Address to Shareholders

by

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to the

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We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk management section in our Q1 2011 Report to Shareholders and in our 2010 Annual Report.

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Good morning ladies and gentlemen, and welcome to your annual meeting.

The first decade of this century is now over, and it appears to have taken its cue from the well-known curse, *May you live in interesting times.* And indeed, our decade began with strong economic growth and soaring markets, and it ended in the context of a global financial crisis, one that has crippled many national economies the world over and destroyed significant wealth. And while the global economy is showing improvement, there remain significant structural challenges, particularly in the United States and Europe.

But Canada's performance has been stronger than most as a result of both good management and a little luck.

- We live on the second largest territorial mass in the world, rich with natural resources;

- With 34 million people – which puts us in the lowest decile of population density in the world – Canada ranks amongst the highest in terms of immigrants per capita. This gives us a strong foundation for growth, particularly as our population ages;

- Our housing market has held up well, with prices five per cent above their pre-recession peak, compared to the U.S., which remains 30 per cent below;

- Financial markets and economic conditions are improving, and the employment rate is expected to get better.

Thanks to our strong economic policies and our sound banking system, the World Economic Forum considered Canada to be one of the bright spots during the recent recession.

So while many countries today face a <u>takeaway</u> decade, I believe that Canada has the possibility of a <u>breakaway</u> decade.

I see many unique assets in our country driving our success -- economic resilience, good governance, standard-setting social values and our conservative fiscal nature. But while we should be proud of our success, we cannot be complacent.

Notwithstanding our strong economic performance, our competitive position in a globalizing world has slipped and raises concern over our ability to continue to outperform. A country's standard of living will increasingly depend on its productivity, which in turn depends on a country's success in innovation and Research and Development. Our economic success still remains rooted in natural resources more than in innovation and the knowledge economy. Slowly, we must re-adjust this balance.

Both the government and corporations have a major role to play in ensuring economic success and productivity improvement and we, in the business community, must take advantage of our preferred position to enhance both our productivity and global competitiveness.

In addition, while our governments have done a good job on the fiscal front, we have recently seen government deficits grow, particularly at the provincial level, and I would strongly caution that we not give up the benefits of our fiscal responsibility which has been a key differentiator for Canada. While we had to respond to the global recession, we must ensure we get the balance right between spending, tax competitiveness, investment and fiscal prudence. It is not easy but we must only make promises to future generations that we can keep, and if we can maintain global leadership in fiscal prudence it will, in the long run, be a great differentiator in terms of economic success and financial flexibility.

If we can capitalize on our relative strength to enhance productivity, while at the same time remaining focused on returning to fiscal balance, our country will be in an enviable position.

And, just as I believe Canada could be at the beginning of a breakaway decade, I see the same for RBC. I am also proud of how the Canadian banking industry and our organization navigated these turbulent times, and I was pleased by the degree to which the global crisis ended up building both Canada's and RBC's international reputation.

As the largest bank in one of the most fiscally responsible countries in the world, RBC is uniquely positioned to take advantage of our success to invest in future growth.

This morning I would like to share with you our performance and outlook, our plans for continued leadership in Canada and global expansion, and our continued commitment to corporate and social responsibility.

While 20 years ago, an investment in one Canadian bank was arguably only marginally different than investing in another, today that is not the case. Canada's banks' strategies are diverging.

RBC's growth strategies have produced total shareholder returns that have outperformed the TSX Bank Index and materially increased our presence and potential in the global financial markets. RBC is the largest Canadian bank and in the top 15 globally.

In addition to our powerful Canadian banking business, we have established leading global franchises in Wealth Management and Capital Markets and have other regional businesses that provide a sound platform for growth.

This year we revisited our three strategic goals to better articulate our growth opportunities.

First, we're committed to remaining the undisputed leader in financial services in Canada.

Second, we're determined to be a leading global provider in both wealth management and capital markets.

