

# Royal Bank of Canada Investor Presentation

Q3/2016

All amounts are in Canadian dollars and are based on financial statements prepared in compliance with International Accounting Standards 34 Interim Financial Reporting, unless otherwise noted. Our Q3/2016 Report to Shareholders and Supplementary Financial Information are available on our website at [rbc.com/investorrelations](http://rbc.com/investorrelations).



## Caution regarding forward-looking statements

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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 this RBC Investor Presentation, in filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (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 financial performance objectives, vision and strategic goals. The forward-looking information contained in this RBC Investor Presentation 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”.

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, 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 2015 Annual Report and the Risk management section of our Q3 2016 Report to Shareholders; weak oil and gas prices; the high levels of Canadian household debt; exposure to more volatile sectors such as lending related to commercial real estate and leveraged financing; cybersecurity; anti-money laundering; 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; 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 this RBC Investor Presentation are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2015 Annual Report, as updated by the Overview and outlook section in our Q3 2016 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 2015 Annual Report and the Risk management section of our Q3 2016 Report to Shareholders.

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

# About RBC



# The RBC story

➤ Market leader with a focused growth strategy	<ul style="list-style-type: none"><li>▪ Market leader in Canada and one of the largest financial institutions globally<sup>(1)</sup></li><li>▪ Clear strategy for continued long-term growth in Canada, the U.S. and select global markets</li></ul>
➤ Diversified business model with client leading franchises	<ul style="list-style-type: none"><li>▪ Well-diversified across businesses, geographies and client segments</li><li>▪ Ability to capitalize on opportunities created by changing market dynamics and economic conditions</li><li>▪ Wide breadth of products and capabilities allows us to meet all of our clients' financial needs and build deep, long-term relationships</li></ul>
➤ Financial strength underpinned by prudent risk and cost management	<ul style="list-style-type: none"><li>▪ Track record of earnings and dividend growth while maintaining a disciplined approach to risk and cost management</li><li>▪ Credit ratings amongst the highest globally</li><li>▪ Strong capital position and a high quality liquid balance sheet</li></ul>
➤ Innovation is in our DNA	<ul style="list-style-type: none"><li>▪ Long history of innovation and proven ability to adapt to industry trends</li><li>▪ Investments in technology allow us to drive efficiencies and deliver an exceptional client experience</li><li>▪ Focused on simplifying, digitizing and personalizing our products to make it easier for clients and employees to do business and lower costs</li></ul>
➤ Leading corporate citizen	<ul style="list-style-type: none"><li>▪ Over \$100MM in donations, sponsorships and community investments, including the RBC Kids Pledge and RBC Blue Water Project</li><li>▪ Globally recognized as a financial services thought leader</li></ul>

# Market leader with a focused strategy for growth

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## Largest in Canada<sup>(1)</sup>

A market leader across all key businesses

## Top 20 globally

One of the 20 largest global banks by market capitalization with operations in 38 countries

## 16 million+ clients

Served by over 80,000 employees worldwide

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## Purpose

Help clients thrive and communities prosper

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## Vision

To be one of the world's most trusted and successful financial institutions

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## Strategic Goals



In Canada, to be the undisputed leader in financial services



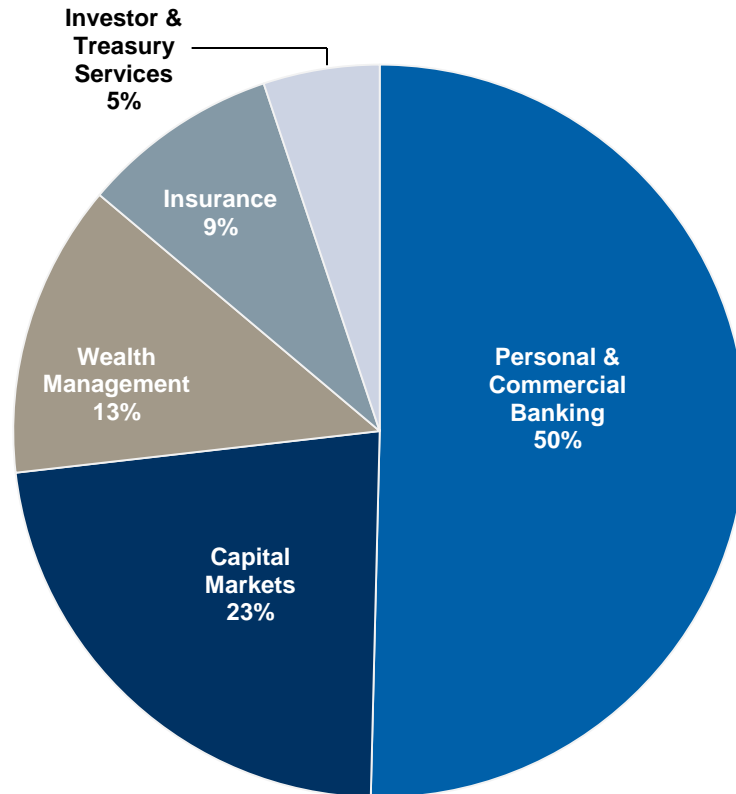
In the U.S., to be the preferred partner to corporate, institutional and high net worth clients and their businesses



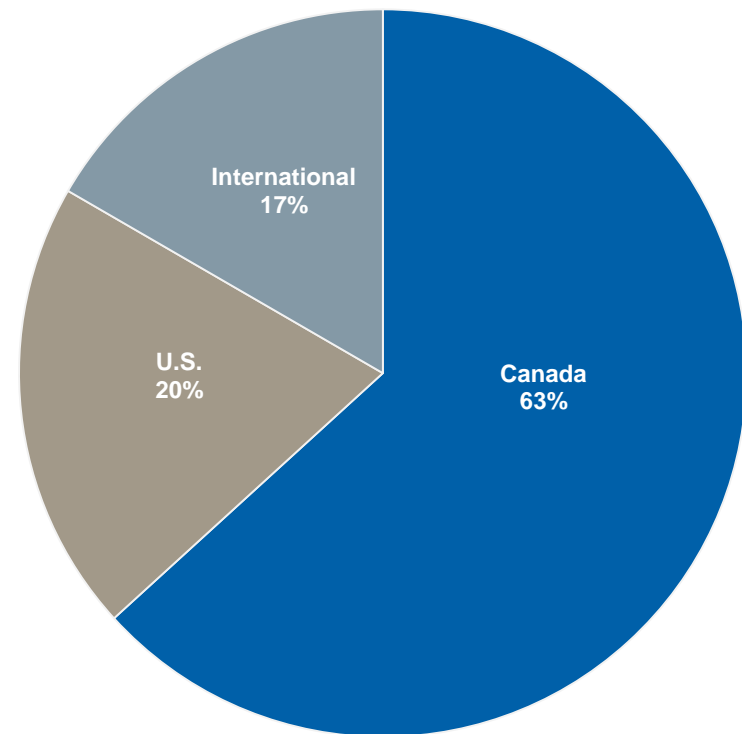
In select global financial centres, to be a leading financial services partner valued for our expertise

# Diversified business model with client leading franchises

**Earnings by Business Segment<sup>(1)</sup>**  
*Latest twelve months ended July 31, 2016*



**Revenue by Geography<sup>(1)</sup>**  
*Latest twelve months ended July 31, 2016*

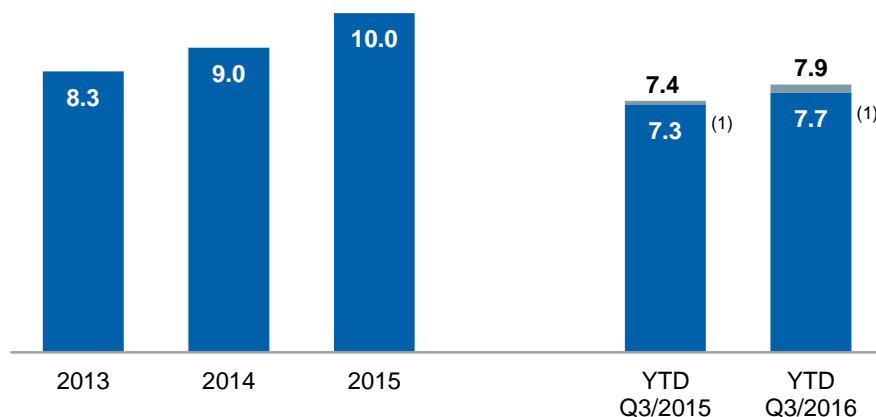


# Strong financial profile

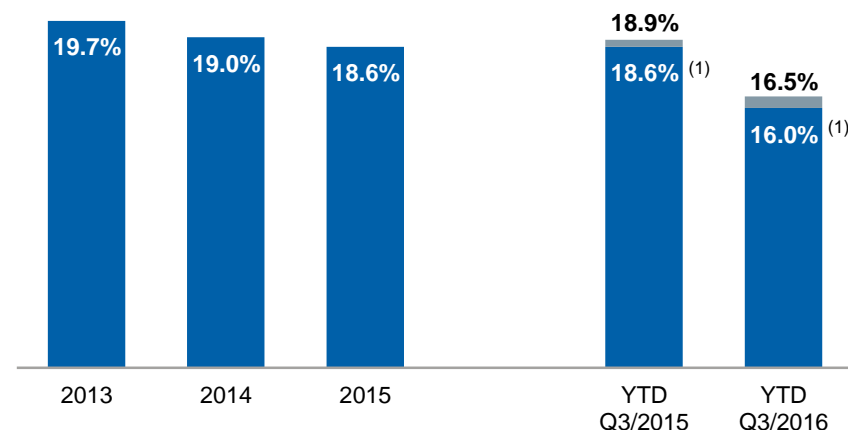
**Consistent earnings growth and strong ROE while maintaining a strong capital position with a disciplined approach to risk**

## Consistent earnings growth

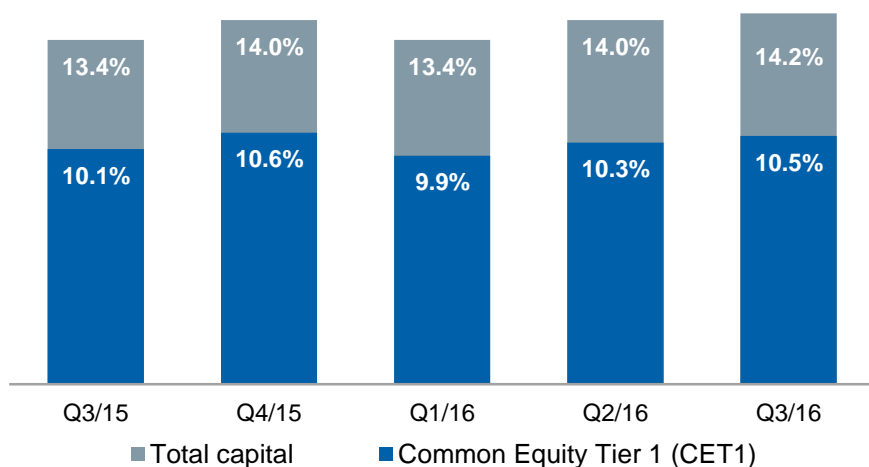
Net income (\$ billions)



## Strong Return on Equity<sup>(2)</sup>



## Strong capital position<sup>(3)</sup>



## Strong leverage and liquidity ratios<sup>(3)</sup>

- Leverage Ratio **4.2%**
- Liquidity Coverage Ratio **126%**

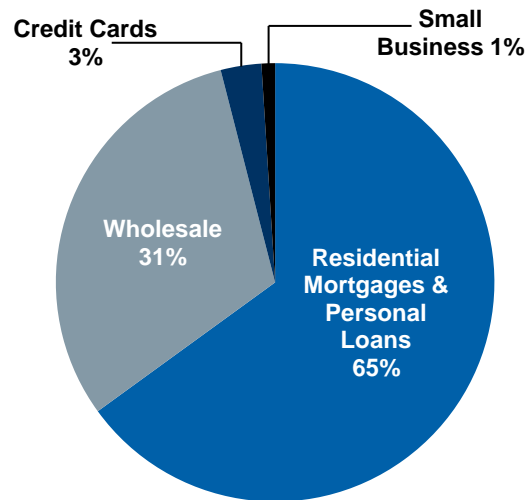
## Credit ratings<sup>(4)</sup> amongst the highest globally

Moody's	S&P	Fitch	DBRS
Aa3	AA-	AA	AA
Negative	Negative	Negative	Negative

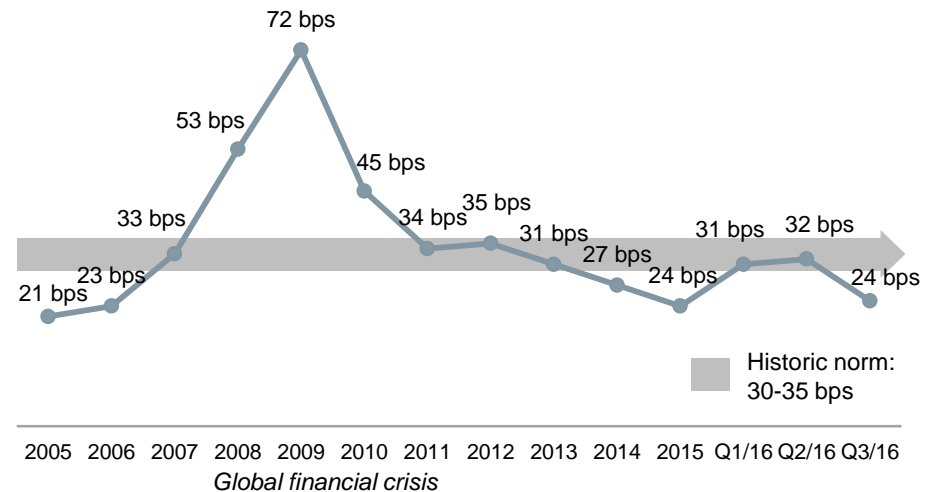
# Robust risk management

A disciplined approach and diversification have driven stable credit trends

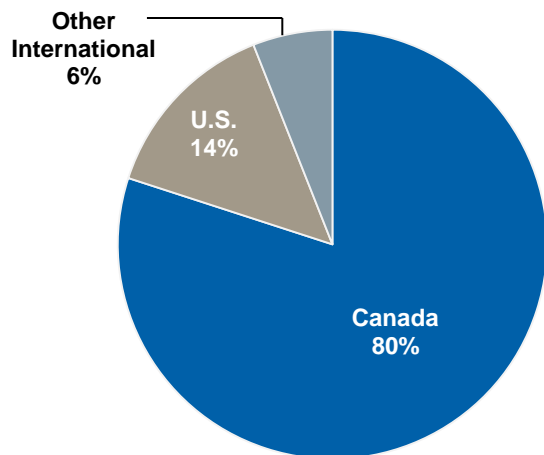
Loan book diversified by portfolio<sup>(1)</sup>



