



Address to Shareholders

by

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to the

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Royal Bank of Canada**

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Check against delivery

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By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, regulatory compliance, operational, strategic, reputation and competitive risks and other risks discussed in the Risk management and Overview of other risks sections of our 2013 Annual Report and in the Risk management section of our Q1 2014 Report to Shareholders; the impact of regulatory reforms, including relating to the Basel Committee on Banking Supervision's (BCBS) global standards for capital and liquidity reform, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder, over-the-counter derivatives reform, the payments system in Canada, the *U.S. Foreign Account Tax Compliance Act (FATCA)*, and regulatory reforms in the United Kingdom (U.K.) and Europe; the high levels of Canadian household debt; cybersecurity; the business and economic conditions in Canada, the U.S. and certain other countries in which we operate; the effects of changes in government fiscal, monetary and other policies; our ability to attract and retain employees; the accuracy and completeness of information concerning our clients and counterparties; the development and integration of our distribution networks; model, information technology and social media risk; and the impact of environmental issues.

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. Material economic assumptions underlying the forward looking-statements contained in these Annual Meeting of Common Shareholders speakers' notes are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2013 Annual Report, as updated by the Overview section in our Q1 2014 Report to Shareholders. 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 and Overview of other risks sections of our 2013 Annual Report to Shareholders and in the Risk management section of our Q1 2014 Report to Shareholders.

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Thank you Katie, for those kind words. And thanks to all of you for joining us. Welcome to your 2014 Annual Meeting. I am honoured for the last time today to formally report on our performance in 2013 and our first quarter of 2014, and to provide a few retrospective comments on RBC and the outlook for the future.

One of the things that I learned early in my tenure was that RBC has enduring strengths. They have driven our past success and they are exactly what positions us so well to navigate the constant change ahead. Our strengths include our focus on clients, taking a long-term view and our values and culture.

Another strength is our strategy which leverages our competitive advantages and capabilities to deliver high-quality, sustainable and profitable earnings growth. This means pursuing not just growth — but profitable growth — and we do so with three strategic goals.

First, we're committed to remaining the undisputed leader in financial services in Canada. Second, we are focused on being a leading global provider of capital markets, investor and wealth management solutions. And, third, in targeted markets, we will provide select financial services complementary to our core strengths.

We have a diversified business model that expands our ability to benefit from economic and business opportunities. It also minimizes our exposure to risk in any one area and therefore reduces earnings volatility. Our diversification extends across businesses, geographies and client segments — all of which helps us achieve our goals.

I'm going to briefly review last year's results as well as RBC's first quarter.

In 2013, our employees delivered record net income of 8.3 billion dollars, up 11 per cent from last year and generated a return on equity of 19.7 per cent with diluted earnings per share of 5 dollars and 49 cents. We achieved all of our financial performance objectives as we continued to deliver growth, industry-leading efficiency, consistent profitability and strong, long-term returns for our shareholders.

Our results were driven by record earnings in Personal & Commercial Banking, Wealth Management and Capital Markets, as well as higher earnings in Investor & Treasury Services and solid earnings in Insurance. All in all, a strong year.

And we are off to a good start in 2014.

I am pleased to announce that in the first quarter of 2014 we delivered net income of \$2.1 billion. Net income was \$2.2 billion excluding the previously announced loss on the sale of RBC Jamaica and the provisions we incurred in our Caribbean operations. This is up \$137 million or 7 per cent from the prior year.

Our results were driven by continued strength in Canadian Banking and higher earnings in Capital Markets, Wealth Management and Investor & Treasury Services.

With our results this quarter, we remain confident in our ability to meet our objectives and I am pleased to announce an increase in our dividend of four cents per share or 6 per cent.

Our growth across businesses and geographies demonstrates the strength of our segments. Our strength in Canada continues to grow while the largest markets we have targeted globally are delivering strong results. A good example is the United States where we earned almost \$1.3 billion in 2013.

As a result of our consistent growth, we have a very strong capital position. One of the questions I'm often asked by investors is how we will deploy that capital. I believe capital allocation is one of the most important decisions made by both management and the board as it is easy to invest capital but much more difficult to generate strong risk adjusted returns. Our answer to that question is consistent – we take a prudent and balanced approach.

Our priorities are: First, investing in our existing businesses, because we have a proven track record of generating strong returns. Second, returning capital to our shareholders through dividends and share buybacks. And third, making targeted acquisitions that fit our strategy and risk appetite and importantly deliver strong returns for our shareholders. In some cases this may mean selling or exiting businesses that do not meet our hurdle rates of return as was the case with our operations in Jamaica.

