



Address to Shareholders

by

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to the

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Royal Bank of Canada**

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Thank you Katie.

Welcome to our 147th Annual General Meeting.

We are pleased to be back in Montreal for our AGM.

It's a bit of a homecoming for me, as I was born and grew up in this city, and still have family here.

In fact, my first encounter with a bank took place in Ville Saint Michel, when my father, a small business owner, took me to his local Royal Bank branch to show me a thing or two about managing money.

I still can picture the manager coming out from his office to serve us, as we were standing in line. He said he hated to see clients wait.

For me, it was an early lesson in the Royal treatment.

While a lot has changed since then, some things haven't.

Client service is still at the heart of RBC. Doing what's right still matters, perhaps more than ever. And being part of our communities continues to drive us.

It's our purpose. And purpose can never be disrupted.

Every time I return to Montreal, I'm impressed with the city's social and economic progress.

Montreal has transformed its economy since the 1980s, and is now a leader in many knowledge sectors — from aviation to medical science, to computer animation and gaming.

If there's one thing behind this progress, it's the Province of Quebec's investment in people — in education, in child care and in finding ways to positively engage the entire population in the economy.

Diversity and inclusion are driving Quebec's and Canada's prosperity.

They're fundamental to RBC's success, too.

Last year, I presented our strategy to you, with a focus on three pillars:

- first, to continue to grow as the undisputed financial services leader in Canada;
- second, to expand in the U.S. as our second home market;
- and third, to increase our reach in selected markets internationally.

I'm pleased to say that because of this strategy, in 2015 we were the first Canadian company ever to earn \$10 billion in a fiscal year. That was up 11% from 2014, reflecting record earnings in Canadian Banking, Capital Markets, and Investor & Treasury Services.

As you can see on the slide, our employees met all of our financial performance objectives.

- We grew earnings per share by 12%
- We delivered a return on equity of 18.6%
- We increased our quarterly dividend twice during the year, and again in Q1
- We closed the year with a very strong CET1 ratio of 10.6%

We remain committed to these same objectives going forward.

And in the first quarter of 2016, in a challenging operating environment, we continued to deliver solid earnings of \$2.4 billion.

Naturally, there have been concerns about the impact of low oil prices on our business, which I'd like to address.

Oil and gas represents about 1.6% of our total loan book and our provision for credit loss remains in line with historic norms.

We also believe the significant gains that oil markets have made since January will hold, given that the US economy continues to grow, albeit slowly.

Here in Canada, the lower dollar has done its job, with exports and investments now on the rise.

With this context in mind, I'd like to take you through our various businesses and describe some of their strategic progress.

Our Canadian banking franchise remains the cornerstone of RBC.

We're #1 or #2 in every major business segment, and continued in 2015 to grow our market share in key categories.

We have the most diversified customer base among banks in Canada, the country's strongest brand, and employee engagement levels that are among the best in the world.

Our customers continue to recognize this, and our net promoter score has grown in every year but one since 2004.

In fact, our score is now double what it was in the early 2000s, and explains why RBC is the #1 bank when it comes to cross-selling and offering a wide range of products to meet our clients' complex financial needs.

For these reasons and more, we were named by Retail Banker International magazine as Retail Bank of the Year for the second year in a row -- an honour no other Canadian bank has ever achieved.

We recognize that the world of finance and banking is changing. What made us successful in the past will not guarantee our success in the future.

We see this evolution as an opportunity – an opportunity to grow as a digitally-enabled relationship bank.

We're now seeing 60% of all financial transactions, excluding cash withdrawals, coming through digital and mobile channels.

Last year, to better serve that demand, we launched an industry-leading, mobile wallet.

This year, we've revamped our iPhone and Android mobile banking experience and will be bringing new functionality into our Mobile Wallet.

We've already seen more than 5 million downloads of our mobile banking app.

In this increasingly instant and digital world, consumers don't plan their finances like they once did, which means we need to know our customers' needs, their wants, their ambitions, and their fears, often without ever asking them directly.

We need to place ourselves in the context of their lives.

In short, we need to think of ourselves as their financial Siri.

So what are RBC's advantages?

- First, scale. With more than 14 million clients in Canada, we have the resources and market knowledge to build, test and improve on ideas that make our clients' financial lives better — and attract premium partners.

We've done just that with our Avion credit card, by forging innovative partnerships with the brands and services that our clients love, including The Running Room, airbnb, Saks Canada and Apple.

