RBC CAPITAL MARKETS CORPORATION & SUBSIDIARIES
(A Wholly-Owned Subsidiary of RBC Capital Markets Holdings (USA) Inc.)
(SEC I.D. No. 8-45411)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

APRIL 30, 2008
(UNAUDTIED)

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APRIL 30, 2008 (UNAUDITED)
(In thousands except share and per-share information)

ASSETS	
Cash and cash equivalents	$ 146,709
Cash segregated under Federal and other regulations	1,052,357
Securities purchased under agreements to resell	5,293,308
Securities borrowed	7,308,459
Securities owned, at fair value (includes securities pledged of $10,266,341)	10,547,170
Receivable from brokers-dealers and clearing organizations	5,856,583
Receivable from affiliates	93,477
Receivable from customers	1,506,233
Fixed assets - net	257,676
Goodwill	612,223
Deferred income taxes	258,655
Other receivables	2,423,436
Other assets	1,047,896
TOTAL ASSETS	$ 36,404,182
LIABILITIES AND STOCKHOLDERS' EQUITY	
Short-term borrowings	$ 394,000
Short-term borrowings from affiliate	2,450,000
Drafts payable	130,212
Securities sold under agreements to repurchase	9,659,672
Securities loaned	1,610,259
Securities sold, but not yet purchased, at fair value	3,825,778
Payable to brokers-dealers and clearing organizations	2,763,923
Payable to Parent and affiliates	6,239,651
Payable to customers	1,592,753
Accrued compensation	974,061
Accounts payable and accrued liabilities	2,844,575
Long-term borrowings from affiliate	600,000
	33,084,884
Liabilities subordinated to claims of general creditors	1,465,000
TOTAL LIABILITIES	34,549,884
Stockholders' Equity:	
Nonvoting, non-convertible preferred stock, par value $0.10 per share, 100 shares authorized, 1 share outstanding, $10,000 liquidation preference	10
Common stock, par value $0.125 per share, 160,000 shares authorized, 149,118 issued and outstanding	19
Additional paid-in capital	1,452,641
Retained earnings	401,628
Total stockholders' equity	1,854,298
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 36,404,182

See notes to the consolidated statement of financial condition.

1. ORGANIZATION AND NATURE OF BUSINESS

RBC Capital Markets Corporation and Subsidiaries (the "Company") is a wholly-owned subsidiary of RBC Capital Markets Holdings (USA) Inc. (the "Parent"), a Delaware corporation. The Parent is ultimately wholly-owned by Royal Bank of Canada ("RBC" or "Ultimate Parent"). The consolidated statement of financial condition includes the Company and three wholly-owned subsidiaries.

The Company is a registered broker and dealer and a Futures Commission Merchant. The Company is a member of the New York Stock Exchange ("NYSE") and other securities and commodities exchanges. The Company offers full-service brokerage and investment banking services to individual, institutional, corporate and governmental clients. In conjunction with those services to its clients, the Company conducts principal trading primarily in municipal bonds and other fixed income securities. The Company provides asset management services for its customers and clearing services to unaffiliated correspondent firms through its RBC Correspondent Services ("RBC CS") division. The Company is also a clearing broker for affiliated broker dealers. The Company carries all customer accounts of the correspondent brokers and extends margin credit to these customers.

At the close of business on February 29, 2008, RBC Capital Markets Corporation ("RBCCMC") merged with and into RBC Dain Rauscher Inc. ("RBC Dain"), with RBC Dain remaining as the surviving legal entity. Immediately following the merger, RBC Dain changed its name to RBC Capital Markets Corporation. The merger is considered an exchange of equity interests between enterprises under common control and accounted for as a related party transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation — The consolidated statement of financial condition includes the accounts of the Company and its subsidiaries. Intercompany transactions and balances are eliminated in consolidation. The Company follows accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, cash in depository accounts with other financial institutions, and money market investments with original maturities of 90 days or less.

Securities Transactions — Proprietary securities transactions in regular-way trades are recorded on trade date, as if they had settled. Customers' securities transactions are reported on a settlement date basis.

Securities owned and securities sold, but not yet purchased, are recorded at fair value. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

The Company also has venture capital investments in securities that are currently nonmarketable. These securities, which are accounted for at estimated fair value, are included in other assets. Management has determined that, when the investments remain restricted, cost generally approximate fair value and when

the restrictions expire on these investments or they are otherwise readily marketable, the Company uses public market quotations or determines fair value through an analysis of financial statements or other financial sources of financial data. At April 30, 2008, the fair value of these equity instruments and venture capital investments was $54.2 million included in other assets on the consolidated statement of financial condition.

