in 1979 due to increased volumes, particularly Canada Savings Bonds. The largest component of other operating revenue—foreign exchange, letters of credit and other commissions—climbed 15 per cent to \$133 million in 1979.

CHART 4

TAXABLE EQUIVALENT SPREAD (as a percentage of Assets)

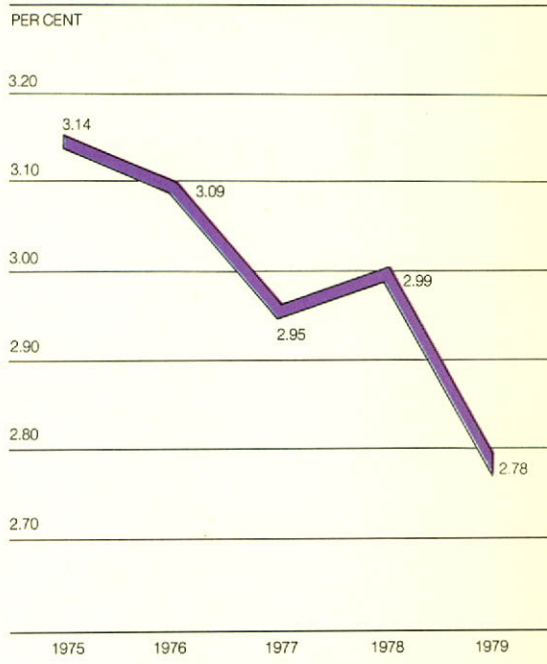
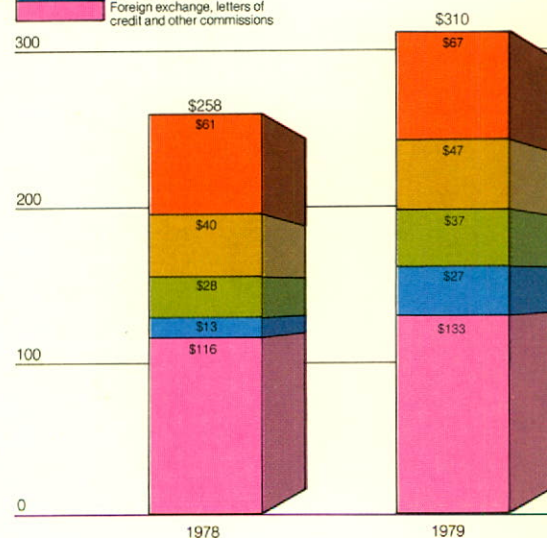


CHART 5

OTHER OPERATING REVENUE

\$ MILLIONS



Non-Interest Expenses (excluding the Loan Loss Provision)

Non-interest expenses were up 16 per cent, while average total assets rose 25 per cent, thus displaying improved productivity this year. Chart 6 shows the history of non-interest expenses as a per cent of average total assets for the past several years. Our ratio has continued to decline, and at 2.12 per cent for 1979 was well below the peak of 2.51 per cent in 1976. Control of non-interest expense increases continues to be an important concern of management and shall remain a high priority.

Turning to the details of non-interest expenses for 1979 compared to 1978, Table 1 illustrates the relative changes. Staff costs—by far the largest of our non-interest expenses—amounted to \$628 million in 1979, an increase of 17 per cent over last year. This increase reflects higher salary levels and increased complement, primarily on the domestic side. Property costs are up only five per cent, largely the result of two factors: higher level of occupancy in the Royal Bank Plaza building in Toronto and the relatively low net number of branches opened this year (4). This year we have separately identified our mechanical and computer equipment costs which, considering our continuing automation program, have shown moderate growth of 15 per cent over 1978. Other operating expenses including advertising, stationery and travel expenses rose by 20 per cent during 1979.

CHART 6

NON INTEREST EXPENSES (Excluding Loan Loss Provision)

AS A PERCENTAGE OF ASSETS

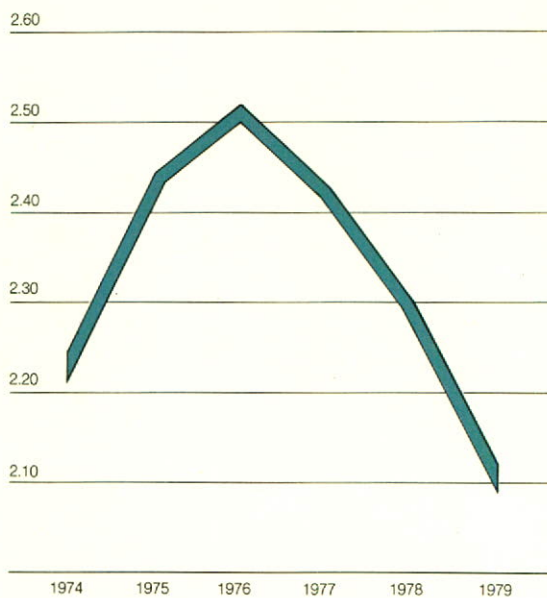


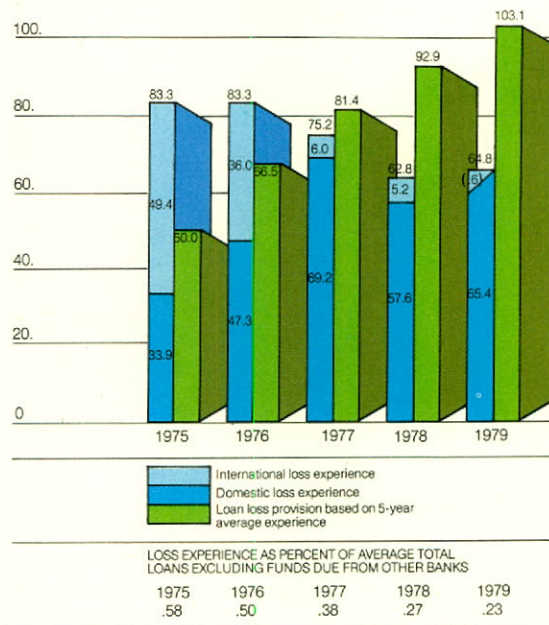
TABLE 1
Non-Interest Expenses
(\$ Millions)

	1978	1979	% CHANGE
Staff costs	\$537	\$628	17%
Property costs	109	114	5
Mechanical & computer equipment costs	42	48	15
Other expenses	171	206	20
Total	\$859	\$996	16%

CHART 7

LOAN LOSSES

\$ MILLIONS



Loan Losses

The Loan Loss Provision is the charge to earnings based on the five-year average of loss experience to related loans. Loss experience is the sum of write-offs made during the current year plus the net increase in appropriations made against loans which have been identified as involving potential future losses. Chart 7 illustrates the history of loss experience arising from Domestic and International Operations during the past five years.

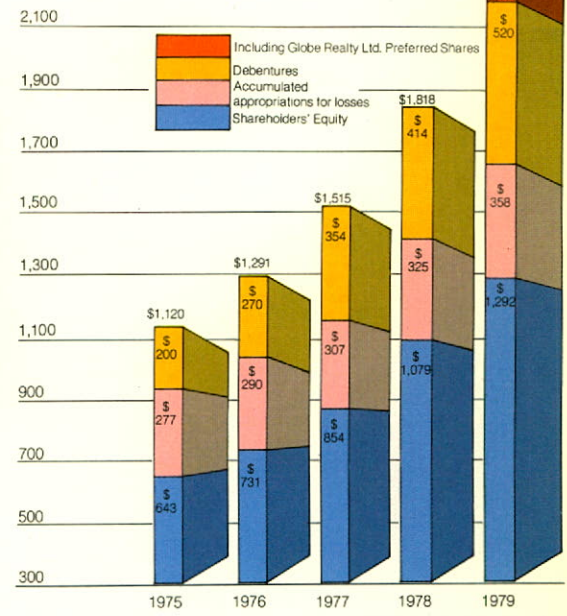
The loss experience for 1979 totalled \$64.8 million, up \$2 million over last year. This is composed of a domestic loss experience of \$65.4 million being partially offset by a credit in international loss experience of \$0.6 million. More than one-half of the domestic loss experience was attributable to small business loans with individual authorizations under \$500 thousand. The credit in international loss experience resulted from significant improvements in our REIT loans and other appropriations.

Loan losses are inherent in the nature of the business of banking. To enable our shareholders to examine the trend in loss experience and to measure our performance in this area, we have set out on the chart the ratio of loss experience to the annual average of total loans excluding funds due from other banks. This ratio has continued to decline for the past 5 years and was .23 per cent in 1979.

CHART 8

TOTAL CAPITAL (Year-end balances)

\$ MILLIONS



Capital

While still looking at the Bank as a whole, I would like to make several comments on the Bank's capital position. At year-end 1979, the Royal Bank's total capital amounted to \$2.2 billion, a very large capital base. This represents an increase of 19 per cent over the same date last year. It is essential that our capital base grow each year in order to maintain an appropriate relationship between capital and deposits.

On December 5, 1978 Globe Realty Limited, a wholly-owned subsidiary of the Bank issued \$160 million cumulative, redeemable preferred shares, Series "A". The issue has the benefit of a Support Agreement, whereby the Bank covenants to ensure that Globe has sufficient surplus and available cash to make all payments of dividends. The proposed revisions to the Bank Act will permit the chartered banks to issue additional forms of equity such as preferred shares and under the terms of the Globe issue, the Bank will have the right prior to December 31, 1983, subject to the revision of the Bank Act and the shareholders' approval, to effect the exchange of all Globe preferred shares for the same number of Royal Bank preferred shares.

After effecting such an exchange, the Bank's capital position would be significantly enhanced. Taking this exchange into account, the Royal's deposit-to-capital ratio would be 19.9 to one for 1979.



International centres are specialized banking facilities devoted to import/export financing. They are located strategically at seven key regional points in Canada. This group of pictures provides an insight into the operations. Clockwise from top left: airborne engine systems manufactured by the Montreal plant of Canadian Marconi Company are installed on the flight deck of an aircraft. Jet engines, manufactured by Pratt and Whitney Limited of Longueuil, Quebec (top right) are readied for overseas shipment. These and other financial packages are put together at the Montreal International Centre (lower picture). Other centres are in Halifax, Toronto, Winnipeg, Regina, Calgary and Vancouver.

We define Domestic Operations as all of our business carried out in Canada. For example, foreign currency loans and deposits transacted at branches within Canada are included. Also, appropriate allocations have been made with regard to capital and Head Office expenses. Domestic average total assets rose 27 per cent to \$32.9 billion in 1979. While this growth rate may appear high, a large portion is related to the rapid increase in our holdings of income debentures and floating rate preferred shares in 1979, volumes of which nearly tripled to \$2.7 billion.

Domestic earnings for 1979 rose 12 per cent to \$178 million. As this growth rate is slower than the increase in domestic average assets our domestic return on assets fell to .54 per cent from .61 per cent last year. (Table 2)

Table 3 shows that the major cause of the decline in domestic return on assets was a sharp drop of 44 cents in taxable equivalent domestic spread. Although this decline was partially offset by an improvement in our non-interest expense ratio, it was not sufficient to maintain the level of return on assets.

Domestic Per Cent Spread

Chart 9 shows the pattern of taxable equivalent domestic per cent spread over the past three years, and illustrates the trend of the quarterly average Canadian prime rate. Although the prime rate is not the only influencing factor on domestic spread, it does have significant impact.

As the Royal Bank's prime rate increased through the year, domestic per cent spread fell to a lower level than maintained in 1977 and 1978. While it is true that rapid rate increases cause a temporary benefit, as experienced in the fourth quarters of 1978 and 1979, as the yield on loans increases slightly more rapidly than the cost of deposits, the benefit soon turns negative as the effect of higher term deposit costs is felt.

The effect of the 1978 Canadian prime rate increases hindered our performance in 1979's second and third quarters and in 1980 it is likely that a similar effect will be felt from 1979's fourth quarter increases.

