



ROYAL BANK OF CANADA ANNUAL REPORT 2014



RBC IS A GLOBAL LEADER

Royal Bank of Canada is the largest bank in Canada, and the 12th largest bank in the world, based on market capitalization. Our approximately 78,000 employees serve over 16 million personal, business and corporate clients across a diversified mix of businesses in 40 countries.

Our values define who we are:

Service – Excellent service to clients and each other

Teamwork – Working together to succeed

Responsibility – Personal responsibility for high performance

Diversity – Diversity for growth and innovation

Integrity – Trust through integrity in everything we do

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For more information, please visit: rbc.com



To view our online annual report, please visit:
rbc.com/ar2014

WE HAVE A FOCUSED STRATEGY

Our client focus, diversified business model and commitment to our long-term strategic priorities have been fundamental to our growth and success in the past, and will allow us to continue to create value in the future.

STRATEGIC GOALS



In Canada, to be the undisputed leader in financial services



Globally, to be a leading provider of capital markets, investor and wealth management solutions



In targeted markets, to be a leading provider of select financial services complementary to our core strengths

2014 KEY HIGHLIGHTS

- ▶ Gained market share across key businesses and client segments
- ▶ Delivered solid volume growth (loans and deposits)
- ▶ Launched new products to meet clients' evolving needs
- ▶ Continued to lead the Canadian league tables
- ▶ Recognized as Canada's most valuable brand

- ▶ Expanded international distribution of our U.S. and global asset management business
- ▶ Deepened offering and capabilities in key markets to win new clients and mandates and to grow market share
- ▶ Strategically added top talent within capital markets and wealth management in the U.S. and internationally

- ▶ Continued to optimize Caribbean banking operations for efficiency and profitability
- ▶ Strengthened our cross-border banking business in the U.S.

2015 STRATEGIC PRIORITIES

1. **Extend lead in Canada** through largest distribution network and increased efficiency
2. **Deepen presence in the U.S., U.K./Europe and key international hubs** by expanding capabilities, offering and distribution
3. **Lead change** with differentiated experiences to help clients achieve their goals
4. **Pursue balanced growth opportunities** and disciplined use of capital to create value for the long term
5. **Maintain robust risk management** staying within our risk appetite across our diversified business model

WE CREATE LONG-TERM VALUE

We delivered record earnings and strong returns to shareholders. In 2014, we grew earnings by 8%, increased our quarterly dividend by 12% compared to last year, delivered strong return on equity (ROE) of 19% and maintained a robust capital ratio of 9.9%.

Financial Performance Metric	MEDIUM-TERM OBJECTIVE (3 TO 5-YEAR)	2014 RESULTS	ACHIEVED
Diluted EPS Growth	7%+	9.3%	✓
Return on Equity	18%+	19.0%	✓
Capital Ratios (CET1)	Strong	9.9%	✓
Dividend Payout Ratio	40%–50%	47%	✓

Strong Earnings

NET INCOME
(C\$ BILLION)



Profitable Growth

RETURN ON EQUITY
(ROE)



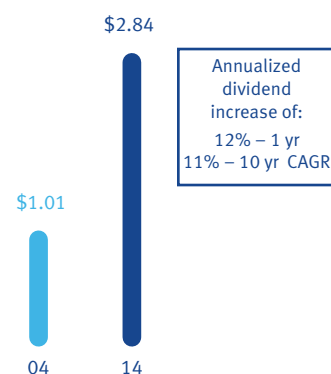
Financial Strength

COMMON EQUITY TIER 1 (CET1)
CAPITAL RATIO



Delivered Returns to Shareholders

DIVIDENDS DECLARED
PER SHARE



Over the past decade, we've delivered a strong annualized total shareholder return (TSR) of 14%, second highest among our global peer group. Our strong TSR has been underpinned by consistent financial performance and low earnings volatility.

Total Shareholder Return¹

	ONE-YEAR	THREE-YEAR	FIVE-YEAR	TEN-YEAR
RBC	19%	23%	12%	14%
Global Peer Average	11%	19%	8%	5%

1. Compounded annually, as at October 31, 2014. The peer group average excludes RBC; for more information on the list of 19 financial institutions in the peer group, refer to the Financial performance section of our 2014 Management's Discussion and Analysis.

WE HAVE FIVE KEY STRENGTHS THAT DRIVE OUR SUCCESS

Our key strengths underpin past performance and provide a strong foundation for future growth. These strengths enable us to successfully deliver on our strategy.