Resale and Repurchase Transactions — Transactions involving purchases of securities under agreements to resell (“reverse repurchase agreements”) or sales of securities under agreements to repurchase (“repurchase agreements”) are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts plus accrued interest. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under reverse repurchase agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

Securities Borrowed and Securities Loaned — Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash, securities, letters of credit, or other collateral with the lender. With respect to securities loaned, it is the policy of the Company to receive collateral in the form of cash, securities or other collateral in an amount equal to or in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Income Taxes **—** The Company is included in the consolidated income tax returns filed by RBC’s U.S. – based holding company, RBC Holdings (USA), Inc. (“RBC Holdings”). The Company also files various separate as well as unitary and combined state income tax returns with various members of RBC Holdings consolidated group. The provision for income taxes is calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from RBC Holdings. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the consolidated financial statement for the changes in deferred tax liabilities or assets between years.

Fixed Assets — Depreciation for equipment and furniture is provided on a straight-line basis using estimated useful lives of one to nine years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Capitalized software costs are amortized based on straight-line amortization over the estimated economic life, generally over three to five years. Depreciation for equipment and furniture and amortization for leasehold improvements and capitalized software commence on the date placed into service.

Receivable from and Payable to Customers — Amounts receivable from customers are primarily related to margin balances. Other customer receivables and payables result from cash transactions. The Company does not include in its consolidated statement of financial condition the securities owned by customers or the securities sold short by customers.

Other Receivables — Included in other receivables are student loans related to the auction rate securities (“ARS”) markets (see Note 17). Also included in other receivables are forgivable loans made to financial consultants and other revenue-producing employees, typically in connection with their recruitment. These loans are forgivable based on continued employment and are amortized over the term of the loans, which is generally two to ten years, using the straight-line method.

Stock Based Compensation— The Company accounts for certain stock-based compensation plans in accordance with SFAS No. 123(R), *Share-Based Payment*.

Memberships in Exchanges — The Company maintains memberships on various domestic exchanges. Exchange memberships owned by the Company are carried at cost. Assessments of the potential impairment of carrying value, in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, *Impairment and Disposal of Long Lived Assets*, are made periodically. There were no exchange membership impairments in 2008.

Goodwill and Other Intangible Assets **—** Goodwill primarily relates to the acquisition of First Institutional Securities, LLC in 2003, acquisition of William R. Hough & Co. and Capital Markets Business (the “CM Business”) transferred from RBC Dain Rauscher Corporation (“DRC”) in 2004 and the acquisitions of the net asset of Carlin Financial Group (“Carlin”), Daniels and Seasongood & Mayer, LLC in 2007. Under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, intangible assets acquired in a business combination, which do not possess finite useful lives, are tested for impairment at least annually. An indicator of impairment of goodwill results if the net book value of the reporting unit exceeds its estimated fair value. The Company performed its annual assessment in August 2007 and no impairment loss was recorded as a result of this assessment.

The changes in the carrying amount of goodwill for the six months ended April 30, 2008 are as follows (in thousands):

Balance as of October 31, 2007	$	608,656
Goodwill - Carlin		3,147
Goodwill - Daniels		420
Impairment losses		-
Balance as of April 30, 2008	$	612,223

Other intangible assets, which include customer relationship intangible assets, are recorded in other assets and amortized over their estimated useful lives of eight to ten years using the straight-line basis.

Use of Estimates — The preparation of the consolidated statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities (including valuation of certain securities owned and securities sold, but not yet purchased, the outcome of litigation and the carrying amounts of goodwill) and the disclosure of contingent assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from those estimates.

Recent Accounting Pronouncements **—** In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for the

Company for the year ended October 31, 2008. Management does not expect the impact of adoption of FIN 48 to be material to the Company's consolidated statement of financial condition.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and enhances disclosure about fair value measurements. SFAS No. 157 nullifies the guidance provided by the Emerging Issues Task Force on Issue 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ("EITF 02-3") that prohibits recognition of day one gains or losses on derivative transactions where model inputs that significantly impact valuation are not observable. In addition, SFAS No. 157 prohibits the use of block discounts for large positions of unrestricted financial instruments that trade in an active market and requires an issuer to consider changes in its own credit spreads when determining the fair value of its liabilities. SFAS No. 157 is effective for the Company's fiscal year beginning November 1, 2008, with earlier adoption permitted. The provisions of SFAS No. 157 are to be applied prospectively, except that the provisions related to block discounts and existing derivative financial instruments measured under EITF 02-3 are to be applied as a one-time cumulative effect adjustment to opening retained earnings in the year of the adoption. The Company is currently evaluating the potential impact of adopting SFAS No. 157 on its consolidated statement of financial condition.