- Second, reciprocity. We have critical mass to help our customers lever their purchasing power, by giving them more reward points, better prices and more premium services than our competitors.
- And third, data. Our client base gives us better insights on how they buy, borrow, invest and trade — insights that help us to anticipate client needs.

We're approaching these opportunities in very new ways for a bank. For the past two years we've relied on dynamic, agile teams to build products and adjust them — according to customer preferences.

In the process, we have found our time to market is much faster. Our employees are more engaged. And our costs are lower.

It's one of the reasons we're ranked as the most cost-efficient bank in Canada, with an efficiency ratio of 53%. It's this efficiency that allows us to re-invest in exceptional client experiences.

This is our DNA.

Our strength in core banking continues to benefit other parts of our business, notably Wealth Management.

RBC already is Canada's top asset manager and operates the largest network of advisors, and our reach among high net-worth clients is expanding.

Over the past five years, our Canadian Wealth business increased its share of the high net worth market by about 500 basis points — to 20%. We expect that to grow.

The synergies between our top retail platform and wealth business are significant, from mutual funds sold in branches to referrals of our commercial banking customers to advisers.

It's this combination of premium businesses — banking and wealth management — that will continue to drive premium performance.

In the U.S., we've doubled our private client business since 2010 and are now the 7th largest full-service brokerage house by assets under administration.

The acquisition of City National Bank, a highly regarded private and commercial bank, was the largest strategic move in our history and positions us well for growth in some of the most dynamic U.S. centres.

Since buying City National, we continue to hear from Americans who want to take advantage of RBC's global reach and expertise, our range of financial products, our strong balance sheet — and our reputation as a principled organization.

We have an exciting future ahead. And we're off to a great start with City National, which generated more than \$100 million of additional earnings in its first quarter. Across the U.S. last year, we generated \$1 billion of earnings, and we believe we can double that.

While investing for the future, we have also made significant progress in exiting businesses that we don't feel will be long-term contributors to shareholder value.

We sold our Swiss private banking business and announced the sale of both our Caribbean wealth management operation, and our Canadian home and auto insurance business.

This emphasis on actively managing our portfolio, with a sharp focus on strategy and execution, is already producing dividends.

A good example of this was our Caribbean banking segment, which has delivered strong results for the past several quarters, an impressive turnaround for a business that was losing money until two years ago.

In Capital Markets, we maintained our leading position in Canada, and were named Canada's "Best Investment Bank" for the 8th straight year. Our team led the league tables in equity, debt and M&A work, supported by an equity research team that's been ranked number one by Brendan Wood International for 6 years running.

In the U.S., the Capital Markets group has doubled its market share in seven years, and now counts as clients, some 289 of the Fortune 500 companies.

In London, we recently signed an agreement to relocate to a new building in 2020, underscoring our commitment to Europe. And we have expanded our presence in France and Germany.

What you don't see in these numbers is the culture of our Capital Markets business. It continues to set a standard both at home and abroad.

If you've read Michael Lewis's best-selling book *Flash Boys*, in which RBC played a central and very positive role, you're among the millions who now appreciate how Financial Services can and should be a force for good.

Our growing Investor & Treasury Services business is also making a mark. Not only did it deliver record results, it was also rated by our clients as the number one global custodian for the 5th consecutive year.

One of the reasons our I&TS business has become a global leader is its focus on innovation.

It does this in partnership with clients rather than in isolation.

At our innovation lab in Luxembourg, there are currently four client firms at work with our own employees, building new products and platforms, to address real market needs.

This collaborative approach is core to all innovation at RBC. Our strategy is designed to put some of our best people together with some of our best partners to tackle some of the most interesting opportunities in financial technology.

We have already built innovation labs in Toronto, London, Luxembourg, New York, and Orlando, where our work last year produced three commercial patents, and we'll soon open a lab in Silicon Valley and another in the Toronto region.

We've seeded this effort with \$100 million of capital to invest in FinTech venture funds, and directly with start-ups. This will give us a window on emerging trends and an early opportunity to work with new technologies.

We're also putting ourselves closer to leading universities, to partner with the best, brightest and boldest minds that we can find.

We have supported innovation programs on campuses across the country. Yesterday, we announced a \$3-million, ground-breaking initiative with the University of Toronto, to build a start-up accelerator for student and graduate entrepreneurs to develop commercial ideas that will contribute to Canada.

In addition to our own innovation work, we're seeking to inform a national conversation about the state of innovative thinking in our colleges and universities -- because that's what will help shape Canada for decades to come.

Collectively, we need to better integrate the classroom and the workplace, if we're to create the companies and campuses of the future.

