ROYAL BANK OF CANADA
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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 these speakers’ notes from the August 23, 2017 analyst conference call (the speakers’ notes), in filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission, in reports to shareholders and in other communications. Forward-looking statements in these speakers’ notes include, but are not limited to, statements relating to our financial performance objectives, vision and strategic goals. The forward-looking information contained in these speakers’ notes is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, and our financial performance objectives, vision and 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”.

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of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks and other risks discussed in the Risk management and Overview of other risks sections of our 2016 Annual Report and the Risk management section of our Q3 2017 Report to Shareholders; global uncertainty, the Brexit vote to have the United Kingdom leave the European Union, weak oil and gas prices, cyber risk, anti-money laundering, exposure to more volatile sectors, technological innovation and new Fintech entrants, increasing complexity of regulation, data management, litigation and administrative penalties, the business and economic conditions in the geographic regions in which we operate, the effects of changes in government fiscal, monetary and other policies, tax risk and transparency, and environmental risk.

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 Q3 speakers' notes are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2016 Annual Report, as updated by the Overview and outlook section in our Q3 2017 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 the Overview of other risks sections in our 2016 Annual Report and in the Risk management section of our Q3 2017 Report to Shareholders.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning everyone and thanks for joining us today.

This morning, we reported solid earnings of $2.8 billion, and grew our CET1 ratio to 10.9%.

As part of our commitment to drive long-term shareholder value, we’ve returned approximately $7 billion to shareholders through buybacks and dividends this year. I’m also pleased to announce a 4 cent increase to our dividend this morning, bringing our quarterly dividend to 91 cents per share.

Before discussing our highlights this quarter, I would like to spend a few minutes on the macroeconomic backdrop.

Canada is leading the G7 in economic growth reflecting fiscal stimulus, increased business investment and strength in consumer demand. This is partially reflected in our results this quarter with Canadian Banking recording strong growth in business lending, mortgages and cards.

Labour markets are also strong with the unemployment rate down to 6.3% - the lowest level since 2008. Fairly benign credit conditions, which Mark will expand on, are supported by this healthy employment environment.

The Bank of Canada affirmed its confidence in the economic outlook and raised interest rates in July for the first time since 2010. Our core deposit franchise is a key strength for us, and is the foundation of our client relationships. This deposit base positions us to gradually benefit from a rising rate environment.

On Canadian Housing, we’ve seen a healthy moderation in housing activity in Toronto and Vancouver, supported by policy actions by provincial governments and our regulator to create a healthier, and more
balanced market. We continue to prudently grow our mortgage portfolio with strong FICO scores at origination, and are seeing low delinquencies.

Household demand should continue to be supported by economic and population growth, including immigration. We want Canadians to own homes they can afford, and we remain well positioned to help newcomers and first-time home buyers.

And now, turning to our results, we had a solid quarter.

All of our business segments performed well:

Canadian Banking reported solid volume growth driven by strength across our products including cards, mortgages, business lending and deposits. For the second year in a row, we ranked ‘Highest in Customer Satisfaction Among the Big Five Retail Banks’ as part of the J.D. Power study\(^1\) while also maintaining high net promotor scores.

We are launching new, long-term relationships with flagship companies to drive sustainable growth. For example, we secured a new partnership with a major international auto manufacturer to provide subvented financing to its dealerships. Also, clients who use their RBC credit card will instantly receive a discount for their Petro-Canada fuel purchases at the point of sale. You will hear more about how we are adding value to our clients in the weeks to come.

This quarter, we also achieved a significant milestone – our customers’ mobile sessions surpassed that of online banking. We saw a 40% increase in mobile financial transactions over the past year. And to support increasing mobile adoption rates, we released more than 20 new app capabilities to 3 million plus mobile customers in the past year.

RBC clients are now the first in Canada who can ask Siri to pay their bills. We also launched e-Transfer payments within iMessage giving our clients another innovative payment solution.

In the coming weeks, you will also hear more about two new tools. NOMI Insights and NOMI Find & Save which will use artificial intelligence to provide personalized advice, helping clients manage their day-to-day finances and make saving simpler.

