Address to Shareholders

by

Gordon M. Nixon
President & Chief Executive Officer

to the

143rd Annual Meeting of
Royal Bank of Canada

Toronto
March 1, 2012

Please check against delivery

DISCLAIMER

The following speakers' notes and the webcast have been furnished for your information only, are current only as of the date of the webcast, and may be superseded by more current information. Except as required by law, we do not undertake any obligation to update the information, whether as a result of new information, future events or otherwise.

These speakers' notes are not a transcript of the webcast and may not be identical to the comments made during the webcast. You can replay the entire webcast up to June 1, 2012 by visiting the Royal Bank of Canada ("we" or "our") website at http://www.rbc.com/investorrelations/ir_events_presentations.html.

In no way do we assume any responsibility for any investment or other decisions made based upon the information provided on our website or in these speakers' notes. Users are advised to review the webcast itself and our filings with the Canadian Securities Regulators and the United States Securities and Exchange Commission ("SEC") before making any investment or other decisions.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. We may make forward-looking statements in this Annual Meeting of Common Shareholders presentation, in other filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements in this presentation include, but are not limited to, statements relating to our strategic goals, the economic forecast, and the 2012 outlook for our business segments. The forward-looking information contained in this presentation is presented for the purpose of assisting the holders of our securities in understanding our financial position and results of operations as at and for the periods ended on the dates presented and our strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

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, operational, and liquidity and funding risks, and other risks discussed in the Risk management section of 2011 Annual Report and in our Q1 2012 Report to Shareholders; general business, economic and financial market conditions in Canada, the United States and certain other countries in which we conduct business, including the effects of the European sovereign debt crisis and the lowering of the U.S. long-term sovereign credit rating by Standard & Poor's; changes in accounting standards, policies and estimates, including changes in our estimates of provisions, allowances and valuations; the effects of changes in government fiscal, monetary and other policies; changes to and new interpretations of risk-based capital and liquidity guidelines; the impact of changes in laws and regulations, including relating to the payments system in Canada, consumer protection measures and the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder; the effects of competition in the markets in which we operate; our ability to attract and retain employees; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning our clients and counterparties; our ability to successfully execute our strategies and to complete and integrate strategic acquisitions and joint ventures successfully; development and integration of our distribution networks; 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.

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 2011 Annual Report and in the Risk management section in our Q1 2012 Report to Shareholders.

Information contained in or otherwise accessible through the websites mentioned does not form part of this presentation. All references in this presentation to websites are inactive textual references and are for your information only.

Good morning ladies and gentlemen, and welcome to your annual meeting. I'm very pleased to share with you our Q1 results as well as a brief review of our 2011 performance.

But first, I want to describe the context for our performance. I think it's important to do so because RBC's <u>success</u> – domestically and in the U.S., the U.K., and increasingly in Asia – exemplifies Canada's continued strength and opportunities. These attributes of ours are truly striking in a world where many industrialized countries are both <u>succumbing</u> to and <u>contributing</u> to a pall on the global economy.

Looking south to our neighbour, while there are some early signs that it may be on the mend, there are significant structural issues that must be addressed. Nearly 13 million Americans are out of work and the U.S. government is facing burgeoning and unsustainable debt, a shift in its role in the world, political paralysis and an approaching election that debates some of the core values that Americans have about individual rights and responsibilities.

And in Europe we're continuing to see significant problems – unemployment rates at record levels in many countries, pervasive youth unemployment, and social unrest in the face of tough choices and even tougher decisions.

We are monitoring the situation in Europe very carefully. We are hopeful that the efforts to stabilize the Euro will contain the current problems and avoid a disorderly break-up. And we're continuously reviewing possible Eurozone scenarios to make sure we can respond to developments quickly.

Add the world's economic challenges to the cauldron of political, social and religious conflicts, and we have a world in troubling times. And even here, in what is in my view the best nation in the world to live, we have important issues at various stages of brewing.

Fifteen minutes listening to a Canadian news channel gives you a long list of challenges, including First Nations housing, debate over oil and gas pipelines, retirement savings, pension underfunding, higher consumer leverage, Canadian productivity levels, and the challenges faced by immigrants in finding jobs and securing wage equity. There are plenty of issues and plenty of debate.

And regardless of one's views on the Occupy movement, it brought focus not only to the issue of income disparity, but also to the squeeze being felt by the middle class. And we in the business community must find ways to be part of the solution to the social and structural issues or we will be part of the problem.

However, in the face of all of this, I continue to hold fast to my conviction that this <u>is</u> Canada's decade. We have shown ourselves to be a nation that is resilient, measured and well managed; the kind of country that fostered one of the strongest and most stable financial services industries in the world.

