



Address to Shareholders

by

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to the

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Royal Bank of Canada**

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Additional information about these and other factors can be found in the Risk management and Overview of other risks sections of our 2014 Annual Report and the Risk management section of our Q1 2015 Report to Shareholders.

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Thank you Katie.

Welcome to our 146th annual meeting of shareholders.

I am honoured to be here for the first time as CEO.

Au cours des huit derniers mois, j'ai rencontré des employés, des clients et des actionnaires de RBC dans plusieurs pays, et j'en apprends tous les jours sur la santé de notre belle et solide entreprise.

J'aimerais partager avec vous quelques découvertes, vous donner un aperçu de notre situation, vous présenter quelques grandes tendances dans notre secteur, et vous dire comment RBC se prépare à l'avenir.

There is no question that we are in a time of significant change in our industry, and in the world around us.

The good news is, we are:

- tackling the future from a position of unprecedented strength
- growing across all our lines of business
- investing in new technologies
- and using the digital revolution to enhance our ability to serve clients.

Today, RBC is a global leader – the 14th largest bank in the world by market capitalization.

We have a strong balance sheet, quality earnings and consistent growth, that – combined with our outstanding employees – make for a great competitive advantage.

You can see by the numbers on the screen that we had an exceptional year in 2014 – record earnings, strong shareholder return, and a 12-per-cent increase in the dividend. We did this while maintaining a robust capital ratio.

This performance has continued into our 2015 fiscal year, with record first quarter earnings of almost \$2.5 billion dollars.

The story behind the numbers is one of continued diversification among our strong franchises in retail banking, wealth management, capital markets, insurance and treasury services. Each continues to excel in client service, while maintaining a disciplined approach to risk and a healthy appetite for innovation.

Despite the low interest rate environment, our Canadian banking operation delivered record results - growing our market share in all categories and enhancing our already superior cross-selling capabilities. As the retail leader in Canada, we hold the top position in consumer lending, business loans, business deposits and long-term mutual funds. We also increased our customer service score for the eighth year in a row.

Our insurance division earned a record \$781 million dollars last year, and is now one of the most recognized bank-owned brands anywhere.

And our Caribbean Banking operation is being repositioned and strengthened, and in Q1 produced a profit.

We believe we know what people want in a bank – service, convenience and advice - which in turn creates value for money.

Our superb customer service levels were a big part of RBC being named in 2014 as Retail Bank of the Year, by *Retail Banker International*. This was the first time a Canadian bank has ever won the global award.

The award highlighted once again that banking is about much more than transactions, it's about long-term relationships that instill confidence and help fulfill dreams.

We see that value in Wealth Management, which produced record earnings in 2014. Our Wealth group surpassed \$1 billion dollars in earnings for the first time – thanks to the performance of our Global Asset Management arm, as well as our Canadian full-service retail franchise.

Globally, our asset management business is now among the Top 50 in the world – and among the fastest-growing - with a third of assets under management now coming from U.S. and international clients. This global capability has also helped us extend our #1 position in the Canadian retail asset management business.

In Canada we expanded our share of the high net-worth client segment to 19 per cent, up about four percentage points in just four years.

And in the U.S., we're a Top 10 full-service wealth manager – poised to deepen our client relationships and share-of-wallet through the pending combination with City National.

RBC Capital Markets had an outstanding year, generating record profit and being named by *The Economist* as the world's most trusted investment bank.

We are the leading investment bank in Canada, and a Top 10 investment bank in the United States where our brand, reputation and expertise is now sufficiently established to earn us opportunities to win world class business.

Combined with our growing presence in Europe, this international reach has allowed us to help Canadian clients finance themselves globally and in turn, help Canada be a more competitive part of the world economy.

As Canada's leading financial gateway with the world, our Investor & Treasury Services business maintained its market leadership at home, while enhancing its Top 10 position among global custodians from our centres of excellence in Dublin and Luxembourg.

We delivered these results while staying within our risk appetite.

This comes from taking the time to truly get to know our clients – and to understand their challenges, in good times and bad.

We also lend prudently, carefully extending our balance sheet to ensure the bank's soundness.

As we've expanded, we've stayed very focused on managing the trajectory of expenses against revenue growth.

Our investment in technology is driving productivity, and steadily improving our efficiency ratio, which continues to be an industry best in Canadian banking.

We're shipping 20 million fewer documents a year – saving transportation, processing and paper costs.

And the introduction last year of eSignatures for many accounts has led to an estimated savings of up to 24,000 hours per week in administration time.

But the biggest gains have come thanks to our employees.

We have demonstrated repeatedly over the years that everything we do and achieve is through our employees, who champion our vision and who live our values.

We're proud of our culture of diversity and inclusion – a culture that not only helps us attract, retain and develop the best employees – but one that mirrors the values of our clients and communities.

Our employees' commitment to our values – service, teamwork, responsibility, diversity and integrity – is the power behind RBC's strategy and success.