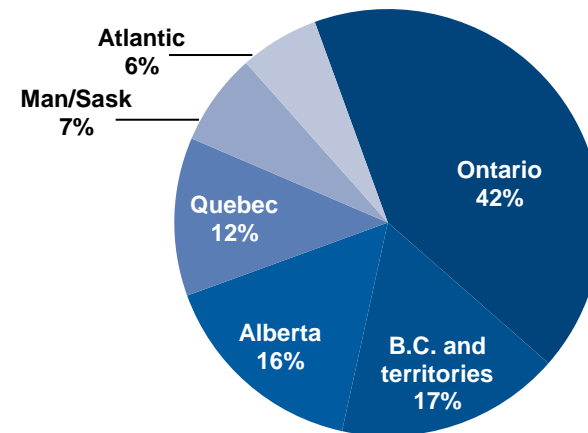
Relatively stable PCL ratio<sup>(2)</sup> over the cycle (bps)



Breakdown by region of total loans and acceptances<sup>(1)</sup>



Breakdown of Canadian total loans and acceptances<sup>(1)</sup>





# History of delivering value to our shareholders

**Financial performance objectives measure our progress against our goal of maximizing total shareholder returns**

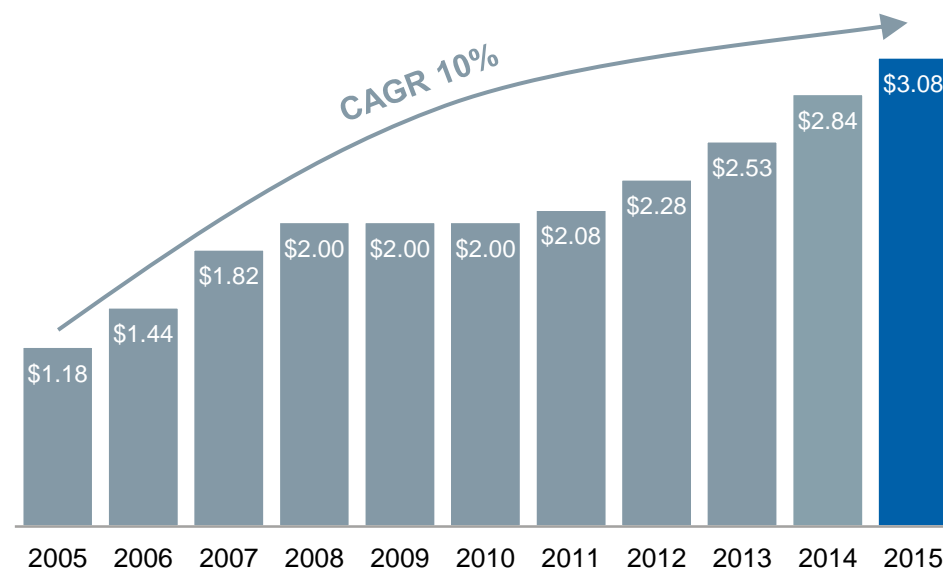
## Medium-term financial performance objectives

Diluted EPS Growth	7%+
Return on Equity	18%+
Capital Ratios (CET1)	Strong
Dividend Payout Ratio	40% - 50%

## Achieved solid TSR<sup>(1)</sup> performance

	RBC	Peer Average
<b>3 Year</b>	12%	9%
<b>5 Year</b>	15%	14%
<b>10 Year</b>	9%	6%

## Strong dividend growth<sup>(2)</sup>



### About RBC

(1) Annualized TSR is calculated based on the TSX common share price appreciation plus reinvested dividend income. Source: Bloomberg, as at August 22, 2016. RBC is compared to our global peer group. The peer group average excludes RBC; for the list of peers, please refer to either our 2015 Annual Report or Q3/2016 Report to Shareholders. (2) Dividends declared per common share. Our current quarterly dividend is \$0.81.

# Business Segments



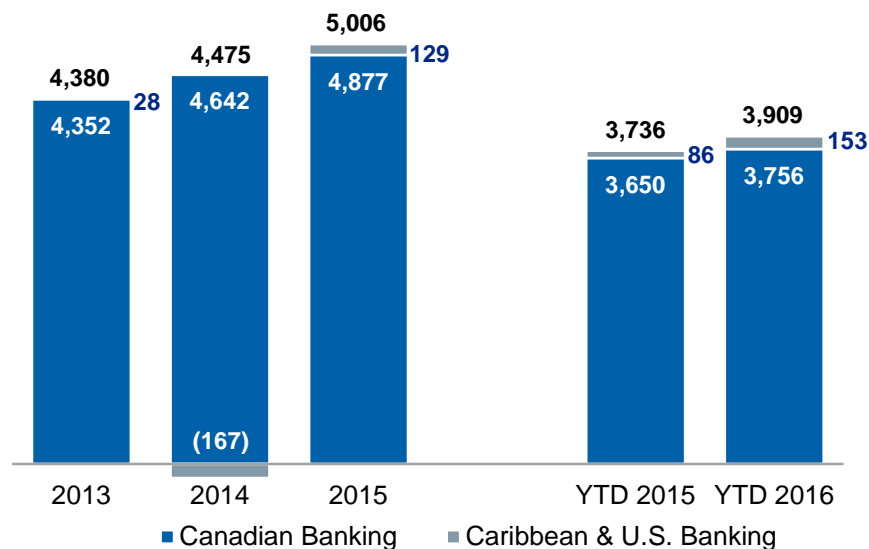
# Personal & Commercial Banking

- The undisputed financial services leader in Canada
  - #1 or #2 market share in all key product categories
  - Most branches and largest sales force in Canada
  - Superior cross-sell ability
- In 17 countries and territories in the Caribbean
  - 2<sup>nd</sup> largest bank by assets<sup>(1)</sup> in English Caribbean
- Provide innovative direct banking to U.S. cross-border clients
- Ongoing investment in digitizing our banking channels

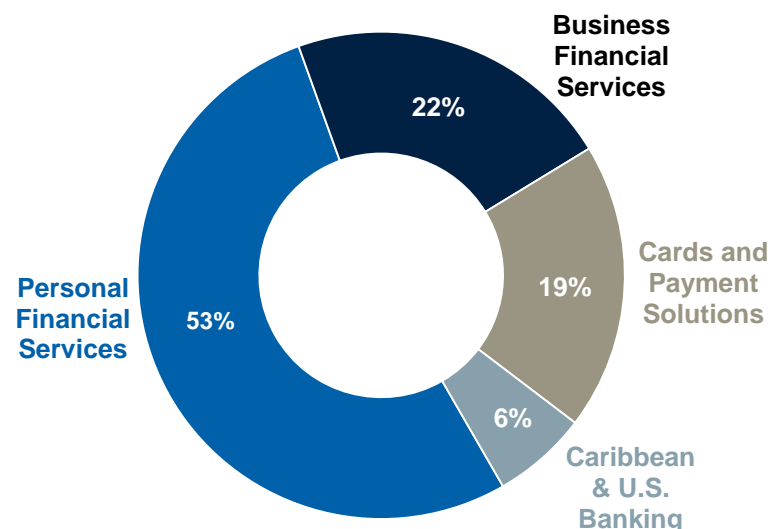
## Q3/2016 Highlights

Clients (MM)	13.6
Branches	1,349
ATMs	4,826
Active digital and mobile users <sup>(2)</sup> (MM)	5.2
Employees (FTE)	34,828
Loans & acceptances <sup>(1)</sup> (\$BN)	384.7
Deposits <sup>(1)</sup> (\$BN)	321.3
AUA <sup>(3)</sup> (\$BN)	235.3

## Net income (\$ millions)



## Revenue by business line<sup>(4)</sup>



### Business Segments

- (1) Based on average balances.  
 (2) Statistic is based on Canadian Banking only.  
 (3) Based on period-end spot balances.  
 (4) For the quarter ended July 31, 2016.

# Personal & Commercial Banking – Canadian Banking

## Strategic Priorities

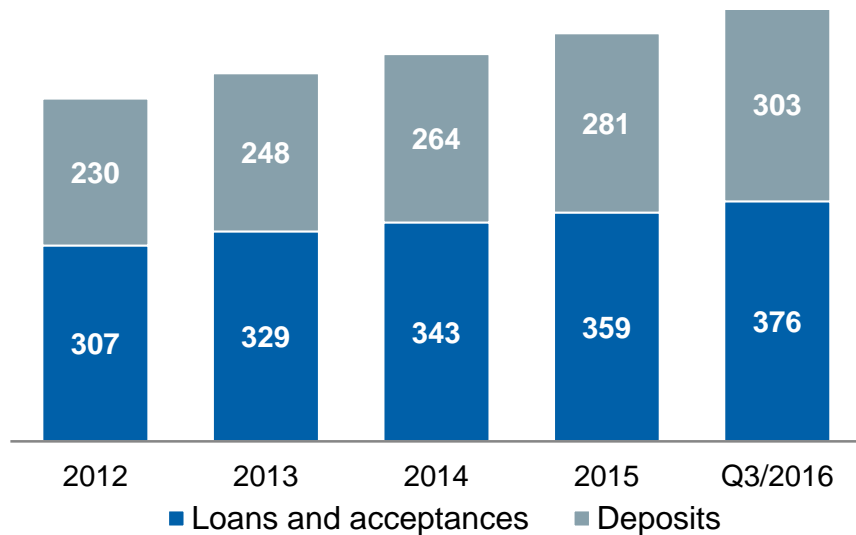
<b>Transform how we serve our clients</b>	<ul style="list-style-type: none"> <li>Make it easier for clients to access sales and service digitally</li> <li>Create capacity and capability to focus on advice, complex servicing and sales, and problem resolution</li> <li>Add value for clients through personalized offers and reward loyalty across all channels</li> </ul>
<b>Accelerate growth in key segments</b>	<ul style="list-style-type: none"> <li>Grow commercial market share through industry-specific credit strategies</li> <li>Target high-growth retirement segment and business succession planning</li> <li>Continue to increase client acquisitions in key segments including newcomers and millennials and build business through cross-sell</li> </ul>
<b>Rapidly deliver payment and mobile solutions</b>	<ul style="list-style-type: none"> <li>Provide secure, enhanced mobile payments, investing and lending options</li> <li>Create partnerships in the marketplace to innovate making it easier to bank with RBC</li> <li>Invest in research and development to understand and meet changing client expectations</li> </ul>
<b>Innovate to become a more agile and efficient bank</b>	<ul style="list-style-type: none"> <li>Accelerate investments to simplify, digitize and automate for clients and employees</li> <li>Change or eliminate products and processes that do not add economic or client value</li> <li>Invest in employees to build on digital, agile and change capabilities</li> </ul>

## Recent Awards

 <p><b>Best Payment Innovation &amp; Best Use of Data Analytics<sup>(1)</sup></b></p>	 <p><b>Highest in Customer Satisfaction Among the Big Five Retail Banks<sup>(2)</sup></b></p>	 <p><b>World's Best Global Bank for Consumer Banking; Best Trade Finance Bank in Canada 4 years in a row<sup>(3)</sup></b></p>	 <p><b>Most valuable brand in Canada<sup>(4)</sup></b></p>	 <p><b>#1 bank in the Caribbean and in Trinidad and Tobago for second consecutive year<sup>(5)</sup></b></p>
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# Personal & Commercial Banking – Canadian Banking

## Solid volume growth<sup>(1)</sup>

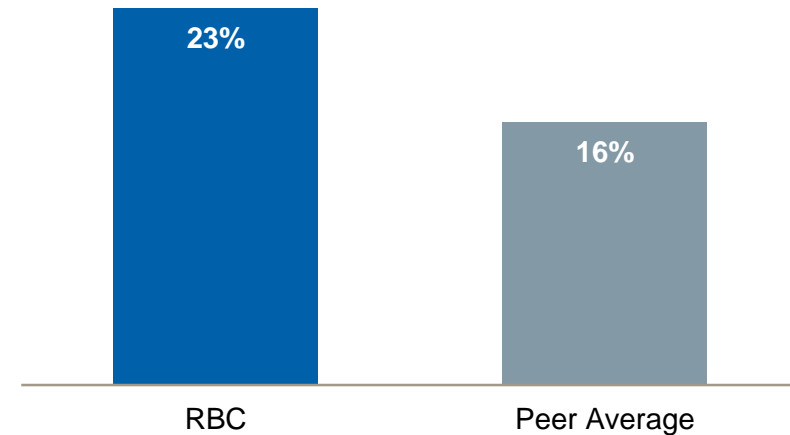


## #1 or #2 market share in all categories<sup>(3)</sup>

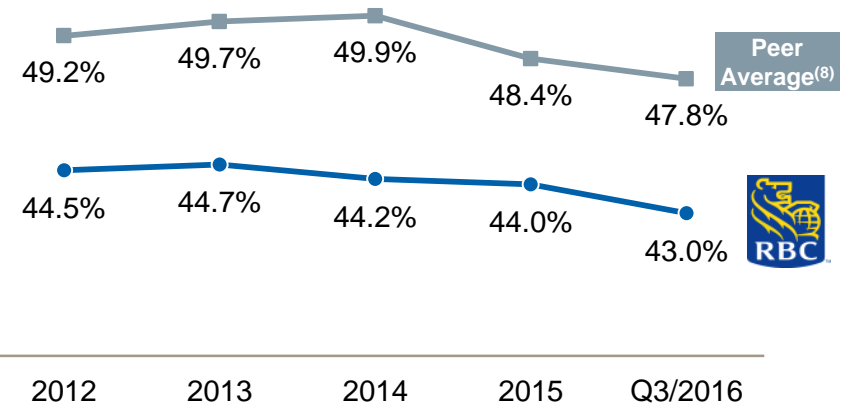
Product	Market share	Rank
Consumer lending <sup>(4)</sup>	23.5%	1
Personal core deposits + GICs	20.1%	2
Long-Term Mutual Funds <sup>(5)</sup>	14.5%	1
Business loans (\$0-\$25MM) <sup>(6)</sup>	24.2%	1
Business deposits <sup>(7)</sup>	26.1%	1