Third, in targeted markets, we're focused on being a leading provider of select financial services complementary to our core strengths.

These goals are all about seizing significant opportunities.

RBC is committed to maintaining a diversified business mix, and one of our basic tenets is to maintain a balance between retail (which includes banking, wealth management and insurance) and wholesale (primarily capital markets) of approximately 75 per cent to 25 per cent. This principle reflects the fact that each of our businesses behaves differently at a given point in the economic cycle, but together, with the right mix, we can better achieve our goals for shareholder returns. We are also well diversified across geographies and clients, which contributes to earnings stability and risk diversification. Our diversification strategy paid great dividends during the past decade, and as a result we have experienced low earnings volatility compared to our peers.

Our risk management processes have been well tested in recent years, and I was pleased with how well they mitigated our exposure to the collapse of the CDO and other markets in the U.S., and to the sovereign debt crisis in the Eurozone. We have continued to manage our balance sheet aggressively to reduce complexity and risk.

We're one in a short list of global banks with strong capital, low leverage, high credit ratings and significant liquidity – and in today's environment, this represents a real competitive advantage.

But we acknowledge that simply having a lot of capital and being Canadian does not make a bank safe. There is no substitute for good judgment and even within Canada there has been great variation in relative performance of financial firms through the crisis. Recognizing that our strength and stability ultimately come down to the decisions made by RBC employees, we've worked hard to foster a strong risk management culture, where shareholder value, client value and integrity are ingrained in our philosophy and our business processes.

It's people who build strong countries, vibrant communities and great companies. At RBC, our greatest assets enter and leave our offices every day. We are fortunate to have the best and the brightest serving our clients, working together to deliver on our strategy, and creating value and growth for our shareholders.

Behind all the numbers that measure our performance is a culture based on strong values, where we stress service, teamwork, responsibility, diversity and integrity. Our people put into action every day our vision to always earn the right to be our clients' first choice.

In return, RBC takes our responsibility to our employees seriously. We invest in recruiting outstanding people, building their knowledge and skills, and providing a flexible and rewarding work environment in which to learn and grow. It's an investment that's given us a talent base that is second to none, and that's established RBC as an employer of choice. I'm proud that in this past year, RBC was recognized as a leading employer in Canada, the U.S. and the U.K.

In 2010, we were particularly gratified to win the global Catalyst Award for our commitment to diversity and inclusion. Having a diverse workforce and diverse leaders allows us to understand our clients better, and helps to generate innovative ideas and solutions.

I'd like to thank our 80,000 employees who serve 18 million clients in more than 50 countries. You are the brand and you deliver our brand promise every day.

In fiscal 2010, RBC delivered net income for the year of just over $5.2 billion, up 35 per cent from the prior year and on a normalized basis, 10 per cent. It was a year in which we delivered on our internal plan, notwithstanding the fact that we did not meet the lofty expectations of the marketplace. We like the market to have high expectations of RBC as we certainly have them for ourselves, but we had anticipated a pull back in capital markets activities and a slower than expected recovery in the U.S. credit markets. Having said that, we ended the year with all of our businesses well structured and well positioned for future growth and we are off to a strong start in 2011.

Our year-end Tier 1 capital ratio of 13 per cent and Tier 1 common ratio of 9.8 per cent, coupled with our low leverage, reflect the strength of our balance sheet and capital position. These ratios, along with our credit ratings, are among the highest of financial institutions globally.

Approximately two-thirds of our revenues came from our businesses in Canada in 2010. The largest business is personal and commercial banking. Here, we're seeing very positive results from our focus on advice, service, convenience, and value for money.

In addition to record earnings, this business gained market share and held a first or second market position in every business. In fact, over the last five years, our retail earnings growth has significantly outpaced that of our competitors. One key driver of this is increased customer satisfaction, which is currently at an all-time high. And we're continuing to invest to improve it further. For example, during the year we unveiled our new retail store, which transforms the branch experience into an interactive learning and shopping opportunity. We also continue to make investments to improve our processes and client experience and are being recognized and rewarded for this investment.