Through the Business Council of Canada, I'm leading a group of corporate CEOs and university and college presidents to explore ways to supercharge this approach to education, employment and entrepreneurship.

Canadian colleges and universities have come a long way since I was a co-op student in the 1980s. Nearly half of post-secondary students now graduate with some form of work-integrated learning — whether it be co-ops, internships, apprenticeships or field placements.

We need to ensure a majority of college and university students enjoy some level of work-integrated learning during their undergraduate years.

The recent federal budget took a welcome step with a commitment of \$73 million, over four years, to help universities, colleges and employers create a virtual superhighway for students to move back and forth between campuses and workplaces.

It's now time for employers and educators to also fully recognize the value of student placements -- for their own benefit as well as for Canada's next generation.

At RBC we're trying to do our part and more. This year, we'll hire 750 students in Canada to work on technology projects. A small number of them will be given additional challenges in a new program called Amplify, to take on special projects that we think will lead to new businesses for RBC or for the students, or even better, for both.

In addition, we expect those students to challenge the way we do things, and to “up the education game” when they return to the classroom. We want their disruption.

That’s the value of work-integrated learning.

As a society, we must always strive to ensure future generations have what they need to both thrive and prosper.

Whether it’s our pledge to commit 1% of our earnings to important causes -- more than \$100 million last year – or the millions of volunteer hours our employees commit, we take our communities and their challenges very seriously.

We also draw inspiration from so many of the people we’re privileged to support, especially our Olympians. We’re honoured to have four of Quebec’s finest with us today. I invite you to meet with them out in the foyer after the meeting and share in their stories, as I have.

This common concern is fundamental to our purpose.

More and more, we see purpose-driven organizations succeed where so many others struggle.

Purpose-driven organizations attract the best and most dedicated employees. They appeal to the most valuable clients. They inspire better ideas. And in troubled waters, they provide a North Star.

In 2015, we invited employees to articulate their views about our purpose. It was an unprecedented company-wide conversation that led to, what we call, Collective Ambition.

This drive for purpose – which has since been documented by the Harvard Business Review – put a simple question to RBCers: “What will future success require -- from all of us?”

Over three days, some 20,000 employees joined a global, online, real-time exchange to discuss what makes a bank great.

As one of the active participants, I learned a lot.

I learned that RBCers are optimists. Despite all the challenges around us, we see the future with an open mind, and with a view that it can be — and should be — *better*.

I learned our employees also want to be part of something *bigger*. We believe RBC can help our clients build that future, for themselves, their families, their companies and their communities.

We came to see our purpose quite simply: to help our clients thrive and their communities prosper. It's why our employees come to work every day. And we think it's why clients the world over continue to trust RBC.

They know we put clients first. We innovate on their behalf. We collaborate within and outside RBC – to set new standards. We hold each other to account. And we strive for diversity —diversity and inclusion — in all that we do.

It's the RBC Way.

Ladies and gentlemen, we see this Collective Ambition tested anew almost every day, by a world that is volatile and increasingly distrustful.

In the face of such change, many people -- unfortunately -- want to close their doors, to protect what they have.

And yet history shows us that isolation only erodes what we have.

We need a society that welcomes us all regardless of origin, gender, physical needs, sexual orientation, or faith. It's good for society, it's good for business.

Consider a recent study of American start-ups that have reached \$1 billion in value, the kind popularly known in Silicon Valley as Unicorns. Of 87 such firms, just over half — 44 — have at least one immigrant founder. And in nearly three-quarters of the firms, newcomers hold key management roles.

Silicon Valley knows what the city of Florence knew in the Renaissance and what Montreal is showing us today. Diverse groups make better decisions. They tend to take more chances. They build resilience in all that they do. And they look outward.

Quebec premier Philippe Couillard said it well a few weeks ago, in a speech here in this city: “La diversité, c'est l'ouverture sur le monde.” (“Diversity is the gateway to the world.”)

In the years ahead, embracing difference will be the difference — between prosperous societies and stagnant ones, between households that thrive and those that struggle, between companies that shape the future and those that remain defined by the past.

We believe these values are fundamental to the record results we achieved over the past year. They're also at the root of all that we're excited to take on.

It's why we believe our vision and values separate us from other companies. They attract and retain the best talent in banking, they give our long-term shareholders confidence, and they draw outstanding clients from around the world to RBC.

Like that manager I met as a child in the Ville Saint Michel branch, we are here to serve those clients.

Thank you for giving us that opportunity.

Now, I will turn the meeting back to Katie.