



# ROYAL BANK OF CANADA



# Who we are

» Royal Bank of Canada is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. We are one of North America's leading diversified financial services companies, and provide personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis.

»80,000 employees  
worldwide

16 million+ clients

38 countries

**Personal & Commercial Banking** provides personal and business financial services in Canada, the Caribbean and the U.S.

**Wealth Management** in Canada, the U.S. and internationally offers solutions to affluent, high net worth, and ultra-high net worth clients. Global Asset Management provides investment management to retail clients and directly to institutional clients.

**Insurance** offers a full range of insurance products via proprietary channels and third-party distributors, and participates in reinsurance internationally.

**Investor & Treasury Services** provides asset and treasury services, custody, payments and transaction banking for financial institutions and other institutional investors worldwide.

**Capital Markets** is an investment bank that provides focused expertise in banking, finance and capital markets to corporations, institutional investors, asset managers, and governments.

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To view our online annual report, please visit: [rbc.com/ar2016](http://rbc.com/ar2016)



# Our strategy for success

Our strategy is deeply rooted in our commitment to clients and communities. Our vision and goals reflect our long-term focus, and our values guide our day-to-day actions. In a rapidly changing environment, we have capabilities, strengths and a diversified business model that position us well to achieve continued growth.

## PURPOSE DRIVEN

Helping clients thrive and communities prosper

## PERFORMANCE FOCUSED

### Vision

To be among the world's most trusted and successful financial institutions

### Goals



In Canada: to be the undisputed leader in financial services



In the U.S.: to be the preferred partner to corporate, institutional and high net worth clients and their businesses



In select global financial centres: to be a leading financial services partner valued for our expertise

### How We Will Win



Sustainable Growth



Exceptional Client Experience



Best Talent



Simplify. Agile. Innovate.



Community & Social Impact

## PRINCIPLES LED

### Values

**Client First:**  
We will always earn the right to be our clients' first choice

**Collaboration:**  
We win as One RBC

**Accountability:**  
We take ownership for personal and collective high performance

**Diversity & Inclusion:**  
We embrace diversity for innovation and growth

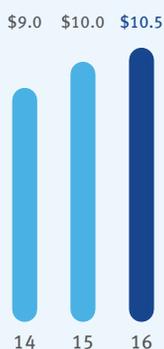
**Integrity:**  
We hold ourselves to the highest standards to build trust

# Our solid performance

In 2016, we delivered solid returns to shareholders. We grew earnings by 4%, increased our dividend by 5%, achieved return on equity of 16.3% and strengthened our Common Equity Tier 1 capital ratio to 10.8%. We are diversified by business and geography.

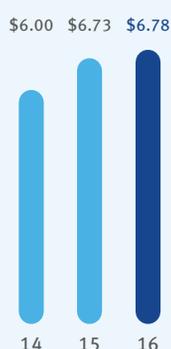
## Solid Earnings

Net Income (C\$ billion)



## Diluted Earnings per Share<sup>1</sup>

(C\$)



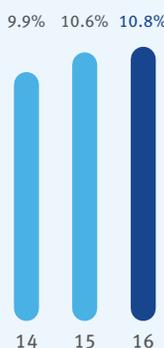
## Profitable Growth<sup>1</sup>

Return on Equity (ROE)



## Financial Strength

Common Equity Tier 1 Capital Ratio



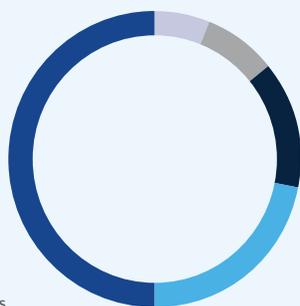
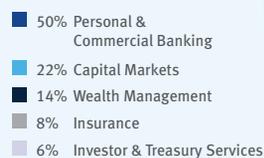
## Solid Returns to Shareholders

Dividends Declared per Share

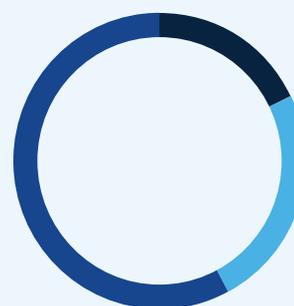
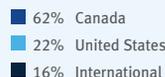


