

# Royal Bank of Canada Investor Presentation

Q1/2017

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 Q1/2017 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, as well as 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 2016 Annual Report and in the Risk management section of our Q1 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 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 2016 Annual Report, as updated by the Overview and outlook section in our Q1 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 Overview of other risks sections of our 2016 Annual Report and in the Risk management section of our Q1 2017 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

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➤ 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 in 2016, 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 15 Globally

One of the 15 largest global banks by market capitalization with operations in 37 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 among 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



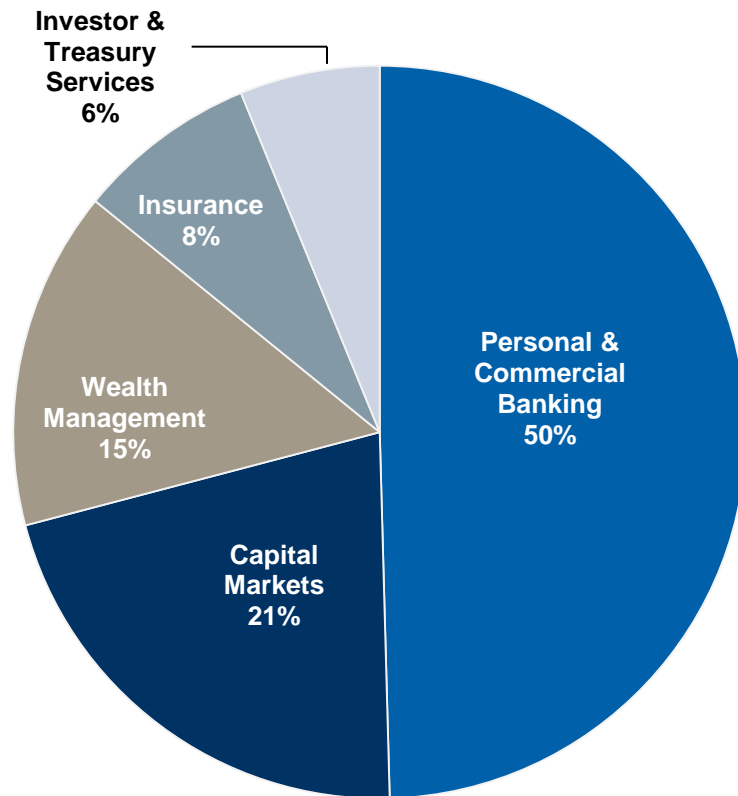
In the United States: To be the preferred partner to corporate, institutional and high net worth clients and their businesses



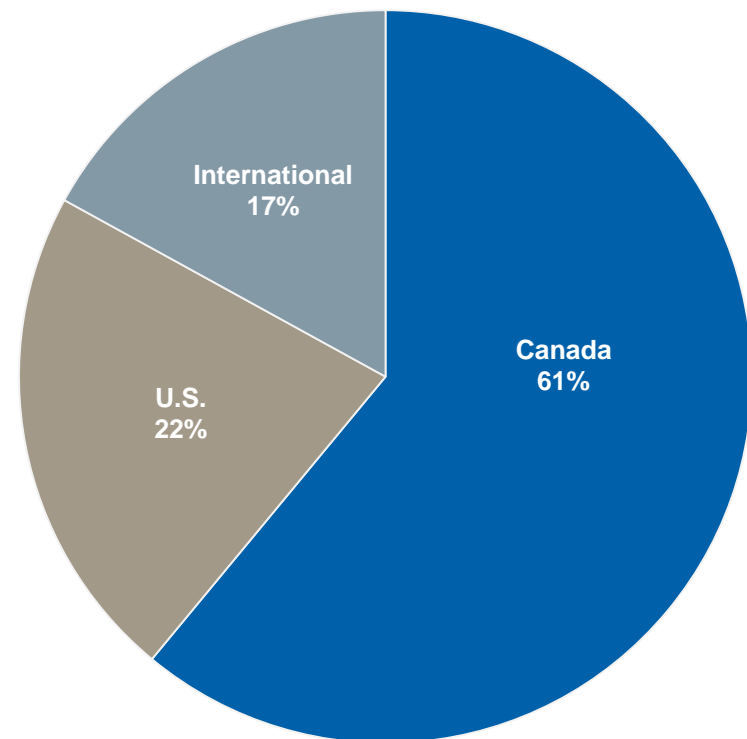
In Select Global Financial Centres: To be a leading financial services partner valued for our expertise

# Diversified business model with client leading franchises

**Earnings by Business Segment<sup>(1)</sup>**  
*Latest twelve months ended January 31, 2017*



**Revenue by Geography<sup>(1)</sup>**  
*Latest twelve months ended January 31, 2017*

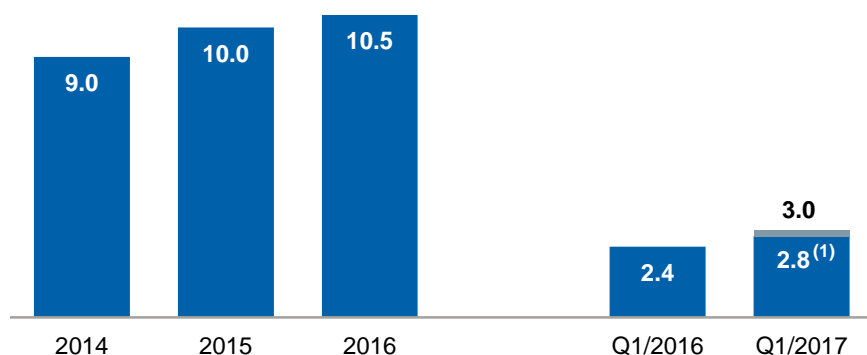


# Strong financial profile

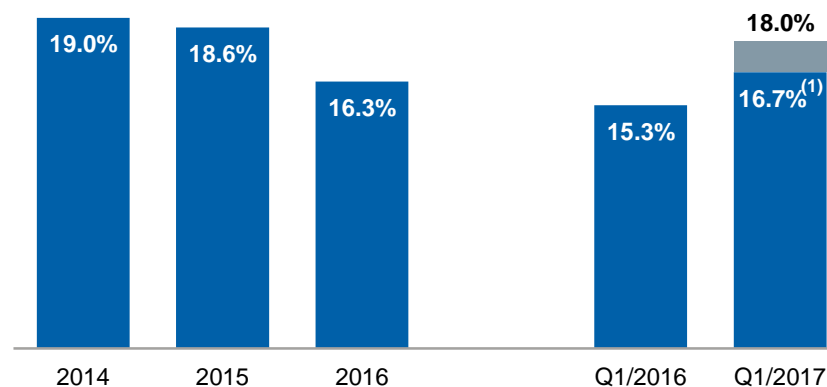
**Consistent earnings growth and solid ROE while maintaining a strong capital position with a disciplined approach to risk**