Table 2
Domestic Highlights

	1978	1979
Domestic average assets	\$25.9 Billion	\$32.9 Billion
Balance of revenue after taxes	\$160 Million	\$178 Million
Return on assets	.61%	.54%

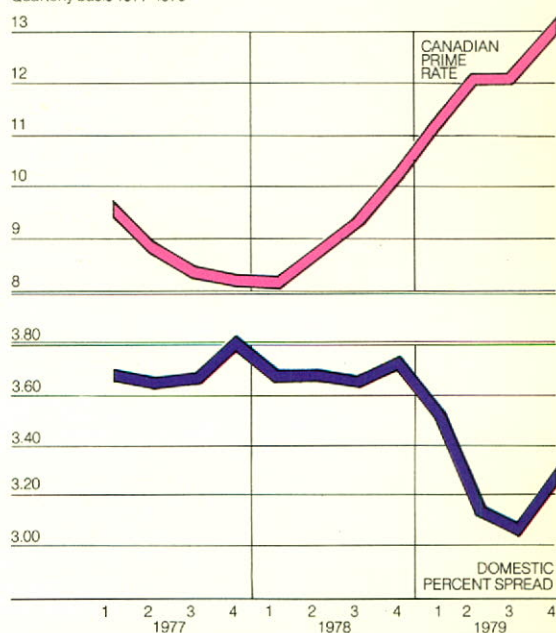
Table 3
Domestic Highlights
Per \$100 of Assets

	1978	1979
Taxable equivalent spread	\$3.68	\$3.24
Other operating revenue	.71	.67
Non-interest expenses	3.17	2.85
Taxes (taxable equivalent basis)	.61	.52
Return on assets	\$.61	\$.54

CHART 9

CANADIAN PRIME RATE Vs DOMESTIC PERCENT SPREAD

Quarterly basis 1977-1979





Royal Bank financing is deeply involved in all facets of Canadian business. Whether funding the activities of fisherman Stanley Williams (lower right) whose lobsters are shipped both across Canada and abroad, or underwriting the financing that sends Sydney Steel's rails, (top left), produced in Nova Scotia, to the Camerouns to build a railway with Canac engineering know-how (top right), Royal Bank financial expertise plays a major role in Canadian trade.

Distribution of Domestic Deposits

Chart 10 shows the distribution of domestic deposits by major categories for the last five years. This categorization includes all deposits in Canada, whether Canadian or foreign currency, with the exception of our International Division Money Market operations. We can see clearly that over this period the high cost term deposit category has grown rapidly and this has put pressure on our domestic per cent spread. Term deposits as a proportion of our domestic deposit mix has climbed from 49 per cent to 54 per cent during 1979 (Table 4).

Regional Distribution of Domestic Assets

The Royal Bank's domestic assets are widely distributed across Canada as can be seen on Chart 11. Compared to 1978, we can see that the Royal's proportion of assets in the Prairie Provinces has increased somewhat this year, reflecting their particularly strong economies. The Royal attempts to maintain a broad base throughout Canada to provide benefits and services to all Canadians.

CHART 10

DISTRIBUTION OF DOMESTIC DEPOSITS*

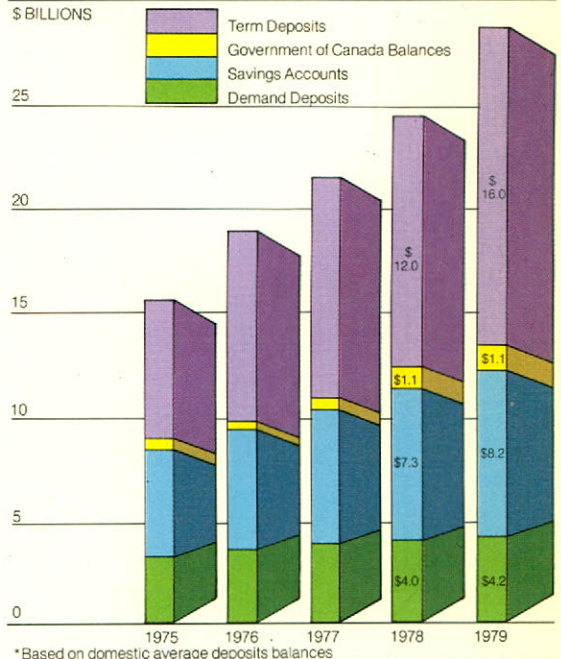


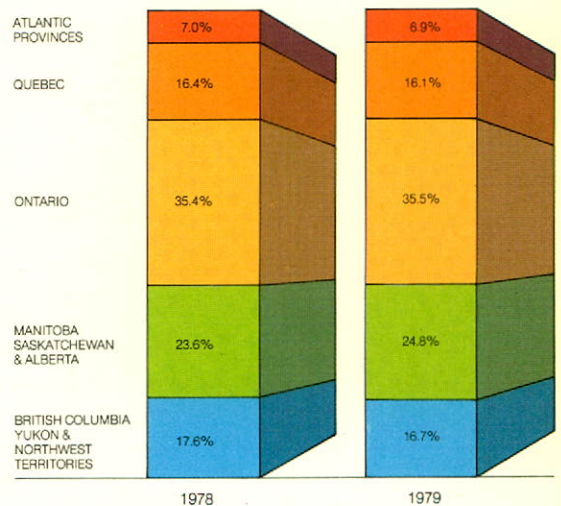
Table 4
Domestic Deposit Mix

	Proportion	
	1978	1979
Term deposits	49.2%	54.3%
Government of Canada deposits	4.5	3.6
Savings accounts	29.9	27.8
Demand deposits	16.4	14.3
	100.0%	100.0%

CHART 11

REGIONAL DISTRIBUTION OF DOMESTIC ASSETS

PERCENT BY AREA





R.C. Paterson,
Executive Vice-President and General Manager,
Finance and Investments Division.

The Royal continually monitors the relative performance of these categories. While contributions from the Commercial and General areas have been increasing, we have seen a decline in the contribution of Retail Banking. This is because the retail assets are primarily fixed rate, such as Termplan loans and mortgages, while a large portion of the associated deposits are variable rate, thereby severely squeezing retail spreads when interest rates rise. While in dollar terms the decline in Retail contribution was more than offset by increases in the Commercial areas, Retail Banking was the main cause of the decline in domestic per cent spreads. During this time of high interest rates, the Bank has not increased profits at the expense of the Canadian consumer.

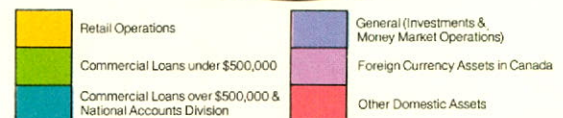
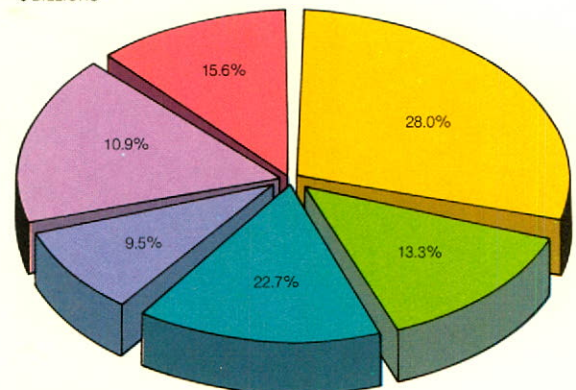
Classification of Domestic Assets

The Royal's domestic assets are also widely distributed by type of assets. Retail Banking, which includes Termplan loans, mortgages and Chargex/Visa, accounts for over one-fourth of our domestic assets. Commercial loans under \$500 thousand, including small business and farm loans, represent \$4.4 billion or 13 per cent of domestic assets. Commercial loans over \$500 thousand and our National Accounts Division's assets account for 23 per cent of the domestic classification. The General category which includes the investment portfolio, and our domestic money market assets (including statutory secondary reserves) accounted for ten per cent of the total. The Royal's foreign currency assets in Canada accounted for 11 per cent of our Domestic business. The final category "Other Assets" includes such domestic assets as primary statutory reserves, fixed assets and letters of credit and guarantees.

CHART 12

CLASSIFICATION OF DOMESTIC ASSETS*

\$ BILLIONS



*Based on Domestic Average Assets—\$32.9 billion

Retail Banking

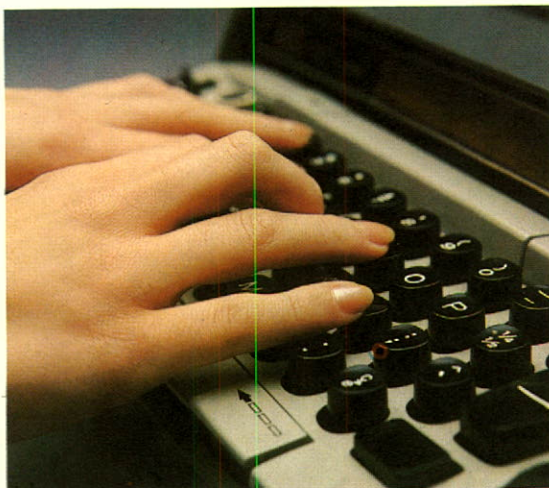
As the preceding financial detail shows, Retail Banking, which contributed 28 per cent of our assets, is the largest segment of the Bank's domestic business. Retail includes the operations of our more than 1,500 branches in Canada and it is this part of the Bank that is most familiar to the vast majority of our customers.

Introducing new services or improving existing services is an ongoing objective in Retail Banking where working directly with the customer constitutes 80 per cent of our branch banking business. An important new service introduced during 1979 was the daily interest savings account known as "The Calculator". It is offered in all our branches and is the only account of its kind on which interest is calculated daily and credited monthly.

Automated Teller Machines, which the Royal introduced in 1972, will be expanded to Western Canada during 1980. These machines offer the customer the convenience of banking at any hour of the day and night.

During 1979 we also launched a new training program to upgrade the knowledge of our branch staff about the variety of services available. Now in operation across Canada, this marketing-oriented program makes it possible for individual employees to offer a fuller range of assistance making it less necessary for customers to go to several different staff members to do their banking.

This personal involvement by branch staff with their customers is highlighted in our current television advertising commercials in which true stories about customer successes through their banking relationship with our staff members are portrayed.



Mortgages

During the year, the Bank was a leader in the provision of mortgage funds to the residential market. We enabled more than 31,000 Canadian families to purchase homes by lending them a total of \$1.4 billion in mortgages. We reached a milestone during 1979 in that the total of mortgages owned by the Bank or under administration for other investors passed the \$5 billion mark, and by year-end had reached a total of \$5.5 billion for a total of 190,000 mortgage accounts.

In the seven years since 1973, the number of residential mortgages owned and administered by the Bank has doubled, while the actual dollar value of the mortgages under the Bank's administration has doubled in just three and a half years from \$2.3 to \$5.5 billion. This volume of mortgage business illustrates the important role the Bank plays in helping Canadians buy homes.

Automation

Throughout the 1970's the Bank's automation program has been primarily directed towards the computerization of the routine accounting functions that serve our customers and enable us to manage our own affairs. Today, with more than 90 per cent of domestic accounts already automated, we are in a strong position to meet the challenges and demands of the 1980's.

We have processing centres in six cities across Canada where Bank records are maintained, and we operate an additional number of satellite processing centres. We recently moved our processing centres into new premises in three locations, two more will be open this year and plans are under way for a sixth. These new buildings are designed with backup equipment to provide service under almost any circumstances, ensuring maximum flexibility in the event of disruptions in any part of our network. With our interlocking systems, we are in a position to take advantage of newer technology and further decentralization.

We are employing one of the most up-to-date paper handling systems available in the world. This system, based on Magnetic Ink Character Recognition (MICR), continues to be the mainstay. We have recently introduced Optical Character Recognition (OCR) systems successfully for some major applications and we anticipate the use of OCR will be expanded to other areas of our operation.



Canada's west coast is the gateway for trade and commerce with Pacific region and European markets. The Royal Bank plays a major role here in the financing of wood and paper products, fish processing, mining and many other resource related industries. Seen here is Cowichan Bay, British Columbia, the scene for an active lumber operation that markets world-wide. Here, a cargo of forest products produced by Doman Industries is being loaded for California and United Kingdom markets.



A.H. Michell,
Executive Vice-President and General Manager,
Canada Division

We have made good progress in automating our international operations. Processing centres are sited in New York, London, Bahamas, Puerto Rico, Argentina, Trinidad and Jamaica. Additionally, we run mini-computer operations in the Dominican Republic, Barbados and Colombia.

A particular result of our automation strategy is the improvement in the timeliness and quality of the information we need to manage our world-wide operation. We are just completing our data collection network which provides us with up-to-date information on our international loans portfolio. This network currently services eleven locations in nine countries and more locations will be added as requirements are identified. We also intend to use this network for consolidating additional information.

Careful planning is essential not only because of competition but because the obsolescence factor in automation can be high and therefore costly. The Royal Bank is highly regarded both within the industry and outside it as one of the leaders in the area of automation.

Commercial Banking

While Retail Banking predominantly meets the needs of individuals, our Commercial Banking operation meets the financial requirements of small businesses and larger commercial enterprises including specialized areas such as agriculture, fishing, oil and gas, and forestry.

Recognizing the increasingly specialized banking services required by our commercial and industrial clients, we have opened a series of Commercial Banking Centres beginning three years ago and now have four such facilities. The senior commercial bankers who staff these centres work closely with the retail branches in their area to solicit new commercial business and see that personal banking needs are met as well.