Wealth Management also had a very successful year. The business extended its number one market position in Canada in wealth and asset management, and continued to climb the rankings as a leading global wealth manager.

This is a very attractive business for us for many reasons. We have a clear competitive strength, we rank first in Canada, we're the sixth largest full-service brokerage firm in the U.S., and we're a top 10 global player. The business also has low capital requirements and can grow organically, and there are many opportunities to work with capital markets and banking for our clients' benefit.

Last year, we announced the acquisition of BlueBay Asset Management in the U.K., which bolsters our global asset management business and adds fixed income capability in the U.K. and Europe. We also acquired the wealth management business of Fortis in Hong Kong.

Our insurance business complements our retail banking offering and contributes sizeable and stable earnings. RBC has the largest bank-owned insurance company in Canada, with strong growth in new sales. During 2010, we expanded our retail insurance network to 52 branches, which positions us well for future growth. We continued to improve our profitability, we deepened our client relationships and we simplified the way we do business.

International Banking includes RBC's banking business in the U.S. and the Caribbean, as well as our 50 per cent interest in RBC Dexia, which offers global custody and investor services.

2010 results in International Banking were somewhat disappointing, as our U.S. retail bank continued to be affected by weak economic and credit conditions. There is a significant amount of work underway to restore operating performance at RBC Bank and we are making good progress. We are actively managing our loan portfolio, restructuring retail operations and improving efficiency.

Our Caribbean bank and RBC Dexia made positive contributions and both are well positioned franchises. RBC Caribbean is one of the largest banking networks in the region, and we've made solid progress in improving the client experience, implementing new technology and leveraging the strengths of the broader RBC network.

RBC Dexia remains a top-10 global custodian and in 2010 won a number of international awards, including European Transfer Agent of the Year, European Client Relationship Manager of the Year and European Custodian of the Year.

RBC Capital Markets is Canada's only truly global investment bank. During the year, we maintained our leadership position in Canada and advanced our standing in markets around the world.

In Canada during 2010, our awards and recognition included Dealmaker of the Year, Best Investment Bank, excellence in Canadian equity research, and the number one ranking in debt, equity and M&A.

In the U.S., where we have a sizeable franchise that has doubled over the past three years, 2010 saw us increase market share and win key mandates for both mid-cap and large-cap companies. We continue to grow our global trading business but also rebalanced our businesses with a much higher percentage of earnings coming from investment banking, which carries lower levels of risk capital and volatility.

In Europe, we broadened our investment banking, equity and research businesses. Of particular note is our trading business, which received many top rankings from institutional investors, including the Best Bank for Fixed Income electronic trading.

We now have primary dealer status in Canada, the U.S., the U.K., Australia, Germany, France and the Netherlands – making us one of very few firms in the world with such a broad geographic reach of primary dealer capabilities.

Turning to the first quarter, we had an exceptional start to 2011.

We delivered record net income of $1.84 billion, up 23 percent from the same period last year. Diluted earnings per share for the quarter were $1.24, up from $1.00 last year, and return on common equity was 20.3 percent, up from 17.5 percent.

These strong earnings were driven by record results in Canadian Banking, Capital Markets and Wealth Management, strong performance in Insurance and significant improvement in International Banking which reported positive earnings for the quarter. Our growth across businesses and geographies demonstrates the strength of our diversification.

Much of this strong performance can be traced back to the groundwork we have laid in building our domestic and global businesses. We have enhanced our leadership position in Canada and used this strength to build our global franchise.

Over the past two years we have also taken steps to de-risk our balance sheet and this quarter took further action to eliminate accounting volatility and improve liquidity.

All in all, an outstanding quarter across each of our businesses.

Looking ahead, I am confident that both our organization and our country are extremely well positioned for long-term growth. But while we have done well through the crisis, the global economic recovery remains fragile.