We are proud that our focus on innovation has awarded us the ‘Highest in Customer Satisfaction Among Canadian Mobile Banking Apps’ in the inaugural J.D. Power Canadian Banking Mobile App Study\(^1\).

Turning to Wealth Management, we had another strong quarter across the wealth franchise. Our diversified businesses are poised to benefit from rising interest rates, volume growth, and continued investments in people and technology:

Last quarter you heard me talk about MyAdvisor. Partnering with Canadian Banking we have launched our online wealth advice platform to select mutual fund investment clients across Canada with positive feedback.

And in U.S. Wealth Management, including City National, we are tracking well towards the 2020 targets that we highlighted in our 2016 Investor Day last summer.

Capital Markets had another solid quarter, demonstrating the quality of our client franchise.

We remain committed to supporting our clients financing needs, with Canadian corporate and investment banking benefiting from increased syndicated finance deals this quarter.

RBC advised on the $4.8 billion sale of DH Corp to Vista Equity Partners – the largest acquisition of a Canadian company by a U.S. firm in the last couple of years.

Our focus to deepen client relationships helped us drive market share upwards in the U.S.

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Investor & Treasury Services posted strong results.

Over the past two years, we’ve made meaningful investments in technology to enhance the client experience and position the business for success. We are seeing the benefits, with new client relationships and record levels of assets under administration.

Underscoring the impact of our efforts, we were recently recognized at the Global Investor Awards, including the #1 Global Custodian and the #1 Global Fund Administrator of the Year.

Across the organization we have a tremendous amount of work underway to be a digitally-enabled relationship bank.

This means speeding up how we do business and reducing complexity to deliver an exceptional client experience.

This journey is not always easy.

As part of this process, we made the difficult decision to reduce a higher-than-normal number of head office roles with the goal of reinvesting in areas like data analytics and artificial intelligence.

We also created opportunities to move employees to different roles and bring in new talent. In my view, diversity and inclusion are core to an innovative environment. Of the promotions to executive roles, approximately half were women, and women now represent 40% of our executive positions.

We remain committed to changing the way we work in a world where client needs and the competitive landscape are evolving.

In short, we have a tremendous group of engaged employees, and we expect the investments in our people and digital capabilities will set our organization up for sustainable growth.

Before I conclude I’d like to mention the wildfires in British Columbia. It’s a devastating situation, and I know many Canadians have been affected.

I’m proud of our teams for pulling together to provide much needed support to our communities. We are committed to helping clients by providing financial assistance, including short-term payment deferrals, and will continue to provide support where needed.

And with that, I’ll turn the call over to Rod.

**ROD BOLGER, CHIEF FINANCIAL OFFICER**

Thanks and good morning everyone.

As Dave mentioned we reported solid third quarter earnings of $2.8 billion, as shown on slide 5. Earnings were down 3% due to last year’s gain on sale of our Home and Auto manufacturing insurance business.

Excluding the gain, net income was up 5% from a year ago; and EPS was up 8%, reflecting the benefits of our share buybacks in the first half of the year.

We saw another strong quarter of underlying revenue growth, and net of the Insurance fair value change, our adjusted operating leverage was positive 1.5%.

Our expense growth included higher-than-normal severance costs, which were $120 million pre-tax in the quarter, or 6 cents per share after-tax. Of that amount, the majority was related to head office groups. More than half of the total severance, or $70 million pre-tax, impacted the Corporate Support segment.

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3 This measure has been adjusted to exclude the change in fair value backing our policyholder liabilities and a gain of $287 million ($235 million after-tax) from the sale of RBC General Insurance Company to Aviva Canada Inc. This is a non-GAAP measure. For more information, please refer to the Notes to Users on page 8.
As we allocate more resources into technologies for our clients and given increasing requirements for cybersecurity and regulations, we accelerated severance outside of our normal range this year. We don’t expect to have as much severance next year.

Turning to slide 6, our Common Equity Tier 1 ratio increased 30 basis points from last quarter to 10.9%, driven by strong internal capital generation and benefits from a higher pension discount rate. In addition, we were able to reduce RWA in certain portfolios while supporting client-driven RWA growth.