Another initiative has been the introduction of AutoPlan Centres in Toronto, Calgary, Montreal and Ottawa, with further expansion scheduled for other major cities this year. From these centres financing is provided to automobile dealers to purchase vehicles from manufacturers, and finance sales to buyers.

During 1980 the AutoPlan concept will be extended to include a complete Sales Financing Service dealing with wholesale financing against inventories for various kinds of commercial and industrial equipment for dealers and manufacturers, as well as financing purchases by consumers.

Also during 1980 we will introduce a new service called "CashCommand—Series II", an integrated, computerized service with a number of customized modules enabling customers to manage payments and cash flow, as well as providing them with sophisticated information on money markets and even their net cash position on a daily basis.

Independent Business

Canada's chartered banks are the nation's leading source of credit to small, independent businesses. This group of customers is very important to the Royal Bank, not only because they represent a substantial volume of business for us, but because they contribute to Canada's economy and are, as a group, the largest employer of Canadians.

As in previous years, we have found that the most persistent cause of small business failure continues to be poor or incompetent management. To assist in avoiding this problem, the Royal Bank's Independent Business Program continues to provide leadership and guidance on both sides of the branch manager's desk. Our series of business counselling guides entitled "Your Business Matters" is still being acclaimed by industry associations, educators and governments as one of the most helpful publication series on small business being published today. This year we added two more to the series—number 14, entitled "Market Planning for Independent Business", and number 15 entitled "Advertising and Sales Promotion".



Our branch managers are provided with what we call Business Profiles which outline the special characteristics of a number of different types of businesses which they need to know if they are to make informed judgements about a client's business.

We are continuing to provide custom-loan packages for independent businessmen and professionals. These include our fishermen's plans to cover the cost of purchasing boats and equipment and our various farmers' programs. This year our FarmPlan mortgage program achieved substantial growth, especially in Western Canada. We now have 30 agrologists in the field who make assessments of farm worth and work closely with our branch managers concerning financing for new farm purchases, permanent improvements and farm debt consolidation.

We have added new flexibility to our loans to assist graduating professionals to establish themselves in business. We include accountants, architects, chiropractors, dentists, engineers, lawyers, doctors, optometrists, pharmacists and veterinarians in our classification of professionals for our PRO-4 package. Some of the expanded service options available include deferred profit sharing plans for employees and loans to finance fees that are receivable; capital loans for buildings and equipment, furniture, etc.

Because we were among the first to recognize the marketing possibilities, the Royal Bank is today the foremost lender in the rapidly growing field of franchise financing in Canada. Under our Franchise Assistance Program, we have established financing arrangements with some of Canada's largest franchisors—McDonald's, Midas Muffler, etc.—to provide funds to their steadily increasing number of franchisees. Depending on the location, the amount of equity being invested and their business experience, we are able to make available to franchisees a number of different loans to suit their needs. These include start-up, operating and term loans, building loans, personal term loans to increase start-up equity, as well as inventory, fixtures and equipment loans.

While venture capital financing can have its rewards, it is also recognized by most financial institutions as a particularly high risk area. Despite the difficulties, the Royal Bank has continued to provide this type of financing through RoyMark Financial Services Limited, which was established in 1974.

RoyMark's principal activity is to make possible the provision of venture capital to developing companies with above average growth potential. The professional staff of RoyMark is also available to provide investment management services as well as a broad range of related services including financial planning, corporate evaluation and private placements.

Additional Services

Our services to both large and small Canadian businesses are expanding in the area of leasing through our wholly-owned subsidiary, RoyLease Limited, which has grown dramatically this year both in terms of volume and its range of services. Working closely with National Accounts, Commercial Lending, and branch managers across the country, RoyLease added \$121 million in new leases this year, bringing their total outstandings to \$237 million.

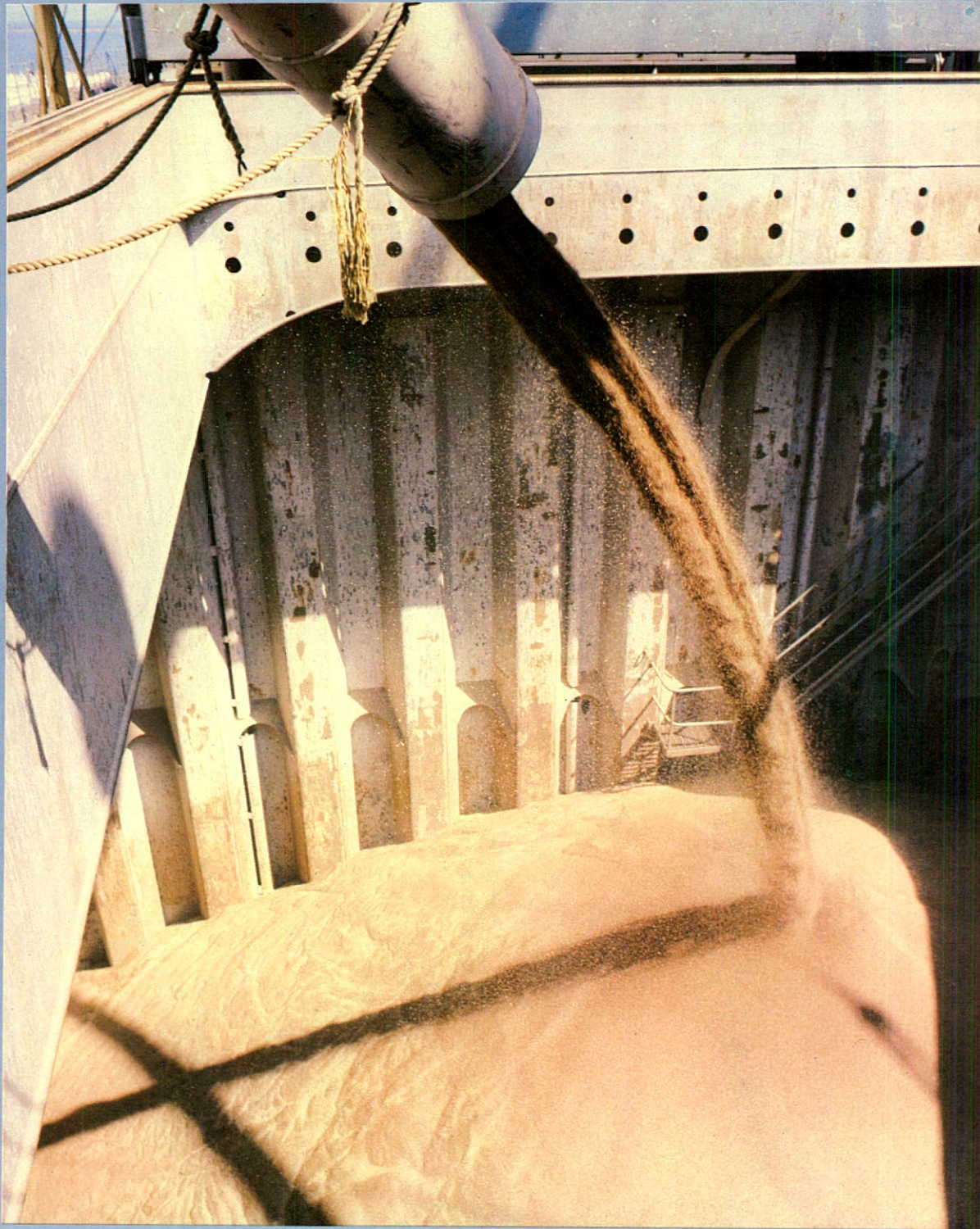
In order to better serve Royal Bank clients as well as non-Royal Bank clients, RoyLease made its financial services available for a wider range of corporate needs, leasing items ranging from computers and production machinery, to airplanes and ships. The addition of a new Fleet Leasing Service, designed exclusively for corporations operating large, national fleets of passenger cars and other motor vehicles, brought RoyLease into yet another highly competitive marketplace.

Economic Forecasting

A non-lending service the Bank performs regularly for the business community is what we call economic briefings. A team of four of the Bank's senior economic and investment officers travels across Canada and the United States giving their views of the outlook for the Canadian economy. These briefings are attended by members of the business community in each city who are invited by the Bank's district managers.

Several years ago, it was decided that the kind of briefings given internally by our economists might also be of value to the Bank's customers and to Canadian businessmen in general. The result was the development of the subscription-based economic review known as the Royal Bank's Econoscope. Issued monthly, Econoscope contains four quarterly forecast issues a year covering Canadian business conditions, financial markets and international outlook.





Thunder Bay, at one time called the Lakehead, and carrying the name of the cities of Fort William and Port Arthur, is where much of Canada's grain is loaded for overseas markets. This vital export, financed more often than not by the Royal, adds considerable weight to Canada's balance of payments. Typical are these scenes of grain being loaded at the United Grain Grower's McCabe Elevator at the "Head of the Lakes".

Premises

The widespread building and premises improvement projects undertaken by the Bank during the year underline the importance of providing convenient and modern facilities for our customers across Canada as well as in some foreign countries.

In constructing new buildings and renovating older structures, we have paid considerable attention to aesthetic contributions, as well as assuring that goals of function, efficiency, energy conservation, heritage aspects, etc., are met.

We undertook 281 projects during the year, which accounted for capital spending of about \$80 million. A total of 147 of these projects are now completed. Design and construction of 134 others has begun and will be finished in 1980.

Among the list of completed projects are new buildings for branches at Sydney, N.S.; Fredericton, N.B.; Stratford, Kingston and Toronto in Ontario; Portage la Prairie, Man.; and Victoria, B.C., as well as new premises in Calgary for our Alberta Central Processing Centre.



We are also in the process of completing renovations to the Head Office executive facilities in Montreal. This is the first major renovation of executive offices since the Bank moved to Place Ville Marie in 1962. Work is also well under way on major projects for the Montreal and Ottawa main branches, and branches in Regina; Langley and New Westminster, B.C.; and computer centres in Halifax and Winnipeg.

The Bank has won plaudits for some novel architectural concepts it has adopted. There has been a good reaction to the design of the new Victoria building, which features a profusion of outdoor and indoor flowers and shrubs.

Heightened activity on the international scene reflects the Bank's expanded facilities abroad. We have started new building projects in St. John's, Antigua and Buenos Aires, Argentina, while plans and specifications are being written for a major building in Santo Domingo, Dominican Republic, and improved facilities in San Juan, Puerto Rico.

In addition to providing new office accommodations for our Vice President and General Manager's Department and branch in Hong Kong, we are arranging for office premises for our U.S. headquarters in New York City.

In general, our real estate projects demonstrate our faith in the business vitality of many Canadian and international communities. Our goal is to ensure that our premises not only enable our staff to work efficiently, but help give our clients good service and enhance the well-being of the business environment.



J.C. McMillan,
Executive Vice-President and General Manager,
National Accounts Division

National Accounts

In November, the National Accounts Division's Head Office staff, including the Global Finance Group, was transferred from Montreal to the Royal Bank Plaza in Toronto to bring it closer to the majority of its clients. The Division's regional offices remain in Montreal, Toronto, Calgary and Vancouver.

After its first full year in operation, the National Accounts Division has demonstrated that closer contact with its clients through specific account management is essential. With few exceptions, the accounts being managed, including governments and crown corporations, are so varied and complex in their requirements that there can be no single standard or model for dealing with any one account or connection. Consequently, an individual account manager may find himself crossing divisional lines within the Bank as well as international borders to put together the kind of financing package which is in the best interest of the client.

During the year National Accounts Division played a lead management role in a number of major syndications with other financial institutions which included, for example, a US \$1,250 million financing for PetroCan, \$300 million for Alberta Energy Company, \$200 million for Northern Telecom Inc., \$100 million for the Montreal Urban Community and \$70 million for Zymaise Inc. of London, Ontario.

The Division also played an important advisory role on several major projects. The largest, undertaken with Orion Bank, involved the winning of a contract, against stiff international competition, to act as financial advisers to the State Energy Commission of Western Australia on a 1,500-kilometer, \$600 million natural gas pipeline project. The pipeline will run from Dampier in Northwestern Australia to south of Perth. Undoubtedly, the Royal's position as the largest lender to the Canadian oil and gas industry was a factor in our obtaining the contract.



A.R. Taylor,
Executive Vice-President and General Manager,
International Division

I would now like to review the excellent results obtained in our International Operations.

International average assets were \$13.9 billion in 1979, 20 per cent higher than last year. Changes in the value of the Canadian dollar during the year had only a minor effect on the growth in International assets, accounting for roughly one-eighth of the growth. International balance of revenue after taxes was up sharply, by \$19 million or 25 per cent to \$93 million, and accounted for half of the dollar growth in the Bank's total earnings. As these earnings increased slightly more rapidly than average assets, International return on assets rose two basis points to .66 per cent. (Table 5).