In a world of change, that strategy is clear and confident:

- First, we are the undisputed leader in financial services in Canada. Even in a mature market, we see opportunities through growing segments – such as retirees, newcomers and business owners – and a sharper focus on simplifying, digitizing and personalizing what we offer.
- Second, we serve corporate, institutional and an affluent clientele in the United States, through our Top 10 positions in Capital Markets and Wealth Management. We see it as our second home market.
- And third, in targeted markets, we are a leading provider of select financial services that are complementary to our core strengths, particularly for our Capital Markets and Wealth Management groups in global financial centres.

Our strategy has worked for many years because it's consistent, disciplined, focused on long-term customer needs, and proven in its execution.

Our diversified business model will remain critical to our success as the outlook for the global economy remains uncertain.

In Canada, the drop in oil markets has already led to a sharp decline in energy investment this year.

But while shifts in the Canadian economy make for a more challenging year, we expect moderate growth – driven, in part, by an upswing in manufacturing and overall exports.

You can't talk about the Canadian economy without talking about housing.

Despite a softening in some regions due to the decline in oil prices, overall the Canadian housing market is supported by strong trends in employment, household income, population growth and low interest rates.

Buyers and sellers are generally well aligned in most resale markets, and construction of single and multi-family homes has been broadly absorbed.

Low rates and a limited supply of single family homes in some large markets are leading to price increases that bear watching, as we do expect higher rates over time to temper the market. Longer term, Canada remains fundamentally strong and has been outpacing the U.S. in terms of productivity growth. This is a positive trend that can offset swings in commodity prices, especially as the U.S. economy grows.

Canada will continue to benefit from its commitment to tax reform, tax relief, broader trade agreements, and deficit reduction.

We believe the U.S. economy will outpace Canada this year, and likely next, thanks largely to sustained employment growth, rising incomes and growing consumer confidence.

But let's be clear: America's resilience is about more than consumption.

The U.S. economy – whether it's in technology or energy or entertainment – continues to explore, experiment, create and re-invent itself in the 21st century.

That's why we set out a couple of years ago to find a partner who could help us expand our role in the world's largest economy.

We found that partner in City National Bank. As a private and commercial bank, City National deserves its storied reputation.

It is a strong franchise, with a conservative risk culture, and an impressive business record based on an ability to serve America's best and brightest entrepreneurs and professionals.

Its mission is to bank success.

In City National, we saw a franchise that is beautifully positioned to grow with America, and grow with RBC.

I first met City National's CEO, Russell Goldsmith, two summers ago, and felt like I was getting the chance to look in a corporate mirror. His bank's values reflect RBC's values. Like RBC, they put clients first.

And they believe in the best traditions of banking – helping families, communities and businesses meet their aspirations.

They call it "The Way Up." We call it "Your Someday."

The combination of our two companies – which is subject to approval by regulators and City National shareholders – will be powerful, and will position RBC to expand significantly over the coming decade in the most attractive segment of the most attractive – and yes, competitive – financial market in the world.

For RBC's 2,000 financial advisers in the United States, we will be able to harness City National's renowned private and commercial banking skills – services we currently cannot offer to our 350,000 wealth management clients.

And we look forward to seeing City National take advantage of RBC's global strength in asset management and capital markets, as together we seek to serve Americans in need of sophisticated, high-touch financial advice and solutions.

The combination will position us well in major U.S. centres – from Los Angeles and San Francisco, to Houston, Atlanta and New York, and in future will help us expand in London, where we think City National's impeccable private banking skills and RBC's standing in capital markets and wealth management will be formidable.

Let me turn to the road ahead, and the journey that will take us through a more volatile and complex world.

Whether it's in our home markets, or abroad, the next chapter of banking will be shaped by two dominant trends – demographics and digital disruption.

We can see a dramatic demographic shift already underway.

The great grey moment that we've read about for years is upon us.

This year, the beginning of the Baby Boom bulge – those born in the 1950s – will be hitting the traditional retirement age, and their numbers will quickly accelerate.

Within a generation, the proportion of Canadians aged 65 and older – now 15% of the population – is projected to grow to 25%.

Put simply, we need to prepare for a time when one-quarter of Canadians will be in their golden years.

Not surprisingly, the Boomers are seeking financial and investment advice to support a longer, more comfortable retirement, while also ensuring their lifetime of hard work is shared with future generations.

At the same time, their younger peers are facing increased personal responsibility for retirement.

Seeing these trends, our employees responded with new approaches and solutions for clients – such as comprehensive planning tools, including Your Future by Design – which give us a deeper understanding of individual and family goals.

In an increasingly complex world, no one can promise certainty, but our advisers can deliver confidence and transparency.

We're also preparing for a big shift in business ownership.

Over the next decade, more than 45% of Canadian businesses are expected to change hands.

We'll be there for those owners as they plan for succession – working with them to find a buyer, finance the transaction and manage their new wealth.

This is not just a retirement phenomenon.

The Millennials – people born between 1981 and 2000 – are moving into the centre of society and the economy, and exhibiting a different approach to financial services than previous generations.

They want a financial services provider who can anticipate their needs, and be where they're going, before they get there.

They expect finance to be an intuitive part of their lives.