We are a country described as rich in resources: and this means much more than just oil and gas, minerals and forests. It also means a highly skilled and educated population, and one that offers employers diverse international perspectives and insights thanks to a progressive immigration policy. It means flourishing communities – where support for the arts, for sports, for issues critical to our future well-being like clean water and children's mental health – is provided by both citizens and corporations.

Overall, Canada's reputation has grown – as a country, as a safe place to invest, and as the home of a strong financial services system. I travel a lot and I can tell you that being from Canada has never been viewed more positively. Frankly, it's cool to be Canadian. In a world where global financial institutions are deleveraging and many are heading home to tend to their domestic operations, we are fortunate to be from Canada.

It's made the job of pitching RBC's strengths to prospective clients outside of Canada much more appealing. RBC is a strong bank from a strong country. So despite the global and domestic challenges, we can either view our glass as half empty or half full. And I choose to see it as half full.

We have used our domestic strength as a springboard and we are not only the largest bank in Canada, but also the 10th largest bank in the world by market capitalization. In addition to size, we have strength, thanks to a well diversified business, our strong capital base and our highly liquid balance sheet.

It's this financial strength and our reputation for integrity and stability that has allowed us to continue investing for growth, even as regulatory changes and market volatility have redefined the marketplace.

In this regard:

- We've continued to invest in new technologies to meet changing client needs;
- We've used our scale to increase efficiency so we can offer competitive pricing even in a low interest rate environment;
- We've used our strong balance sheet to support our clients, while many competitors have been unable to do so;
- And we also continued to attract top talent and a diverse workforce to ensure we can meet our clients' needs with better understanding and advice.

Our results this quarter continue to demonstrate the strength of our long-term strategy, based on generating approximately three-quarters of our earnings from retail and the balance from wholesale. Looking ahead and based on our long-term plan, our retail platforms should deliver solid growth; and while we expect the contribution from Capital Markets to continue to be strong and also to grow, the percentage of our overall earnings from wholesale is forecast to trend lower from the mid to the low 20s. We believe this is the right mix not only from an earnings perspective but also from a risk diversification outlook.

I point this out because, as some of you may be aware, Moody's recently placed our long-term credit rating under review along with 16 other firms simply because we are deemed to have significant global capital markets activities. In our view, we are being reviewed because of our profitability and success in this business, rather than due to specific performance or risk concerns.

Our credit rating and capital base are among the strongest of all banks globally and over the past three years, Capital Markets has been consistently profitable with high returns – something that is not true of other large global banks or even all other Canadian banks. The relative size of our wholesale business is at the median of our Canadian peers and well below the other large banks included in the review.

We look forward to discussions with Moody's over the review period to assist them in clearly understanding our business today, and the steps we have taken over the past few years to optimize our balance sheet, reduce risk and adapt to structural and regulatory changes occurring in the market.

With respect to our strategy, we have stayed the course, which is to build a universal bank in Canada with the number one market position, and to selectively grow premier, globally competitive businesses that serve corporate, institutional and high net worth clients.

Our strategy has given us what many banks in the world do not have today: flexibility. We can deploy our strong capital in a number of ways to best serve our shareholders. We can make further investments in our existing businesses to continue advancing our leadership. We can repatriate capital through share buybacks or dividends, as we have demonstrated. We could also take advantage of economic turbulence and market dislocation to make strategic acquisitions. We intend to find the right balance among these options. This flexibility is an important competitive advantage.

With respect to returns, over the medium term, we continue to outperform our global peers on total returns to shareholders. Our annual total shareholder return over five years ranks us in the first quartile.

In 2011, we delivered record results from continuing operations. This included record earnings in Canadian Banking, Wealth Management and Insurance, and strong growth in our corporate and investment banking business in Capital Markets. We continued to extend our lead in Canada and selectively grow our presence globally.

In 2011, we announced the sale of businesses that did not meet our return hurdles, including our U.S. retail banking operations. We made these decisions consistent with our commitment to actively deploy our capital to where we can generate the highest returns. In our capital markets business, we scaled back some of our trading activities and invested in growing our lower risk and less capital intensive investment banking business.

I would also highlight that we were required to adopt International Financial Reporting Standards starting in fiscal 2012, and our comparative period results have also been provided in accordance with IFRS. These new standards will help make our results more comparable to other global financial institutions.

In 2011, we delivered record net income from continuing operations, which were $7 billion for the year under IFRS. Diluted earnings per share were $4.55, and return on common equity was 20.3 per cent.

On a continuing operations basis, we met or exceeded all our medium-term financial objectives, and we increased our quarterly dividend by 8 per cent.

On a consolidated basis, our results, again under IFRS, were net income of $6.4 billion, diluted earnings per share of $4.19 and return on equity of 18.7 per cent.