## Superior cross-sell ability

Percent of households with transaction accounts, investments and borrowing products<sup>(2)</sup>



## Continue to improve our efficiency ratio



### Business Segments

(1) Based on average balances. (2) Canadian Financial Monitor by Ipsos – 12,000 Canadian households annually – data based on Financial Group results for the 12-month period ending April 2016; TFSA is considered an Investment. Peers include BMO, BNS, CIBC and TD. (3) Market share is calculated using most current data available from OSFI (M4), Investment Funds Institute of Canada (IFIC) and Canadian Bankers Association (CBA), and is at March 2016. Market share is of total Chartered Banks except for Business Loans which is of total 7 banks (RBC, BMO, BNS, CIBC, TD, NA and CWB). (4) Consumer Lending market share is of 6 banks (RBC, BMO, BNS, CIBC, TD and NA). Consumer Lending comprises residential mortgages (excluding acquired portfolios), personal loans and credit cards. (5) Long-term mutual fund market share is compared to total industry. (6) Business Loans market share is of the 7 Chartered Banks (RBC, BMO, BNS, CIBC, TD, NA and CWB) that submit to CBA on a quarterly basis. (7) Business Deposits market share excludes Fixed Term, Government and Deposit Taking Institution balances. (8) Peers include BMO, BNS, CIBC and TD; 2012 through 2015 reflects annual results while the peer average efficiency ratio for Q3/2016 represents Q2/2016 according to the data that is available for the peers.

# Wealth Management

## Strategic Priorities

- Leverage and grow our high performing asset management business globally
- Deepen client relationships by bringing the best of RBC to our clients, leveraging the RBC enterprise brand, capabilities and competitive strengths
- Focus on developing a differentiated client experience tailored to key HNW and UHNW<sup>(1)</sup> client segments in our priority markets
- Simplify our business to achieve a more scalable and streamlined operating model

## Recent Awards

### Top 5 Global Wealth Manager by Assets

(Scorpio, 2016)

### Best Private Banking Services Overall in Canada

(Euromoney Private Banking and Wealth Management Survey, 2016)

### Best Canadian Private Bank

(Family Wealth Report Awards, 2016)

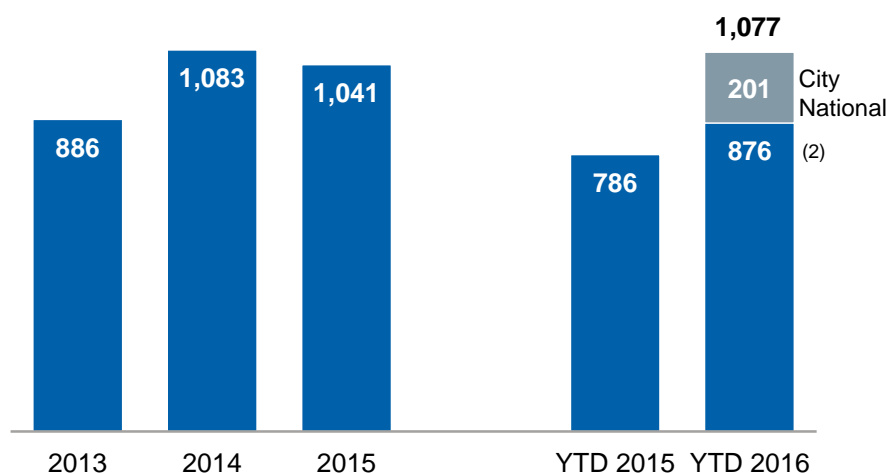
### Institutional Trust Company of the Year

(Citywealth Magic Circle Awards, 2015)

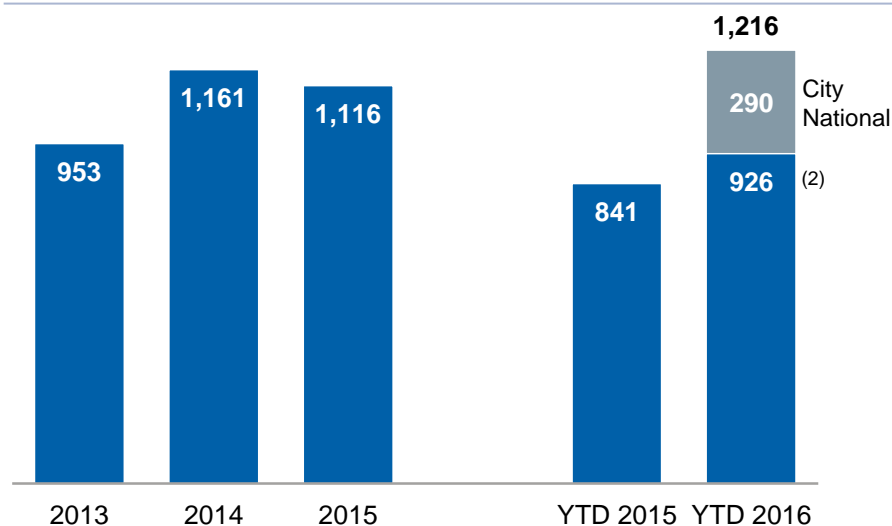
### Outstanding Wealth Manager – Customer Relationship Service and Engagement

(Private Banker International, 2014)

## Net income (\$ millions)



## Cash earnings (\$ millions)



## Business Segments

(1) High Net Worth (HNW) and Ultra High Net Worth (UHNW).

(2) Financial measures excluding the impact of our acquisition of City National are non-GAAP measures. For more information see slide 41.

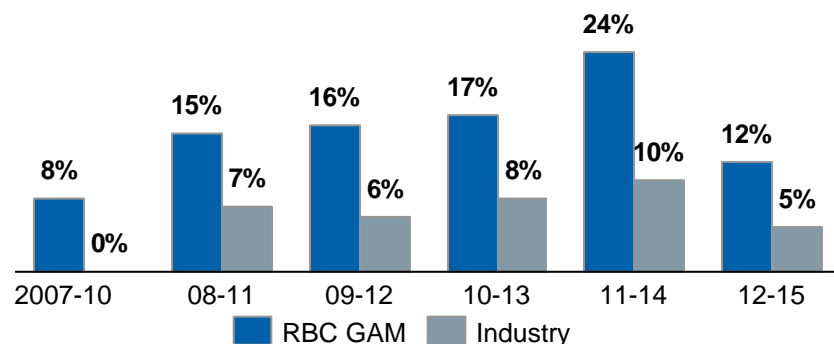
# Wealth Management – Global Asset Management

## Building a high-performing global asset management business

- **Driving top-tier profitability in our largest Wealth Management business**
  - \$389BN in client assets, generating over 45% of RBC Wealth Management earnings in Q3/2016
  - Investor asset mix of 48% Retail / 52% Institutional client assets
  - Top 50 global asset manager by AUM<sup>(1)</sup>
- **Extending our lead in Canada**
  - Largest fund company in Canada with 14.7% market share<sup>(2)</sup>
  - 3<sup>rd</sup> largest institutional pension asset manager in Canada<sup>(3)</sup>
- **Delivering strong investment capabilities to support growth**
  - Top performing investment firm with 56.8% of AUM outperforming the benchmark on a 3-year basis<sup>(4)</sup>
  - Broadened suite of investment strategies enhancing Canadian offering
  - Continued growth of U.S. and international institutional clients in select U.S. and global investment capabilities

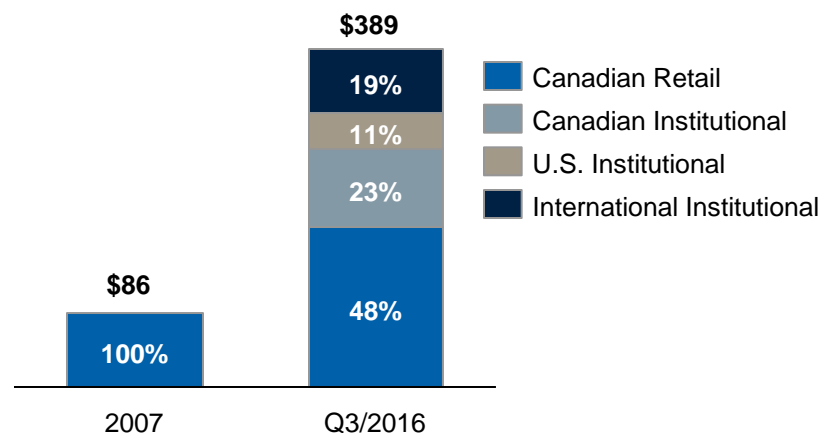
### Above industry average AUM growth<sup>(5)</sup>

#### 3-Year Organic Growth, Inclusive of FX Rate Impacts



### Diversifying our asset mix

#### AUM by Client Segment (\$ billions)<sup>(6)</sup>



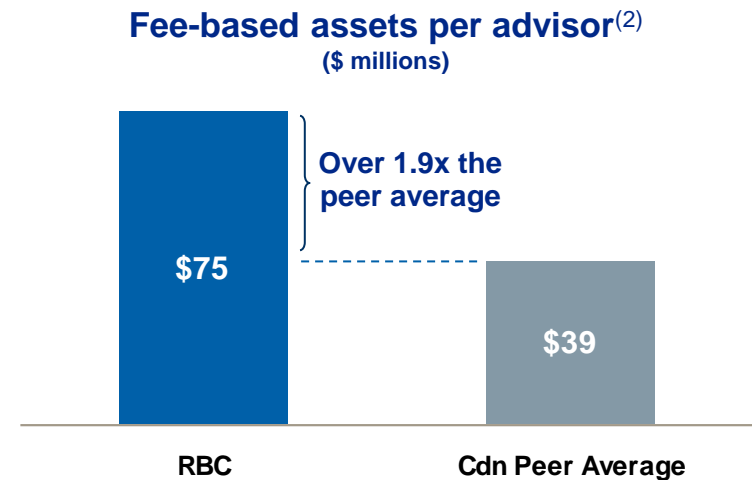
#### Business Segments

(1) Pensions and Investments, as of December 31, 2014. (2) Investment Funds Institute of Canada (IFIC) as at June 2016. (3) Benefits Canada as at May 2016. (4) As at June 2016. Performance is gross of fees, other than fund of funds' composites, which are net of fees. (5) Industry is defined as global AUM managed on behalf of third parties, based on annual figures published by the Boston Consulting Group. Growth is calculated on 3-year rolling period. AUM of RBC GAM acquisitions is deducted in year of acquisition, and thereafter. Industry AUM is in USD. RBC GAM AUM is converted to USD using average FX rate for respective years. (6) RBC GAM, based on period-end spot balances.