CLIENT FOCUS

- ▶ Named **Bank of the Year** for Canada¹
- ▶ **Best-in-class** client service, wealth planning and trust offerings²
- ▶ Received **Best Banking** awards for financial planning, advice and channel excellence³
- ▶ Recognized as a global leader among investment banks in **expertise and skill**⁴

SIZE & SCALE IN CANADA WITH GLOBAL REACH

- ▶ **Largest** bank in Canada by market capitalization⁵
 - **5th** in North America
 - **12th** globally
- ▶ **40** countries
- ▶ **~78,000** employees
- ▶ **~16 million** clients
- ▶ **4.5+** million active online & mobile clients
- ▶ **~1,400** branches

DIVERSIFIED BUSINESS MODEL

- ▶ **Diversified** by business, geography and client segment
- ▶ **37%** of revenue from **outside Canada**



FINANCIAL STRENGTH & PRUDENT RISK MANAGEMENT

- ▶ **Consistent** earnings and dividend growth
- ▶ **Strong** capital position and credit ratings
- ▶ **Prudent** risk management built on a culture of doing what's right



EMPLOYEES, BRAND & REPUTATION

- ▶ Named one of the **Best Workplaces in Canada**⁶ for the 6th consecutive year while attracting talented employees globally
- ▶ Canada's **most valuable** brand and 16th most valuable bank brand globally⁷
- ▶ One of the World's **Most Admired Companies**⁸



1. *The Banker*.

2. Private Banker International.

3. Ipsos – Best Banking Awards.

4. *The Economist*.

5. Bloomberg as at Oct. 31, 2014.

6. The Great Place to Work® Institute.

7. Brand Finance.

8. *Fortune*.

WE DELIVER STABILITY & OPPORTUNITY THROUGH DIVERSIFICATION

We serve our clients through a number of business lines across many geographies. We're confident we have the right mix to deepen client relationships, benefit from growth opportunities and support consistent performance over the long term. Our diversified business model positions us well to deliver superior returns and earnings stability through the business cycle.

12%

WEALTH MANAGEMENT

- ▶ Top 5 global wealth manager¹ and top 50 global asset manager²
 - Among the fastest-growing asset managers in the world²
 - #1 in Canada in mutual funds³
 - Top 10 full-service brokerage firm in the U.S.⁴

9%

INSURANCE

- ▶ Among the fastest-growing insurance organizations in Canada⁵
- ▶ One of the largest Canadian bank-owned insurance organizations

5%

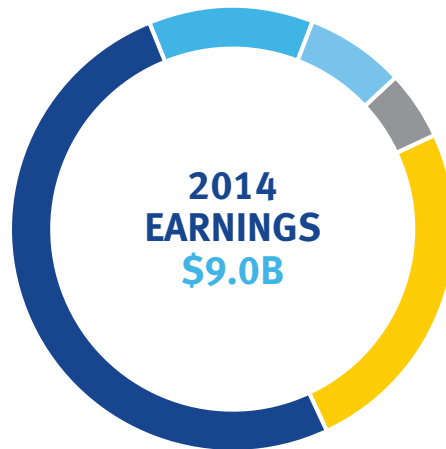
INVESTOR & TREASURY SERVICES

- ▶ Top 10 global custodian⁶
- ▶ Best overall global custodian⁷

51%

PERSONAL & COMMERCIAL BANKING

- ▶ #1 or #2 market share in all Canadian banking retail product categories
- ▶ Largest distribution network in Canada
- ▶ Recognized as the Global Retail Bank of the Year¹¹
- ▶ First bank globally to provide a cloud-based mobile payment solution offering clients a choice of paying with credit or debit, and the first in North America to offer the flexibility to pay a friend through Facebook Messenger



23%

CAPITAL MARKETS

- ▶ Top 10 global investment bank⁸
 - #1 in Canada
- ▶ Recognized as the Most Trusted Investment Bank in the World⁹
- ▶ Named Best Investment Bank in Canada across Equity, Debt and M&A for the 7th consecutive year¹⁰

* Amounts exclude Corporate Support

1. By client assets – Scorpio Partnership's 2014 Global Private Banking Benchmark.
2. Pensions & Investments and Towers Watson 2014 Global Asset Manager Ranking Report.
3. By assets – Investment Funds Institute of Canada (IFIC) as at September, 2014.
4. By assets and advisors – Company data.
5. Company data.
6. By AUA.
7. *Global Investor*.
8. Thomson Reuters by fees.
9. *The Economist*.
10. *Euromoney*.
11. *Retail Banker International*.



For more awards, please visit: rbc.com/aboutus/awards

WE MAKE COMMUNITIES STRONGER

We contributed more than \$100 million this year to causes that will have a positive and lasting social, economic and environmental impact for generations to come. We are actively involved with charitable organizations around the world and we support our employees in their volunteering efforts.