In February 2007 the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of FASB Statement No. 115. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The Company is currently evaluating the potential impact of adopting SFAS No. 159 on its consolidated statement of financial condition.

In December 2007 the FASB issued Statement No. 141(R), *Business Combinations - Revised*. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This Statement replaces SFAS No. 141, *Business Combinations*. The purpose of this statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The Company is currently evaluating the potential impact of adopting SFAS No. 141(R) on its consolidated statement of financial condition.

In December 2007 the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. This statement is effective for the Company's fiscal year beginning November 1, 2009. This statement amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* by establishing financial statement presentation and disclosure requirements for reporting noncontrolling ownership interests. SFAS No. 160 also establishes consistent accounting methods for changes in ownership interest and for the valuation of retained noncontrolling investments upon deconsolidation. The Company is currently evaluating the impact of the adoption of SFAS No. 160 on its consolidated statement of financial condition.

In March 2008 the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. This Statement is effective for the Company's fiscal year beginning November 1, 2009. This statement amends the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* by requiring qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements. SFAS No. 161 does not require any new derivative or hedging measurements. The Company is currently

evaluating the impact of the adoption of SFAS No. 161 on its consolidated statement of financial condition.

In April 2008 the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This Statement is effective for the Company's fiscal year beginning November 1, 2009. This statement amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), *Business Combinations,* and other U.S. generally accepted accounting principles. The Company is currently evaluating the impact of the adoption of this statement on its consolidated statement of financial condition.

3. CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Rule 15c3-3 of the Securities Exchange Act of 1934 specifies when broker-dealers carrying customer accounts may be required to maintain cash or qualified securities in a special reserve account for the exclusive benefit of customers. At April 30, 2008, the Company had a balance of $1.03 billion in the special reserve account.

The Company also computes a reserve requirement for the proprietary accounts of introducing brokers ("PAIB"). Based on this calculation, at April 30, 2008, the Company was not subject to a deposit requirement.

Cash of $27.36 million has been segregated under the Commodity Exchange Act.

4. RELATED PARTY TRANSACTIONS

The Company provides certain services related to securities transactions with its Parent and other affiliates. Also, the Company manages the business affairs of certain of its affiliates under agency agreements, and acts as a computation agent, accounting resource, risk manager and legal representative for affiliates under Technical Service agreements

The Parent guarantees the due and punctual performance of all obligations to the Chicago Mercantile Exchange arising out of accounts cleared by the Company.

In addition to the affiliate receivables and payables disclosed on the consolidated statement of financial condition or in other disclosures, the Company had the following outstanding receivables and payables with affiliates (in thousands):

	Receivable	Payable
Securities purchased under agreements to resell	$ 955,114	$ -
Securities sold under agreements to repurchase		1,211,630
Securities borrowed	736,623	
Securities loaned		533,882
Failed to deliver	582,946	
Failed to receive		665,500

5. RECEIVABLE FROM AND PAYABLE TO BROKERS-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to brokers-dealers and clearing organizations at April 30, 2008, consisted of the following (in thousands):

	Receivable	Payable
Receivable from RBC Capital Markets Arbitrage S.A. (an affiliate)	$ 2,405,948	$ -
Trade date/settlement date accrual	624,634	
Deposits with/payable to brokers-dealers and clearing organizations	2,171,093	2,414,661
Fails to deliver/receive	654,908	349,262
	$ 5,856,583	$ 2,763,923

6. SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED

Securities owned and securities sold, but not yet purchased, at April 30, 2008 consisted principally of trading securities at fair value as follows (in thousands):

	Owned	Sold, But Not Yet Purchased
U.S. and Canadian government agency obligations	$ 3,702,389	$ 2,735,815
Corporate obligations	3,118,606	741,037
Equities and warrants	107,194	238,946
Certificates of deposit and commercial paper	568,599	69,735
Money market funds	744,613	-
State and municipal government obligations	2,153,435	3,009
Other	152,334	37,236
	$ 10,547,170	$ 3,825,778

The Company pledges its securities owned to collateralize repurchase agreements and other securities financing. Pledged securities that can be sold or repledged by the secured party are parenthetically disclosed in securities owned on the consolidated statement of financial condition.