## Consistent Earnings Growth

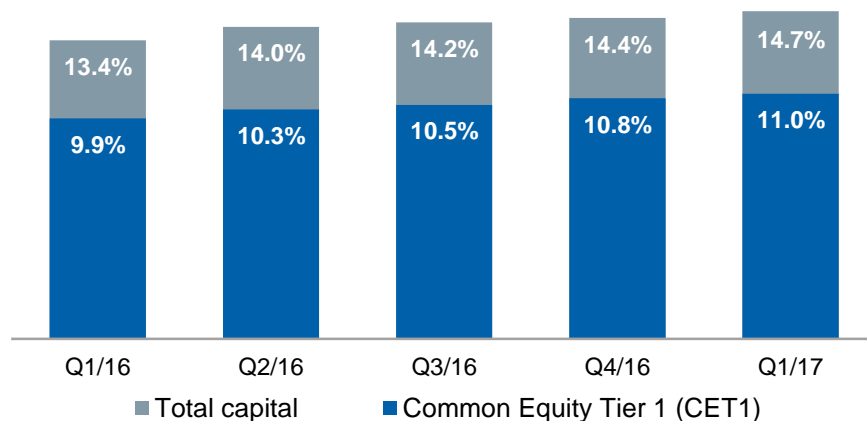
Net income (\$ billions)



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



## Strong Capital Position<sup>(3)</sup>



## Strong Leverage and Liquidity Ratios<sup>(3)</sup>

- Leverage Ratio 4.4%
- Liquidity Coverage Ratio 123%

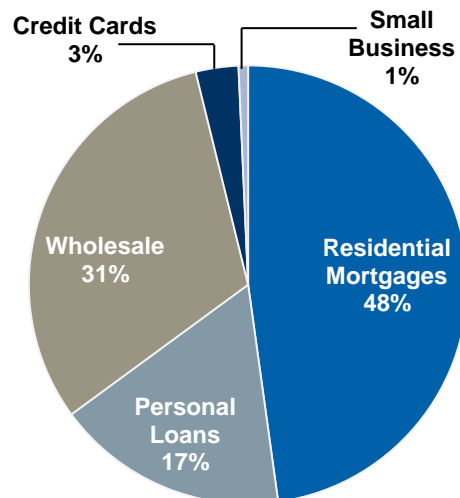
## Credit Ratings<sup>(4)</sup> Amongst the Highest Globally

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

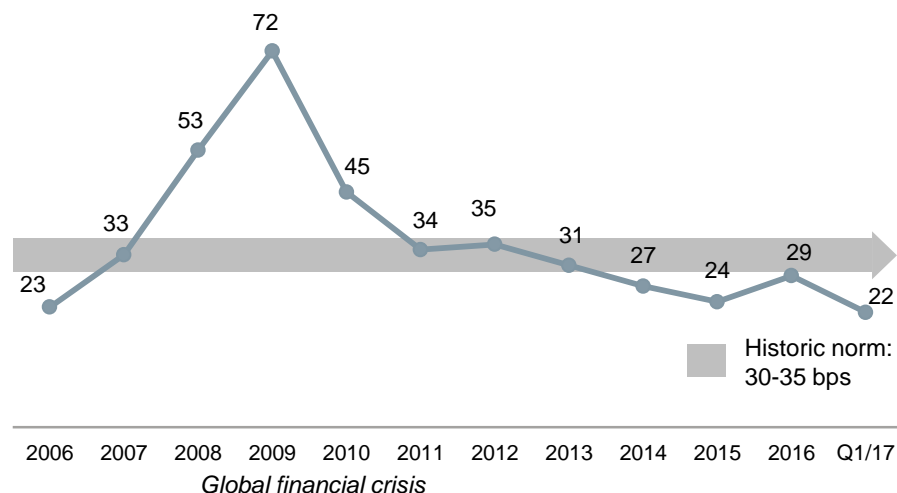
# Prudent risk management

A disciplined approach and diversification have driven stable credit trends

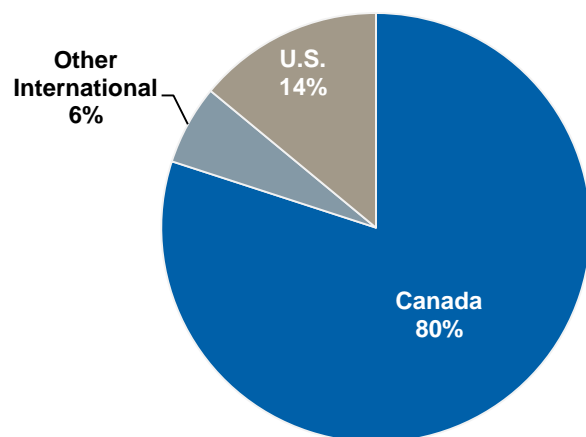
Loan Book Diversified by Portfolio<sup>(1)</sup>