RBC KIDS PLEDGE: \$100 MILLION. 5 YEARS.



We believe kids are our future: for our economic prosperity, the health of the planet and the hope for our communities.

The RBC Kids Pledge is a commitment to improve the well-being of at least 1 million kids and youth. We believe kids need and deserve our complete commitment so they can be healthy in mind, body and spirit. This pledge consolidates our support for a diverse range of arts, sports, wellness, education and employment programs to help kids reach their full potential.

When you believe in kids, they can do anything.



Employees laced up their running shoes to take part in RBC Run/Race for the Kids events globally to help raise funds for local children's charities.

RBC BLUE WATER PROJECT®: \$50 MILLION. 10 YEARS.



We help provide access to drinkable, swimmable, fishable water now and for future generations.

The RBC Blue Water Project is our global charitable commitment that is dedicated to protecting fresh water and promoting responsible water use. This year, RBC Blue Water Project Leadership and Community Action Grants provided funding for protection and preservation programs.



On RBC Blue Water Day, more than 20,000 employees rolled up their sleeves and participated in over 700 'clean up,' 'plant some green' and 'cultivate awareness' makeover events to help protect water.

WE ALSO INVEST IN A WIDE RANGE OF EDUCATION, HEALTH, ARTS & CULTURE, ENVIRONMENT AND SPORTS PROGRAMS AND ORGANIZATIONS



For more information, please visit: RBC Corporate Responsibility Review at rbc.com/community-sustainability

MESSAGE FROM DAVE MCKAY



Dave McKay
President and Chief Executive Officer

Dear fellow shareholders,

Let me begin this letter by saying that I'm honoured to serve as your President and Chief Executive Officer. I started my career at RBC more than 25 years ago as a summer student. As I worked in different businesses, functions and locations over the years, I was always impressed by the calibre of people who work here. Today, I'm privileged to lead this tremendous team with a shared commitment to building on RBC's proud history of more than 150 years.

Six years after the financial crisis it feels like the global economy has begun to turn a corner. The Canadian and U.S. economies continued to improve throughout the year. While the central banks of both countries maintained historically low interest rates, we saw lower unemployment, higher consumer spending and improved housing market activity – all signals of healthy economic activity. The U.S. Federal Reserve ended its asset purchase program in October, further proof that the U.S. economy is back on track. While growth in Europe was slow, the U.K. continued to be a good news story in the region. Across the banking industry, regulation continued to be a key theme.

Delivering record financial results in 2014 for our shareholders

Against this backdrop, I'm pleased to report that 2014 was a record year for RBC. We continued to extend our leadership position in Canada and build our businesses in select global markets. We earned \$9 billion,

up 8 per cent from last year, reflecting record results in all of our business segments.

With these results, we achieved all of our financial objectives. We earned \$6.00 per share (diluted EPS) with a return on equity of 19 per cent, and we ended the year with a strong Common Equity Tier 1 capital ratio of 9.9 per cent.

These financial objectives measure progress toward our medium-term objective of maximizing Total Shareholder Returns (TSR). We delivered compound annual TSR of 23 per cent and 12 per cent over the three- and five-year periods. During 2014, our one-year TSR was 19 per cent. We raised our dividend twice during 2014 for a combined increase of 12 per cent while repurchasing shares, and we renewed our share buyback program for 2015.

Building on our strengths to grow our businesses

Looking ahead, we understand the drivers of growth will be different from those in the past decade, and I feel confident RBC can adapt to changes and capitalize on new opportunities including the shift in demographics, the emergence of new technologies and the changing needs and preferences of our clients.

We know the pace of consumer borrowing in Canada will continue to moderate following many years of strong credit growth, and that the shift to savings and investing will accelerate. In fact, investments are forecast to grow three

I am enormously proud of what we've achieved together and incredibly excited for the opportunities that lie ahead

times faster than credit over the next decade. RBC is extremely well positioned to serve our clients as we are the largest mutual fund provider in our home market, selling almost twice as many mutual funds as our nearest bank competitor. We also have the largest full-service wealth management business with leading market share for high-net-worth individuals in Canada, and we have the most mobile and branch-based investment and financial planners to serve our clients. We are also among the fastest-growing insurance organizations in Canada.

As the market leader in business financial services in Canada, we see opportunity from the growing demand for credit from businesses, especially as improvements in the U.S. economy help foster greater confidence to spur investing. Additionally, with over 45 per cent of businesses expected to change ownership in the next five to 10 years, we are well placed to help business owners plan for succession and with the transition itself – by finding a buyer, financing the transaction and managing their new wealth.