# Wealth Management

## Canada – Extending our industry leadership

- **Extending our #1 position**
  - Grew HNW market share by ~500 bps to 20% in the last five years<sup>(1)</sup> and anticipate reaching 22% market share by 2020
- **Maintaining profitable growth in a challenging market**
  - Generating nearly one third of RBC Wealth Management earnings with strong pre-tax margin, highest among North American peers<sup>(3)</sup>
- **Driving strong advisor productivity**
  - Canadian leader in fee-based assets per advisor<sup>(1)</sup>
  - Consistently driving revenue per advisor of over \$1.27 million per year, 39% above Canadian industry average<sup>(1)</sup>
  - Competitive hires delivering strong new asset growth
  - Leveraging Enterprise linkages to continue to extend market share gains



## U.S. Wealth Management

- Focus on the successful integration of City National and begin to deliver on planned synergies
- Steadily increasing advisor productivity and continue growing complementary distribution through successfully recruiting revenue producers and establishing new clearing relationships
- Improving operational efficiencies and leveraging RBC's global capabilities to broaden our product offering

## International Wealth Management

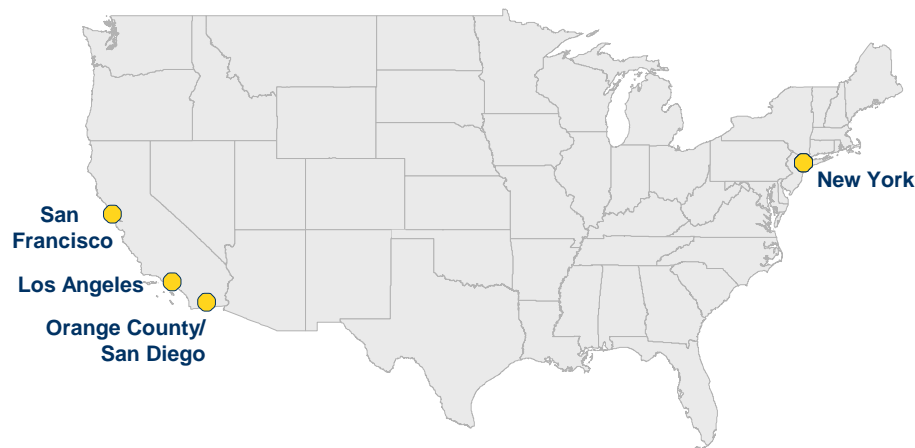
- Focusing on UHNW and HNW client acquisition from select markets where we have scale
- Enhance sales and relationship management process to improve client experience
- Leveraging RBC's global capabilities (Global Asset Management and Capital Markets)



# City National enhances RBC's U.S. presence & accelerates growth



## Branch-light footprint in key markets<sup>(1)</sup>



## Q3/2016 Highlights (US\$)

Revenue (\$MM)	390
Expenses (\$MM)	314
PCL (\$MM)	10
Net income (\$MM)	63
AUA (\$BN) <sup>(2)</sup>	14.6
AUM (\$BN) <sup>(2)</sup>	43.7
Loans (\$BN) <sup>(3)</sup>	25.6
Deposits (\$BN) <sup>(3)</sup>	36.7

## Aligns with RBC's strategic goals

- City National Corporation ("City National") enhances and complements RBC's presence in the U.S., our second home market
- Deep client relationships and sharp strategic focus on two highly attractive client segments:
  - *High net worth*: Combination of City National's private banking franchise and RBC's U.S. Wealth Management business creates a comprehensive platform to provide complete financial solutions to high net worth clients
  - *Commercial*: City National is a premier U.S. commercial bank with deep industry expertise and a natural strategic fit with RBC U.S. Capital Markets

## Premier U.S. private and commercial bank with wealth capabilities

- High-touch and branch-light client service model in key high growth markets
- Strong track record of growth with well diversified and high quality loan portfolio
- Highly attractive deposit franchise, well positioned for rising rates
- Fast growing wealth and asset management business
- Outstanding management and strong cultural fit

### Business Segments

(1) Only core markets depicted; City National also has offices in Boston, Atlanta, Nashville, Las Vegas and Reno.

(2) Based on period-end spot balances.

(3) Based on average balances.

# City National – A powerful & scalable engine for U.S. growth

<b>Expanding into U.S. private &amp; commercial banking</b>	<ul style="list-style-type: none"> <li>Introducing City National's full suite of U.S. private and commercial banking products and services to RBC clients <ul style="list-style-type: none"> <li>~330,000 RBC U.S. Wealth Management households</li> <li>~230,000 RBC Canadian cross-border clients</li> <li>~82,000 RBC Canadian commercial clients</li> </ul> </li> </ul>
<b>Enhancing U.S. wealth &amp; asset management platform</b>	<ul style="list-style-type: none"> <li>Adding scale in wealth and asset management – Combined U.S.-based client assets of ~C\$412 BN <ul style="list-style-type: none"> <li>Brings RBC's Wealth Management segment to over C\$1.3 trillion in client assets globally</li> </ul> </li> <li>Expanding the distribution channels for RBC and City National wealth management products <ul style="list-style-type: none"> <li>~2,100 combined advisors</li> </ul> </li> <li>Accessing RBC Capital Markets' advisory, capital raising and risk management capabilities</li> </ul>
<b>Extending full commercial &amp; corporate capabilities</b>	<ul style="list-style-type: none"> <li>Extending full commercial and corporate capabilities to City National's key industry verticals (entertainment, real estate, technology and healthcare) <ul style="list-style-type: none"> <li>Vertical alignment allowing for greater depth</li> </ul> </li> <li>Leveraging RBC Capital Markets' market-leading platform into additional industry verticals for City National</li> <li>Replicate RBC's successful Canadian referral model between Commercial Banking and Capital Markets with City National and RBC Capital Markets</li> </ul>
<b>Expense synergies</b>	<ul style="list-style-type: none"> <li>Consolidation of non-client facing infrastructure across City National, RBC Wealth Management and other RBC businesses</li> <li>Achieving scale benefits in procurement, technology and other functional areas</li> <li>Improving productivity via cross-sell and referrals</li> </ul>
<b>Deposit synergies</b>	<ul style="list-style-type: none"> <li>Ability to attract additional deposits from RBC Wealth Management and Capital Markets clients</li> <li>Utilize low cost sweep balances from RBC U.S. Wealth Management as an additional competitive funding advantage to support future loan growth</li> </ul>
<b>Growth initiatives</b>	<ul style="list-style-type: none"> <li>Introducing City National's private and commercial banking solutions through RBC's U.S. Wealth Management advisor and client base</li> <li>Leveraging RBC's platform and financial strength to increase City National's market penetration</li> <li>Accelerating expansion into other new high-growth markets through an expanded network</li> </ul>

# Insurance

## Strategic Priorities

### Improve distribution efficiency

- Delivering multi-line “insurance advice for your life” through an integrated product portfolio
- Strengthening profitability in all channels by increasing sales and managing expenses

### Deepen client relationships

- Providing a comprehensive suite of RBC Insurance products and services through cross-sell strategies to continue to meet our clients’ unique insurance needs
- Providing a wide range of life, health, home, auto, travel and wealth accumulation solutions to individual and group clients across Canada, and offer reinsurance solutions for clients globally
- Completed sale of RBC General Insurance Company (home and auto manufacturing business) to Aviva Canada in Q3/2016<sup>(1)</sup>

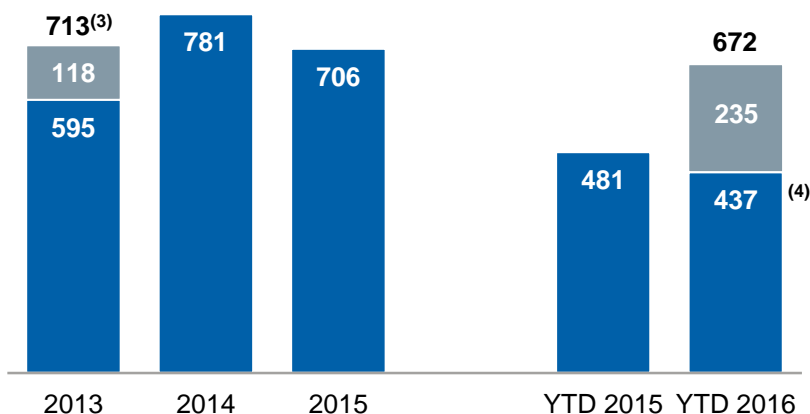
### Simplify. Agile. Innovative.

- Enhancing and streamlining all processes to ensure clients find it easy to do business with us

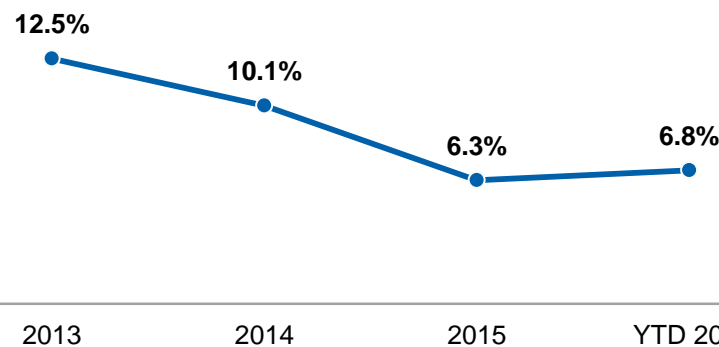
### Pursue select international opportunities to grow our reinsurance business

- Pursuing niche opportunities, diversifying risks and growing our reinsurance business to generate stable and diversified earnings

## Net income (\$ millions)<sup>(2)</sup>



## Acquisition expense ratio<sup>(5)</sup>



### Business Segments

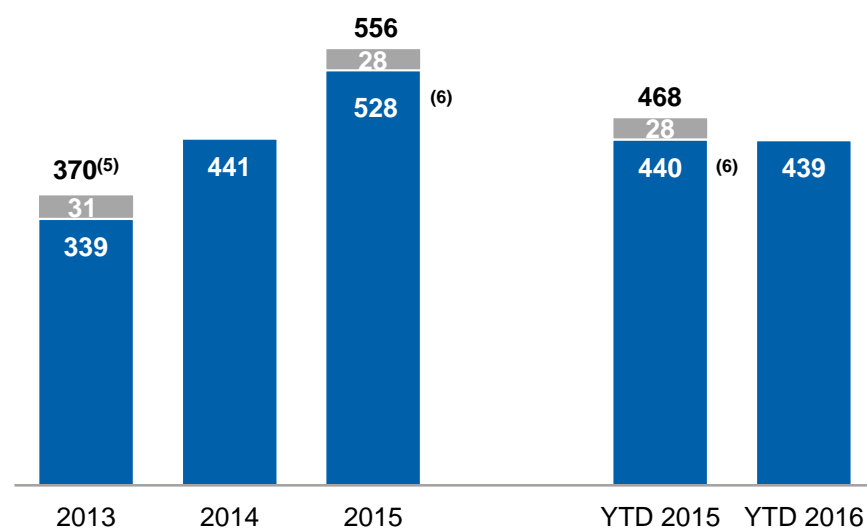
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(1) On July 1, 2016, we completed the sale of RBC General Insurance Company as previously announced on January 21, 2016. The transaction involved the sale of certain home and auto manufacturing capabilities and included a 15-year strategic distribution agreement between RBC Insurance and Aviva. For further details, refer to Note 6 of our Q3/2016 Condensed Financial Statements. (2) 2015 and YTD 2016 results reflect a recent change in Canadian tax legislation impacting certain foreign affiliates, which became effective November 1, 2014. (3) Net income excluding a Q4/2013 charge of \$160MM (\$118MM after-tax) as a result of new tax legislation in Canada is a non-GAAP measure. For more information see slide 41. (4) Net income excluding an after tax gain of \$235MM (\$287MM before-tax) on the sale of RBC General Insurance Company is a non-GAAP measure. For more information see Slide 41. (5) Acquisition Expense Ratio calculated as Total Acquisition Expense/Net Premiums.

# Investor & Treasury Services

- Specialist provider of asset services, custody, payments and treasury services for financial and other institutional investors worldwide
  - Rated by clients as the #1 global custodian for six consecutive years<sup>(1)</sup>
  - Awarded Undertakings for the Collective Investment of Transferable Securities (UCITS) and Private Equity/Real Estate Fund Administrator of the Year<sup>(2)</sup> and European Transfer Agent of the Year<sup>(3)</sup>
- Leader in Canadian dollar cash management, correspondent banking and trade finance for financial institutions globally; named Best Trade Finance Bank in Canada for four consecutive years<sup>(4)</sup>
- Funding and liquidity management for RBC

## Net income (\$ millions)



## Strategic Priorities

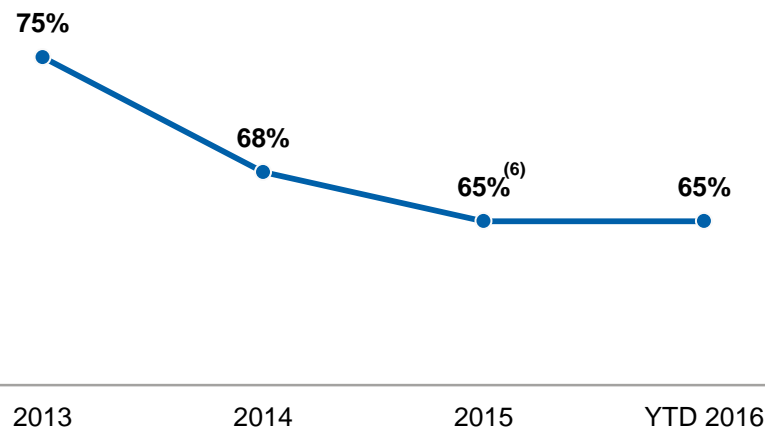
In Canada, maintain position as #1 provider of domestic custody, asset servicing and cash management

Compete as a leading provider of asset services in the major offshore fund domicile markets of Luxembourg and Ireland

Continue to deliver a high-level of investment in client-focused technology solutions

Enhance our client centric service and improve efficiency

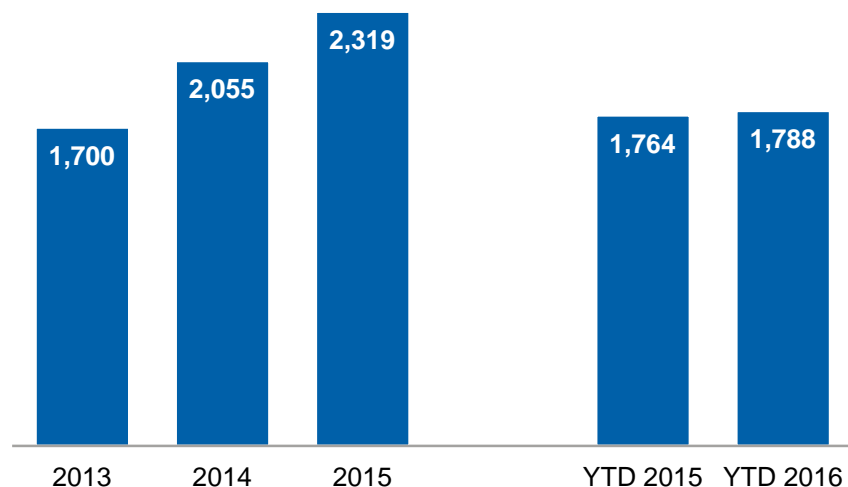
## Efficiency ratio



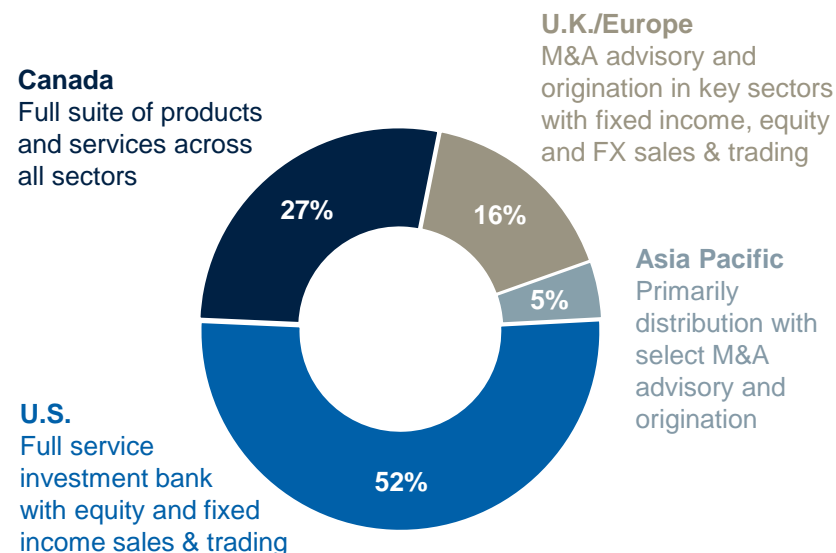
# Capital Markets

- A premier North American investment bank with select global reach
  - 11<sup>th</sup> largest global investment bank by fees<sup>(1)</sup>
- Full suite of integrated Corporate & Investment Banking and Global Markets services
- Strategically positioned in the largest financial centers, focused on the world's largest and most mature capital markets encompassing ~75% of the global investment banking fee pool<sup>(1)</sup>
- Top talent with expertise and track record of excellence

## Net income (\$ millions)



## Revenue by geography<sup>(2)</sup>



### Business Segments

(1) Thomson Reuters for the time period January 1- June 28, 2016.