At April 30, 2008, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was approximately $12.54 billion and substantially all has been sold or repledged.

7. FIXED ASSETS

The Company's fixed assets at April 30, 2008, consisted of the following (in thousands):

Furniture and equipment	$ 15,138
Computer equipment and software	53,306
Leasehold improvements	69,638
Work in Progress	188,998
	327,080
Accumulated depreciation and amortization	(69,404)
Net fixed assets	$ 257,676

Depreciation and amortization for work in progress begins when the assets are placed in service.

8. INTANGIBLE ASSETS

The Company's intangible assets at April 30, 2008, are included in other assets on the consolidated statement of financial condition and consisted of the following (in thousands):

Intangible assets	$ 16,481
Accumulated amortization	(5,700)
Net intangible assets	$ 10,781

9. INCOME TAXES

The Company is included in the consolidated federal income tax returns filed by RBC Holdings. The Company also files various separate as well as unitary and combined income tax returns with various members of RBC Holdings consolidated group. In accordance with the intercompany tax-sharing agreement, the Company calculates its taxes on a separate company basis and the total amount of taxes payable or receivable (current and deferred) are recorded on a net basis.

At April 30, 2008, the Company had net deferred tax assets of $258.66 million. The tax effects of temporary differences that gave rise to deferred tax assets and liabilities relate primarily to a deferred gain on an intercompany sale of a business line in February 2004, compensation expense, reserves and goodwill. No deferred tax asset valuation allowance has been established since, based upon available evidence, it appears more likely than not that the deferred tax asset will be realized.

On the basis of filing a separate income tax return, the sale of the RBC Dain's Capital Markets ("CM") business line to RBCCMC in February 2004 resulted in a taxable gain of $197.7 million and a deferred income tax liability of $74.6 million. For income tax purposes, RBC Dain had been recognizing this deferred tax liability over a period of 15 years as RBCCMC had been amortizing, for income tax purposes, the goodwill associated with this gain. After the merger, the amortization and gain recognition will offset resulting in no net change to the current income tax payable to RBC Holdings nor any change to the deferred tax liability. In accordance with the intercompany agreement in connection with the sale of the CM business line, RBC Dain, RBC Holdings, and RBCCMC had agreed that the tax benefits related to RBCCMC's amortization of the goodwill would flow through RBC Holdings to RBC Dain as an offset

to the current tax payable. The impact of this flow-through had been recorded by RBC Dain as additional paid-in capital. After the merger, this agreement is no longer applicable and no further adjustments will be made to the current tax payable and additional paid in capital. As of April 30, 2008, the remaining unamortized deferred tax liability related to the sale was $74.6 million.

The Company has a branch in Canada. Accordingly, it is subject to Canadian federal and provincial taxes on the net income of the branch.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases office space, furniture, and communications and information technology equipment under various noncancelable operating leases. Most office space lease agreements include rate increases, which are recognized on a straight-line basis over the life of the lease, and cover payment of real estate taxes, insurance, and other occupancy expenses. The Company also leases information technology equipment under a noncancelable capital lease. At April 30, 2008, the aggregate future minimum rental payments (net of noncancelable sublease agreements) were as follows (in thousands):

Year	Capital Leases	Operating Leases
2008	$ 885	$ 35,335
2009	1,660	68,509
2010	464	62,054
2011	227	55,009
2012	43	48,068
Thereafter		189,665
Total minimum lease payments	3,279	$ 458,640
Less amount representing interest	(168)	
Present value of minimum lease payments	$ 3,111	

Assets recorded under capital leases are included in equipment and leasehold improvement and consist of the following as of April 30, 2008 (in thousands):

Computer equipment	$ 7,861
Less accumulated amortization	(3,979)
Total	$ 3,882

The Company is a member of several exchanges and clearinghouses. Under the standard membership agreements, members are generally required to guarantee the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company’s maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to

make payments under these arrangements is unlikely. Accordingly, no contingent liability was recorded for these arrangements at April 30, 2008.