This year, in addition to investing in all of our businesses, we raised our dividend twice for a combined increase of 12 per cent. We repurchased shares during the year, renewed our share buyback program for 2014 and we invested in new businesses which included the 3.7 billion dollar acquisition of the Canadian auto finance business of Ally Financial.

A good business strategy includes provisions for adapting to regulatory change because it is part of doing business. Basel III and Volcker represent significant change as do pending reforms in the settlement of over-the-counter derivatives and new rules around capital, liquidity and leverage.

The fact of the matter is that regulatory change is a constant and an evolving regulatory environment is part of being a financial institution. New regulations are costly, but we are very well positioned to adapt and have the capacity and flexibility to absorb many of these changes much better than our global competitors.

Across the organization we stay true to our core values and beliefs, which helps us take a long-term view of our businesses. Our employees believe in our vision and our focus on delivering strong and stable returns for our shareholders. This helps avoid overreacting to short-term challenges, which often call for short-term solutions.

We believe we have achieved great success without looking to hit home runs at every turn. Instead, we are selective about the opportunities we pursue because we are focused on delivering steady, annual growth over the long term. It is very easy for banks to grow assets, but we should be — and we are — in the business of building and growing franchises.

The recent acquisition of Ally Canada is a good example of this approach. It was a manageable size, the timing was good and it fills a niche for us in what we believe is a high-growth area. Now that it's fully integrated, the business adds scale and extends our leadership position in auto finance.

Having a good strategy and client focus are vital; but unless you have great people, you can't deliver on the strategy. That's because Banking is a people business — and there's no question that our employees are RBC's greatest asset.

My role as CEO has given me the opportunity to meet and work with so many great people. They come from a broad variety of backgrounds and with a diverse range of experiences.

RBC is an Employer of Choice because we attract and keep top-notch talent, and people stay with us because of the opportunities we create for them to advance their careers while doing meaningful work.

Part of that success is due to the progress we've made in evolving from diversity to inclusion, which I strongly believe plays a central role in driving productivity, innovation and growth. Embedding diversity in what we do allows RBC to better reflect the clients and communities we serve, and also drives employee engagement, which is critical to our continued success. It's both the right thing and the smart thing to do and we have been building an inclusive work environment where employees feel valued and encouraged to achieve their full potential.

We also have the privilege of serving over 16 million clients around the world and we don't take their business for granted ...we appreciate their business and will work hard to keep it. RBC plays an important role in helping people who either start their own business or run a business. We provide them with expert advice and capital to expand and create jobs. As the needs of our clients are consistently evolving, we are always looking for ways to innovate and deliver insightful advice and positive client experiences.

It has also been an honour for me to serve you — our shareholders — over the past 13 years. Your capital has enabled us to build a strong, growing RBC and your support has contributed to Canada's economic health and prosperity.

I have been asked a lot lately what I will miss most when I step down. While there is so much — none is greater than my fellow RBC employees across multiple businesses in more than 40 countries around the world. Their dedication to the organization and to our clients is without peer. But it's more than that. We have seen RBC employees give of themselves to the communities where they live and work.

Whether that's in Alberta, where RBCers gave countless hours cleaning out their neighbours' basements after the floods there last summer ... Or the more than 18,000 employees in 22 countries who participated in activities like planting trees as part of our Blue Water Project last year ... Or the countless among us who are community volunteers, hockey coaches and supporters of various causes. Time and time again, the RBC community has proven that it's just that — a community.

The expectations of employees have also risen and at a time when we are increasingly competing for talent. In some respects, employees are like clients, with more choices now than ever before.

And what will they be looking for? An employer that cares about the same things they do. That's why our core values — Service, Teamwork, Responsibility, Diversity and Integrity — are so important. And it is not just the words but how we bring them to life. Employees also expect a commitment to social good and they push us which is a good thing. They want us to use our resources to bring positive environmental and social change.

A good example is the RBC Believe in Kids Pledge, a five-year, \$100-million commitment which is intended to improve the emotional, physical and intellectual health of one million children and youth. The RBC Career Launch program is part of this commitment. It helps young Canadians obtain experience in that crucial first job, to help them as they begin their working lives.

Our Blue Water Project is another multi-year commitment that is helping to provide access to drinkable, swimmable, fishable water, now and for future generations. Our passion to drive positive change energizes our leadership team, our employees, our clients and the communities we serve.

Our support also extends to the arts and to sports. When people are active and healthy, they are more likely to contribute to our communities, both socially and economically. By undertaking these kinds of initiatives, RBC is helping build stronger and more prosperous communities in Canada and around the world.

I am extremely proud of the role that organizations like RBC play in Canada's success and it is important to emphasize that value, particularly in the face of today's public skepticism.