ANNOUNCED 37% TOTAL INCREASE TO QUARTERLY DIVIDENDS OVER 3 YEARS

There is no question our home market is a competitive banking environment and pressure from continued low interest rates will remain a headwind for our business next year. Within this context, we are committed to improving on our industry leading efficiency ratio and deepening client relationships through cross-sell, a proven capability for RBC. Overall, I believe we can continue to extend our lead in Canada to deliver profitable growth.

Globally, we have the right strategies to build leadership in select businesses and markets where our strengths can help us win.

We have a strong presence in the U.S., an advantage given the expected growth in the American economy. In our Capital Markets business, the U.S. now accounts for more than 50 per cent of revenue, reflecting strong client acquisition over the past number of years, and we are focused on building deeper relationships with those clients. Our U.S. Wealth Management business is the seventh-largest full-service brokerage by assets and we are broadening our product offering. Over the last few years we've also added global fixed income and equity capabilities to our asset management business in that market, which continues to grow.

In the U.K. and Europe, we are building our presence, adding expertise across wealth management, asset management and capital markets, and benefitting from RBC's brand and reputation. Given the challenging economic environment, we are taking a prudent approach to building our

capabilities as we know the recovery will take some time. I am encouraged by our progress in these markets and expect it to continue. In Capital Markets, we are increasingly winning corporate and investment banking mandates. We are among the fastest growing asset managers with strong momentum outside of Canada. With its reputation for service excellence, our Investor & Treasury Services business is also well positioned for expansion in the global investment industry.

Across all of our businesses advancements in technology are changing client expectations, transforming business models and redefining the competitive landscape. Meanwhile, the regulatory environment for banks will continue to evolve. Our financial strength gives us the flexibility to effectively manage regulatory changes while investing in our businesses. We have digitized and simplified processes to lower costs and deliver a faster, better client experience, and are investing in our technology and innovation to shape the future with new products and services. For example, this year we launched a new system that automates many of the steps in processing a new mortgage to deliver faster service, and we are a leader in emerging payment solutions.

Looking ahead, we will maintain our balanced and disciplined approach to capital deployment. Our first priority will remain investing in our existing businesses to generate strong returns.

Second, we remain committed to returning capital to shareholders through dividend increases and share buybacks. And lastly, we will consider targeted acquisitions that fit our strategy and risk appetite, and deliver strong returns for our shareholders over the long term.

Bringing the best of RBC to our clients

United by our vision of always earning the right to be our clients' first choice, we put customers at the centre of everything that we do.

Whether it's helping them buy their first home, start their own business, travel worry-free, pay for their children's education or prepare for a comfortable retirement, we enable more than 16 million clients in achieving their goals. At the end of 2014, we funded \$231 billion in mortgages and lines of credit for homeowners in Canada and \$5 billion in small business loans for Canadian entrepreneurs. We grew the assets entrusted to us by investors around the world by 13 per cent this year.

We loaned nearly \$110 billion to medium and large companies around the world to help them build their businesses, and ensured our institutional clients could make informed decisions by providing top-ranked research and investment solutions in key international markets.

NAMED BANK OF THE YEAR FOR CANADA¹

Creating opportunities for our employees

Our employees' passion for helping clients succeed is second to none. They represent our brand with pride. I'm particularly proud of how much our employees care about doing what's right. Our people, culture and brand are a true differentiator wherever we do business.

We enable success by fostering an environment of respect and inclusion where everyone can contribute and achieve their potential. The diversity of our workforce brings different perspectives and abilities and plays a central role in serving our clients and driving productivity, innovation and growth.

Making a positive difference in communities

One of the things that defines RBC is the positive social, economic and environmental impact we make in communities. In 2014, we invested more than \$100 million in community efforts, shared our expertise and provided nearly 2,500 RBC Employee Volunteer grants. We're on track to improve the well-being of at least one million kids and youth through our multi-year, \$100-million RBC Kids Pledge. A key element of that commitment is the RBC Run/Race for the Kids, which took place in seven cities around the world, and this year more than 8,000 employees, their families and friends ran with us in support of local

children's charities. Our employees are also tremendous supporters of the RBC Blue Water Project, our commitment to protecting fresh water for generations to come.

Thank you

Thank you to our clients who choose to place their trust in us, and to our employees who work so hard to help them succeed.

I'd like to acknowledge and thank Gordon Nixon, who retired as CEO this year, for his leadership of a truly world-class organization, and for leaving the company with the strength and depth to build for the future. And finally, I'd like to express my gratitude to the Board of Directors for their continued insight and counsel.