Table 6, expressing the various components per \$100 of assets, portrays how this improvement in return was achieved. International spread per \$100 of assets rose substantially in 1979 while non-interest expenses per \$100 of assets were almost unchanged. The higher profitability coupled with the increased volumes, generated the substantially higher earnings for the International side of the Bank in 1979.

Effect of consolidations on operating results

As mentioned previously, during the latter part of 1979 the Royal Bank consolidated several important European subsidiaries for the first time. They were three British firms, RBC (London) Limited, RBC Holdings (U.K.) Limited, and Western Trust & Savings Limited, and our German subsidiary, Burgardt + Nottebohm Bank AG. The consolidations added approximately \$1.3 billion to International year-end assets. However, as these assets were not in place for the full fiscal year, they added only \$400 million to International annual average total assets. The revenues and expenses of these subsidiaries have also been included for a portion of the year; the British firms for six months while the German subsidiary for the fourth quarter.

In total, the newly consolidated subsidiaries are high in per cent spread as well as in non-interest expenses, and these tend to influence the whole of International Operations. In terms of spread the consolidations added \$12.5 million which in turn augmented spread expressed per \$100 of assets by 4¢. Other operating revenue was increased by \$4.7 million. Excluding the \$13.6 million of non-interest expenses attributable to the new consolidations, International Operations' non-interest expenses would have represented only \$1.08 per \$100 of assets. The before-tax contribution of the new consolidations was \$3.6 million.

Table 5
International Highlights

	1978	1979
International average assets	\$11.6 Billion	\$13.9 Billion
Balance of revenue after taxes	\$74 Million	\$93 Million
Return on assets	.64%	.66%

Table 6
**International Highlights
Per \$100 of Assets**

	1978	1979
Taxable equivalent spread	\$1.45	\$1.65
Other operating revenue	.63	.64
Non-interest expenses	1.12	1.14
Taxes (taxable equivalent basis)	.32	.49
Return on assets	\$.64	\$.66

Classification of International Assets

Table 7 and Chart 13 which follows provide a breakdown of International assets into major types of assets as well as the geographic distribution of risk.

In addition to a diversified country risk for the Royal's International assets, these funds are employed in a wide range of types of loans and other assets. The assets of the Retail Operations, defined as all operations of our International Retail branch network primarily located in the Latin America and Caribbean region, increased by \$500 million, and rose to 13 per cent of the total. Wholesale business, which includes International commercial loans and loans to governments, grew by \$1.2 billion in 1979. International Money Market operations, that portion of our business which maintains international liquidity, declined one per cent from last year's proportion.

Geographic distribution of risk

The geographic breakdown, as shown in Chart 13, is based on the country of ultimate risk for the specific assets involved. For example, if we grant a loan to a foreign subsidiary of a U.S. company and the loan is guaranteed by the parent, then the country of ultimate risk is the United States. As can be seen, the Royal's International assets are widely distributed, providing both diversification and flexibility. Since 1978, the major regions of growth have been the United States and Asia and Pacific sectors as a result of our desired expansion in these markets.

info derived by Royal Bank

Table 7
Classification of International Assets¹
(\$ Billions)

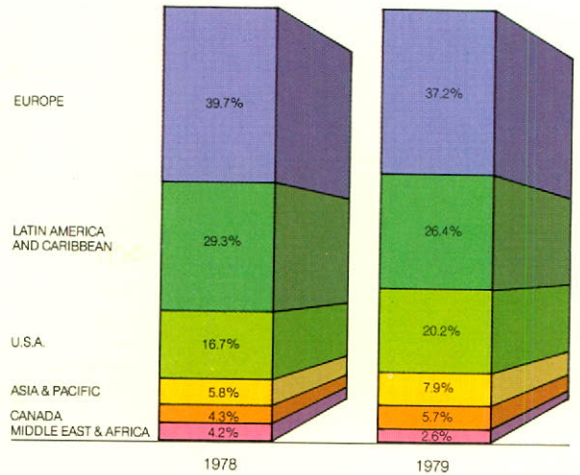
	1978 Proportion		1979 Proportion	
Retail	\$ 1.3	11%	\$ 1.8	13%
Wholesale	6.0	52	7.2	52
Money market	3.7	32	4.4	31
Other assets ²	.6	5	.5	4
Total	\$11.6	100%	\$13.9	100%

- 1) Based on International average total assets
- 2) Includes International investments, fixed assets, and letters of credit and guarantees.

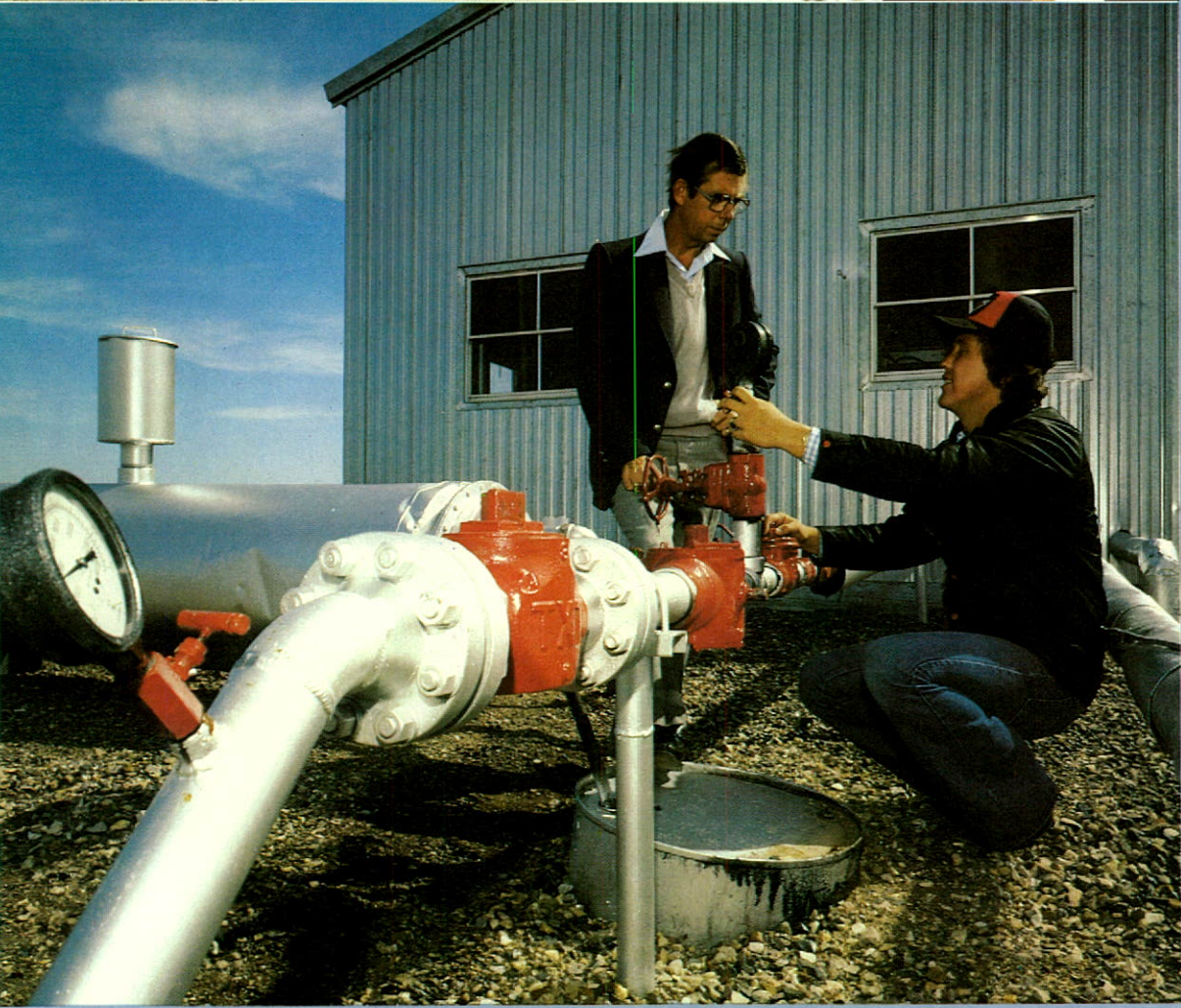
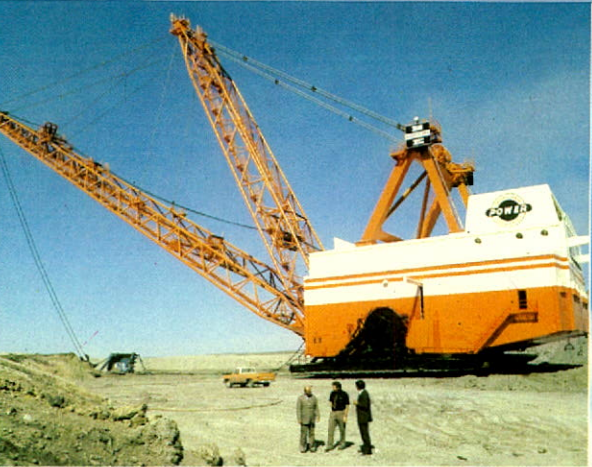
CHART 13

GEOGRAPHIC DISTRIBUTION OF RISK*

PERCENT BY AREA



*Based on total International assets as at October 31, 1978-\$12.5 billion, 1979-\$16.7 billion.



Canada has the geological good fortune to be at the very centre of the world energy picture. And the Royal has been the leader in energy financing since the discovery of the legendary Turner Valley and Leduc oil fields in Alberta. Today our involvement in this vital resources industry runs the gamut, from top left clockwise, coal mining with the Saskatchewan Power Corporation in the Estevan area of that province; oil exploration production in many areas of the west and north and natural gas production in energy-rich Alberta. Shown in lower picture a natural gas plant owned and operated by Bow Valley Industries.

International

The Royal has continued to demonstrate its ability to meet foreign competition and, as the financial detail shows, we have expanded our international business substantially during the past year.

Since Canada must trade in order to survive, we know that there will continue to be opportunities for the Bank in the international arena, but world markets both for us and our Canadian customers who deal abroad are becoming fiercely competitive. As Canada's largest bank, we see our responsibility as one of providing the financial resources and expertise that will enable Canadian businessmen to compete in the tough world markets upon which much of our country's economic survival depends.



When dealing internationally, we emphasize those areas where we are most competitive and in this respect, the Royal is searching out opportunities to assist Canadian entrepreneurs in those areas where there seems a better than usual chance for export sales. These include the areas of energy, communications, forestry, agriculture, mining, engineering and transportation, where Canadian technology and expertise are considered to be competitive in world markets.

The Royal's role in support of such trade is primarily to provide export financing, but also to make available the whole range of Royal Bank services. We are developing a greater role in financing trade on a global basis partly because we are a world-scale bank, but also because we see strong growth opportunities in international trade.

Our global network of offices, branches, subsidiaries and affiliates provides a proven capability in both retail and wholesale banking for Canadian clients, as well as to a growing international clientele through our presence in more than 45 countries.

Europe

As may be seen on Chart 13, the Bank's European operations represent by far the largest segment of our international assets. At \$6.2 billion, it is 37 per cent of the world-wide total, and is an accurate reflection of the importance the Bank attaches to this part of the business world.

In the last twelve months, the Royal has launched several major initiatives in Europe. In Germany, the Bank acquired the final one-third of Burgardt + Nottebohm Bank AG (BN Bank) last June, and it is now a wholly-owned subsidiary within the Royal Bank group of companies. The acquisition follows the merger in late 1978 of Bankhaus Burgardt und Bröckelschen AG founded in 1929, and Hamburgische Kaufmannsbank Nottebohm and Co. AG of Hamburg, founded in 1822.

BN Bank, with assets of more than \$900 million, has been the operating arm of the Royal Bank in Germany since 1975. Adding to its existing offices in Dortmund, Dusseldorf and Hamburg, the BN Bank opened a new branch in Frankfurt in October, to provide German companies with export financing, investment portfolio management, as well as money market and foreign exchange services.

In the United Kingdom, the Royal Bank opened its wholly-owned merchant bank subsidiary, The Royal Bank of Canada (London) Limited on June 25. The Royal was the first Canadian bank to operate such a subsidiary in London, the financial capital of the world. Specializing in Euro-currency medium-term loans, and in the management and underwriting of Euro-bond issues, the new subsidiary offers banking services to clients on a world-wide basis.

We are convinced that even more Canadian borrowers will need access to the Euro-bond market in the 1980's to help finance large resource projects, for example, and as the leading lender to the Canadian oil and gas industry, with more than 30 per cent of the market, we want to be in a strong position to service our customers' needs both at home and abroad.