Annualized dividend increase of:  
5% – one-year  
8% – ten-year<sup>2</sup>

## Earnings by business segment<sup>3</sup>



## Revenue by geography<sup>3</sup>



## Financial Performance Metrics<sup>4</sup>

	MEDIUM-TERM OBJECTIVES	2016 RESULTS
Diluted EPS Growth <sup>1</sup>	7%+	0.7%
Return on Equity <sup>1</sup>	18%+	16.3%
Capital Ratio (CET 1)	Strong	10.8%
Dividend Payout Ratio	40%–50%	48%

## Total Shareholder Return<sup>5</sup>

	RBC	GLOBAL PEER AVERAGE
Three-year	10%	8%
Five-year	16%	13%
Ten-year	10%	6%

1 Impacted in 2016 by our acquisition of City National Corporation (City National) due to the issuance of RBC common shares.

2 Compound Annual Growth Rate.

3 Excludes Corporate Support.

4 Our focus is to maximize total shareholder returns (TSR) through the achievement of top half performance compared to our global peer group over the medium term (3-5 years), which we believe reflects a longer-term view of strong and consistent financial performance.

5 Reflects annualized TSR and is calculated based on the TSX common share price appreciation plus reinvested dividend income. Source: Bloomberg, as at October 31, 2016. RBC is compared to our global peer group. The peer group average excludes RBC; for the list of peers, please refer to our financial performance objectives section of our 2016 Management's Discussion and Analysis.

# Innovating to help clients thrive

Innovation is core to our thinking at RBC. We're building a digitally-enabled relationship bank, and changing how we work. We're also collaborating with a diverse set of partners to explore new technology, and investing in the digital ecosystem to help drive the future prosperity and economic success of Canada.



## We're building a digitally-enabled relationship bank

- » Providing an exceptional and secure experience that's available when, how, and where it's most convenient for clients
- » Using digital channels to better understand our clients so that we can deliver solutions tailored to their preferences
- » We're not just digitizing our existing products, but rethinking how we deliver services and advice



## We're changing the way we work and becoming more agile

- » Seeking better, smarter ways of working across teams and fostering intrapreneurship within RBC
- » Using dynamic, agile teams to create and adjust offerings and bring them to market more quickly
- » Working together with our clients to build new products and platforms in an agile lab environment<sup>1</sup>



## We're bringing the outside in to RBC

- » Welcoming students through work-integrated learning programs to help solve some of our toughest problems
- » Building innovation labs, partnering with startups and conducting proof of concepts and pilots
- » Investing in FinTech focused venture funds and startups to access emerging trends



## We're a leading partner in the Canadian digital ecosystem

- » Investing in innovation which will help drive Canada's future prosperity and economic success
- » Working with leading universities to partner with the best, brightest and boldest minds
- » Supporting the advancement of machine learning and artificial intelligence in Canada

## RECENT INNOVATION HIGHLIGHTS

2010

Launched mobile wallet

First investment bank to introduce proprietary smart order router technology

2013

Launched mobile payments service

First North American financial institution to bring person-to-person electronic money transfers to Facebook Messenger<sup>†</sup>

2015

First North American financial institution to introduce a fully cloud-based payment solution

Launched SecureVoice conversational biometrics

2016

Introduced our new mobile banking app

Joined the first interbank group for global payments based on blockchain technology

Used blockchain technology to improve functionality for our loyalty program<sup>2</sup>

Executed 60% of all financial transactions through digital and mobile channels<sup>3</sup>

<sup>1</sup> Advanced Client Experience Program

<sup>2</sup> RBC Rewards<sup>®</sup>

<sup>3</sup> Personal & Commercial Banking, excluding cash withdrawals

# Delivering to help communities prosper

Our social and environmental initiatives and investments will deliver a positive and lasting impact to shape the future. Our expertise, efforts and energetic employees are the foundation of our leadership in corporate citizenship.