In 2011 our Canadian Banking group stood out for record earnings, for growing overall volumes faster than any other Canadian bank and for ranking number one or two in market share in all consumer and business product categories. This business won numerous awards for client service over the year and was the first to launch fully integrated mobile banking applications for all platforms. We will continue to invest in this business to maintain the unparalleled advice and products we offer to our individual and business clients.

RBC Wealth Management has grown to be the sixth-largest wealth manager in the world by client assets, fifth in revenues and fourth by profits. We continue to focus on profitable growth in the U.S., where we are the sixth-largest full service wealth manager, and on growing our business in the U.K. and Emerging Markets. In Canada, we are the leading wealth manager by a wide margin and are focused on extending our number one position among high net worth investors, driven by our global capabilities and collaboration across RBC. In addition, for the past eight calendar years, our asset management business has exceeded 20 per cent of the industry net sales of long-term mutual funds in Canada.

RBC Insurance delivered record earnings and a strong year of business growth, and continues to win service awards from customers and agents.

In the Caribbean we are undertaking an extensive reorganization. We have a solid brand in the region and are building a strong franchise to ensure we can take advantage of the long-term opportunities in this business.

RBC Dexia Investor Services, our 50 per cent joint venture, is a top 10 global custodian serving a diverse base of institutional and corporate clients in 15 countries. This past year, RBC Dexia continued to execute its growth strategy and broadened its suite of products and services. This business is well positioned to benefit from the long-term demographic trends that point to growth in wealth management around the world.

We remain committed to the Investor Services business, which is very complementary and fits with our long-term strategy. As has been previously reported, we continue to have discussions with our partner and we hope to conclude negotiations soon.

Our Capital Markets business ranked 11th in the world by fees, up from 14th last year. For the second year in a row, we were named the number one team for Canadian Equity Research, and we were named the top firm in Canada for debt and equity underwriting combined by the National Post. North America represents the vast majority of our business. Our past investments in our U.S. business are paying off, and we successfully expanded our sector coverage, corporate loan book, client relationships and mandates. Globally, our investment banking team continued to gain market share and win significant mandates across geographies. Outside of our domestic market we focus in areas where we have competitive strengths, including global mining, energy and infrastructure. In Europe, we continue to win awards for our credit, foreign exchange and infrastructure businesses.

Turning to the first quarter results we released this morning, we had a very strong start to 2012 with first quarter earnings from continuing operations of over $1.8 billion, up 17 per cent over last quarter.

We had a record quarter in Canadian Banking with earnings of nearly $1 billion dollars as well as strong results in Capital Markets and continued strength in Insurance and Wealth Management.

We generated a strong Tier 1 capital ratio of 12.2 per cent, and a Tier 1 common ratio of 9.6 per cent.

I am also pleased to report that today, we announced a 3 cent or 6 per cent increase to our dividend, bringing the quarterly dividend to 57 cents a share.

Our outlook for RBC in the year ahead is optimistic. We are confident that RBC has positioned itself well to grow and prosper through a challenging environment.

In Canadian Banking, we want to continue outgrowing the industry by a 25 per cent premium. We are leveraging our distribution network and mobile sales force – the largest in the country – to continue cross-selling and taking advantage of our scale to reduce costs and improve efficiency.

We are investing in new digital solutions and advice channels so that we remain an unmatched resource for financial advice and solutions. This includes our retail store concept, which provides a new way of delivering banking through a hybrid of best-in-class retail shopping and financial services.

There has been a lot of attention lately on housing prices and consumer debt in Canada. We analyze this very closely and continually stress test, and we are comfortable with our retail portfolios. Overall, we believe the Canadian housing market continues to fare reasonably well. The annual housing price appreciation over the last several years is within the historic long-term range, housing affordability remains at reasonable levels in most markets, and we are confident in our underwriting standards.

With respect to consumer leverage, while the absolute number appears high by historical standards, it is important to note that consumer debt service ratios are again within our historical and normalized range, and clearly indicate that our clients have the capacity to service these debt levels. We continue to monitor these issues closely.

Wealth Management still faces some headwinds caused by the markets and continued low interest rates, but is very well positioned to execute its growth strategy in Canada, the U.S., the U.K. and Emerging Markets.

In Insurance, we continue to deliver industry-leading service and a wide range of products to meet our clients' needs. Insurance is a growth business that is becoming a significant part of our overall retail offering and diversifies our earnings.

In International Banking, we are strengthening our franchises to take advantage of attractive long-term potential returns. We expect the sale of our U.S. retail banking operations to close tomorrow. We have launched a new cross-border platform to continue to meet the U.S. banking needs of Canadians and this also provides us with a good platform for growth.