The Company is a defendant in various legal actions, suits, and proceedings before courts, arbitrators, and governmental agencies. Certain of these actions, including those described below, claim substantial damages and could have a material adverse effect on the Company's consolidated statement of financial condition should these matters not be resolved favorably. While the outcome of any litigation is uncertain, management believes, based in part upon consultation with legal counsel, that the resolution of all matters pending or threatened against the Company will not have a material adverse effect on the Company's consolidated statement of financial condition.

The Company is involved in a consolidated class action suit related to initial public offerings where the Company participated as an underwriter. A sample of "focus" cases has been selected from the total claims brought within the consolidated class action. The focus cases are proceeding through discovery and litigation. On December 5, 2006, the Court of Appeals for the Second Circuit held that six focus cases in the litigation could not be certified as class actions, although on April 9, 2007, the Court held on reconsideration that the plaintiffs could try to certify a 'more modest class, one as to which the Rule 23 criteria might be met, according to the standards we have outlined'. Management does not believe the impact of this matter will have a material adverse effect on the Company's consolidated statement of financial condition, although the amounts involved could be substantial.

The Company is a defendant in a purported class action lawsuit related to claims by financial consultants that they were entitled to compensation for vesting under certain benefit plans and for overtime under certain state and federal laws. Management does not believe the impact of this matter will have a material adverse effect on the Company's consolidated statement of financial condition, although the damages claimed by the plaintiffs are substantial.

11. SHORT-TERM BORROWINGS AND SHORT-TERM BORROWINGS FROM AFFILIATE

The Company has $1.5 billion in short-term (overnight) credit facilities with nonaffiliated banks. These facilities are used to manage short-term liquidity needs. As of April 30, 2008, there was $394 million outstanding under these facilities. The settlement date fair value of securities pledged under this arrangement was $580.29 million.

The Company has a $850 million short-term (overnight) credit facility with RBC. This facility is used to manage short-term liquidity needs. As of April 30, 2008, there was $450 million outstanding under this facility. The settlement date fair value of securities pledged under this arrangement was $534.32 million.

The Company has a $5.7 billion revolving credit agreement with RBC. Loans under this facility are unsecured. As of April 30, 2008, there was $2 billion outstanding under this facility. Subsequent to April 30, 2008, the facility was amended to decrease the available amount to $4 billion.

12. LONG-TERM BORROWINGS FROM AFFILIATE

The Company has a $600 million unsecured term loan agreement with RB US2 LLC, an RBC affiliate. The unsecured loan matures on April 4, 2011, with no scheduled principal payments until maturity.

13. LIABILITES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The borrowings under subordination agreements at April 30, 2008 are as follows (in thousands):

Subordinated debt entered into on June 28, 2007 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing in one year with option of auto extension, with interest rate of 3 months LIBOR plus .44%	$ 50,000
Subordinated debt entered into on March 31, 2008 with RBC USA Holdco Corporation, maturing on March 31, 2011, with interest rate of LIBOR plus .50%	350,000
Subordinated debt entered into on November 7, 2005 for three years with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, renewable annually, with interest rate of 3 months LIBOR plus .67%	100,000
Subordinated debt entered into on September 7, 2006 for two years with RBUS2 LLC, with interest rate of 3 months LIBOR plus .60%	79,000
Subordinated debt entered into on September 12, 2006 for two years with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, with interest rate of 3 months LIBOR plus .60%	71,000
Subordinated debt entered into on October 28, 2005, with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, renewable annually, with interest rate of 3 months LIBOR plus .575%	100,000
Subordinated debt entered into on March 29, 2007 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on March 31, 2009 with interest rate of LIBOR plus .44%	250,000
Subordinated debt entered into on October 17, 2005 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on October 31, 2010 with interest rate of LIBOR plus .75%	240,000
Subordinated debt entered into on May 31, 2006 with RB U.S. Finance LLC, a wholly-owned subsidiary of the Ultimate Parent, maturing on May 31, 2009 with interest rate of LIBOR plus .62%	225,000
Total	$ 1,465,000

All liabilities subordinated to claims of general creditors are covered by agreements approved by the New York Stock Exchange and are available for computing the Company's net capital pursuant to the Securities and Exchange Commission's uniform net capital rule. To the extent that such liabilities are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

14. STOCKHOLDER'S EQUITY

The Company has authorized 160,000 shares of common stock and issued 149,118 shares of common stock to the Parent, with par value of $0.125.