And to you, our shareholders, we are committed to delivering high-quality growth, industry-leading returns and long-term value. I am enormously proud of what RBC has achieved and incredibly excited for the opportunities that lie ahead.



David McKay
President and Chief Executive Officer

**We serve more than
25% of active
Canadian digital
banking clients²**

**We have more than
30% share of all
mutual funds
sold by banks in
Canada – other banks
have less than 20%³**

**Awarded Best Fund
Group Overall⁴**

**Named Most Trusted
Investment Bank in
the World⁵**

1. *The Banker*.
2. Finalta Digital and Multichannel Banking Benchmark 2014 Study – Big 5 Canadian banks.
3. Investment Funds Institute of Canada, September 2014.
4. 2014 Lipper Canada Fund Awards.
5. *The Economist*.

MESSAGE FROM KATIE TAYLOR



Katie Taylor, Chair of the Board

Dear fellow shareholders,

It is an honour to take on the role of Chair, more than a decade after first joining RBC's Board of Directors in 2001.

Over the years the Board has overseen RBC's continued growth resulting from its successful focus on cultivating broad and deep client relationships, investing in people and contributing to the economic prosperity and betterment of communities where it does business.

In 2014 the Board continued to engage with the outstanding management team at RBC. Our oversight is directed at guiding their business decisions to deliver value to shareholders over the long term.

RBC has the right strategy to drive growth and create value

As strategic advisors to management, the Board must prudently balance strategic opportunities with risk discipline. Today's approach to shareholder value creation must build agility to benefit from opportunities to allow RBC to thrive in tomorrow's changing environment. To that end, the Board and management actively discuss how RBC is positioned to grow as external factors such as technology, regulation and changing client demographics shape the financial services industry.

The Board is focused on ensuring that RBC has both the right strategy to drive continued success and the competitive strengths and capabilities to deliver on its priorities. We assess the amount and type of risk RBC will accept in pursuit of its business objectives, and monitor the organization's systems and processes to manage those risks. We work closely with management on how best to enhance the bank's strong capital position and create value by investing in organic growth,

funding dividend increases, repurchasing shares or making strategic acquisitions.

RBC has the right team in place to benefit from future opportunities

Succession planning, including the selection and appointment of the senior management team, is a fundamental responsibility of the Board. We review the depth and diversity of succession pools for key leadership roles, and we monitor the progress of succession candidates. This year Dave McKay succeeded Gordon Nixon as President and CEO, and there were a number of other important appointments at the Group Executive level. The skills and experience of our senior leaders are essential to achieving sustainable growth over the long term.

The Board is confident that under Dave McKay's leadership, RBC will continue to build on its past successes. His distinguished 26-year career at RBC includes international experience in corporate banking and senior roles in retail banking and risk management. His outstanding dedication to clients, focus on innovation, commitment to employees and track record of performance will serve RBC well as it continues to grow.

As the bank grows and its leadership team transitions, we remain committed to enhancing the diversity of experience, perspectives and skill sets represented on the Board. We are pleased to welcome Dave McKay and Jacynthe Côté to the Board, and to announce that Toos Daruvala will join as a Director in January 2015. With a longstanding career at Rio Tinto Alcan, most recently as President and Chief Executive Officer, Ms. Côté brings extensive experience in international business. Mr. Daruvala, currently a Director and Senior Partner at McKinsey &

Company, brings more than 30 years of experience in advising financial institutions on matters ranging from banking and risk management practices to corporate strategy and organizational effectiveness.

As we welcome these three new Directors, we say farewell to one. Over his 13-year tenure as CEO, Gordon Nixon added tremendous value in earnings, returns and client focus. Under his guidance, RBC has taken its place among the most-respected financial institutions globally.

RBC is committed to driving growth, which is essential to its continued success

The Board of Directors recognizes that RBC succeeds when its stakeholders – shareholders, employees, clients and communities – succeed. As one of the largest financial institutions in the world, RBC sets high standards as a top employer and leading corporate citizen. United by strong corporate values, the Board of Directors, management and employees worldwide share the vision of always earning the right to be our clients' first choice.

In 2014, RBC delivered significant value to stakeholders as it continued to grow and deliver on its strategic goals. I want to thank my fellow Board members for their valuable advice. The Board would like to extend its sincere thanks to the management team at RBC and the company's dedicated employees who serve and focus on clients – each and every day.

A handwritten signature in dark ink, reading 'Kathleen Taylor'.

Kathleen Taylor
Chair of the Board



For more information on our governance policies, visit: rbc.com/governance