The reputation of the business community and particularly large corporations is constantly under scrutiny and often maligned and criticized without regard to facts.

While transparency is a good thing, social media, sensationalized news coverage and political opportunism can create a challenging environment.

Now, I recognize that businesses are not, and never will be, perfect and the financial industry, particularly in the United States and Europe, has much to answer for. We have made mistakes for which we should be held to account and certainly at RBC we do place a great deal of emphasis on resolving problems and issues in a fair and equitable manner.

But, I also know that we, our competitors in the financial industry and many large companies across all industries create value for society, help formulate public policy and lead on issues like human rights, diversity, the environment and community engagement.

If you ask the public what they think of banks you may not get the answer we like, but if you ask our clients what they think of our bank or of their banker you get a wonderfully positive response. The communities that we serve and the organizations which we support enjoy excellent and beneficial relationships with us.

In addition, the banks alone contribute about 3 per cent to Canada's GDP and account for a significant portion of all corporate taxes. And the profits and returns we generate for our shareholders help drive economic prosperity and support wealth creation and retirement planning for all Canadians.

We have close to 60,000 employees in Canada and more than 20,000 elsewhere in the world. We are a top employer and make employee engagement and satisfaction a high priority. We take our responsibility to society very seriously, support many initiatives that improve our communities and support the growth and development of our clients.

The point is that Canada will only thrive if it has strong corporations and strong industries that are profitable, that grow, that invest, that create employment and that foster other businesses and other industries. I am proud to be a part of one of those organizations that helps make the greatest country in the world even stronger. Strong, profitable and socially responsible corporations should unite Canadians, not divide them.

The last few weeks of the Olympic Games have also united Canadians as we've cheered for our team and followed the stories of the athletes who worked so hard to compete for our country. RBC is the longest-standing corporate sponsor of the Canadian Olympic Team, having supported our teams since 1947. Today, we're honoured to support 47 RBC Olympians in their dreams to win gold and own the podium.

We have a few RBC Olympians here today. I will ask each of them to stand up as I read out their names and accomplishments, and I ask you to hold your applause till the end:

- Brian Price, now retired, who rowed to gold in 2008 and silver in 2012;
- Heather Hamilton, whose sport is the pole vault and was the gold medal winner in the 2013 Canadian National Championships;
- Becky Kellar-Duke, now retired from ice hockey, who won gold in 2002, 2006 and again in 2010;
- Jason Burnett, who won silver in trampolines in 2008; and
- Cody Sorensen, who just returned from Sochi, where he competed in the four-man bobsleigh.

Congratulations!

I encourage you to meet them after the meeting.

Before I conclude I want to take a moment to congratulate Dave McKay on his appointment, effective today, as President and as CEO on August 1st. I believe our executive team has never been stronger and I am very proud of our succession process. I am confident that Dave's outstanding leadership and financial services experience will continue to drive RBC's industry leadership and growth.

Dave stands out for his client focus. He's recognized as one of the best retail bankers in the world and is passionate about driving innovation. He cares deeply about our people and is committed to creating a workplace where employees can succeed. Dave is a values-based leader who embodies what we care about and I look forward to working with him and my colleagues on Group Executive during the transition period over the next few months.

I would like to thank our board of directors which is widely recognized as a leader in good governance. Our board has helped guide RBC to continued success and has been a tremendous resource to me personally as well as to the organization.

In particular, I would like to thank David O'Brien, who stepped down as Chairman on December 31st and officially retires from the board today. David has maintained a focus on serving our shareholders and managing risk and he has established RBC as a leader in corporate governance. There is no question we are a stronger organization as a result of David's commitment.

I'd also like to thank and congratulate Katie Taylor on her appointment as chair of the board. Katie has been an outstanding director since 2001 and has served on our Audit, Risk and Human Resources Committees. All of us at RBC are particularly proud to have the first woman chair of a major Canadian bank. Under Katie's leadership, I am confident that the board will continue its focus on creating long-term value for our shareholders and our clients.

Thank you to the 79,000 employees who embody our values and brand in all that they do. And thank you, most of all, to my senior leadership team for your support over the years. If there is one thing I believe, even more strongly today than when I became CEO, it is that responsibility is distributed and success is shared. Any success I have enjoyed is due in large part to the remarkable executives who run our businesses and functional areas.

I can't tell you what an honour and a privilege it has been to have represented this remarkable organization over the past 13 years. I am leaving with the confidence that we have the right strategy, the right culture, and the right people in place to continue to grow and create value and I look forward to being a shareholder, client and cheerleader for many years to come.

Thank you and I would now like to turn it over to Dave McKay for a few comments.