## WHAT WE'RE FOCUSED ON

-  Creating value for society through our commitment to young people
-  Supporting the development of a clean economy
-  Using our capabilities as an engine for public good
-  Creating value for employees and fostering diversity & inclusion



Committed to unlocking the potential of young people to be better prepared for the future of work and pursue their path to success

## HOW WE EMBED CITIZENSHIP

-  Innovating new products and services that create positive social and environmental impact
-  Making it easier for employees to get involved in their communities
-  Sharing our learnings to advance the social and environmental sectors
-  Deepening our expertise in the way we measure, track and report our impacts



Launched a one-stop digital platform that enables employees to identify volunteer opportunities, apply for volunteer grants and donate to the charity of their choice

## PERFORMANCE HIGHLIGHTS

**\$90 million+**

Cash donations and community investments through more than 11,500 donations to support communities around the world<sup>1</sup>

**\$2.3 billion**

Green bonds underwritten in 2016, bringing our total to \$7.4 billion since 2014

**200,000+ hours**

Volunteered by employees who took part in our volunteer grant programs in 2016<sup>2</sup>

## LEADERSHIP IN CITIZENSHIP

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



- Includes employee volunteer grants and gifts-in-kind, as well as non-profit contributions to non-registered charities. Figure does not include sponsorships.
- Includes non-work time volunteer hours reported by employees globally and pensioners in Canada.



For more information, please visit: [rbc.com/community-sustainability/index.html](http://rbc.com/community-sustainability/index.html)

# Message from Dave McKay



**Dave McKay**  
President and Chief Executive Officer

We believe that we are uniquely positioned among our competitors to achieve even greater client relevance in the digital world of the future.

We live in an uncertain and changing world. 2016 offered continuing challenges for the financial services industry, from a subdued macroeconomic outlook to political and technological disruption, to name just a few.

Amid this uncertainty, RBC moves with a clear purpose, helping clients thrive and communities prosper. This is our north star that guides everything that we do. Our performance-focused and principles-led strategy enables us to navigate with conviction, to spot and create opportunities for our clients and ultimately to create sustainable value for shareholders.

Our 2016 results demonstrate that this strategy continues to deliver success. Our record earnings of \$10.5 billion were up 4% from last year, driven by strong results in Wealth Management, higher earnings in Insurance, solid results in Personal & Commercial Banking, and record earnings in Investor & Treasury Services. We earned \$6.78 per share on a diluted basis, delivered a return on equity of 16.3% and strengthened our Common Equity Tier 1 capital ratio to 10.8%. During 2016, we returned \$5.2 billion to shareholders as we raised our dividend twice for a combined increase of 5% and repurchased 4.6 million common shares. We delivered compound annual Total Shareholder Returns of 10% and 16%, over the three- and five-year periods.

These results, delivered against the backdrop of a challenging economic environment, show how RBC continues to bring our strengths and capabilities to bear: strong client relationships; scale; an internationally-respected brand; prudent capital and risk management; a client-focused culture and highly-engaged employees. We also continue to be well positioned given the strength of our diversification, by business and by geography, and our ability to effectively manage costs.

In addition, we believe that we are uniquely positioned among our competitors to achieve even greater client relevance in the digital world of the future. As our clients increasingly

move online, we are quickly transforming our business to build a truly digitally-enabled relationship bank. This focus on digitization will ultimately help us realize our vision to be among the world's most trusted and successful financial institutions.

Our strategic goals remain unchanged: to be the undisputed financial services leader in Canada; the preferred partner to corporate, institutional and high net worth clients and their businesses in the U.S.; and a leading financial services partner valued for our expertise in select global financial centres internationally. In all of these markets we are targeting high growth and high value client segments to achieve sustainable growth.

## Achieving sustainable growth

We believe our focus on innovation and technology will help enable us to extend our lead in Canada. In 2016, we maintained our number one or two market position in all key retail categories and we remain the leader in business banking. Our scale in Canada affords us the opportunity to leverage unrivalled digital and data insights. It provides our clients with an improved experience, leading to increased loyalty and improved profitability, despite the challenging macroeconomic environment.

Looking forward, as Canada's top wealth and asset manager, we also see an opportunity to further grow our business serving high net worth clients, including assisting our many business owner clients with their succession and ownership transition plans. We will also continue to focus on building our business with newcomers to Canada, an increasingly important and growing market. And we expect to prudently grow our Capital Markets business segment, currently the number one investment bank in Canada and the 10th largest global investment bank by fees.