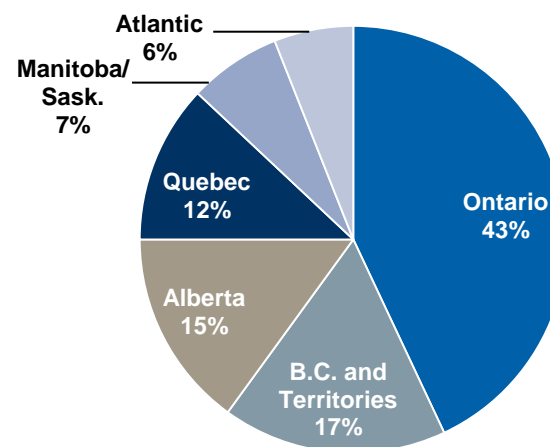
Relatively Stable PCL Ratio<sup>(2)</sup> Over the Cycle (bps)



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**

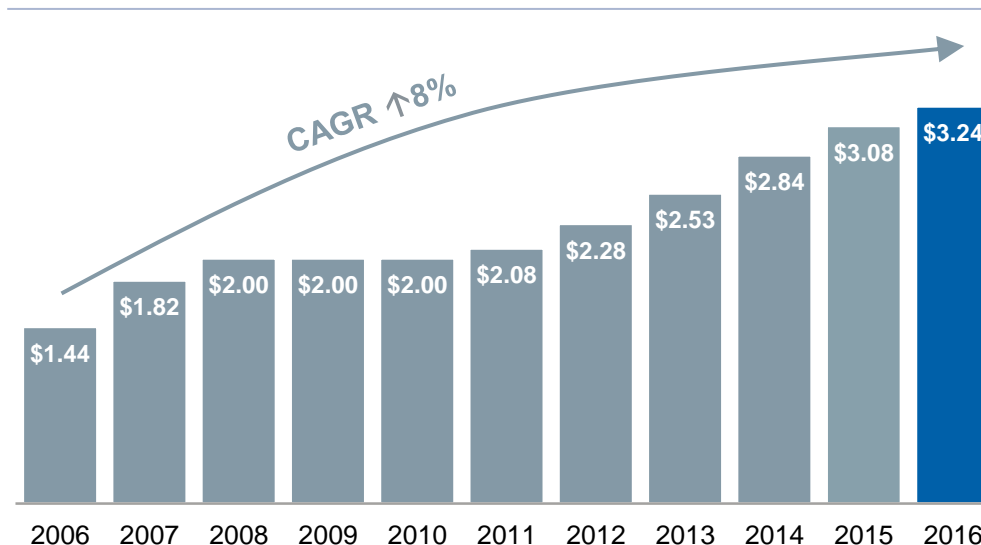
## Medium-term Financial Performance Objectives

Diluted EPS Growth	7%+
Return on Equity	16%+
Capital Ratios (CET1)	Strong
Dividend Payout Ratio	40% - 50%

## Achieved Solid TSR<sup>(1)</sup> Performance

	RBC	Peer Average
<b>3 Year</b>	15%	13%
<b>5 Year</b>	17%	16%
<b>10 Year</b>	10%	7%

## 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 January 31, 2017. RBC is compared to our global peer group. The peer group average excludes RBC; for the list of peers, please refer to our 2016 Annual Report. (2) Dividends declared per common share. Our current quarterly dividend is \$0.83.

# Business Segments



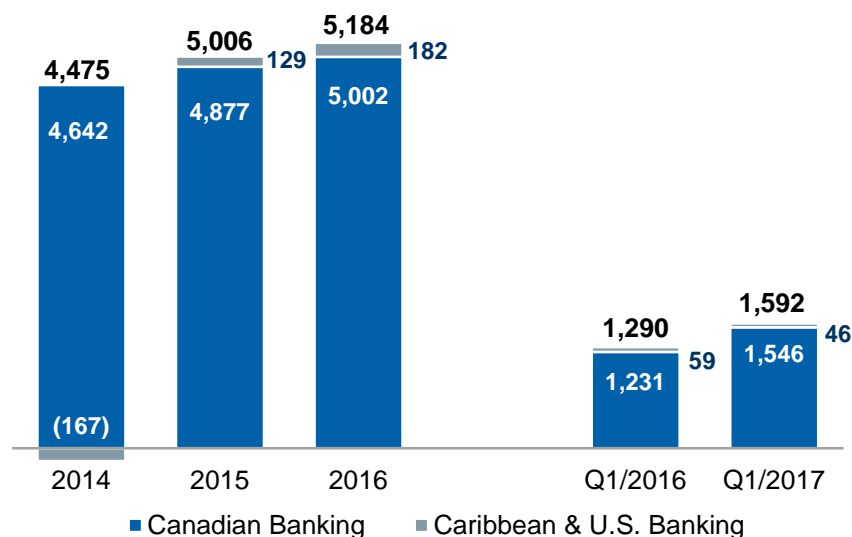
# Personal & Commercial Banking

- The 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

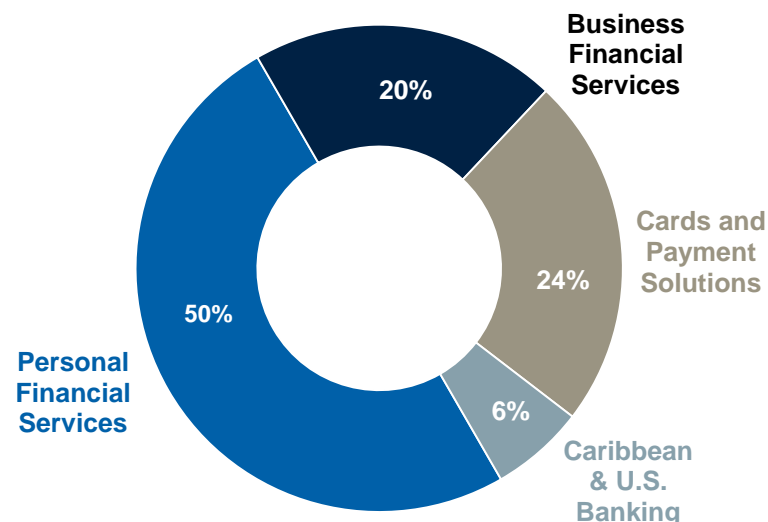
## Q1/17 Highlights

Clients (MM)	13.6
Branches	1,342
ATMs	4,829
Active digital (Online and Mobile) users <sup>(2)</sup> (MM)	5.9
Employees (FTE)	32,723
Loans & acceptances <sup>(1)</sup> (\$BN)	394.6
Deposits <sup>(1)</sup> (\$BN)	336.7
AUA <sup>(3)</sup> (\$BN)	245.0

## Net Income (\$ millions)



## Revenue by Business Line<sup>(4)</sup>



### Business Segments

(1) Based on average balances. (2) This figure represents the 90-day active customers in Canadian Banking only. (3) Based on period-end spot balances. (4) For the quarter ended January 31, 2017.