(2) For the quarter ended July 31, 2016.

# Capital Markets

## Strategic Priorities

<b>Maintain our leadership position in Canada</b>	<ul style="list-style-type: none"> <li>Focus on long-term client relationships and leverage our global capabilities</li> <li>Increase focus on product and service cross-sell, and continue to improve collaborative efforts</li> </ul>
<b>Expand and strengthen client relationships in the U.S.</b>	<ul style="list-style-type: none"> <li>Build on our momentum and leverage broader relationships and client investments to expand origination, advisory, and distribution</li> <li>Continue to strengthen client relationships to drive cross-sell</li> </ul>
<b>Build on core strengths and capabilities in U.K./Europe and optimize performance in Asia Pacific</b>	<ul style="list-style-type: none"> <li>Continue to grow prudently, deepen client relationships, and selectively expand geographic and sector coverage</li> </ul>
<b>Optimize capital use to earn high risk-adjusted returns on assets and equity</b>	<ul style="list-style-type: none"> <li>Maintain mix between investment banking and lending revenue and trading revenue</li> <li>Maintain disciplined diligence on the risks and costs of our business</li> </ul>

## Recent Awards

 <p><b>Best Investment Bank in Canada</b> 9 years in a row<sup>(1)</sup></p>	 <p><b>Best Bank for Markets in North America<sup>(1)</sup></b></p>	 <p><b>#1 for U.S. Market Structure Team<sup>(2)</sup></b></p>	 <p><b>#1 for Canadian Equity Research, Sales, and Trading<sup>(3)</sup></b></p>	 <p><b>#1 for Canadian Fixed Income Research, Sales, and Trading<sup>(3)</sup></b></p>
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### Business Segments

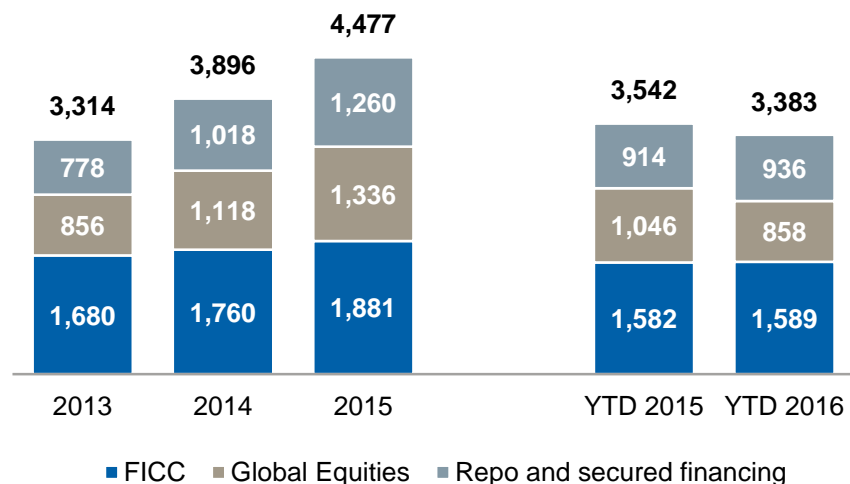
(1) Euromoney, 2016.

(2) Institutional Investor All-America Trading Team, 2016.

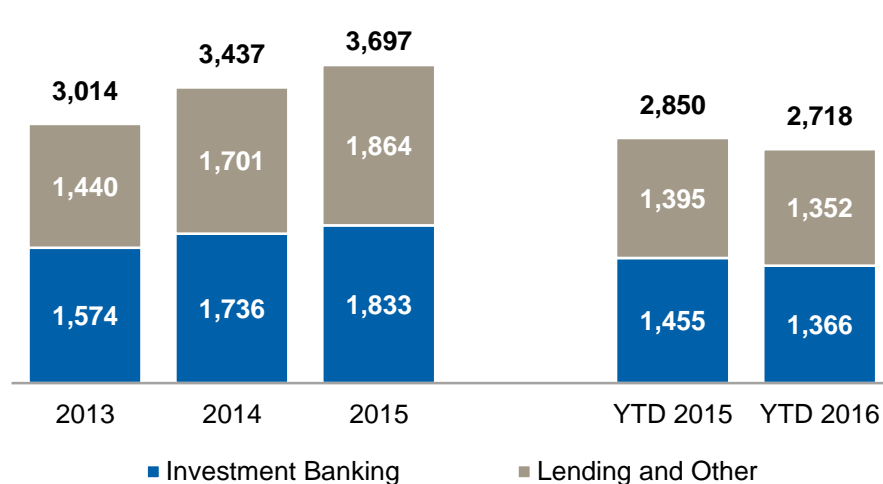
(3) Greenwich Associates, 2015.

# Capital Markets

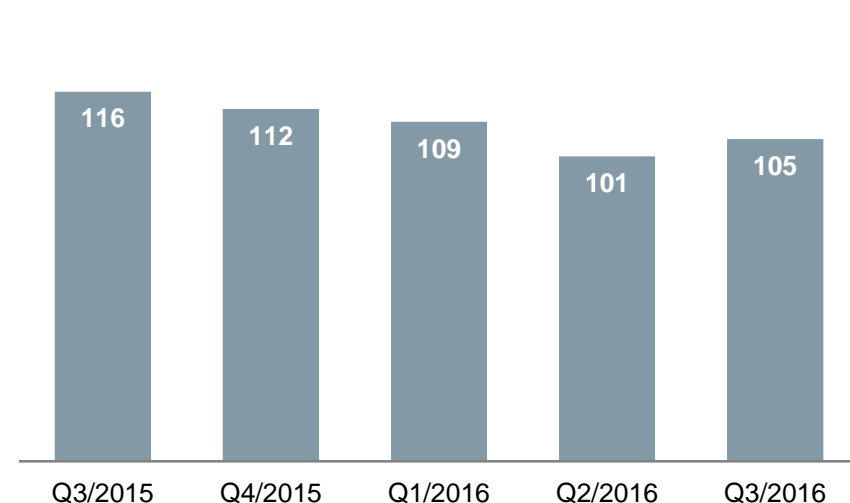
## Diversified Global Markets revenue (\$ millions)



## Solid Corporate & Investment Banking revenue (\$ millions)

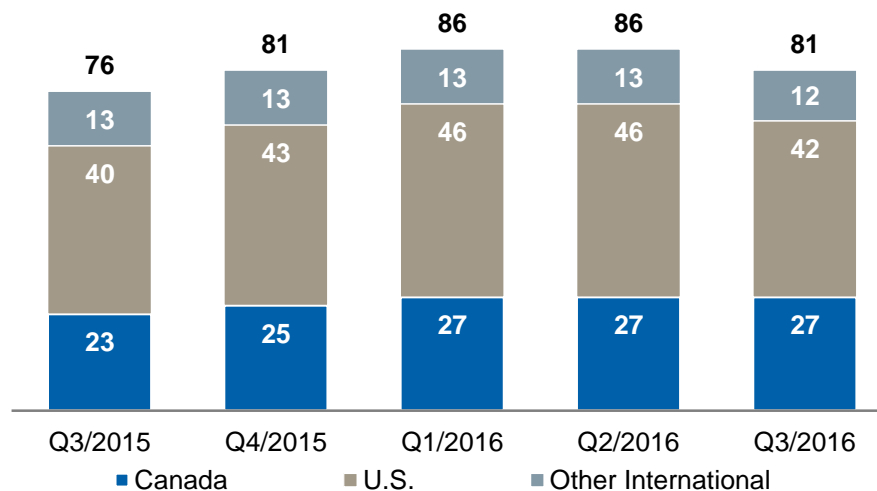


## Steady trading securities (\$ billions, average)



## Geographic diversification across loan book

### Average loans outstanding by region (\$ billions)<sup>(1)</sup>



### Business Segments

(1) Average loans & acceptances, and letters of credit and guarantees for our Capital Markets portfolio, on single name basis. It excludes mortgage investments, securitized mortgages and other non-core items.

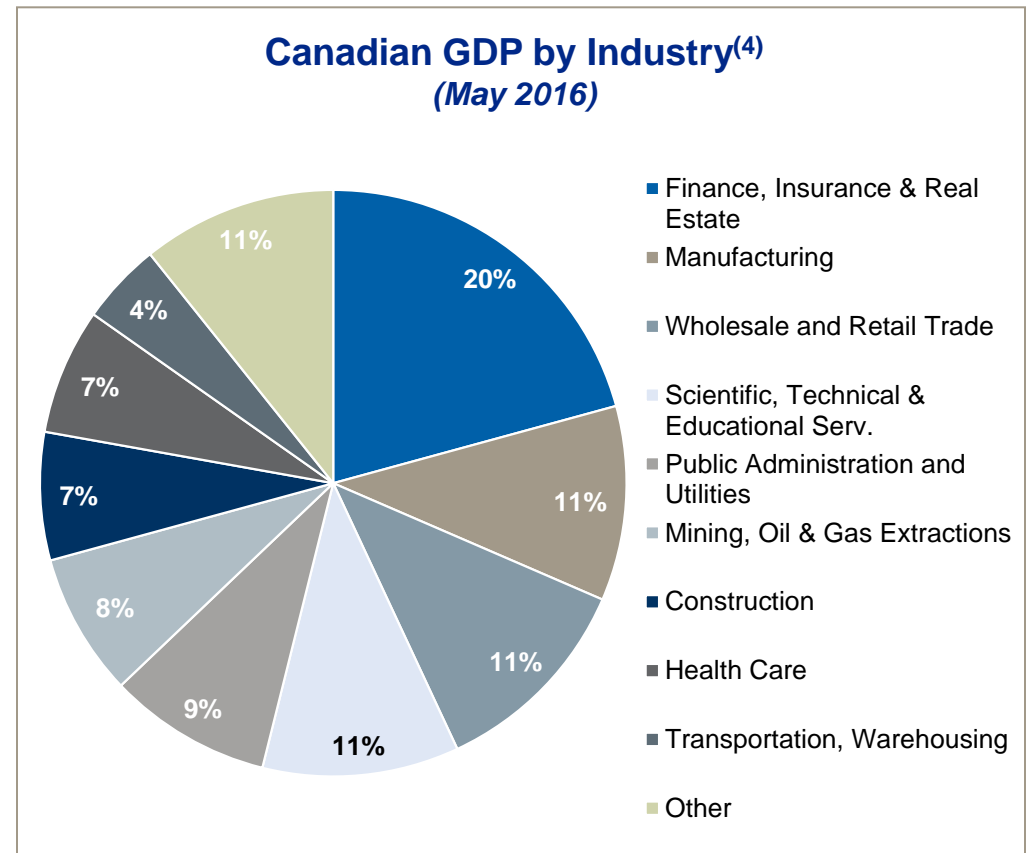
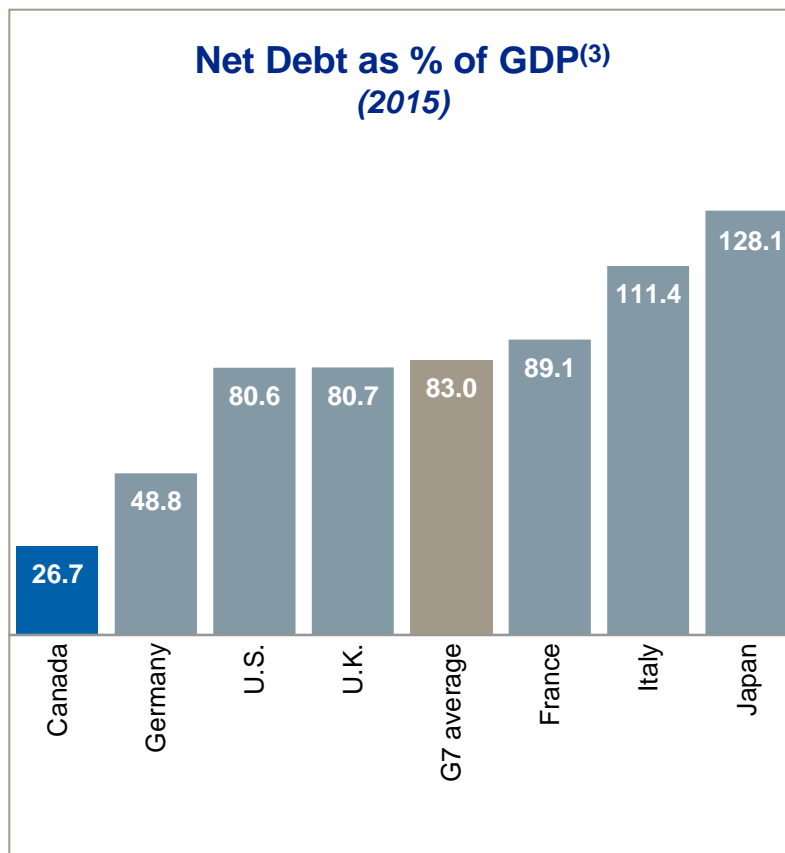
# Economic Backdrop





# Canada's fiscal position

- Strong rating as a result of fiscal prudence, conservative bank lending practices and solid economy
- Lowest net debt to GDP ratio among G7 peers<sup>(1)</sup>
- #1 for soundness of banks for the 8<sup>th</sup> consecutive year<sup>(2)</sup>
- Canadian economy adjusting to shifting drivers of growth



## Economic Backdrop

(1) International Monetary Fund.