RBC Capital Markets is well positioned to win business as we take advantage of our strong balance sheet and financial stability to add more client relationships and increase mandates. We continued to add quality names to our loan book, and our investment banking pipeline remains strong.

In short, we enter 2012 well positioned to grow our earnings and take advantage of opportunities while ensuring we are managing risk. And we're off to a good start.

Regarding regulation, I would like to state once more a conviction I have voiced since the financial crisis began four years ago. While ensuring a safe and secure global banking system is a critical objective, it's not appropriate to paint all banks with the same brush. There are significant differences in performance, governance and risk management.

Regulating to the lowest common denominator means that all banks and all markets will pay for the mistakes made in certain jurisdictions and by specific institutions; that all companies and industries will see their access to capital diminished; and that all consumers will be burdened with the ultimate costs. Financial services companies are in the business of managing risk: it is at the core of what we do. Some banks and some jurisdictions do it better than others. Avoiding the costs of yesterday's bad decisions by shackling all banks' ability to create value through their capital and expertise can mean new costs and new risks to the world's economic recovery.

An example of this is the Volcker Rule. We share the significant concern that this legislation could negatively impact Canadian markets, including the ability of corporations to access capital, and for both Canadian financial institutions and Canadian governments to effectively manage their liquidity and funding requirements. That kind of extraterritorial reach simply should not be within the span of control of other regulators.

The rules as currently laid out will also have serious unintended consequences for all foreign banks operating in the U.S., and in my opinion will ultimately adversely affect U.S. capital markets and economic growth.

In addition, I believe that the new Basel rules, while well intended, will have consequences that may increase rather than decrease systemic risk. It is extremely important that we don't look back in the years to come and realize that regulatory policy served as an obstacle and de-stabilizer rather than a facilitator and source of financial strength.

It's important that we take a leadership role on these issues. We will continue to actively work with governments and regulators because we <u>do</u> support financial reforms. We <u>do</u> need to create better transparency, stronger capital and liquidity standards, reduced risk and enhanced financial stability. But we also need policies that continue to support capital flows and economic growth, and <u>avoid</u> creating unfair disadvantages for some jurisdictions.

And finally, more focus should be placed on national, market and individual bank regulation, a formula that has worked effectively in our country.

One thing is for certain. The banking industry is moving forward in a new environment that will require banks to adapt – one characterized by greater regulation, a more challenging economic period, and likely low interest rates. But, we are confident RBC is well positioned to succeed.

Strong banks like RBC will adapt to the new rules, seize on new opportunities, and earn superior rates of return.

We have set high standards for ourselves, not just in terms of strategic growth goals and financial performance, but also as a corporate citizen. We focus on supporting issues where we can make a meaningful, long-term impact.

We know that our clients and communities also expect this from us. They expect the companies they buy from to be visible corporate citizens. We will continue to work hard to meet this expectation.

You'll see behind me the highlights from RBC's membership on global sustainability indices and lists, as well as the recognition we've received as an employer of choice. Our high employee engagement is a continued driver of our success.

In 2007, RBC created the RBC Blue Water Project. We are now in the fifth year of a $50-million donation program to help ensure people have access to clean and fresh water.

The RBC Children's Mental Health Project has provided almost $10 million since 2008 to organizations dedicated to providing early intervention, increasing public awareness and reducing the stigma of mental illness.

And I am very proud of our recent launch of the RBC Impact Fund, which will provide $10 million in capital to help finance projects by organizations and entrepreneurs tackling social and environmental challenges. It's our hope that this fund will inspire other organizations to make similar investments, and in doing so, contribute to the next wave of innovation and productivity growth.

Our consistent outperformance, our commitment to corporate citizenship and the communities where we live and work, and the unwavering client focus of our employees have combined to build our brand and spur our growth.

In Canada, we were named Brand of the Year by Strategy magazine and Most Valuable Brand in Canada by Brand Finance. Our brand is increasingly an advantage for us outside Canada. In today's environment, we are seeing increased opportunities as clients are reconsidering traditional banking relationships, and are attracted to the strength, stability and integrity of RBC.

Our brand is not a logo or an icon. It is the people who stand behind our promises and represent RBC every day. These are the 74,000 knowledgeable, client-focused and committed employees who help us earn the right to be our clients' first choice. They differentiate RBC as an exceptional source of advice for clients. Our shared values of service, teamwork, responsibility, diversity and integrity help guide our behaviours and decisions, inspire us to lead in diversity and inclusion and define what it means to be a responsible corporate citizen.

On behalf of our Board of Directors and my colleagues on the executive team, I would like to thank all of our employees worldwide for their strong performance and hard work in 2011. I also want to thank our 16 million clients for trusting us with an increasing amount of their business. And to our shareholders, our thanks for your continued confidence and support.

I am honoured to work with all of you to make RBC a company we can be proud of.