The Company has authorized 100 shares and issued one share of nonvoting, nonconvertible, non-interest bearing preferred stock that was purchased by RBC Capital Markets Arbitrage S.A. ("RBC CMA") with par value of $0.10 per share.

15. DEFERRED COMPENSATION & BENEFIT PLANS

Effective October 31, 2002, the Company merged its defined benefit pension plan into the Pension Plan for United States Dollar-Based Employees of Royal Bank of Canada and Affiliates (the "RBC Plan"). The RBC Plan sponsored by the Ultimate Parent covers employees of the Company meeting certain eligibility requirements prior to December 31, 1996. Effective December 31, 1996, the plan was frozen. Under this curtailment, the plan will continue to exist but no further benefits will accrue to the participants.

Substantially all employees of the Company are eligible to participate in its Retirement and Savings Plan (the "401(k) Plan") which is a defined contribution plan. Participants may elect to contribute up to 50% of their eligible pay on a pre-tax basis, and up to 5% on an after-tax basis, subject to IRS limitations. Eligible employees may receive company matching contributions of up to 100% of each participant's contributions up to the first 6% of pay contributed on a pre-tax basis upon completion of one year of employment. Financial consultants are limited to a total company match of $1,500. An additional discretionary company contribution is credited in January for the prior plan year for eligible employees. Discretionary company contributions are made in the RBC Stock Fund, and up to 50% of the discretionary company contributions can be transferred to any other investment option offered in the Plan each year. Employees do not have to be participating in the Plan to receive the discretionary company contribution. Financial consultants and employees who are eligible for the Wealth Accumulation Plan are not eligible to receive the discretionary company contribution. These contributions and related earnings vest ratably over a five-year period.

The Company maintains a nonqualified deferred compensation plan for key employees under an arrangement called the Wealth Accumulation Plan ("WAP"). This plan allows eligible employees to make deferrals of their regular salaries and incentive annual income and allocate the deferrals among various fund choices, which include an RBC Share Account that tracks the value of RBC common shares. Certain deferrals were also eligible for matching contributions by the Company. All matching contributions are allocated to the RBC Share Account. The fair value of matching contributions is based on quoted market prices. These deferrals and matching contributions vest over a period of zero to five years starting after the plan year.

In connection with its obligations under the Wealth Accumulation Plan, the Company has purchased shares of the various funds offered in the Plan. These investments, which had a market value of $288.56 million at April 30, 2008, are included in other assets.

The Company entered into an arrangement with an affiliate of RBC related to its RBC Share Account obligation under the Plan. Under the arrangement, the Company pays interest to the affiliate in exchange for receiving the rate of return on RBC common stock.

At April 30, 2008, the Company had liability for these plans of $661.71 million.

The Company maintains a Performance Deferred Share Plan to make certain awards to select key employees of the Company. Prior to December 2006, the awards consisted of RBC common shares that vest three years from the date of grant. The fair value of the awards is based on the quoted market price of the shares at the date of the grant. The grants are 50% fixed and 50% variable performance based awards. For the performance based award, the ultimate number of RBC common shares earned by the employee may be increased or decreased by 50% depending on RBC's total shareholder return compared to a peer group of North American financial institutions, as defined in the plan. In connection with the Performance Deferred Share Plan grants prior to December 2006, the Company holds the unvested RBC common shares as custodian for the employees. The Company records the awards as a liability over the vesting period and adjusts its liability to reflect changes in the fair value of the common shares. As of April 30, 2008, $3.1 million of RBC common shares were held by the Company and are recorded as other assets. Beginning in December 2006, the Company began making Performance Deferred Share Plan awards in the form of phantom shares. The fair value of the phantom shares is based on the quoted market price of RBC common shares. Upon vesting, all amounts are paid to employees in cash based on the market value of the phantom shares. The remaining terms of these phantom share grants are consistent with the RBC common share grants discussed above. The Company entered into a total return swap with an affiliate of RBC related to its phantom share obligation under the Plan, which expires in December 2010. Under the swap agreement, the Company pays interest to the counterparty at a rate based on 90 day LIBOR plus .02% on the notional value, as described in the swap agreement, in exchange for receiving the rate of return on RBC common stock on the notional value. Approximately 96,000 shares were granted during the six months ended April 30, 2008. At April 30, 2008, there were approximately 240,000 shares outstanding.