Capitalized at \$12 million, the new merchant bank is the successor to The Royal Bank of Canada Trust Corporation Limited which, up to this year, has provided trust and portfolio services to the London financial community. It also complements the activities of Orion Bank Limited, a multi-national merchant bank with which the Royal, with a 20 per cent interest, initially gained a foothold in the Euro-bond market.

Another U.K. acquisition during the year was the purchase of the Plymouth-based Western Savings and Trust Limited, providing the Royal Bank with its first British retail banking operation. Western, a savings and loan bank with about 100,000 customers at 14 branches throughout southwestern England, has current loan balances of \$129 million and deposits of \$96 million. The purchase price was \$25 million.

United States of America

Another major international initiative undertaken by the Bank during the year was our expansion into the United States on a number of fronts. In September, we announced the planned injection of \$100 million of new capital into our wholly-owned subsidiary, The Royal Bank and Trust Company in New York which will raise its equity position to about \$130 million.

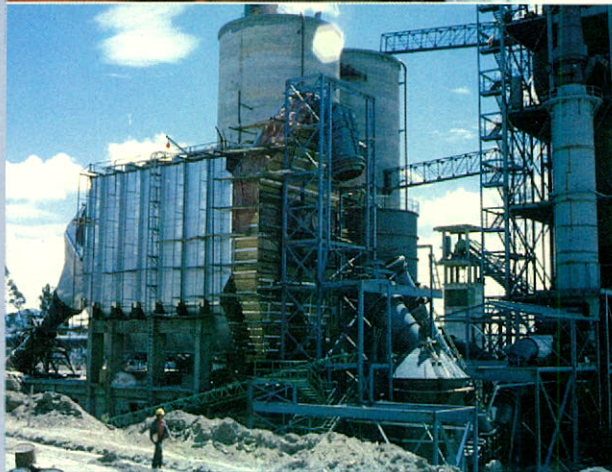
The new capital will increase our legal lending limit to any one customer from \$3 million to \$13 million. It will enable our U.S. bank to compete more aggressively than it has been able to do up to now in servicing the full financial needs of our prime market target, "middle market" clients with sales in the \$5 million to \$100 million range, within a two hundred mile radius of New York City.

Instead of going the acquisition route, we have opted for a process of building from within, developing and strengthening the well-established capabilities of The Royal Bank and Trust Company, which has been in business in New York since 1951. In addition to our investment of capital, our complement of account officers will be doubled, reflecting our determination to compete aggressively in this area.

Another initiative designed to substantially increase our presence and business in the United States, which we have identified as our number one international market, was the transfer to New York of ten of the Bank's senior U.S. management team. Formerly situated at Head Office in Montreal, the group will concentrate on increasing our corporate wholesale business—particularly with U.S. multi-national corporations with whom we are already doing business through either their Canadian or foreign affiliates.

Our penetration of the U.S. multi-national market is already significant. Recent market research has indicated that the Royal Bank is used outside the U.S. by a higher proportion of U.S. multi-nationals than any other non-U.S. bank. With these New York initiatives, we hope to do even better in that market.

Elsewhere in the United States, the Bank opened a branch in Portland, Oregon and representative offices in Denver and Pittsburgh.



High in the Andes of Ecuador, a massive cement plant is rapidly taking shape. The plant is owned by Cementos Selvalegre and is designed to produce a projected 375,000 metric tons of cement yearly upon completion. The financing, in which the Royal Bank has a substantial position, is a joint venture with the Export Development Corporation, Ottawa. The S.N.C. Group, Montreal, a Canadian engineering group has the design and procurement mandate. The contractors are Ecuadorian.

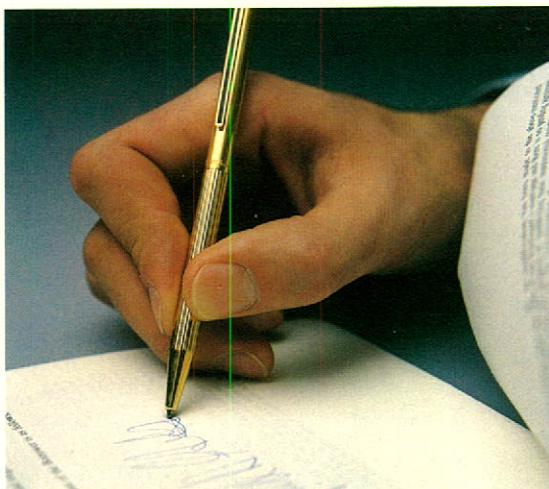
In the upper photograph, Cementos Selvalegre and Royal Bank principals are grouped around His Excellency, Cristobal Montaro Rey, Ecuadorian Ambassador to Canada, to sign documents covering local cost financing.

Latin America and the Caribbean

Latin America and the Caribbean continues to be a very important area for the Royal Bank and represents a substantial part of our international business.

Our branches in the Caribbean represent the core strength of the Bank's retail banking business outside Canada. Adding to this strength, an agreement has been reached for the acquisition of Banco de San Juan, Puerto Rico's third largest bank with 14 branches throughout the country. The purchase is expected to be completed early in the new year after approval by regulatory authorities.

Meanwhile, a number of branches in Haiti, Belize, Guyana and the Cayman Islands are undergoing reorganization with a view to bringing management closer to its markets. In addition, all branches are undertaking a review of their systems and procedures for the purpose of increasing efficiency and responding more effectively to their customers' needs.



In wholesale banking, the Royal has been a leading banker to the governments, government agencies, banks and corporations of numerous countries in Latin America and the Caribbean for many years. Working closely with them, we have provided financing for major projects and development programs, either alone or by leading and/or participating in loan syndications with other major international banks.

Considering that multi-national corporations are a prime target in the Royal's global marketing strategy, and that most multi-nationals have operations in Latin America, our presence in the area for more than 70 years gives us a strong base for participating in its future economic development.

In 1979, we managed or led loans to the Dominican Republic, Guyana, Jamaica, Mexico and Venezuela. In several countries our business is handled by local subsidiaries or affiliates. These include The Royal Bank Jamaica Limited, The Royal Bank of Trinidad and Tobago Limited, Banco Royal Venezolano C.A. and Banco Royal Colombiano. In Brazil, we own a half interest in Banco Internacional S.A., and have opened a representative office in São Paulo.

The office will promote financing for major projects and development programs, and will also be active in the development of export/import trade between Canada and Brazil, thus continuing a tradition going back to 1919 when the Bank opened its first branch in Rio de Janeiro.

In September, we opened a regional representative office in Buenos Aires, Argentina. The office is primarily engaged in the promotion and development of wholesale banking opportunities arising in Argentina, Bolivia, Chile, Paraguay and Uruguay. These Southern Cone countries represent an area of growing economic and commercial importance to the Bank and the regional representative's office will complement the activities of our three branches in Buenos Aires, where we have had retail and commercial banking operations for over 50 years.

In November, the Royal Bank opened a representative office in Mexico City to serve the borrowing needs of Mexican corporations, the government and its agencies which had previously been served mainly out of Montreal. Over the next few decades, Mexico promises to be one of the world's most dynamic and competitive markets and the Bank, with its long traditions in Latin America, plans to offer its special capabilities and expertise on an even more extensive basis than we had in the past.

Middle East & Africa

Despite unsettled conditions in the Middle East, we have continued to build our banking capability there because of the area's growing importance. The Royal Bank's Middle East and Africa headquarters was moved from Montreal to London, England, two years ago to bring it closer to its markets. In 1979, this team was strengthened by the addition of two executive officers. Our representation in the area has become more active during the past year, in particular, our representative offices in Cairo, and Bahrain, our branch in Dubai in the United Arab Emirates, and the two branches of our subsidiary, The Royal Bank of Canada (Middle East) S.A.L. in Beirut, which has become more stabilized.

Through these offices and branches, as well as through our many correspondent banking connections, the Royal Bank is able to provide access to money markets, wholesale and specialized commercial lending, project financing and other trade opportunities throughout the Middle East for Canadian exporters and businessmen.

Asia/Pacific

The Asia/Pacific region holds great potential for Canadian trade in the decade ahead. In 1978, two-way trading between Canada and the nations of Asia/Pacific, which contain more than half of the earth's population, was less than ten per cent of this country's total trade. Even then, the figure was substantial at \$9.5 billion. In recent years, Japan has become our second largest trading partner but countries such as Hong Kong, South Korea, Singapore and Malaysia are well on the way to joining the ranks of the industrialized nations.

China's decision to emerge from a long period of relative isolation also has far reaching implications for world trade. After a period of reassessment in the first part of 1979, China's leaders reaffirmed their commitment to the modernization goals announced last year, but at a pace more consistent with the country's human and financial resources.

Our relationship with the Bank of China goes back many years and we have a quarter century of experience in handling transactions with China. We are well equipped to assist our clients doing business there and in May of this year established a China desk to handle the numerous inquiries we receive from Canada and the United States. During the year we met several times with senior officials of the Bank of China and mid-1979 saw a further expansion of our relationship with the signing of an agreement through which we placed medium term funds at the disposal of our correspondent for use as and when required.

In the year under review, our group took management positions in loans to Asian borrowers aggregating close to \$3.5 billion. A number of these loans were export related, such as our role as lead bank in a syndicate of Canadian banks which joined with the Export Development Corporation to provide \$200 million supplementary financing of the purchase of a Candu reactor by Korea.

In May, we established The Royal Bank of Canada (Asia) Limited in Singapore, in order to further broaden our syndicated lending capability in the region and supplement the activities of our branches in Hong Kong and Singapore. Our Hong Kong branch rapidly expanded its business share despite strong competition in a pivotal Asian market. Our Singapore Branch and Asian Currency Unit also recorded good progress and is very active in the increasingly important Asia dollar market.

Our Representative Offices in Tokyo, Seoul and Sydney were extremely active during the year, continuing to seek out trading and business opportunities and helping clients looking for information and assistance on a wide variety of subjects.

Overseas investment into Australia gained considerable momentum and capital inflows were impressive. Australia, which is like Canada in many ways, remains determined to ensure that its own people benefit from the exploitation of its abundant resources, but the scope of the many projects now under way or being contemplated is beyond Australia's own technical and financial capacity. Our Representative Office in Sydney records a substantial increase in the number of inquiries received, and our presence is further bolstered by the activities of RoyAust Ltd. This wholly-owned finance company, which is engaged in Australian dollar deposit and lending activities, recorded solid growth in assets this year.

Personnel

While there is no question our Bank is continuing to make dramatic progress in the development of new products and more efficient methods of serving customers, it is equally certain that banking is still a "people" business. For this reason we have always maintained that our greatest asset is our staff.

As the leading Canadian bank, we frequently are the first to implement new banking services and technologies and this, in turn, has meant greater pressures and challenges for our staff. It is, therefore, a point of pride for the management of the Royal Bank that our employees, in terms of dedication, loyalty and energy, have always been equal to these challenges.

To achieve our personnel development objectives, the Bank has in place a number of career training programs beginning at the high school and community college levels, and graduating to outside courses for senior management. These programs reflect the Bank's policies of promotion from within and on-the-job training.

In addition to the Bank's training programs, we have made it possible for employees to improve their career opportunities by instituting the "Opportunities" program. This permits employees to nominate themselves for potential openings in a variety of banking positions and the response of employees to this program has been very positive.



The "Opportunities" program is one result of recommendations by the Royal Bank Task Force on the Status of Women. The report of the Task Force also resulted in the appointment of an Equal Employment Opportunities Coordinator and the amendment of a number of policies and procedures affecting the advancement of women in the Bank. Other developments from the report have included the encouragement of women to participate in management training courses both inside and outside the Bank, establishment of procedures to gather information about, and monitor the progress of, women with high potential in all areas of the Bank; and the creation of "awareness" sessions for managers to alert them to the corporate goal of assimilating more women into the management and executive ranks of the Bank.

The role of the Equal Employment Opportunities Coordinator has been expanded to apply to all forms of discrimination. Even before the passage of the Canadian Human Rights Act, the Royal Bank had in place both policies and procedures to ensure equitable treatment and full opportunity to all staff regardless of race, creed, sex, age, or nationality.

Another very important aspect of personnel relations is, of course, two-way communication. The Bank this year commissioned a firm of specialists to conduct a survey to determine the attitudes of Royal Bank employees about a number of issues affecting their careers, working conditions, pay, benefits, etc. Follow-up sessions were held in representative districts to clarify and probe more deeply into the few areas where problems requiring further study had been identified.

Two-way communication with employees is not new at the Royal Bank. For five years, we have had in place a program known as R.S.V.P., with a full-time coordinator who reports directly to the President. Any employee in the Bank may write on a confidential basis to R.S.V.P. to make comments or ask questions about problems experienced at work involving Bank policies and procedures.