# Personal & Commercial Banking – Canadian Banking

## Strategic Priorities *Building A Digitally-Enabled Relationship Bank™*

<b>Transform how we serve our clients</b>	<ul style="list-style-type: none"> <li>Make it easier for clients to access sales and services 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 high net worth, newcomers and students/young adults - and build business through cross-sell</li> </ul>
<b>Rapidly deliver digital 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 rapidly 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

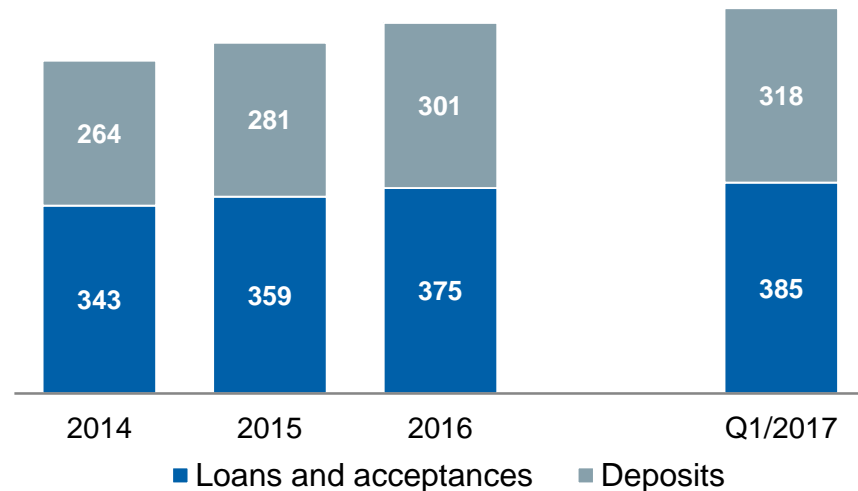
 <p><b>Best Payment Innovation &amp; Best Use of Data Analytics<sup>(1)</sup></b></p>	 <p><b>Highest in Customer Satisfaction Among the Big Five Retail Banks<sup>(2)</sup></b></p>	 <p><b>World's Best Global Bank for Consumer Banking<sup>(3)</sup>; Best Trade Finance Bank in Canada 5 years in a row<sup>(4)</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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### Business Segments

(1) Retail Banker International, 2016. (2) J.D. Power, 2016. (3) Global Finance, 2016. (4) Global Finance, 2017. (5) Based on Tier 1 capital. Tier 1 refers to the core measure of a bank's financial strength based on the sum of its equity capital and disclosed reserves (or retained earnings). The Banker, 2016.

# Personal & Commercial Banking – Canadian Banking

## Solid Volume Growth<sup>(1)</sup>

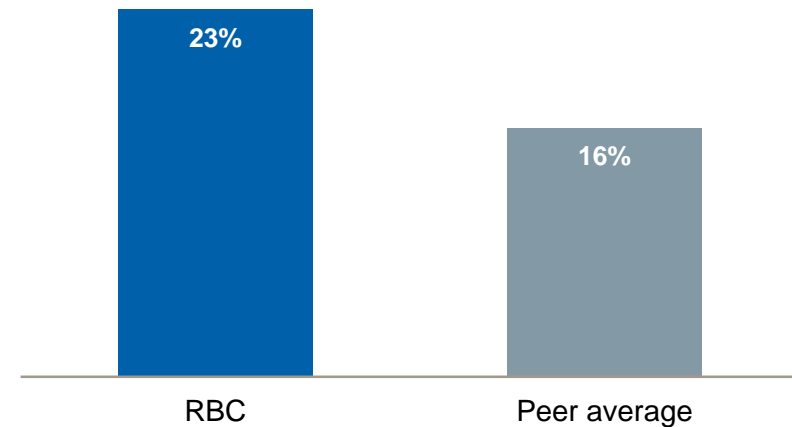


## #1 or #2 Market Share in All Categories<sup>(3)</sup>

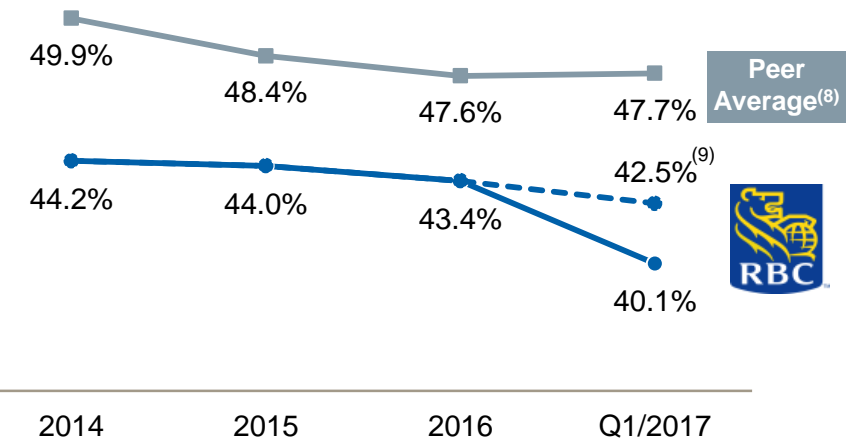
Product	Market share	Rank
Consumer lending <sup>(4)</sup>	24.0%	1
Personal core deposits + GICs	20.0%	2
Long-Term Mutual Funds <sup>(5)</sup>	14.6%	1
Business loans (\$0-\$25MM) <sup>(6)</sup>	24.1%	1
Business deposits <sup>(7)</sup>	25.5%	1