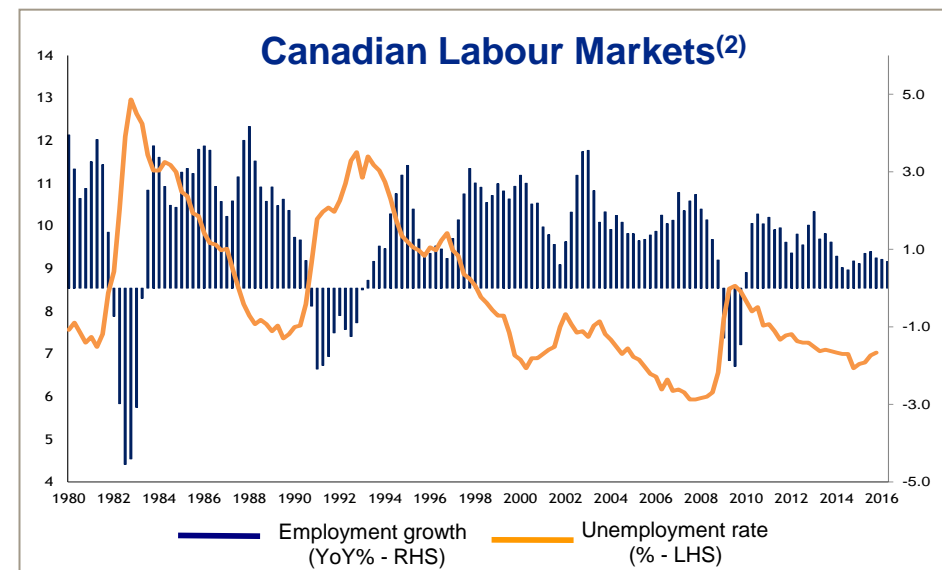
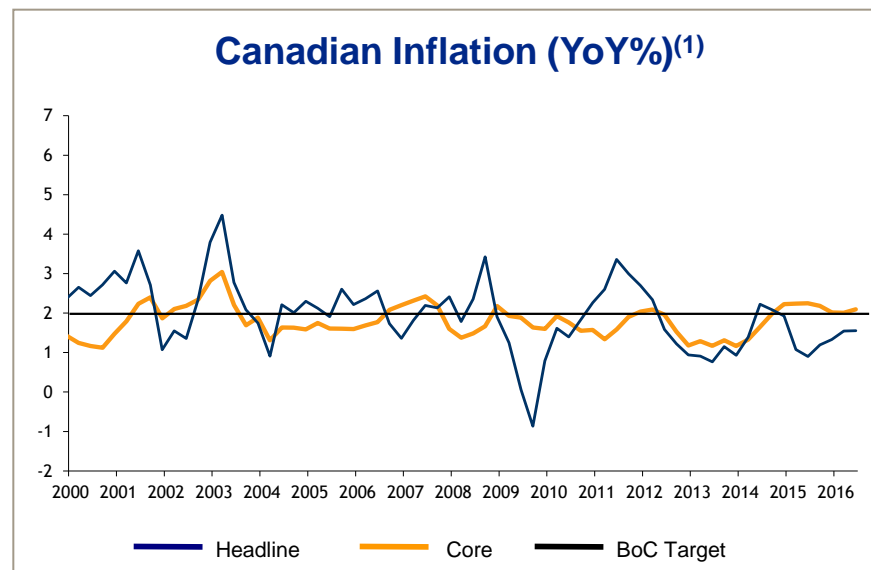
(2) World Economic Forum, 2015.

(3) International Monetary Fund, RBC Economics Research.

(4) Statistics Canada, RBC Economics Research.

# Economy to post modest growth in light of energy headwinds

- A modest recovery in crude oil prices is expected to contribute to headline inflation gradually drifting higher to reach the mid-point of the Bank of Canada's 1-3% target range by 2016 year-end
- Nationally, labour market resilience is expected to persist as a strengthening in economic activity supports hiring gains with the unemployment rate expected to drift lower through 2017
  - The unemployment rate in Alberta increased to 8.6% in July 2016 from 6.2% a year ago, driven by the downturn in the energy sector and the negative impact of the Fort McMurray wildfires
- Headwinds emanating from the pullback of oil prices and negative impact of the Fort McMurray wildfires are expected to ease in the second half of 2016. A reduction in the weight from business investment along with ongoing consumer spending strength are expected to underpin a modest pick-up in economic growth in Canada in 2016 from 2015's lackluster pace



# 2016 Economic Outlook

	Projected Economic Indicators for 2016 <sup>(1)</sup>					
	GDP Growth	Inflation	Unemployment Rate <sup>(2)</sup>	Interest Rate (3 mth T-bills)	Current Account Balance/GDP <sup>(2)</sup>	Budget Surplus/GDP <sup>(3)</sup>
Canada	1.3%	1.7%	7.0%	0.45%	-3.0%	-1.5%
U.S.	1.5%	1.2%	4.8%	0.15%	-2.8%	-2.9%
Euro Area	1.5%	0.3%	10.3%	NA	3.7%	-1.9%

## Canada

- The Canadian economy is forecast to grow by 1.3% in 2016. Slow export growth on account of tepid U.S. demand is expected to be more than offset by ongoing strength in consumer spending and a lift from fiscal stimulus. These factors are also expected to more than offset a smaller, although still significant, decline in energy sector investment
- The Bank of Canada is expected to maintain its current policy stance as it awaits evidence that the economy is transitioning towards the non-resource sectors being the key drivers of growth
- Consumer spending is expected to remain a key source of economic growth while housing market activity, nationally, will likely continue to be supported by accommodative borrowing conditions

## U.S.

- Economic growth in the U.S. is expected to be modest in 2016 as a slowdown in business investment and slower inventory accumulation temper ongoing strength in consumer spending and residential investment. Less drag on economic growth from net trade in 2016 is expected, reflecting a slowdown in imports combined with persistently weak exports
- The U.S. Federal Reserve is expected to monitor global economic and financial market developments before resuming its withdrawal of monetary policy stimulus in 2017. At this time, unfolding domestic developments are likely to confirm sustained progress towards achieving the Fed's objectives of full employment and price stability

## Euro area

- The Euro area recovery is expected to continue in 2016 supported by low energy costs and very low interest rates
- Significant monetary stimulus by the European Central Bank is aimed to curb deflationary risks. As the UK's withdrawal from the EU proceeds, weak trade activity is expected to result in slowing Euro area growth next year

### Economic Backdrop

(1) RBC Economics Research as of August 9, 2016 and reflect forecasts for calendar 2016.

(2) European Commission, RBC Economics Research.

(3) Department of Finance, Congressional Budget Office, European Commission (2015), RBC Economics Research.

# Canadian Housing Market



# Structural backdrop to the Canadian housing market

	Canada <sup>(1)</sup>	U.S. <sup>(1)</sup>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>Government influences mortgage underwriting policies through control of insurance eligibility rules</li> <li>Fully insured if loan-to-value (LTV) is over 80% <ul style="list-style-type: none"> <li>Must meet 5-year fixed rate mortgage standards</li> <li>Government-backed, on homes under \$1MM</li> <li>Down-payment over 20% on non-owner occupied properties</li> <li>CMHC announced mortgage loan insurance premiums will rise by ~15% for new mortgages with LTV over 90%</li> <li>Minimum down payment for new government-backed insured mortgages increased to 10% for portion of the value of a home being purchased that is between \$500,000 – \$999,000</li> </ul> </li> <li>Re-financing cap of 80% on non-insured</li> </ul>	<ul style="list-style-type: none"> <li>Agency insured only if conforming and LTV under 80%</li> <li>No regulatory LTV limit – can be over 100%</li> <li>Not government-backed if private insurer defaults</li> </ul>
<b>Consumer Behaviour</b>	<ul style="list-style-type: none"> <li>Mortgage interest not tax deductible</li> <li>Greater incentive to pay off mortgage</li> </ul>	<ul style="list-style-type: none"> <li>Mortgage interest is tax deductible</li> <li>Less incentive to pay down mortgage</li> </ul>
<b>Lender Behaviour</b>	<ul style="list-style-type: none"> <li>Strong underwriting discipline; extensive documentation</li> <li>Most mortgages are held on balance sheet</li> <li>Conservative lending policies have historically led to low delinquency rates</li> </ul>	<ul style="list-style-type: none"> <li>Wide range of underwriting and documentation requirements</li> <li>Most mortgages securitized</li> </ul>
<b>Lenders Recourse</b>	<ul style="list-style-type: none"> <li>Ability to foreclose on non-performing mortgages, with no stay periods</li> <li>Full recourse against borrowers<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Stay period from 90 days to one year to foreclose on non-performing mortgages</li> <li>Limited recourse against borrowers in key states</li> </ul>

# Legislation and policies – promoting a healthy housing market

## July 2016

- OSFI issued a letter indicating it will increase scrutiny on mortgage underwriting standards and will place a greater emphasis on confirming internal controls and risk management practices are sound, and take into account market developments. It also stated it will be reviewing OSFI Guideline B-20 more broadly

## December 2015

- Minimum down payment for new government-backed insured mortgages increased from 5% to 10% for portion of the value of a home being purchased that is between \$500,000 and \$999,999

## April 2014

- CMHC discontinued offering mortgage insurance on second homes and to self-employed individuals without 3<sup>rd</sup> party income validation

## July 2012

- Maximum amortization on government-backed insured mortgages reduced to 25 years from 30 years
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 80% from 85%
- CMHC insurance availability is limited to homes with a purchase price of <\$1 million lowered from \$3.5 million
- Set the borrower's maximum gross debt service ratio at 39% and maximum total debt service ratio at 44%

## March 2011

- Maximum amortization on government-backed insured mortgages reduced to 30 years from 35 years
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 85% from 90%

## February 2010

- Borrowers must meet the standards for a five-year fixed rate mortgage
- Maximum amount that can be borrowed on a mortgage refinancing lowered to 90% from 95%
- Minimum 20% down payment is required in order to qualify for government-backed mortgage insurance on non-owner-occupied properties

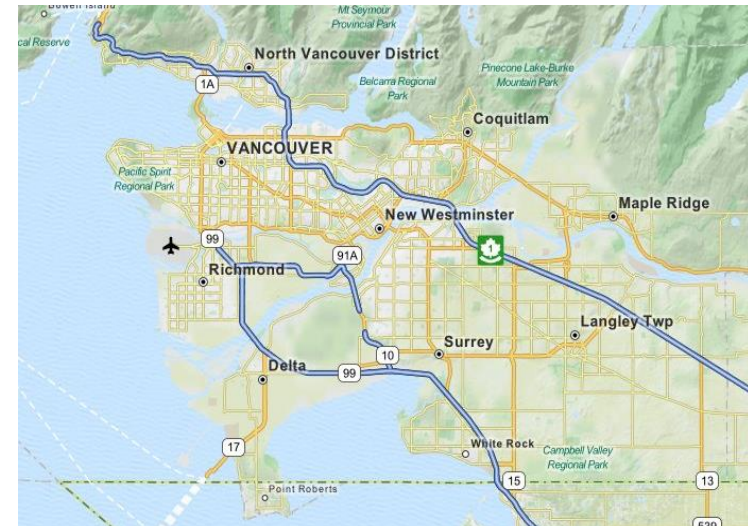
# The Toronto and Vancouver downtown condo markets

- Undeveloped land around Toronto / Vancouver is limited, causing shift to centralized condo housing
  - ‘Green belt’ surrounding Toronto has limited urban sprawl and increased demand for condos in the core
  - Vancouver is restricted in its ability for urban sprawl due to land constraints away from the city center
- Canada has one of the highest per capita rates of permanent immigration in the world<sup>(1)</sup>
  - 21% of Canada’s population is foreign born (6.8 million), highest proportion among the G8 nations<sup>(1)</sup>
  - 63% of all new immigrants to Canada move to Toronto, Vancouver or Montreal<sup>(1)</sup>
- RBC’s exposure to condo development is limited – about 2.7% of our total commercial loan book<sup>(2)</sup>
  - Condo exposure is 9.8% of our Canadian residential mortgage portfolio<sup>(2)(3)</sup>