We manage our capital tightly and remain very comfortable with our CET1 ratio. Our strong earnings generation and capital ratio growth provides us flexibility to redeploy or return capital to shareholders. And as Dave mentioned, we announced a 4 cent dividend increase this morning.

In the past, we received a number of questions around capital requirements if we were ever designated a G-SIB in the future. Earlier this week, OSFI released for public consultation its guidance if a Canadian Bank was designated a G-SIB. Given this current guidance, we do not anticipate an additional CET1 G-SIB buffer on top of the current 100 basis point D-SIB surcharge for large Canadian banks.

Let me turn to our business segment performance. All businesses performed well in the quarter.

Starting on slide 7, Personal & Commercial Banking earned $1.4 billion.

Canadian Banking net income of $1.35 billion was up 5% from a year ago, reflecting solid client volume growth of 7% and fee-based revenue growth of 6%.

Our business deposit growth was strong, up 14%, and business loans grew 11% as we added commercial bankers and continued to do more for clients.

Mortgage growth remained solid at 6%. We expect our personal loan volumes to improve as the Ally portfolio runs-off and as we gain momentum from the new auto partnership that Dave mentioned.

We achieved these results despite NIM compression of 2 basis points year-over-year, and 1 basis point from last quarter. We expect some NIM pressure to continue in Q4, but we do expect NIM to stabilize starting in the first quarter.

Adjusted operating leverage in Canadian Banking was 0.7% year to date or 1.3% excluding severance which was higher than normal this quarter. For the full year, we expect to be at the low end of our one to two percent range for adjusted operating leverage excluding severance, due to higher investments in digital and technology.

Turning to Wealth Management on slide 8. Earnings of $486 million were up 25% reflecting strong performance across all of our key businesses.

In Canadian Wealth Management, we recruited experienced investment advisors over the past year, and benefited from higher client activity and higher equity markets.

In Global Asset Management, investors continued to trust our line-up of investment solutions with over three quarters of our funds outperforming the benchmark on a 3-year basis. As the market leader in Canada, we continued to attract investments with a market share of over 30% amongst banks.

Our US Wealth Management business performed well, benefiting from the Fed rate hikes, and strong loan and deposit growth, which drove revenue growth of 16%. This year, we also added over 450 colleagues at City National and expanded our footprint in Washington D.C., Minneapolis and New York to support our customers.

Moving on to slide 9, Insurance earnings were $161 million. Excluding last year’s gain on sale, net income was up 25% largely due to higher investment-related gains.

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3 Operating leverage adjusting for higher severance costs is a non-GAAP measure and may not be comparable to similar measures disclosed by other financial institutions. For more information, please refer to the Notes to Users on page 8.
As we strengthen our customer relationships, we are pleased that our net promoter score in the Insurance business remains among the best in class at over 53%.

Investor & Treasury Services results are on slide 10. We delivered net income of $178 million, up 13% from last year, on higher foreign exchange market execution driven by an increase in client activity, and higher funding and liquidity results.

We’re pleased with these strong results as we continue to invest heavily to deliver the right technology solutions for our asset services clients.

On slide 11, Capital Markets again delivered solid results, generating over $2 billion of revenue and $600 million of net income for the third quarter in a row. While market volatility remained low, our client businesses performed well as we remained ninth in global fee pool rankings.

Net income was down 4% as last year’s third quarter benefited from Brexit. This quarter, lower fixed income trading was offset by higher equity trading results and increased corporate and investment banking activity, particularly in loan syndication and M&A.

While we remain cautious in our outlook on the trading side given low market volatility, we expect momentum to continue in our Investment Bank through the end of the year.

To conclude, while our results were impacted by significant investments and severance costs this quarter, we are pleased with our performance.

We believe we are well positioned to continue our momentum in the fourth quarter.

With that, I will turn it over to Mark.

MARK HUGHES, CHIEF RISK OFFICER

Thank you Rod and good morning.