A summary of the status of the Company's nonvested shares as of April 30, 2008, and changes since October 31, 2007, is presented below:

Nonvested Shares	**Shares**	**Fair Value**
Nonvested — October 31, 2007	248,571	59.16
Granted	95,566	52.42
Vested	(102,108)	52.68
Forfeited	(1,606)	47.83
Nonvested — April 30, 2008	240,423	47.83

The share-based liabilities paid in cash during the six months ended April 30, 2008 were $1.4 million. The total fair value of shares vested during the six months ended April 30, 2008 was $5.4 million.

The Company also maintains an Omnibus and Functional Unit Plan (FUP) to make certain awards to select key employees of the Company. The awards consist of RBC common shares that vest two to five years from the date of grant. The fair value of the awards is based on quoted market prices. Approximately 18,000 shares were granted during the six months ended April 30, 2008. At April 30, 2008, there were approximately 106,000 shares outstanding.

A summary of the status of the Company's nonvested shares in the Omnibus and FUP as of April 30, 2008, and changes since October 31, 2007, is presented below:

Nonvested Shares	Shares	Fair Value
Nonvested — October 31, 2007	102,226	59.16
Granted	17,844	50.90
Vested	(11,476)	50.41
Forfeited	(2,771)	47.83
Nonvested — April 30, 2008	105,823	47.83

The total fair value of shares vested during the six months ended April 30, 2008 was $0.6 million.

16. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of $1,500 or 2% of aggregate debit balances arising from customer transactions, as defined.

The Company is also subject to the Commodity Futures Trading Commission's minimum financial requirements (Regulation 1.17) which require that the Company maintain net capital, as defined, equal to 8% of the total risk margin requirement for positions carried in customer accounts and 4% of the total risk margin requirement for positions carried in noncustomer accounts, as defined. In addition, the NYSE may require a member firm to reduce its business if net capital is less than 4% of aggregate debits and may prohibit a firm from expanding its business if net capital is less than 5% of aggregate debits. At April 30, 2008, the Company had net capital of $739.86 million, which was $627.14 million in excess of the required minimum net capital.

To allow RBC CMA to classify its assets held by the Company as allowable assets in their computation of net capital, the Company computes a separate reserve requirement for Proprietary Accounts of Introducing Brokers.

17. VARIABLE INTEREST ENTITIES

The Company participates as remarketing agent in the ARS market in a total program size of $21.3 billion, of which $20.2 billion is backed by student loan collateral and is largely government insured. In its role as remarketing agent to these entities, the Company is under no legal obligation to purchase the notes issued by these entities in the auction process.

During the six months ended April 30, 2008, the Company purchased ARS in entities which funded their long-term investments in student loans by issuing short-term senior and subordinated notes. Principal and accrued interest on the student loans are largely guaranteed by U.S. government agencies. Certain of the entities from which the Company purchased the ARS are Variable Interest Entities ("VIEs") under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, for which the Company is considered the Primary Beneficiary. Total assets in these entities as of April 30, 2008 were $2.2 billion. These assets that support the obligations of the consolidated VIEs are reported on the consolidated statement of financial condition as follows: cash and cash equivalents of $102 million, other receivables of $2.0 billion which primarily consist of student loans, and other assets of $77 million.

For the unconsolidated VIEs in which the Company has significant variable interests, total assets of the VIEs as of April 30, 2008 were $8.3 billion. The Company's maximum exposure to loss as of April 30, 2008, which comprises the associated ARS inventory, amounted to $2.7 billion, and is included in Securities owned on the consolidated statement of financial condition.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts, which approximate fair value.

Securities owned and securities sold, but not yet purchased, are carried at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent securities and valuation pricing models.

Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term collateralized receivables, including reverse repurchase agreements, securities borrowed and certain other receivables. Similarly, the Company's short-term liabilities, consisting of bank loans, repurchase agreements, securities loaned and certain other payables, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and short-term maturities, in many cases overnight, and accordingly, are not materially affected by changes in interest rates.

The carrying amount of liabilities subordinated to claims of general creditors closely approximates fair value based upon market rates of interest available to the Company at April 30, 2008.

19. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company's clearance activities involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet credit risk in the event the customer or other broker is unable to fulfill its contractual obligations. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the customer's obligations.

The Company enters into collateralized reverse repurchase and repurchase agreements and securities borrowing and lending transactions which may result in significant credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company attempts to minimize credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

Securities sold, but not yet purchased, represent obligations of the Company to deliver specified securities at contracted prices, thereby creating an obligation to purchase the securities in the market at prevailing prices. Consequently, the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amounts recognized in the statement of financial condition.