While our populations are changing, the ability of financial institutions to move with the market – and to be more intuitive in a digital economy – is being tested once again.

It's no exaggeration to say we're in the midst of the greatest technological change since the advent of electricity – and much of it is rooted in the smart phone and mobile commerce.

Over the course of today, most of us will check our mobile phones between 150 and 200 times.

Through this single device, many of you will conduct business meetings, share private thoughts, be entertained, publish your views on all sorts of things, shop, snap, book, buy, comment, and, yes, bank– all in ways that we could not have imagined a decade ago.

One of the areas of greatest change brought by the smart phone is payments, and RBC has been at the forefront. We were North America's first financial institution to implement a peer-to-peer capability on a social network, using Facebook messenger. And we were the first in Canada to offer consumers mobile options for credit, debit and peer-to-peer payments.

This is just a start.

We continue to reposition RBC in a mobile society, and to compete with technology firms that have expanded into the money moving business, and yet who do not bear the financial and social costs of a deposit-taking organization – or the obligations of financial regulation.

Many of these new entrants are excellent competitors – innovative, driven, and responsive to their clients –but they also may distort the financial system with unintended risks that regulators cannot clearly see.

At RBC, our ethos of innovation is straightforward: to move at the speed of our clients' lives – without jeopardizing the security and trust that millions place in us every day.

We can't do that alone.

We can't build the bank of the future, if we're not part of a thriving ecosystem of entrepreneurs, innovators, engineers and market visionaries – pushing, prodding and inspiring each other.

We need our governments to redouble their commitment to an era of innovation, through tax policy and regulatory structure.

We need universities and colleges to continue to seize the digital age – through applied research, integrated thinking across faculties, and the inspired teaching of a new generation of engineers and entrepreneurs.

We need large organizations, in the public sector and business – RBC included – to work closely with early stage companies – even the ones trying to disrupt us – to support, mentor and motivate their progress.

In short, we need all Canadians to see that in this new century – in this new economy – there is a wonderful opportunity for a new Canada to thrive.

This is more than a question of innovation in the digital era.

It's a matter of economic competitiveness for all of Canada – to ensure we are creating and enhancing the jobs of the 21st century that will support sustainable communities and a prosperous society – the pillars we know will make Canada a model for generations to come.

For our part, RBC is a proud partner of initiatives like Communitech in Waterloo and the entrepreneurship program at the University of Calgary.

We also recently joined forces with the C100 – a group of Canadian entrepreneurs in Silicon Valley who, like us, want to build bridges between the digital pioneers of Canada and those of the world.

As their lead sponsor, we're working with technology entrepreneurs in the United States and Canada, to help ensure Canadians remain at the forefront of this remarkable revolution. You'll hear a lot more from us in the year ahead, on steps we'll be taking, within RBC, to up our game, and help Canada up its game for the digital future.

The confluence of shifting demographics and growing digital expectations is changing the landscape of banking.

It's also allowing us to return to banking's roots - to focus on helping people navigate their dreams and harness their ambitions.

This human capacity is why we invest so passionately in the communities around us.

As Canada's largest corporate donor, RBC last year provided more than \$100 million dollars to a wide range of charitable organizations and projects across Canada and around the world.

We've carved out two key areas of special focus that we believe can transform that world: kids and youth, and fresh water.

The RBC Kids Pledge is a landmark \$100-million dollar commitment to improve the well-being of at least one million kids and youth over five years.

We're investing in a variety of initiatives, from mental health to after-school programs, sports and education.

The RBC Blue Water Project is a 10-year, \$50 million dollar commitment to protect fresh water, which has already helped more than 700 water organizations in Canada and around the world.

It's a great source of pride to me, to see our employees and retirees work so enthusiastically to support their own causes and RBC's.

They raised a record \$15.3 million dollars last year for United Way campaigns, on top of the \$4.1 million dollars contributed by the RBC Foundation – the most of any corporate donor.

The Race for the Kids is a great example of how our colleagues get involved to support children's causes around the globe.

The first RBC Race for the Kids was launched in New York six years ago and has spread to seven cities in five countries, attracting more than 50,000 participants to date, and raising over \$13.5 million dollars for children's charities around the world.

RBCers are on it. Whether it's running for kids, planting trees for water, or mentoring youth – they're striving to make the world better for generations to come.

Ladies and gentlemen, it's been a pleasure to share RBC's results and ambitions with you today, and tell you a bit more of our story.

Much has changed since RBC was incorporated in 1869, and much will change in the decades ahead, but at least one constant endures – and that is RBC's commitment to investing in the future.

We have a strong business and clear strategy to succeed.

In my first year as CEO, I've seen a unique level of trust and confidence among our employees as they talk with clients about the future.

They understand RBC's strengths, and our challenges, and are using this moment in our history to build an even stronger bank.

Merci à notre conseil d'administration, à nos clients, à nos actionnaires et à nos employés – et merci pour votre confiance dans le bel avenir de RBC.

Thank you to our board, clients, shareholders, and employees, for the success of the past year and the confidence to take RBC's great story into the future.