**“Green belt” surrounding Greater Toronto area**



**Vancouver limited by mountains, sea, U.S. border**



## Canadian Housing Market

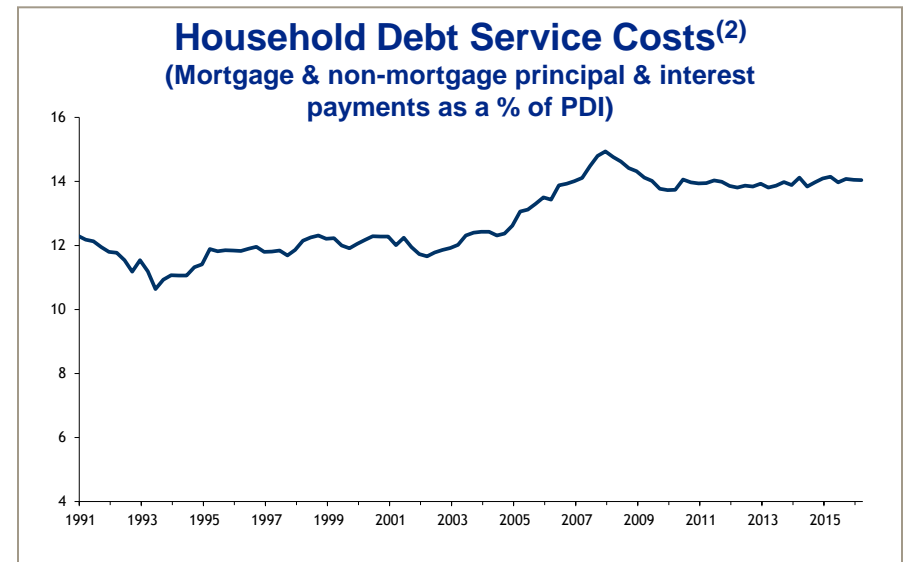
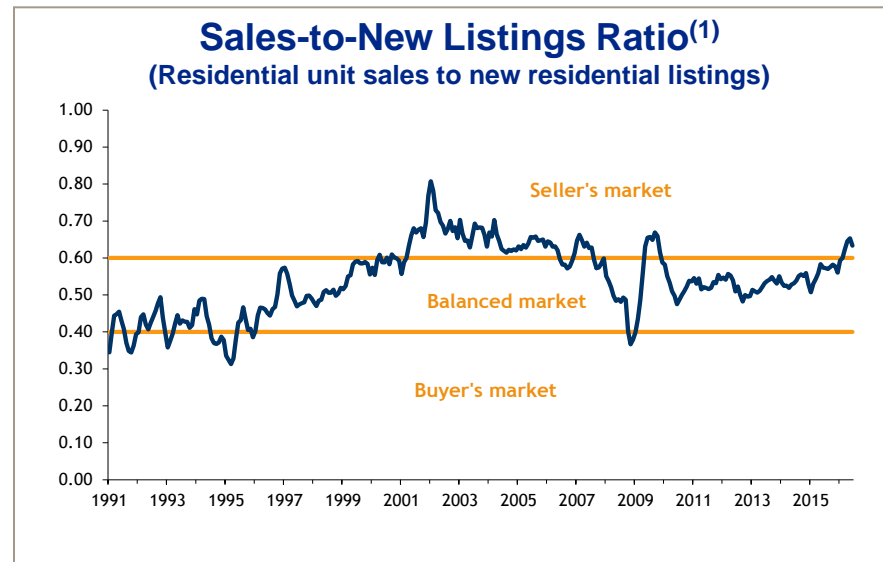
(1) Citizenship and Immigration Canada 2013, Statistics Canada.

(2) As at July 31, 2016.

(3) Based on \$254BN in residential mortgages and HELOC in Canadian Banking.

# Canadian housing market fundamentals remain balanced

- Balanced demand-supply conditions continue to prevail in half of the markets in Canada with the exceptions being some markets in British Columbia and those in and around the Greater Toronto region
- Housing affordability is in line with historical norms across Canada with pressure concentrated in a few local markets
- Steady population growth, household income gains and low interest rates are supporting housing market activity in Ontario and British Columbia, and helping to offset a slowdown in oil-exposed regions (Alberta, Saskatchewan and Newfoundland and Labrador)
- The introduction of a foreign-buyer tax in British Columbia is meant to contain speculative activity and slow the market to more sustainable levels, although the actual effect is uncertain at this stage
- Over the forecast horizon as interest rates rise, deterioration in housing affordability will weigh on overall housing activity, which is expected to gradually ease to lower, more sustainable levels
- Relatively stable household debt service cost ratios, with little movement towards higher risk
- Lenders maintaining strong underwriting discipline and require extensive documentation
  - Most mortgages being held on balance sheet and conservative lending policies have led to low delinquency rates



## Canadian Housing Market

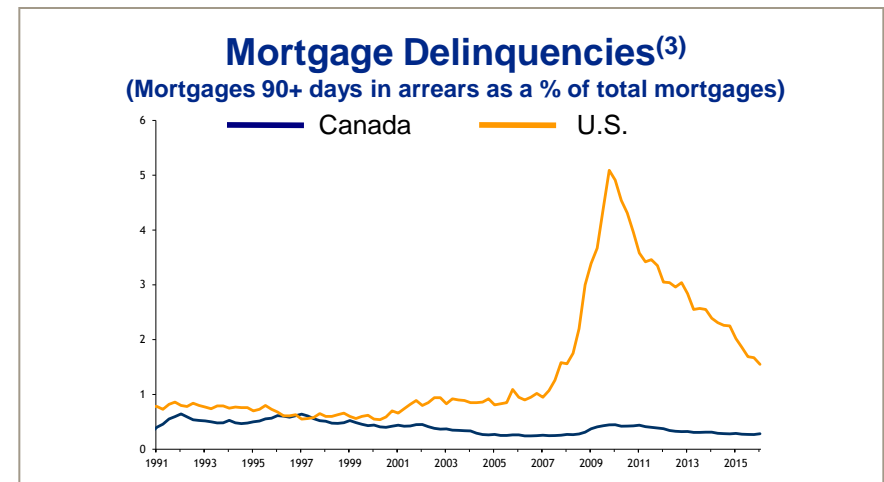
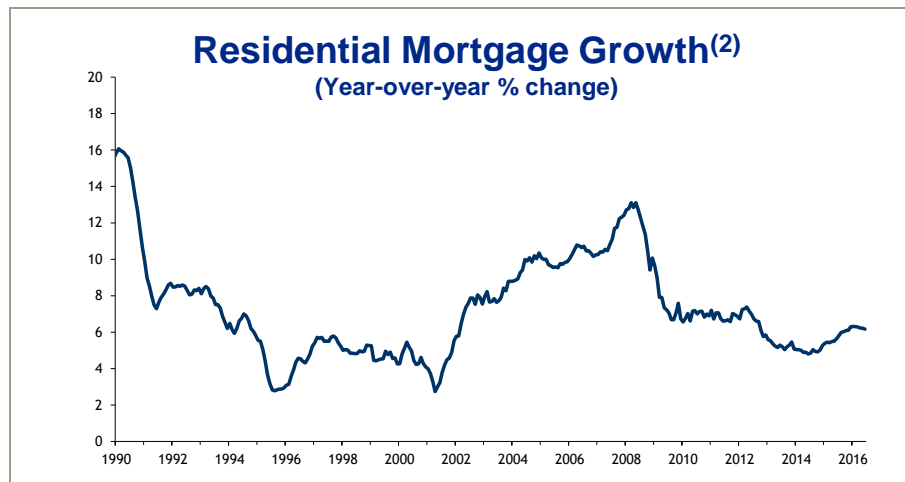
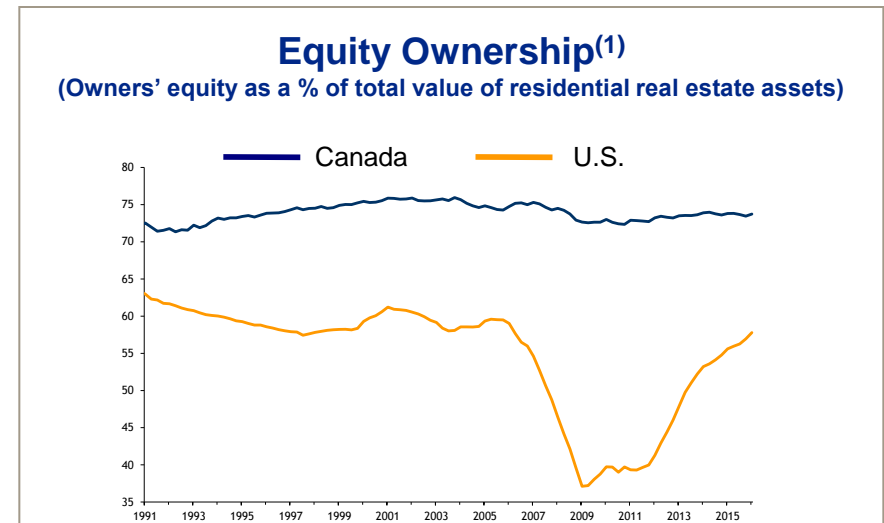
(1) Canadian Real Estate Association, RBC Economics Research.

(2) Statistics Canada, RBC Economics Research. PDI: Personal Disposable Income.



# Canadians have significant equity ownership in their homes

- Canadians carry a significant and stable amount of equity in their homes
- The pace of mortgage accumulation continues to trend within a range well below the double-digit rates of growth recorded in the mid-2000s
- Mortgage delinquency rates remain low in Canada and have been stable through recent credit cycles
- RBC monitors its residential mortgage and broader retail portfolios closely and performs stress tests for dramatic movements in house prices, GDP, interest rates and unemployment rates



## Canadian Housing Market

(1) Statistics Canada, Federal Reserve Board, RBC Economics Research.

(2) Bank of Canada, RBC Economics Research.

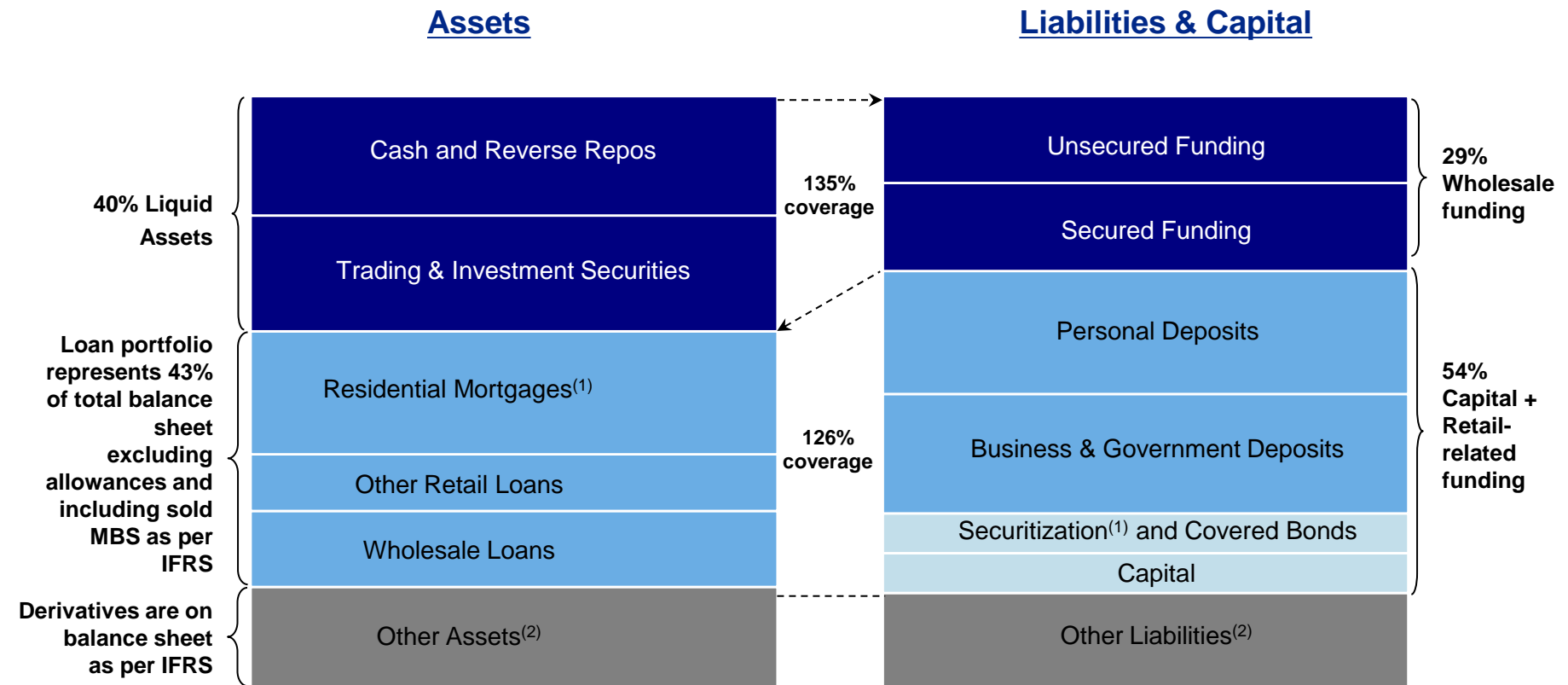
(3) Canadian Bankers Association, Mortgage Bankers Association, RBC Economics Research.

# Appendix A – Liquidity & Funding



# Strength of a high quality liquid balance sheet

**\$1,199 Billion**  
(as at July 31, 2016)



## Appendix

(1) Securitized agency mortgaged back securities (MBS) are on balance sheet as per IFRS.