Wherever we operate, our brand strength, breadth and scale enable us to bring the best we have to offer for the benefit of our clients. In the U.S., our acquisition of Los Angeles-



We continue to be well positioned given the strength of our diversification, by business and by geography.



Wherever we operate, our brand strength, breadth and scale enable us to bring the best we have to offer for the benefit of our clients.

based City National provides us with significant opportunities to deepen our relationship with high net worth and mid-market commercial clients. In its first year as part of RBC, City National has generated \$290 million of additional earnings, complementing our existing U.S. Wealth Management and Capital Markets franchises, and underlining the value of City National to our U.S. strategy. This helped us generate 24% of revenue in the U.S. in 2016.

Across our businesses in Canada, the U.S. and internationally, we continue to invest in areas where we see the greatest potential for sustainable growth, focusing on specific markets and client segments where we can be a leader. In select global centres in the U.K., Europe and Asia, we continue to prudently grow our wealth management, asset management, capital markets, and investor and treasury services businesses. Meanwhile in the Caribbean, we've continued to strengthen our retail business, following our decision to exit non-core regions last year. In Canada, we made the decision this year to sell RBC General Insurance Company, our home and auto insurance business to Aviva Canada, for \$582 million. Under the distribution agreement entered into as part of the sale, we maintained our deep relationships with our clients, while continuing to offer a full suite of property and casualty insurance products.

### Providing exceptional client experience

We are continually working to provide an exceptional client experience to our personal, institutional, and commercial clients, whether they choose to interact with us in person, on the phone, or digitally. This year, we were immensely honoured to have been awarded the rank of 'Highest in Customer Satisfaction Among the Big Five Retail Banks,' by J.D. Power's 2016 Canadian Retail Banking Satisfaction Study. This recognition speaks to our commitment to clients and our

ongoing efforts to put them first and is further evidenced by the fact that our net promoter score, an indicator of client loyalty and satisfaction, has doubled over the last 15 years.

### Our focus on innovation

Thanks to our focus on efficiency, we are able to reinvest in innovation and technology in ways that others can't. This innovation will itself drive further efficiency, enabling us to simplify how we work and digitize our operations.

Today within Personal & Commercial Banking, 60% of all financial transactions, excluding cash withdrawals, come through digital and mobile channels. The insights that we are deriving from these channels are helping us to provide an exceptional and secure experience that is available to our clients when, how and where it is most convenient for them.

In developing the technologies of the future, we know that we don't hold all of the answers. We are partnering with and investing in start-ups and universities to tackle some of the most interesting opportunities in financial technology, bringing the outside in to RBC. While many of these ideas are being incubated through our innovation labs in Canada, the U.S. and Europe, we are also increasingly seeing innovative ideas emerging from new and exciting avenues, including from students working with RBC. As an example, this year, our new Amplify internship program within our technology and operations division, challenged students to take on projects in agile teams. All of the projects have been funded for further development and two have been submitted for patent approval. This is just one way that we believe our investment in innovation will not only support future business opportunities, but will also help drive the future prosperity and economic success of Canada and benefit each of the communities in which we operate.

### Our colleagues continue to drive results

Our success this year would not have been possible without the dedication and professionalism of our colleagues, whose high engagement and client focus continues to drive our results. We will ensure that we evolve for uncertain times and a digital age. We are creating a culture that nurtures innovation and collaboration, and is increasingly fast-paced, adaptive and execution-focused, in order to meet clients' needs. We are building a better workplace for our colleagues that harnesses diversity and inclusion and where everyone has the opportunity to realize their full potential.

### Helping our communities prosper

That potential is more likely achieved thanks to our colleagues' pride in working for an organization that is confident in its role in building a future for clients, their families, their businesses and their communities. As a purpose-driven company – and as Canada's largest corporation by market capitalization – we understand the important role that we play in addressing societal challenges that could impact our business over time. That is why this year we announced a new commitment aimed at unlocking the potential of young people to thrive and drive Canada's future prosperity ahead of Canada's 150th anniversary year – #make150count. We are passionate about making a positive social impact in all of the communities in which we live and work.

### Our thanks to you

In a changing world, I'd like to thank all our clients for putting their trust in RBC. I also want to thank our colleagues whose commitment enables our ongoing success. And finally, to you, our shareholders, I would like to reiterate our focus on delivering high-quality and sustainable earnings growth and moving with clear purpose in 2017 and beyond.