I would like to take this opportunity to express my gratitude to every one of our 36,833 employees in Canada and around the world for their dedication and hard work throughout 1979. They made possible our considerable achievements during the year and are the primary reason the Royal is Canada's leading bank.

Fully Consolidated Reporting under a New Bank Act

The Royal Bank's earnings would be 38 cents per share higher on a fully consolidated basis under the proposed new Bank Act. Under the regulations of the present Bank Act, the Bank is not permitted to include in its own Financial Statements the assets of companies which we control nor those with which we are affiliated, with the exception of wholly-owned foreign banks; similarly our statements cannot include their profits unless the income is paid to us in dividends. Under the new Bank Act, expected to pass into law some time in 1980, it is proposed that chartered banks consolidate the results of those corporations which they control through ownership of more than 50 per cent of the voting stock, and that they include the appropriate share of earnings when ownership is 20 per cent or more or when a bank has effective control of an affiliate. To give our shareholders a better understanding of the full scope of the Bank's operations, and so that they may know ahead of time the probable impact of the proposed new Bank Act reporting regulations, we have included on page 37 the highlights of the consolidated balance sheet and income statement according to our interpretation of the draft Bill.

The major differences which arise as a result of reporting on a fully consolidated basis rather than statutory are: first, the total assets of the Bank are increased by \$1.9 billion or 3.6 per cent to \$53.6 billion on October 31, 1979. Secondly, balance of revenue after taxes is \$284.7 million, \$14.0 million or 5.2 per cent higher. And lastly, earnings per share are increased to \$7.78 per share for 1979, 38 cents higher than is reported on the current statutory basis.

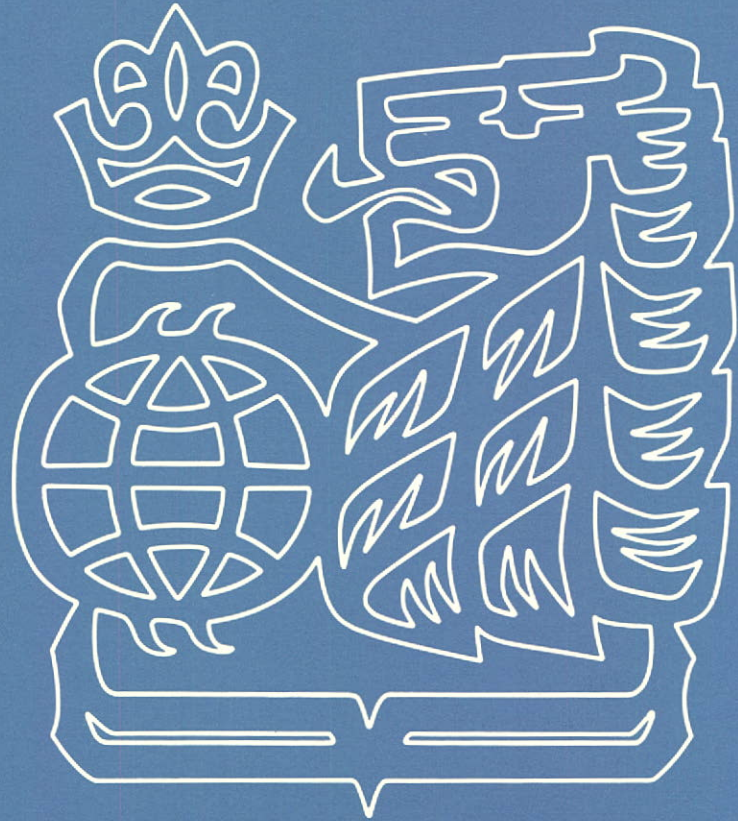
The total capital of the Bank, debentures, accumulated appropriations and equity including minority interest, at the year-end as stated on a fully consolidated basis was \$2.4 billion, \$257 million higher than on the statutory statements. Total deposits on the consolidated basis are \$1.4 billion higher, and as a result, the Bank's deposit to capital ratio at year-end on a fully consolidated basis is 19.7 to 1 versus 19.9 to 1 on the statutory statements (including the Globe Realty Limited preferred shares).

Highlights of consolidated results (in thousands)

37

Assets and liabilities as at	October 31, 1979		October 31, 1978	
	Fully consolidated	Statutory	Fully consolidated	Statutory
Total loans including amounts due from banks	\$41,522,269	\$40,047,199	\$32,662,142	\$31,614,809
Total assets	\$53,572,324	\$51,721,916	\$42,024,943	\$40,904,516
Total deposits	\$47,808,720	\$46,386,789	\$37,829,448	\$36,990,559
Sundry liabilities	3,337,226	3,165,406	2,295,537	2,095,953
Debentures	519,559	519,559	413,666	413,666
Accumulated appropriations for losses	357,652	357,652	325,471	325,471
Minority interest in subsidiaries	164,991	—	11,878	—
Shareholders' equity	1,384,176	1,292,510	1,148,943	1,078,867
Total liabilities and capital	\$53,572,324	\$51,721,916	\$42,024,943	\$40,904,516
Revenue and expenses				
Income from loans and securities	\$ 4,868,961	\$ 4,690,097	\$ 3,204,027	\$ 3,136,021
Interest paid on deposits and debentures	3,715,281	3,584,478	2,127,141	2,081,100
Spread	1,153,680	1,105,619	1,076,886	1,054,921
Other operating revenue	320,912	310,240	269,702	258,356
Share of net income of companies accounted for on the equity method	11,050	—	13,414	—
Non interest expenses	1,122,012	1,098,846	973,683	952,075
Balance of revenue after provision for income taxes	\$ 299,677	\$ 270,713	\$ 250,319	\$ 233,902
Net income attributable to minority interest in subsidiaries	\$ 14,998	—	\$ 1,511	—
Balance of revenue after taxes and after minority interest	\$ 284,679	\$ 270,713	\$ 248,808	\$ 233,902
—Per share	\$ 7.78	\$ 7.40	\$ 6.80	\$ 6.39

Financial Statements



**Statement of Revenue,
Expenses and Undivided Profits**

	Year Ended October 31, 1979	Year Ended October 31, 1978
Revenue		
Income from loans	\$4,215,510,225	\$2,838,446,291
Income from securities	474,587,386	297,574,368
Other operating revenue	310,239,694	258,356,382
Total Revenue	5,000,337,305	3,394,377,041
Expenses		
Interest on deposits and bank debentures	3,584,477,776	2,081,100,121
Salaries, pension contributions and other staff benefits	627,489,909	536,793,156
Property expenses, including depreciation	162,492,395	151,075,453
Other operating expenses, including a provision of \$103,148,150 (\$92,856,400 in 1978) for losses on loans based on five-year average loss experience	308,864,225	264,206,662
Total Expenses	4,683,324,305	3,033,175,392
Balance of revenue	317,013,000	361,201,649
Provision for income taxes relating thereto (note 3)	46,300,000	127,300,000
Balance of revenue after provision for income taxes (per share 1979—\$7.40; 1978—\$6.39)	270,713,000	233,901,649
Appropriation for losses	112,200,000	97,000,000
Balance of profits for the year	158,513,000	136,901,649
Dividends (per share 1979—\$2.18; 1978—\$1.56½)	79,767,072	57,264,182
Amount carried forward	78,745,928	79,637,467
Undivided profits at beginning of year	1,186,252	1,548,785
Transfer from accumulated appropriations for losses	122,000,000	145,000,000
Transferred to Rest Account	201,932,180 200,602,695	226,186,252 225,000,000
Undivided profits at end of year	\$ 1,329,485	\$ 1,186,252

Statement of Assets and Liabilities

	October 31, 1979	October 31, 1978
Assets		
Cash and due from banks	\$10,515,764,034	\$ 7,533,153,521
Cheques and other items in transit, net	565,549,395	613,988,221
Total Cash Resources	11,081,313,429	8,147,141,742
Securities issued or guaranteed by Canada, at amortized value	2,360,711,365	2,255,759,711
Securities issued or guaranteed by provinces, at amortized value	74,595,675	55,025,476
Other securities, not exceeding market value	3,391,401,838	2,254,063,820
Total Securities	5,826,708,878	4,564,849,007
Day, call and short loans to investment dealers and brokers, secured	502,833,404	366,899,453
Other loans, including mortgages, less provision for losses	30,613,821,304	25,079,678,047
Total Loans	31,116,654,708	25,446,577,500
Bank premises, at cost less accumulated depreciation	536,475,985	474,625,919
Securities of and loans to corporations controlled by the bank	179,264,993	374,934,732
Customers' liability under acceptances, guarantees and letters of credit, as per contra	2,907,916,030	1,861,855,546
Other assets	73,581,967	34,531,984
	\$51,721,915,990	\$40,904,516,430

	October 31, 1979	October 31, 1978
Liabilities		
Deposits by Canada	\$ 636,284,072	\$ 1,105,037,174
Deposits by provinces	352,655,669	209,090,359
Deposits by banks	10,467,895,379	7,263,568,108
Personal savings deposits payable after notice, in Canada, in Canadian currency	14,910,622,558	12,128,960,345
Other deposits	20,019,331,706	16,283,902,903
Total Deposits	46,386,789,384	36,990,558,889
Acceptances, guarantees and letters of credit	2,907,916,030	1,861,855,546
Other liabilities	257,489,583	234,098,128
Total Sundry Liabilities	3,165,405,613	2,095,953,674
Debentures issued and outstanding (note 2)	519,559,000	413,666,000
Accumulated appropriations for losses	357,651,708	325,470,815
Shareholders' Equity		
Capital stock:		
Authorized—50,000,000 shares of \$2 each—\$100,000,000	73,180,800	73,180,800
Issued and fully paid—36,590,400 shares	1,218,000,000	1,004,500,000
Rest Account (note 4)	1,329,485	1,186,252
Undivided profits		
Total Shareholders' Equity	1,292,510,285	1,078,867,052
	\$ 51,721,915,990	\$40,904,516,430

R.C. FRAZEE,
President and Chief Executive Officer
R.A. UTING,
Executive Vice-President and Chief General Manager

Statement of Accumulated Appropriations for Losses

	Year Ended October 31, 1979	Year Ended October 31, 1978
Accumulated appropriations at beginning of year		
General appropriations	\$122,030,948	\$ 54,819,266
Tax-paid appropriations	203,439,867	251,840,623
Total	325,470,815	306,659,889
Changes during the year		
Appropriation from current year's operations	112,200,000	97,000,000
Excess of provision for losses on loans based on five-year average loss experience (included in other operating expenses) over loss experience on loans for the year	38,330,569	30,070,694
Profits and losses on securities, including provisions to reduce securities other than those of Canada and the provinces to values not exceeding market	(31,280,142)	10,231,975
Other profits, losses and non-recurring items, net	7,683,466	6,737,257
Provision for income taxes, including credit of \$30,600,000 (\$21,300,000 in 1978) relating to appropriation from current year's operations (note 3)	27,247,000	19,771,000
Transferred to undivided profits	(122,000,000)	(145,000,000)
Total	32,180,893	18,810,926
Accumulated appropriations at end of year		
General appropriations	195,448,909	122,030,948
Tax-paid appropriations	162,202,799	203,439,867
Total	\$357,651,708	\$325,470,815

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, 1979 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, 1979 and its revenue, expenses and undivided profits and its accumulated appropriations for losses for the year then ended.

Montreal, November 26, 1979

DOUGLAS J. LOW, C.A.
of Deloitte Haskins & Sells
GERALD J. WAREHAM, C.A.
of Price Waterhouse & Co.

Notes to the Financial Statements

1. The financial statements include the assets and liabilities and results of operations of those subsidiaries whose accounts are permitted by the provisions of the Bank Act to be consolidated with those of the Bank. The significant operating subsidiaries so included are as follows:

The Royal Bank of Canada (France)	RoyMidEast Investments Limited
The Royal Bank of Canada (Middle East) S.A.L.	RoyCan Finanz AG
The Royal Bank of Canada International Limited	Burgardt + Nottebohm Bank AG
RoyEast Investments Limited	The Royal Bank of Canada (London) Limited
RBC Finance B.V.	Western Trust & Savings Limited
RoyAust Limited	The Royal Bank of Canada (Channel Islands) Limited

As required by the Bank Act, the statements of assets and liabilities of significant subsidiaries not consolidated are included separately in these annual statements.