We still have a relatively high unemployment rate, particularly in certain regions and sectors. Many older Canadians have had to postpone their retirement in the wake of market losses. Business owners face tough decisions, weighed down by uneven consumer confidence, high production and energy costs and a strong dollar.

There is also concern about rising debt levels in Canada, with our ratio of household debt to disposable income now at a record high, with recurring worries about rising interest rates putting further pressure on homeowners. In addition, there are continued risks from the European sovereign debt crisis, massive structural imbalances in the United States and rising geopolitical unrest in many parts of the world.

So, what are Canadians to make of these global uncertainties? Families, retirees and business owners are asking: “Should I be spending, which would help drive economic growth? Or should I be saving, because the rainy days aren’t over?”

These are important issues to the millions of Canadians who rely on RBC. I’m proud that RBC is making a difference in the lives of our clients by providing expert advice – advice they can use, advice to help them realize their goals – advice they can bank on.

These are also important issues to RBC as we go about implementing our growth strategies. We know that while we have delivered strong results and see exciting opportunities for further expansion, the future presents new challenges – more aggressive regulation, an extended period of low growth in developed economies, higher costs across the industry and the fallout from the inevitable restructuring of fiscal imbalances in the United States and Europe. I can assure you that we are managing the bank to take advantage of growth opportunities but properly balance risk and reward in what is likely to be a tumultuous decade.

Given the degree of regulatory reform being discussed and implemented in our industry these days, I wanted to bring your attention back to the curse *May you live in interesting times.* It has a companion that seems particularly appropriate for banks today. It goes as follows: *May you come to the attention of those in authority*. Well, once again keeping my superstition in close check, regulatory reform is among the top issues in global financial services today, and it will force many banks weakened by the crisis to dramatically reshape their market activities and growth opportunities.

I can't tell you what the regulatory landscape will look like, but I do know that <u>more</u> regulation is not the solution … we need <u>smarter</u> regulation. That's why RBC is working with governments, regulators and legislators to discuss and share our views on the impact of new rules.

The Canadian government has worked successfully in the past year to make the case for smart regulation – and by this I mean regulation that ensures stable financial markets without hindering economic growth. Our government, our central bank, and our regulators deserve congratulations for their work with the G20. They successfully argued against a global bank tax and helped clarify key Basel III proposals. They made the case for appropriate capital ratios and timelines to ensure Canadian bank shareholders and customers will not pay for mistakes made in other jurisdictions. It is my continued hope that these reasoned perspectives will influence the achievement of uniform and balanced regulation around the world.

But the cumulative impact of the regulatory burden is enormous. Proposed regulation, particularly Basel III, is resulting in significant confusion in the market place and impacting business activity across institutions. Its complexity, inconsistent interpretation and conflicting implementation schedule between jurisdictions have implications for the marketplace and economic growth.

One of the biggest risks we face in Canada is that we push regulation so far ahead of other countries, we end up not only with an uneven playing field but with a real cost to Canadians in the form of compromised ability to grow and compete. Canada cannot afford a significantly higher cost of capital than other countries and frankly, why should we, given our strong relative performance during the economic crisis.

In addition, risk is being pushed outside of the regulated system to the shadow banking system, which is hardly a way to reduce the risk of future crisis. And rules that are designed to push banks in a certain direction and influence business mix will, in my view, reduce diversification and innovation and actually increase systemic risk.

Increased regulation of banks is extremely important but we must get the balance right. It is important that we not rely solely on bank regulation to avoid future crises but also focus on governance, management and proper oversight of national markets and individual institutions.

While the costs of a new regulatory regime are not yet fully known, what I can assure you is that we are comfortable that we can exceed the new Basel III capital requirements without shifting our strategic focus. To reduce the pressure on returns, we will continue to find ways to reduce our discretionary costs and permanently reduce our traditional cost base through process and technology improvements. We are also working to significantly differentiate our value to customers and increase our market share so that we can continue to build shareholder value.