The Company may enter into transactions involving derivative financial instruments. Derivative contracts are financial instruments such as a future, forward, swap, floor, collar, or option contract. Generally, a derivative represents a future commitment to purchase or sell a financial instrument at specific terms and dates or to exchange interest payment streams based on the contract or notional

amount. These financial instruments may have market or credit risk, which is not reflected in the market values included on the consolidated statement of financial condition.

The Company has risk management policies that limit the size and risk of securities owned and securities sold, not yet purchased. The Company also monitors inventories for factors that include credit and concentration risk, contract length and inventory age. These inventories are held primarily for distribution to individual and institutional clients in order to meet those clients' needs. The Company does not enter into derivative financial instruments with off-balance-sheet risk other than those described in this note. The Company utilizes these types of derivatives to manage risk exposure.

Market Risk—As part of its broker-dealer activities, the Company purchases and sells a variety of cash and derivative financial instruments in order to reduce exposure to market risk. Market risk includes changes in interest rates, currency exchange rates, indices or value fluctuations in the underlying financial instruments. The Company's hedging strategy involves the purchase and sale of derivative financial instruments to offset market risk associated with other transactions. The Company regularly sells securities not yet purchased (short sales) for its own account, primarily to hedge fixed income trading securities. Short positions may expose the Company to market risk not recorded in the consolidated statement of financial condition in the event prices increase, as it may be obligated to acquire the securities at prevailing market prices.

The Company uses notional (contract) amounts to measure derivative activity. Notional amounts are not included on the Company's consolidated statement of financial condition, as these contract amounts are not actually paid or received. Notional amounts allow the Company to calculate the cash flows to be exchanged and its involvement in any particular type of financial instrument; however, these amounts are not indicative of overall market risk.

The Company may also pledge customers' securities as collateral for bank loans, securities loaned, or to satisfy margin deposit requirements of various clearing agents and exchanges. In the event the Company's counterparty is unable to return the securities pledged, the Company might need to acquire the securities at prevailing market prices. In the case of repurchase agreements, the Company risks holding collateral at a market value less than contract value of the repurchase agreement. To control these risks, the Company monitors the market value of securities pledged and requires adjustments of collateral levels when deemed necessary.

Credit Risk—The notional amounts of derivative instruments also do not represent the Company's potential risk from counterparty nonperformance. The Company periodically offsets its market risk resultant from fixed income trading by entering into financial futures, swaps, or option contracts. Management believes that the Company's exposure to credit risk is represented by the fair value of trading securities owned, fails to deliver, and receivables from customers.

Customer Activities—In the normal course of business, the Company executes, settles, and finances customer securities transactions. Customers' securities activities are transacted on either a cash or margin basis. The Company may be required to borrow securities in order to meet settlement requirements from customer short sale activity. As part of these customer transactions, the Company also executes option and futures contracts. The risk with these transactions is that customers may fail to satisfy their obligations, requiring the Company to purchase or sell various financial instruments at prevailing market prices to fulfill customer obligations.

The Company mitigates risk by requiring customers to maintain a margin collateral in compliance with both regulatory and internal guidelines. The Company monitors necessary margin levels daily and requires customers to either deposit additional collateral or reduce margin positions. Market declines

could reduce the collateral value to below the amount the Company has loaned, plus interest, before the Company is able to sell the collateral. However, due to daily monitoring of valuations and the amount of collateral the Company requires, management believes this risk to be minimal.

Deferred Compensation Hedge – As further described in Note 15, the Company has entered into total return swaps to economically hedge certain deferred compensation liabilities.

20. SUBSEQUENT EVENTS

On June 20, 2008, the Company completed the acquisition of Washington, D.C.-based Ferris, Baker Watts, Incorporated ("FBW"). FBW is a full-service broker-dealer serving individual, corporate and institutional clients, with 42 branch offices in eight states and the District of Columbia, and approximately $19 billion in assets under administration. This acquisition enhances the mid-Atlantic presence of the Company as part of it national wealth management network.

On May 20, 2008, the Company entered into an agreement to acquire Richardson Barr & Co., a leading Houston-based energy advisory firm specializing in acquisitions and divestitures in the exploration and production sector. Completion of this acquisition is dependent upon regulatory approvals and is expected to close by the third fiscal quarter 2008.

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