2. The debentures are subordinated to the claims of depositors and other creditors and consist of:

Maturity	Rate		1979	1978
April 1, 1982	8 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	—
June 1, 1986	9 ¹ / ₄ %		60,000,000	60,000,000
June 1, 1987	9%		75,000,000	75,000,000
December 1, 1987	7 ¹ / ₂ %	Callable on or after December 1, 1982	1,044,000*	50,000,000*
April 1, 1988	9 ¹ / ₂ %	Callable on or after April 1, 1984	35,000,000*	35,000,000*
February 15, 1989	10.40%		75,000,000	—
April 15, 1991	7%	Callable on or after April 15, 1983	3,515,000*	3,666,000*
February 15, 1992	9%	Callable on or after February 15, 1985	40,000,000*	40,000,000*
May 15, 1994	10%	Callable on or after May 15, 1986	40,000,000*	—
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*	75,000,000*
			\$ 519,559,000	\$ 413,666,000

*Subject to sinking fund provisions.

3. In 1979, of the \$112,200,000 appropriation for losses from current year's operations, approximately \$63,000,000 is deductible for income tax purposes and the resulting reduction in income taxes of \$30,600,000 has been reflected in the statement of accumulated appropriations for losses.

The total tax provision for the year is included in the financial statements as follows:

	1979	1978
In the statement of revenue, expenses and undivided profits	\$ 46,300,000	\$ 127,300,000
In the statement of accumulated appropriations for losses:		
Related to tax deductible appropriations	(\$ 30,600,000)	(\$ 21,300,000)
Related to taxable capital gains on securities and other transactions	3,353,000	1,529,000
	(\$ 27,247,000)	(\$ 19,771,000)
Total tax provision for the year	\$ 19,053,000	\$ 107,529,000

4. The changes in Rest Account for the year were as follows:

	1979	1978
Balance at beginning of year	\$1,004,500,000	\$ 779,500,000
Share of post-acquisition earnings of subsidiaries not previously consolidated	12,897,305	—
Transfer from undivided profits	200,602,695	225,000,000
Balance at end of year	\$1,218,000,000	\$1,004,500,000

5. In connection with the sale by Globe Realty Limited, a wholly owned subsidiary of the Bank, of \$160,000,000 \$1.88 Cumulative Redeemable Preferred Shares Series A of Globe Realty Limited (exchangeable at the option of the Bank into Bank Preferred Shares when and if revisions to the Bank Act so permit), the Bank has covenanted to ensure that Globe Realty Limited has sufficient distributable surplus and available cash to enable it to make all payments of dividends and other distributions in respect of such shares. The Bank has also agreed to use all reasonable efforts to purchase in each calendar quarter 48,000 such preferred shares, if available, at prices not exceeding \$25 per share. As at October 31, 1979 there were 6,369,500 preferred shares having an aggregate value of \$159,237,500 issued and outstanding.

Statements of Assets and Liabilities of Controlled Corporations

44

The Royal Bank and Trust Company

(Incorporated under the laws of the State of New York)
Condensed Statement as at October 31, 1979
(In U.S. Dollars; Canadian equivalent \$1.186)

Assets

Cash and due from banks	\$ 8,259,184
United States Government securities, at amortized value	16,941,104
Other securities, at amortized value	47,389,590
Loans and advances, less provision for losses	136,590,809
Real estate, buildings and equipment, at cost less accumulated depreciation	6,606,660
Customers' liability under letters of credit	16,926,958
Other assets	3,488,995

\$236,203,300

Liabilities

Deposits, demand	\$ 95,685,733
Deposits, time	74,397,093
Deposits by banks	11,799,980
Letters of credit	16,926,958
Other liabilities	4,333,176
Capital stock fully paid (100,000 shares of \$100 each)	10,000,000
Surplus Fund (note 2)	3,204,000
Reserve for depreciation of securities	1,041,000
Undivided profits	18,815,360

\$236,203,300

- NOTES:** (1) The Royal Bank of Canada owns the entire capital stock of The Royal Bank and Trust Company with the exception of the directors' qualifying shares. This investment is carried on the books of the Bank at Can. \$11,849,326.
- (2) Under New York Banking Law the Surplus Fund is not available for the payment of dividends. The Fund must be built up to 65% of capital stock and until this has been accomplished transfers of not less than 10% of each year's net income must be made to the Fund.

Globe Realty Limited

(Incorporated under the laws of Canada)
and its wholly owned subsidiary companies
Globe Building Corporation
Globe Realty Management Limited
Condensed Consolidated Statement as at October 31, 1979
(In Canadian Dollars)

Assets

Real estate, buildings and equipment, at cost less accumulated depreciation (note 2)	\$ 73,277,767
Cash in bank	228,812
Investments in floating rate preferred shares	126,013,409
Other assets	180,285

\$199,700,273

Liabilities

Accounts payable and other liabilities	\$ 1,353,221
Dividend payable	2,993,665
Short-term promissory notes	8,025,906
The Royal Bank of Canada	14,096,768
Capital stock fully paid (6,369,500 \$1.88 cumulative redeemable preferred shares series A of no par value—note 3) (40,320 common shares of no par value)	159,237,500
Retained earnings	4,032,000
	9,961,213

\$199,700,273

- NOTES:** (1) The Royal Bank of Canada owns the entire common stock of Globe Realty Limited. This investment is carried on the books of the Bank at \$1,614,000.
- (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) During the year the Company issued 6,400,000 \$1.88 Cumulative Redeemable Preferred Shares Series A for an aggregate consideration of \$160,000,000. As at October 31, 1979, 30,500 of these shares had been purchased for cancellation.

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, 1979
(In Jamaican Dollars; Canadian equivalent \$.658)

Assets

Cash and due from banks	\$ 18,297,849
Cheques and other items in transit, net	6,178,600
Securities, at cost	63,425,870
Loans and advances, less provision for losses	106,283,261
Real estate, buildings and equipment, at cost or valuation less accumulated depreciation	5,057,519
Customers' liability under acceptances, guarantees and letters of credit	45,501,620
Other assets	15,267,140

\$260,011,859

Liabilities

Deposits	\$186,368,719
The Royal Bank of Canada	8,538,295
Acceptances, guarantees and letters of credit	45,501,620
Other liabilities	11,618,663
Capital stock fully paid (3,000,000 stock units of \$1 each)	3,000,000
Capital reserve (note 2)	925,646
Statutory reserve	2,690,000
Surplus	1,368,916

\$260,011,859

NOTES: (1) The Royal Bank of Canada owns 75% of the capital stock of The Royal Bank Jamaica Limited. This investment is carried on the books of the Bank at Can. \$1,606,533.
(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, 1979
(In Canadian Dollars)

Assets

Receivable under lease agreements less unearned income of \$74,679,565	\$225,938,758
Preliminary outlays for leased assets	13,072,589
	<u>239,011,347</u>
Provision for losses	(1,536,533)
	<u>237,474,814</u>
Other assets	1,035,351

\$238,510,165

Liabilities

Accounts payable	\$ 6,588,990
Advances from affiliate— RoyMarine Leasing Limited	8,536,789
Short-term promissory notes	63,954,575
Long-term debt	38,876,605
The Royal Bank of Canada	102,100,106
Deferred income taxes	8,212,962
Capital stock fully paid (1,000,000 shares of no par value)	10,000,000
Retained earnings	240,138

\$238,510,165

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 \$15,545,000.

RoyMarine Leasing Limited

(Incorporated under the laws of Canada)
Condensed Statement as at October 31, 1979
(In Canadian Dollars)

Assets		Liabilities	
Receivable under lease agreements less unearned income of \$7,278,707	\$18,810,359	Accounts payable	\$ 1,115,132
Amount due under conditional sales agreements less unearned income of \$3,130,090	16,384,980	Long-term debt	51,303,947
Secured loans	13,509,384	Deferred income taxes	2,394,468
Accrued interest	319,471	Capital stock fully paid (350,000 shares of no par value)	3,680,000
Cash in bank	895,206	Retained earnings	188,694
Advances to affiliate— RoyLease Limited	8,536,789		
Other assets	226,052		
	\$58,682,241		\$58,682,241

NOTE: The Royal Bank of Canada owns the entire capital stock of RoyMarine Leasing Limited. This investment is carried on the books of the Bank at \$4,506,895.

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, November 26, 1979

DOUGLAS J. LOW, C.A.
of Deloitte Haskins & Sells
GERALD J. WAREHAM, C.A.
of Price Waterhouse & Co.

Selected Statistical Data



Ten-Year Analytical Review

Revenue and Expenses as a per cent of average total assets

	1979	1978	1977	1976	1975
Total average assets (millions)	\$46,847	\$37,514	\$31,763	\$26,763	\$23,393
Spread (taxable equivalent basis)	2.775%	2.991%	2.949%	3.087%	3.145%
Other operating revenue	.662%	.689%	.709%	.741%	.767%
Non-interest expenses	2.345%	2.538%	2.684%	2.757%	2.643%
Adjusted tax provision (taxable equivalent basis)	.515%	.518%	.442%	.483%	.614%
Balance of revenue after tax	.577%	.624%	.532%	.588%	.655%

Share information

	1979	1978	1977	1976	1975
Shares outstanding (thousands) (1)	36,590	36,590	36,590	36,576	34,925
Balance of revenue after tax	\$ 7.40	\$ 6.39	\$ 4.61	\$ 4.30	\$ 4.39
Dividends	\$ 2.18	\$ 1.565	\$ 1.38	\$ 1.30	\$ 1.23
Share price (2) high	\$ 46 ³ / ₄	\$ 38	\$ 28 ⁵ / ₈	\$ 33 ¹ / ₂	\$ 36 ¹ / ₂
low	\$ 33 ³ / ₄	\$ 24 ³ / ₈	\$ 22 ³ / ₄	\$ 26 ¹ / ₄	\$ 24 ³ / ₈
close	\$ 37 ³ / ₈	\$ 35	\$ 24 ³ / ₄	\$ 27	\$ 30 ³ / ₄
Book value (3)	\$ 45.09	\$ 38.38	\$ 31.73	\$ 27.90	\$ 25.23
Price earnings ratio (4) high	6.3	5.9	6.2	7.8	8.3
low	4.6	3.8	4.9	6.1	5.6
Dividend yield (5)	5.4%	5.0%	5.4%	4.4%	4.0%

Other information

	1979	1978	1977	1976	1975
Deposit to capital ratio (6)	19.9:1	20.3:1	20.7:1	20.4:1	20.4:1
Return on equity (7)	17.7%	18.2%	15.5%	16.2%	18.4%
Number of shareholders	32,058	31,503	32,276	32,079	32,329
Number of employees (8)	36,833	35,660	35,335	34,429	32,464
Number of branches (9)	1,604	1,600	1,595	1,567	1,524

Quarterly Perspective

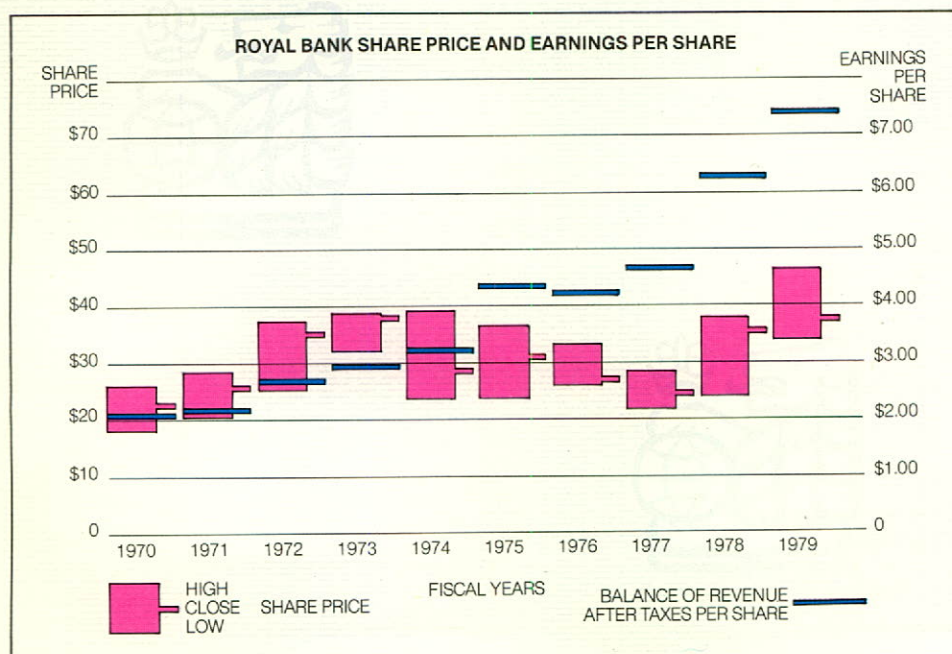
(in thousands except per share)