## 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 – data based on Financial Group results for the 12-month period ending October 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 as of September 2016 except where noted. Market share is of total Chartered Banks except where noted. (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 7 Chartered Banks (RBC, BMO, BNS, CIBC, TD, NA and CWB) on a quarterly basis and is as of June 2016. (7) Business Deposits market share excludes Fixed Term, Government and Deposit Taking Institution balances. (8) Peers include BMO, BNS, CIBC and TD; 2014 through 2016 reflects annual results while the peer average efficiency ratio for Q1/2017 represents Q4/2016 according to the data that is available for the peers. (9) Adjusted efficiency ratio exclude our share of a gain related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale). This is a non-GAAP measure. For more information see slide 40.

# Wealth Management

## Strategic Priorities

- Extend our leadership position in Canadian retail asset management and continue growing our institutional asset management business in key global markets
- Drive profitable growth in priority segments and markets, driven by a differentiated client and advisor experience that is increasingly digitally-enabled and supported by data-driven insights
- Continue to deepen client relationships jointly with our internal business partners
- Leverage the combined strengths of City National, RBC U.S. Wealth Management and Capital Markets to accelerate growth in the U.S.

## Recent Awards

### Top 5 Global Wealth Manager by Assets

(Scorpio, 2016)

### Best Private Banking Services Overall in Canada

(Euromoney Private Banking Survey, 2017)

### Best Canadian Private Bank

(Family Wealth Report Awards, 2016)

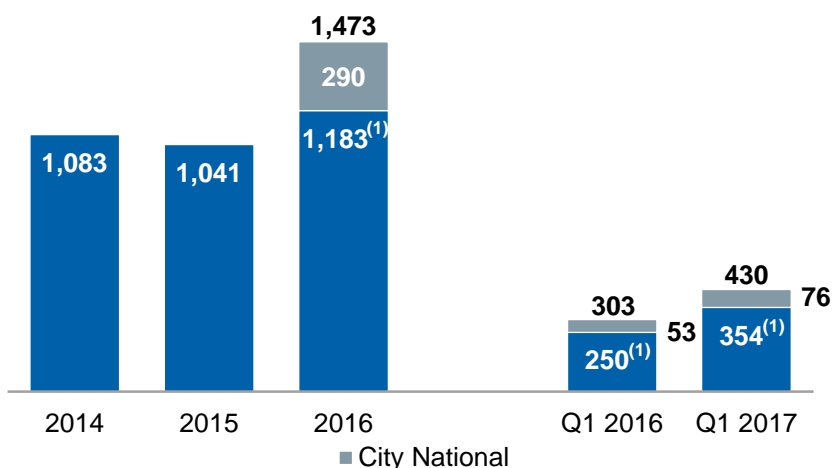
### Outstanding Global Private Bank – North America

(Private Banker International Global Wealth Awards, 2016)

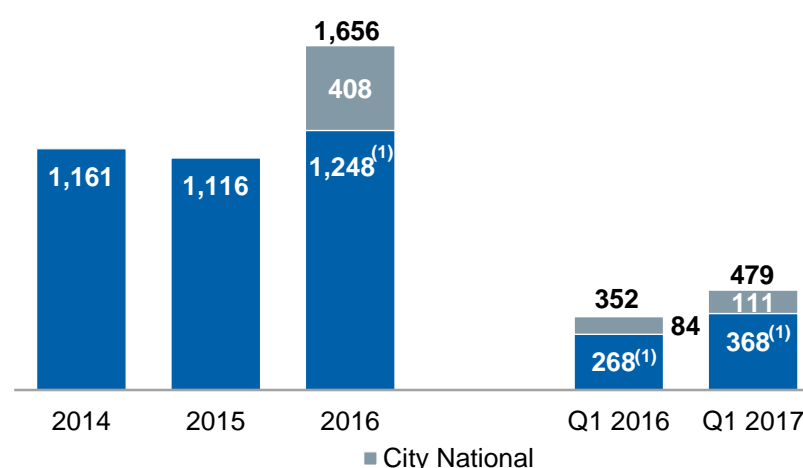
### Outstanding Wealth Manager – Customer Relationship Service and Engagement

(Private Banker International, 2016)

## Net Income (\$ millions)



## Cash Earnings (\$ millions)<sup>(2)</sup>



## Business Segments

(1) Financial measures excluding the impact of our acquisition of City National are non-GAAP measures. For more information see slide 40. (2) This is a non-GAAP measure. For more information see slide 40.

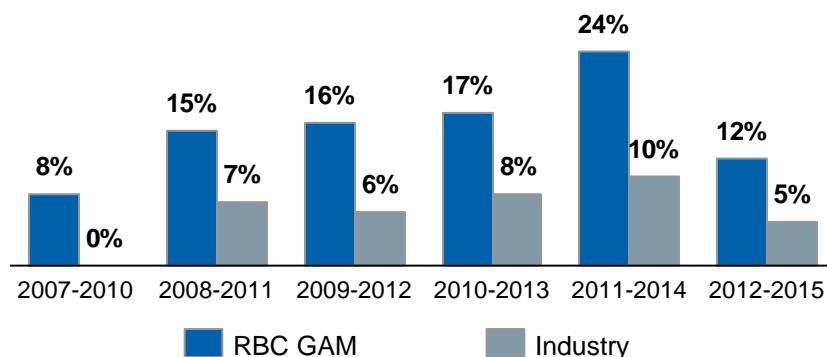
# Wealth Management – Global Asset Management