The global financial crisis and its aftermath have exposed the divide between banks that were poorly managed, over-leveraged and under-capitalized, and banks that were well-managed and well-capitalized. Our objective is to take advantage of this opportunity – and we will.

Our wealth management and capital markets businesses have become global players and we have built strong franchises with global competitive advantages. We remain optimistic that our core domestic businesses, in which we continue to invest, can deliver strong growth and enhanced productivity, and that we can build our other regional franchises and generate strong returns. In a tumultuous world, we are excited and remain optimistic about all of our businesses and the opportunities before us.

These opportunities extend beyond our role as a financial services company to include our role as a corporate citizen. We have responsibilities to the communities in which we do business, and to the larger world, and we take those responsibilities seriously.

Our RBC Environmental Blueprint outlines how we will reduce our footprint, lend responsibly and provide ‘green’ products and services to our clients. We’ve worked hard to make a difference and are deeply gratified at being named one of Canada’s Greenest Employers and one of Canada’s 50 Most Socially Responsible Corporations. We also won the GLOBE Corporate Award for Environmental Excellence, recognizing our achievement in environmental stewardship and sustainability.

Our environmental commitment is not just theory. Many of our clients are active in the extraction of natural resources – an industry with significant impact on Canada’s economic welfare. Our clients work hard to manage the social and environmental impacts from their operations. We are proud to be partners and advisors to them, and recognize their contribution to job creation, responsible development, and technology innovation.

In 2010, we updated our environmental policies governing how we do business with large corporations, including natural resources companies. Our new Environmental and Social Risk Management Policy is an evolution of RBC policies on the environment for the past 20 years, and it focuses on environmental and social issues in corporate lending and underwriting activities. It requires us to assess our clients’ impact on air, land and water as well as their consultation with nearby communities and, in particular, aboriginal peoples. This policy formalizes and extends our process for balancing social and environmental impact with financial and economic impact.

Another responsibility we take seriously is our contribution to the communities we serve. RBC is one of Canada’s largest corporate donors and an active sponsor of community events. We have a long legacy of employee involvement in all parts of the world where we do business. Our sponsorship of the Vancouver Olympic and Paralympic Winter Games and the Torch Relay was a high point of 2010 and hundreds of our employees volunteered. This event united the country in a way I’ve never seen and reinforced my pride in being a Canadian.

While an economic crisis is never good news for the charitable sector, we, along with many other Canadian companies, stepped up our support during the downturn. During 2010, RBC invested more than $100 million in community sponsorship and charity, including $56 million in donations to communities worldwide to support partnerships in children’s mental health, after school programs, and United Way campaigns – just to name a few.

One of our important causes is the RBC Blue Water Project, a 10-year global commitment to help protect the world's most precious natural resource. Water has been our global cause since 2007, and the issue has gained terrific momentum both within RBC and in the communities around us. We want to do what we can to keep the issue of fresh water front and centre, and engaging our employees, clients, suppliers and peers can make a real difference.

As my colleagues and I look ahead, we have an eye on the challenges but a focus on the opportunities.

Notwithstanding my words of caution, it's time to assure that we take advantage of what has gone right. Now is the time to act decisively to shape and share the rewards of Canada's breakaway decade and I am extremely excited about RBC's position.

Thank you, RBC employees around the world, for working so hard to our serve clients well, and for doing so with integrity.

I would also like to thank Barb Stymiest, who has made a significant contribution to RBC, and has decided to retire in June. Barb has been a key member of my Group Executive team, and a valued partner and friend and I would like to thank her for her dedication and support.

I also extend gratitude to our board of directors for their active involvement in guiding the company, and our management team for their support, hard work and commitment.

And to you, our shareholders, we appreciate your continued confidence. We look forward to delivering on our strategy to generate the strong long-term results that you have come to expect, and that we demand of ourselves.

Thank you.