Year	Fiscal Quarter	Spread	Other Operating Revenues	Non-Interest Expenses	Balance of Revenue after Tax	Balance of Revenue after Tax Per Share	Dividend Per Share
1978	I	\$ 251,451	\$ 60,088	\$ 230,823	\$ 51,716	\$1.41	\$.36 ¹ / ₂
1978	II	250,211	62,570	233,508	52,273	1.43	.37 ¹ / ₂
1978	III	264,714	62,858	243,679	53,893	1.47	.37 ¹ / ₂
1978	IV	288,545	72,840	244,065	76,020	2.08	.45
1978	Full Year	\$1,054,921	\$258,356	\$ 952,075	\$233,902	\$6.39	\$1.56 ¹ / ₂
1979	I	\$ 276,624	\$ 75,378	\$ 261,828	\$ 77,074	\$2.11	\$.50
1979	II	254,434	70,284	264,639	53,479	1.46	.55
1979	III	267,966	78,683	288,912	56,037	1.53	.55
1979	IV	306,595	85,895	283,467	84,123	2.30	.58
1979	Full Year	\$1,105,619	\$310,240	\$1,098,846	\$270,713	\$7.40	\$2.18

1974	1973	1972	1971	1970
\$20,344	\$16,271	\$13,847	\$12,076	\$10,702
2.775%	2.876%	2.744%	2.746%	2.900%
.676%	.709%	.726%	.737%	.798%
2.383%	2.373%	2.275%	2.320%	2.350%
.541%	.602%	.565%	.576%	.701%
.527%	.610%	.630%	.587%	.647%
33,264	33,264	33,264	33,264	33,264
\$ 3.22	\$ 2.98	\$ 2.62	\$ 2.13	\$ 2.08
\$ 1.10	\$ 1.02	\$.96	\$.88	\$.86
\$ 39 ¹ / ₄	\$ 39 ¹ / ₈	\$ 37 ¹ / ₂	\$ 28 ³ / ₈	\$ 26 ¹ / ₈
\$ 24 ¹ / ₄	\$ 32 ¹ / ₈	\$ 25 ¹ / ₈	\$ 20 ³ / ₄	\$ 18 ⁷ / ₈
\$ 28 ³ / ₄	\$ 38 ³ / ₈	\$ 34 ³ / ₄	\$ 25 ³ / ₈	\$ 22 ³ / ₈
\$ 22.95	\$ 21.80	\$ 19.79	\$ 17.86	\$ 16.58
12.2	13.1	14.3	13.3	12.6
7.5	10.8	9.6	9.7	9.1
3.5%	2.9%	3.1%	3.6%	3.8%
21.9:1	19.8:1	18.5:1	17.6:1	18.7:1
14.4%	14.3%	13.9%	12.4%	12.9%
31,345	31,562	31,600	32,239	34,154
31,094	28,225	25,701	24,435	24,306
1,470	1,409	1,393	1,366	1,312

Notes:

- (1) Weighted monthly 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 closing price on 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) High and low share price divided by balance of revenue after tax per share.
- (5) Dividends per share divided by average of 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 the 1979 ratio is \$159 million of Globe Realty Ltd. preferred shares which will be exchangeable, at the option of the Bank, into preferred shares on the Royal Bank, if and when permitted by revisions to the Bank Act, and after approval of the Bank's common shareholders.
- (7) Balance of revenue after tax divided by average shareholders' equity plus accumulated appropriations for losses.
- (8) Regular staff of The Royal Bank of Canada, not including consolidated subsidiaries. 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.
- (9) 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 \$29.50.

Ten-Year Statistical Review

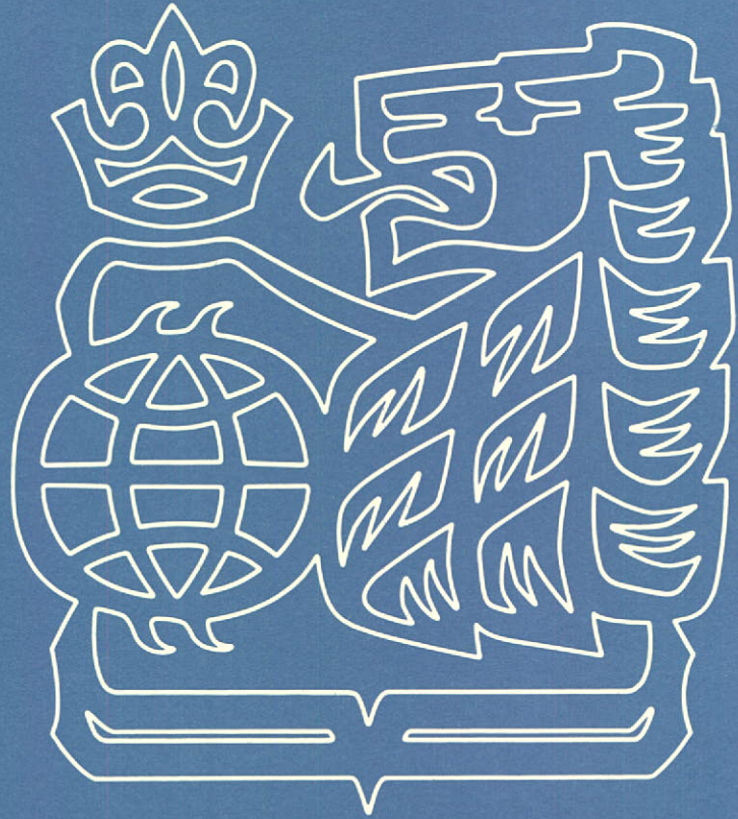
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(in thousands)

Assets and Liabilities	1979	1978	1977	1976
Assets				
Cash resources	\$11,081,313	\$ 8,147,142	\$ 7,165,038	\$ 6,239,013
Securities	5,826,709	4,564,849	3,403,064	3,185,296
Loans including day loans	31,116,655	25,446,577	21,819,176	17,825,430
Bank premises (net)	536,476	474,626	413,273	332,449
Other assets	3,160,763	2,271,322	1,549,783	1,249,398
Total	\$51,721,916	\$40,904,516	\$34,350,334	\$28,831,586
Liabilities				
Deposits	\$46,386,789	\$36,990,559	\$31,379,914	\$26,290,831
Sundry liabilities	3,165,406	2,095,954	1,455,640	1,249,906
Debentures	519,559	413,666	353,891	270,000
Accumulated appropriations for losses	357,652	325,470	306,660	289,947
Shareholders' equity	1,292,510	1,078,867	854,229	730,902
Total	\$51,721,916	\$40,904,516	\$34,350,334	\$28,831,586
Revenue & Expenses				
Income from loans	\$ 4,215,510	\$ 2,838,446	\$ 2,283,792	\$ 2,020,941
Income from securities	474,587	297,575	234,900	218,046
Sub-Total	4,690,097	3,136,021	2,518,692	2,238,987
Interest paid on deposits	3,584,478	2,081,100	1,617,028	1,431,877
Spread	1,105,619	1,054,921	901,664	807,110
Other Operating Revenue	310,240	258,356	225,333	198,245
Staff Costs	627,490	536,793	484,342	428,391
Property Expenses	162,492	151,076	133,572	111,866
Loan Loss Provision	103,148	92,856	81,449	66,503
Other Expenses	205,716	171,350	153,012	131,206
Non-Interest Expenses	1,098,846	952,075	852,375	737,966
Balance of Revenue	317,013	361,202	274,622	267,389
Provision for Income Taxes	46,300	127,300	105,800	110,000
Balance of Revenue after Taxes	\$ 270,713	\$ 233,902	\$ 168,822	\$ 157,389
Dividends	\$ 79,767	\$ 57,264	\$ 50,495	\$ 47,751

	1975	1974	1973	1972	1971	1970
	\$ 5,348,281	\$ 4,563,183	\$ 5,338,982	\$ 3,688,244	\$ 3,003,367	\$ 2,648,853
	2,576,057	2,812,869	2,143,978	2,296,048	2,258,855	1,875,637
	15,816,493	12,713,031	9,972,051	8,111,053	6,973,914	6,166,013
	237,253	168,306	137,749	119,920	117,346	96,815
	1,233,047	1,412,491	770,775	552,251	600,096	581,305
	\$25,211,131	\$21,669,880	\$18,363,535	\$14,767,516	\$12,953,578	\$11,368,623
	\$22,870,875	\$19,441,373	\$16,800,301	\$13,537,382	\$11,772,301	\$10,303,212
	1,219,866	1,340,098	713,124	496,985	512,240	513,921
	200,000	125,000	125,000	75,000	75,000	—
	277,113	246,623	233,835	215,840	186,193	160,465
	643,277	516,786	491,275	442,309	407,844	391,025
	\$25,211,131	\$21,669,880	\$18,363,535	\$14,767,516	\$12,953,578	\$11,368,623
	\$ 1,793,722	\$ 1,613,365	\$ 1,015,923	\$ 728,294	\$ 664,348	\$ 686,322
	189,703	166,220	120,510	114,300	119,776	111,953
	1,983,425	1,779,585	1,136,433	842,594	784,124	798,275
	1,256,592	1,221,258	673,477	462,656	452,540	487,885
	726,833	558,327	462,956	379,938	331,584	310,390
	179,378	137,569	115,364	100,534	88,953	85,434
	362,099	291,197	233,661	181,681	166,342	150,509
	88,003	70,503	56,730	48,857	45,235	41,147
	49,954	30,972	21,649	18,708	14,093	10,680
	118,283	92,222	74,136	65,727	54,485	49,208
	618,339	484,894	386,176	314,973	280,155	251,544
	287,872	211,002	192,144	165,499	140,382	144,280
	134,630	103,800	92,900	78,286	69,500	75,000
	\$ 153,242	\$ 107,202	\$ 99,244	\$ 87,213	\$ 70,882	\$ 69,280
	\$ 43,751	\$ 36,590	\$ 33,929	\$ 31,933	\$ 29,272	\$ 28,607

Royal Bank Organization



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of the Board



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Chairman of the Board,
The Royal Bank of Canada



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The Royal Bank of Canada

President
and
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Company Director



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Montreal
Chairman and
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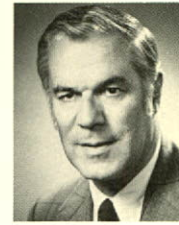
**The Rt. Hon.
Lord Adeane**
London, England
Company Director



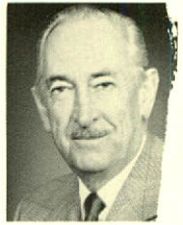
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G.H. Blumenauer
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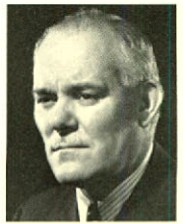
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Halifax
*Partner,
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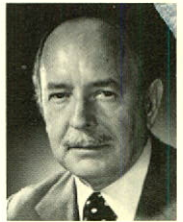
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D.F.W. Bruce, *Chief Inspector*

Corporate Planning and Organization

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Global Marketing

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 P.A. Fréchette, *Senior Vice-President, Public Affairs*

Economics

E.P. Neufeld, *Senior Vice-President & Chief Economist*

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 H.G. Buckrell, *Assistant General Manager, Corporate Personnel Services*

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RoyLease Limited/RoyMarine Leasing Limited

R.G. Hunkin, *President and Chief Executive Officer*

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 H.C. Stewart, *Assistant General Manager, Administration and Comptroller*
 M.L. Turcotte, *Assistant General Manager (Montreal Branch)*
 R.P. Lasnier, *Assistant General Manager, Quebec East*
 J.G. Bisailon, *Assistant General Manager, Quebec West*

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Toronto

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Metropolitan Toronto

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 W.J. Gorman, *Assistant General Manager, Marketing*
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 H.R. McLean, *Assistant General Manager, Branch Banking*
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Manitoba and Northwestern Ontario

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Regina

H.G. Hurd, *Vice-President and General Manager*
 W.D. Dobson, *Assistant General Manager, Branch and Commercial Banking*

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W.P. Carter, Director

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T.J. Cunningham, Chief Executive
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Newfoundland 20/Nova Scotia 84/Prince Edward Island 6/New Brunswick 31
Quebec 227/Ontario 586/Manitoba 102
Saskatchewan 102/Alberta 148
British Columbia 210/Northwest Territories 3
Yukon 3

Total 1,522

Branches in Other Countries 82
Total (including sub-branches) 1,604
*As At October 31, 1979.

In addition to the above, the Royal Bank has financial interest in 107 Subsidiaries and Affiliates throughout the world.

The Royal Bank of Canada is represented through branches, subsidiary or affiliated banks, trust companies, other financial institutions or resident representatives in the following countries:

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Colombia/Dominica/Dominican Republic
Egypt/France/Germany/Greece/Grenada
Guyana/Haiti/Hong Kong/Jamaica/Japan
Lebanon/Montserrat/The Netherlands
Netherlands Antilles/Panama/Puerto Rico
Republic of Korea/St. Kitts/St. Lucia
St. Vincent/Singapore/Thailand/Trinidad & Tobago/United Arab Emirates (Dubai)
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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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