## Building a high-performing global asset management business

- **Driving top-tier profitability in our largest Wealth Management business**
  - \$389BN in client assets, generating over 42% of RBC Wealth Management earnings in Q1/2017
  - Investor asset mix of 50% Retail / 50% Institutional client assets
  - Top 50 global asset manager by AUM<sup>(1)</sup>
- **Extending our lead in Canada**
  - Largest fund company in Canada with 14.8% 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 ~80% 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

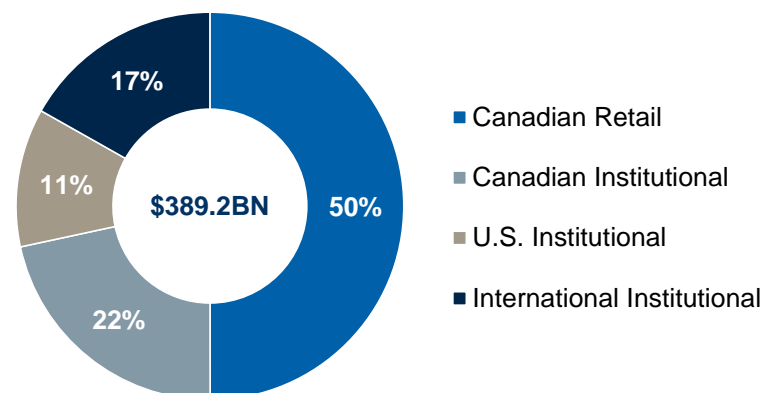
### Above Industry Average AUM Growth<sup>(5)</sup>

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



### Diversified Asset Mix

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



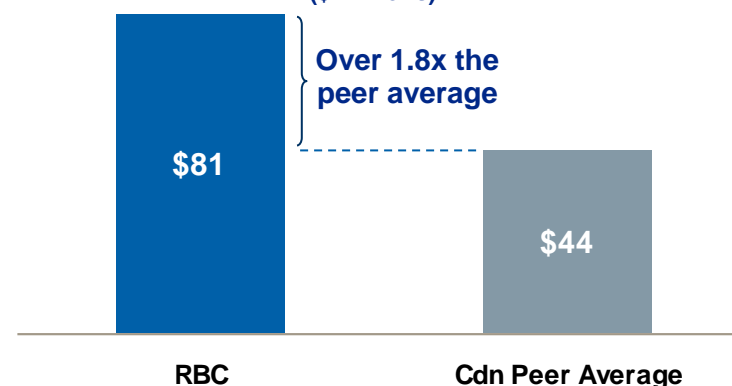
#### Business Segments

(1) Pensions and Investments, as of December 31, 2015. (2) Investment Funds Institute of Canada (IFIC) as at December 2016. (3) Benefits Canada as at May 2016. (4) As at December 2016, gross 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.

## Canadian Wealth Management

- **Extending our #1 position**
  - Grew HNW<sup>(1)</sup> market share by ~500 bps to 20% over the last five years<sup>(2)</sup> and anticipate reaching 22% market share by 2020
- **Maintaining profitable growth**
  - Generating 26% of RBC Wealth Management earnings with strong pre-tax margin, highest among North American peers<sup>(4)</sup>
- **Driving strong advisor productivity**
  - Canadian leader in fee-based assets per advisor<sup>(2)</sup>
  - Consistently driving revenue per advisor of over \$1.28 million per year, 34% above Canadian industry average<sup>(2)</sup>
  - Strong new asset growth complimented by favourable market conditions
  - Leveraging Enterprise linkages to continue to extend market share gains

### Fee-based Assets per Advisor<sup>(3)</sup> (\$ millions)



## U.S. Wealth Management (including City National)

### U.S. Wealth Management

- 7th largest brokerage in the U.S. as ranked by assets under administration and by number of financial advisors
- Steadily increasing advisor productivity and continuing growth of 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

### City National

- A premier U.S. private and commercial bank that creates a platform for long-term growth in the U.S.
- Operates with a high touch, branch light client service model in selected high growth markets including Los Angeles, the San Francisco Bay area, Orange County, San Diego and New York
- Expanding the CNB business model to selected high growth markets; CNB is forecast to generate over US\$1.0BN (pre-tax) by 2020<sup>(5)</sup>

## International Wealth Management

- Focusing on key client segments, including HNW and UHNW<sup>(1)</sup> clients in select target markets where we have scale
- Enhancing our product offering, sales and relationship management process to improve client experience
- Leveraging RBC's global capabilities (Global Asset Management and Capital Markets)

# 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 targeted 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

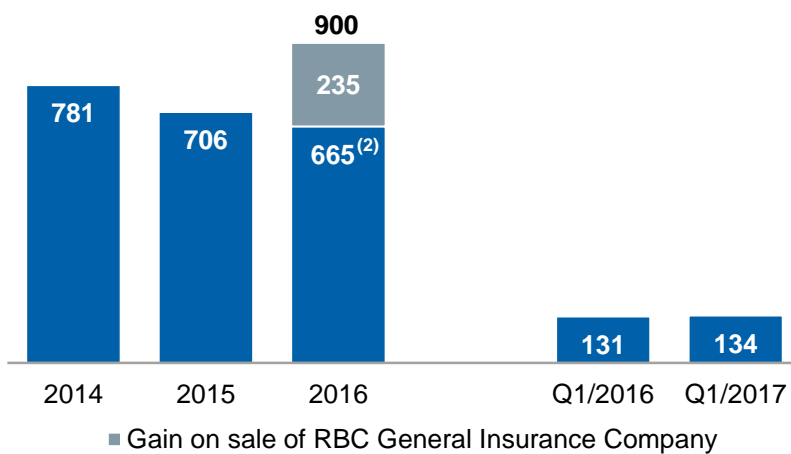
### Simplify. Agile. Innovative.