**David McKay**  
President and Chief Executive Officer

# Message from Kathleen Taylor

## Dear fellow shareholders,

The key responsibility of your Board of Directors is to keep RBC focused on delivering strong and positive outcomes for shareholders, customers, employees and the communities we serve. This means engaging actively with the Bank's outstanding management team to ensure we have the right strategy, talent and risk management to identify suitable opportunities for growth and continue to create long-term value.

## The right strategy

The Board of Directors and management share a vision for RBC: to be among the world's most trusted and successful financial institutions. To help realize this vision, the Board oversees the organization's strategic direction, maintaining its focus on markets and segments where RBC can apply its strengths to win business and deepen relationships with clients and our communities. Your Board is well suited to the transformational nature of our industry, remaining agile and responsive to the evolving marketplace. At every board meeting we examine and discuss aspects of enterprise and business segment strategy to identify opportunities for organic growth. We also spend time analyzing prospects for the Bank's long-term growth plans. Earlier this year RBC completed the acquisition of City National, which is already proving to be the right platform to complement our existing U.S. presence, advancing RBC toward our long-term strategic goal of becoming the preferred partner to corporate, institutional, and high net worth clients and their businesses in the U.S.

## The right talent

The continued superior performance of RBC, including the ongoing, successful integration of City National demonstrates that having the right strategy is critical to our success. But equally essential is the leadership of a talented executive team and dedicated employees to execute our strategy with excellence. A key responsibility of the Board is talent management and succession planning for the top executive team, in order to ensure we have a strong pipeline of leaders to drive both short and long-term performance. This includes an in-depth evaluation of the strengths and opportunities for high-performance

executives who are key candidates in both the near and medium term. Building diverse teams at every level is a priority that we embed into our talent management strategies, recognizing that a diversity of viewpoints, backgrounds and experience is an important driver of innovation and profitable growth.

## Prudent risk management

In overseeing the ongoing operations and strategic direction of RBC, the Board carefully assesses whether management's plans appropriately balance business opportunities with sound risk discipline. We seek to instill and support a strong risk culture, monitoring the alignment of risk conduct with our enterprise-wide framework. The Board ensures that the Bank's risk management function is independent from the businesses. We approve Risk Appetite, oversee strategic risk management and regularly meet with regulators to discuss the Bank's control environment.

## Fostering a culture of integrity and good governance

Your Board also champions the strong corporate values that are entrenched in the culture of RBC. We recognize that integrity and accountability are the foundation for the Bank's strong reputation and brand. We establish standards of integrity designed to promote ethical behaviour throughout the organization, and foster a business approach in which we work to make a positive impact on society, the environment and the economy.

Beyond the setting of prudent structures and strong policies, corporate governance at RBC is a matter of board culture where active engagement and open and productive debate are not only encouraged but expected. We regard certain characteristics and behaviours as essential for board members. Directors must be dedicated to the needs of RBC, engage fully, appropriately challenge the status quo, assess opportunities from a strategic context, exhibit sound business judgment and uphold RBC values. Our governance approach continues to receive recognition, with RBC winning Best Overall Corporate Governance – International at the 2016 Corporate Governance Awards in New York.



**Kathleen Taylor**  
Chair of the Board

## Creating long-term value for our shareholders and other stakeholders

We place strong emphasis upon board renewal, assessing the strengths of candidates for the Board against the evolving needs of the Bank. We were pleased this year to welcome Andrew Chisholm, the recently retired Advisory Director and Senior Strategy Officer at Goldman Sachs & Co., who brings to the Board extensive experience in strategic advice, mergers and acquisitions, and capital markets, as well as risk and capital management.

I would like to thank the members of your Board for delivering valuable advice and oversight throughout the year. In turn, the Board extends its thanks to Dave McKay and his leadership team for their dedication to helping clients thrive, communities prosper and employees succeed. And finally, thank you to all RBC employees, whose daily commitment to our clients and communities continues to drive our success.

A handwritten signature in dark ink that reads "Kathleen Taylor". The signature is fluid and cursive, written in a professional style.

**Kathleen Taylor**  
Chair of the Board