Turning to slide 13. Total provisions for credit losses of $320 million were up $18 million or 6% from last quarter.

The PCL ratio of 23 basis points was flat quarter over quarter.

Overall, our credit quality has remained strong and stable year-to-date.

Let me discuss the performance of each segment on slide 14.

In Personal & Commercial Banking, provisions of $273 million increased by $11 million from last quarter.

Canadian Banking provisions of $259 million increased by $3 million quarter over quarter reflecting higher commercial lending provisions largely related to one real estate account, partially offset by seasonally low credit card write-offs.

Caribbean and U.S. Banking provisions were up $8 million from last quarter reflecting fewer recoveries this quarter.

Wealth Management provisions of $6 million decreased by $9 million quarter over quarter reflecting a recovery in one International Wealth Management account, offset by higher provisions in our City National portfolio.

Capital Markets provisions of $44 million increased by $20 million compared to last quarter largely due to a couple of accounts in unrelated sectors.

Turning to slide 15. Gross impaired loans of $2.9 billion were down $353 million or 11% from last quarter.

Our gross impaired loan ratio of 53 basis points was down 6 basis points from the prior quarter.
In Capital Markets, gross impaired loans decreased by $200 million from last quarter largely driven by foreign exchange translation, repayments and accounts returning to performing status in the oil & gas sector.

In Wealth Management, gross impaired loans decreased $105 million mainly due to repayments, a decline in acquired credit-impaired loans in City National and the impact of foreign exchange translation, which was partially offset by new impaired loans in City National.

In Personal & Commercial Banking, gross impaired loans decreased by $32 million, reflecting the impact of foreign exchange translation and repayments in our Caribbean lending portfolio, partially offset by new impaired loans in our commercial lending portfolios.

Let’s now turn to our Canadian retail exposure on slide 16.

We continue to see solid underlying credit quality with delinquency trends and provisions benefiting from an improving macroeconomic backdrop, with solid GDP growth along with low unemployment rates, particularly in Ontario, B.C. and Quebec.

On slide 17, we discuss the performance of our Canadian mortgage portfolio.

As Dave mentioned in his opening remarks, recent policy actions have led to a cooling of the housing market in the GTA over the last few months. Overall our portfolio remains healthy:

Delinquency rates in the GTA remain below average at only 6 basis points.

Year-to-date, the average LTV of new uninsured mortgage originations in the GTA was 65%, with a portfolio LTV of 43%.

This provides a solid buffer should Toronto house prices continue to moderate.

Given the recent interest rate hike, we continue to monitor the debt serviceability of our clients. We remain comfortable with our portfolio given:

A significant portion of our mortgage originations have been underwritten at the Bank of Canada qualifying rate which is approximately 200 basis points over the contract rate.

Fixed-rate mortgages represent approximately 75% of our mortgage portfolio.

And lastly, our clients have a strong credit profile, with the average FICO score of our uninsured mortgage portfolio remaining over 790.

Overall, I remain pleased with the performance of our lending portfolios this year as we continue to see PCL come in below historical levels.

Turning to market risk on slide 18.

Notwithstanding ongoing geopolitical risks, market volatility declined to historically low levels. Our average VaR remained relatively flat at $24 million and we had zero days of trading losses this quarter.

With that, operator, we’ll open the lines for Q&A.
Note to users:

We use a variety of financial measures to evaluate our performance. In addition to generally accepted accounting principles (GAAP) prescribed measures, we use certain key performance and non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that key performance measures, such as ROE and non-GAAP measures, including adjusted operating leverage net of Insurance fair value change of investments backing our policyholder liabilities, results excluding a gain of $287 million ($235 million after-tax) related to the sale of RBC General Insurance Company to Aviva Canada Inc., operating leverage adjusting for higher severance costs, do not have any standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other financial institutions.

Additional information about our ROE and non-GAAP measures can be found under the “Key performance and non-GAAP measures” sections of our Q3 2017 Report to Shareholders and our 2016 Annual Report.

Definitions can be found under the “Glossary” sections in our Q3 2017 Supplementary Financial Information and our 2016 Annual Report.