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

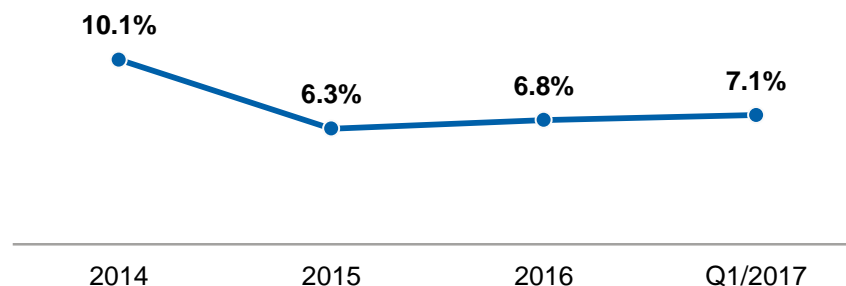
### Pursue select international opportunities to grow our reinsurance business

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

## Net Income (\$ millions)<sup>(1)</sup>



## Acquisition Expense Ratio<sup>(3)</sup>



## Business Segments

16

(1) 2015 and 2016 results reflect a change in Canadian tax legislation impacting certain foreign affiliates, which became effective November 1, 2014. (2) 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 40. (3) 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>
  - Named #1 Canadian Sub-custodian<sup>(2)</sup>
  - Ranked the #1 Fund Administrator overall for four consecutive years<sup>(3)</sup>
- Leading provider of Canadian dollar cash management and payment solutions to brokers, exchanges and other global financial institutions
- Short-term funding and liquidity management for RBC

## Strategic Priorities

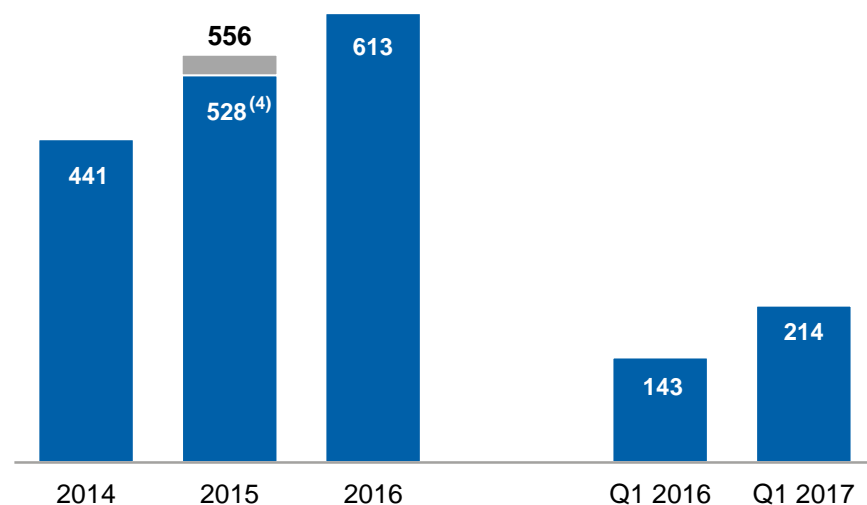
In Canada, maintain position as the #1 provider of domestic custody, asset services and cash management

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 offering and improve efficiency

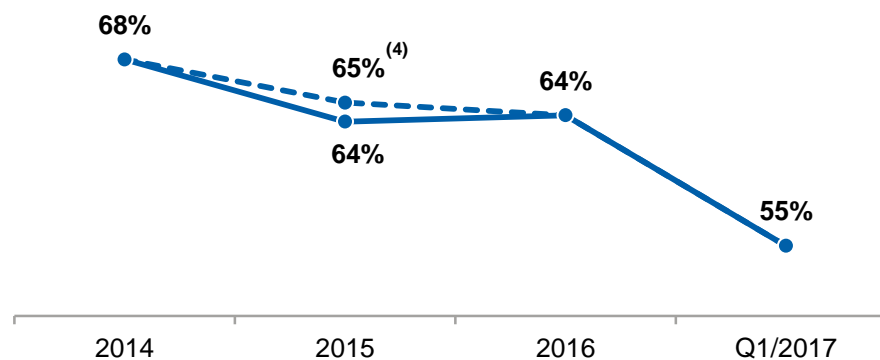
## Net Income (\$ millions)



### Business Segments

(1) Global Investor/ISF Global Custody Survey, 2016. (2) Global Custodian Agent Banks in Major Markets Survey, 2016. (3) R&M Fund Accounting and Administration Survey, 2016. (4) Excludes the net impact of additional month of earnings of \$42MM (\$28MM after-tax) related to aligning of Investor Services reporting period to that of RBC. This is a non-GAAP measure. For more information see slide 40.