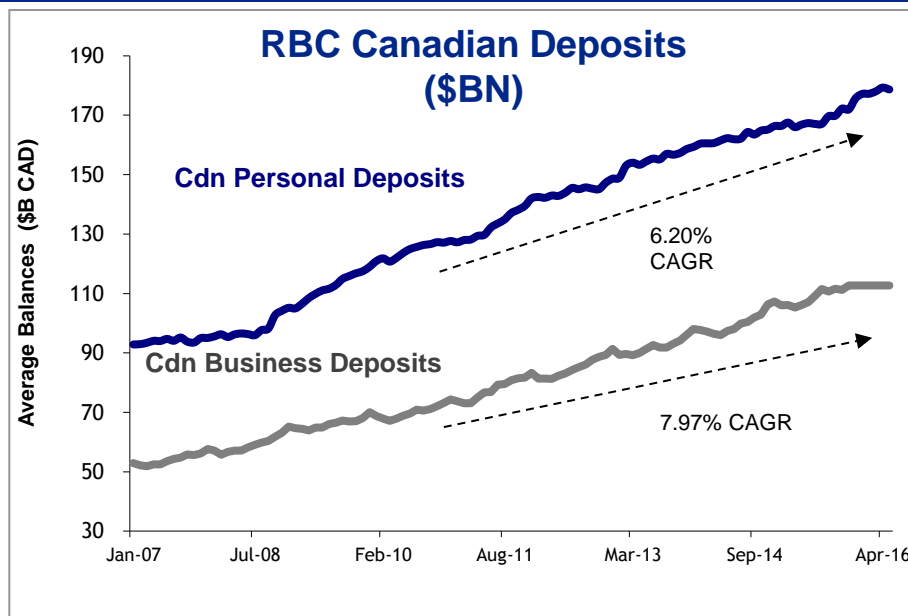
(2) Other assets include \$130BN of derivatives related assets, largely offset by derivatives related liabilities in Other liabilities. Under IFRS derivative amounts with master netting agreements cannot be offset and the gross derivative assets and liabilities are reported on balance sheet.

# Strong deposit growth

## Leveraging the strength of our distribution channels and successful deposit initiatives to drive growth

### Gaining Canadian market share

- Initiated successful strategies to grow relationship deposit base
- Leveraging our Wealth Management network with targeted strategies and product development
- Canadian relationship deposits continue to grow at a faster pace than the market
- Between June 2011 and May 2016, our share of the Canadian personal deposit market has grown from 18.8% to 20.1%<sup>(1)</sup>



### Leveraging our international reach

- Strong deposit growth in our International Wealth Management and Canadian Banking platforms

**RBC Relationship Deposits (\$BN)**

	Q3 2016	Q3 2015
HISA <sup>(2)</sup>	\$30	\$28
Advisory Channel Deposits <sup>(3)</sup>	\$32	\$33
Other Personal Deposits	\$173	\$158
Business Deposits	\$256	\$200
<b>Total Deposits</b>	<b>\$491</b>	<b>\$419</b>

#### Appendix

<sup>(1)</sup> Canadian deposit market share is based on Canadian Banking personal deposits and Wealth Management advisory channel deposits. Source: OSFI (M4 report).

<sup>(2)</sup> High Interest Savings Account; Includes CAD and USD deposits.

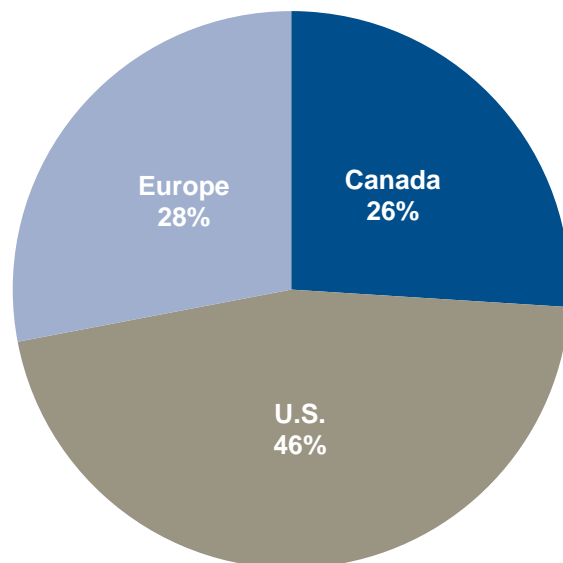
<sup>(3)</sup> Sourced largely from RBC Wealth Management network.

# Wholesale funding strategy

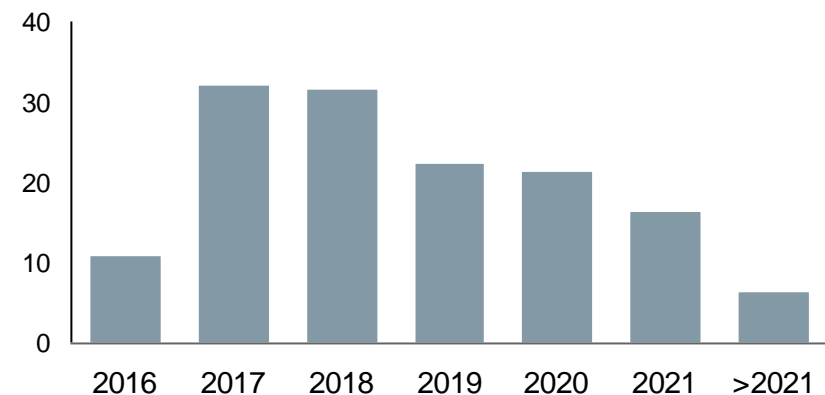
## Large retail deposit base complemented by well diversified wholesale funding mix

- Well diversified across products, currencies, investor segments and geographic regions
- Raise majority of funding in international markets to preserve significant domestic capacity which can be tapped in stressed market conditions
- Regular issuance in all major markets to promote investor engagement and secondary market liquidity
- Well balanced maturity profile that is reflective of the maturity profile of our asset base

### Diversified by geography<sup>(1)</sup>



### Well balanced maturity profile (\$ billions)<sup>(1)</sup>

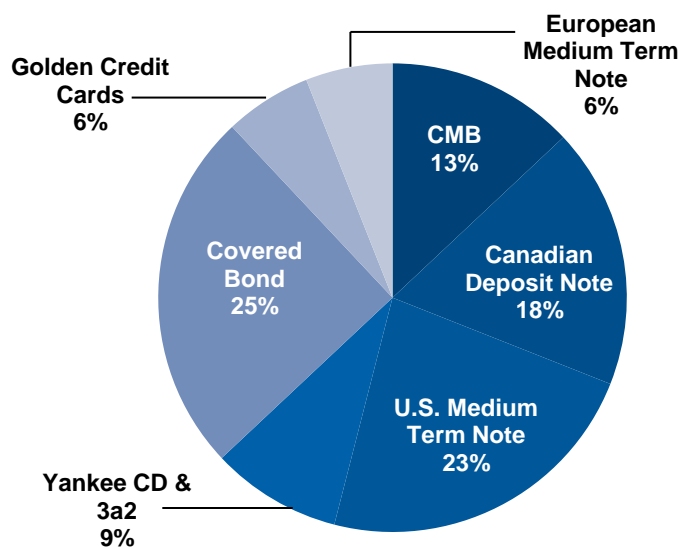


## Well diversified wholesale funding platform

- Variety of programs allows for greater diversification and cost effectiveness

Canada	U.S.	Europe and Asia
<ul style="list-style-type: none"> <li>Canadian Shelf (C\$25BN)</li> <li>Securitizations (Canadian mortgage bonds, NHA MBS<sup>(1)</sup> and credit cards)</li> </ul>	<ul style="list-style-type: none"> <li>SEC Registered Shelf (US\$40BN)</li> <li>SEC Registered Covered Bonds (US\$15BN)</li> </ul>	<ul style="list-style-type: none"> <li>European Debt Issuance Program (US\$40BN)</li> <li>Covered Bond Program (EUR 32BN)</li> <li>Japanese Issuance Programs (JPY 1 trillion)</li> </ul>

### Well Diversified by Product<sup>(2)</sup>



### Recent deals

- C\$1.75BN 5-year unsecured at Libor+77bps
- US\$1.8BN 3-year unsecured at Libor+48bps
- US\$500MM 2-year unsecured at Libor+50bps
- C\$2BN 3-year covered bond at Libor+55bps
- US\$1.75BN 3-year unsecured at Libor+71bps
- US\$553MM 2-year unsecured at Libor+70bps

#### Appendix

(1) National Housing Act Mortgage Backed Securities.

(2) As at July 31, 2016.

# RBC Covered Bond Program

## Globally Active

- Active program in six different currencies: EUR, CAD, USD, CHF, AUD and GBP
  - C\$38BN currently outstanding
- Recent benchmark transactions

GBP 350MM 3-year	US\$1.75BN 5-year
EUR 1.5BN 5-year	C\$2BN 3-year

## Strong Issuer

- Largest Canadian bank by market capitalization
- Strong credit ratings
- Well capitalized and consistent historical profitability
- Well diversified business mix

## Canadian Legislative Changes



- Canadian legislation protects claims of covered bond investors and overrides any other conflicting law related to bankruptcy and insolvency
  - Extensive regulatory oversight and pool audit requirements
  - Mandatory property value indexation

## U.S. Registration



- U.S. covered bond program is SEC registered
  - Issued US\$15.5BN across seven deals since September 2012
  - Index eligible and Trace eligible

## Appendix B – Oil & Gas

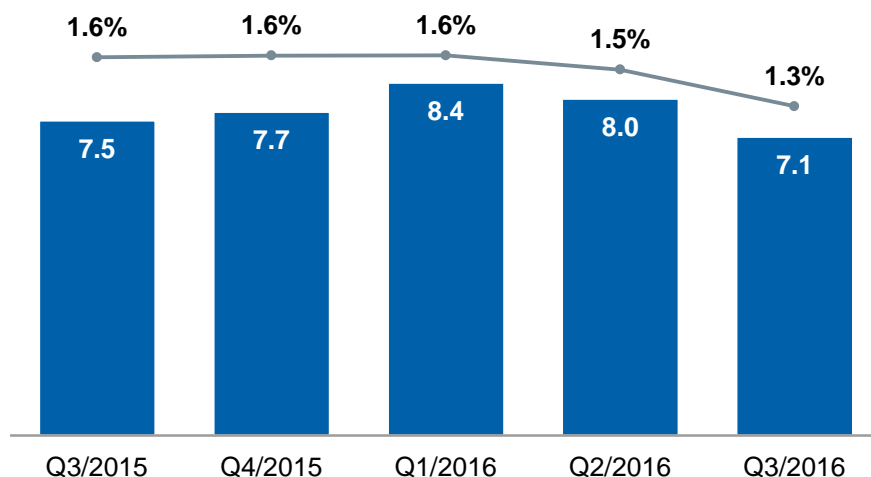




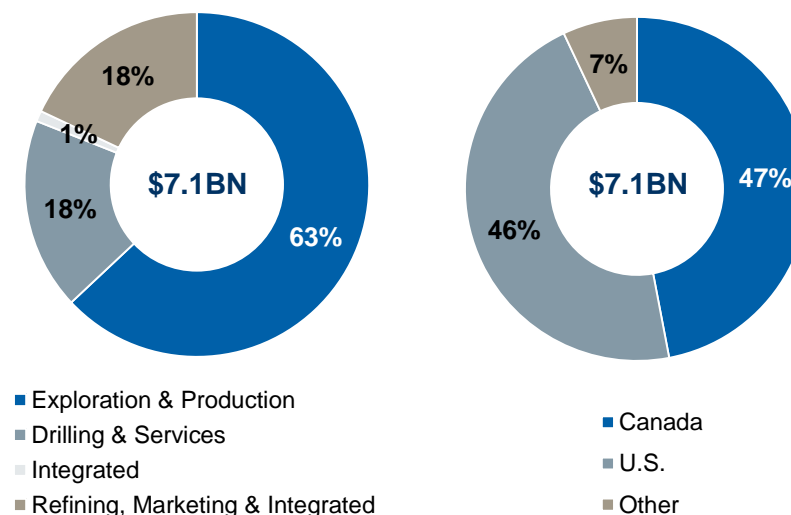
## Exposure to the oil & gas sector within our risk appetite

- Our oil & gas portfolio benefited from an improved backdrop underpinned by higher average oil prices
- Exposure to oil & gas sector:
  - Drawn of \$7.1BN in Q3/2016, decreased 12% QoQ; undrawn<sup>(1)</sup> of \$10.8BN decreased 2% QoQ
    - Largely due to normal course business drivers partially offset by the impact of FX translation
    - Drawn exposure represents 1.3% of RBC's total loans and acceptances, down from prior quarters
- 17% of our drawn and 61% of undrawn<sup>(1)</sup> oil & gas portfolio is to investment grade clients as at Q3/2016

**Drawn Oil & Gas Loans and Acceptances**  
(\$ billions; % of total loans)



**Drawn Oil & Gas Exposure by Industry Segment and Geography (Q3/2016)**



### Appendix

(1) Undrawn commitments represent an estimate of the contractual amount that may be drawn upon at the time of default of an obligor.

## 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 such as earnings and revenue excluding Corporate Support, earnings in Q2/2015 excluding a gain of \$108MM (before- and after-tax) from the wind-up of a U.S.-based subsidiary that resulted in the release of foreign currency translation adjustment (CTA) that was previously booked in other components of equity (OCE), results excluding a gain of \$235 million after-tax (\$287 million before-tax) related to the sale of RBC General Insurance Company to Aviva Canada Inc, Wealth Management measures excluding the acquisition of City National, Investor & Treasury Services 2013 net income excluding a loss of \$31 million after-tax (\$44 million before-tax) related to the integration of Investor Services and 2015 net income excluding the additional month of results in Q3/2015 of \$28 million after-tax (\$42 million before-tax) related to aligning of Investor Services reporting period to that of RBC, Insurance net income excluding a Q4/2013 charge of \$118 million after-tax (\$160 million before-tax) as a result of new tax legislation in Canada 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” section of our Q3/2016 Report to Shareholders and 2015 Annual Report.

Definitions can be found under the “Glossary” sections in our Q3/2016 Supplementary Financial Information and our 2015 Annual Report.

### Investor Relations Contacts

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[www.rbc.com/investorrelations](http://www.rbc.com/investorrelations)