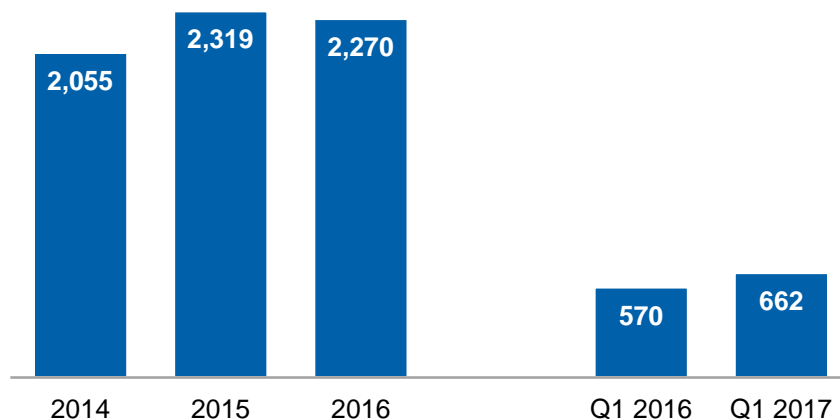
## Efficiency Ratio



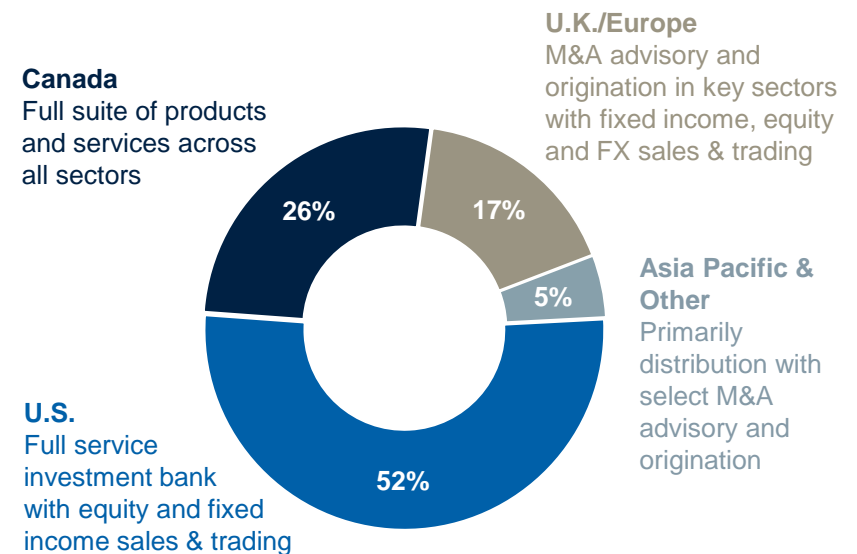
# Capital Markets

- A premier North American investment bank with select global reach
  - 10<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, full year 2016. (2) For the quarter ended January 31, 2017.

# Capital Markets

## Strategic Priorities

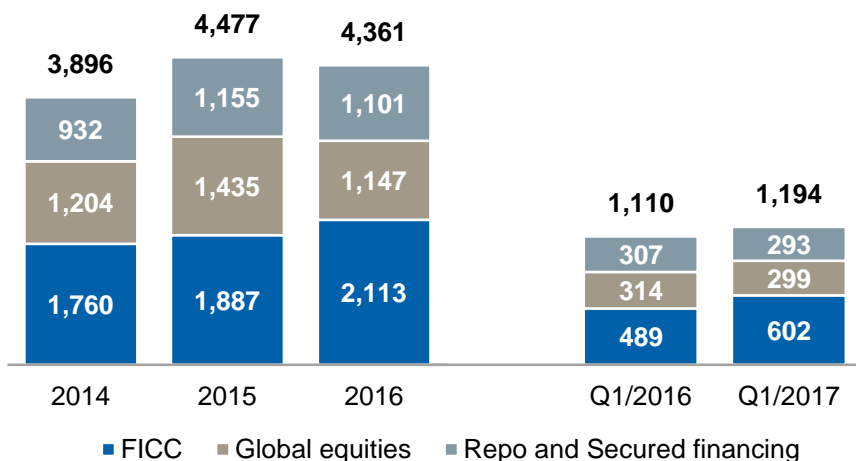
<b>Maintain our leadership position in Canada</b>	<ul style="list-style-type: none"> <li>Focus on long-term client relationships and leverage our global capabilities</li> <li>Increase focus on product and service cross-sell, and continue to improve collaborative efforts</li> </ul>
<b>Expand and strengthen 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

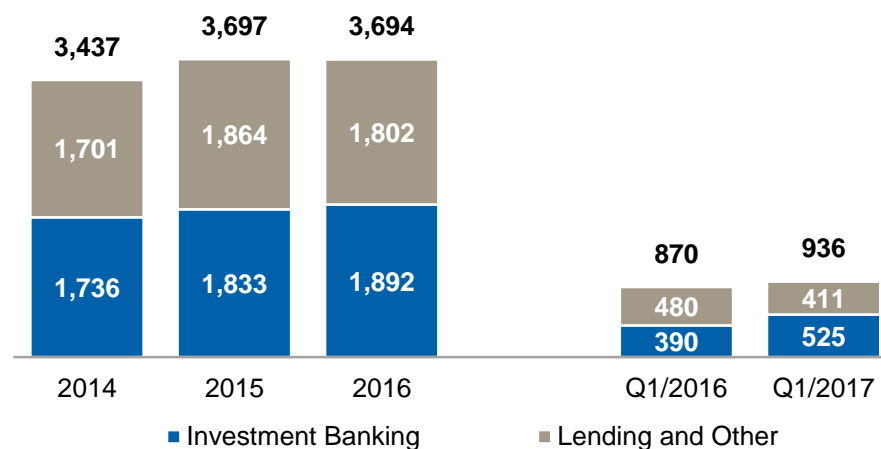
 <p><b>Best Investment Bank in Canada</b> 9 years in a row<sup>(1)</sup></p>	 <p><b>Best Bank for Markets in North America<sup>(1)</sup></b></p>	 <p><b>#1 for U.S. Market Structure Team<sup>(2)</sup></b></p>	 <p><b>#1 for Canadian Equity Research, Sales, and Trading<sup>(3)</sup></b></p>	 <p><b>#1 for Canadian Fixed Income Research, Sales, and Trading<sup>(4)</sup></b></p>
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# Capital Markets

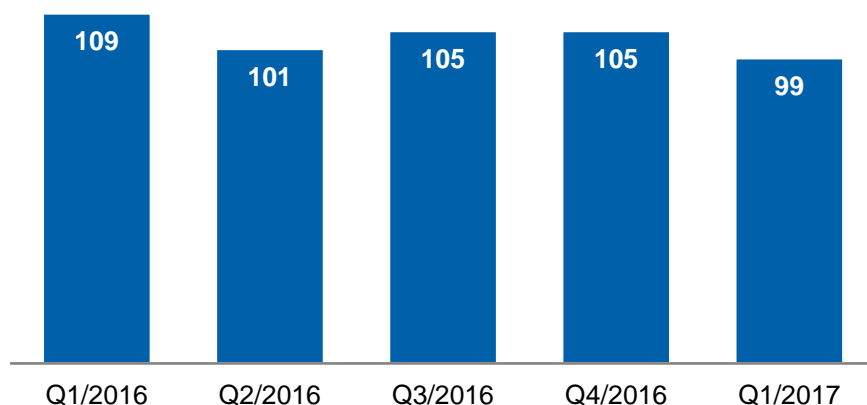
## Diversified Global Markets Revenue<sup>(1)</sup> (\$ millions)



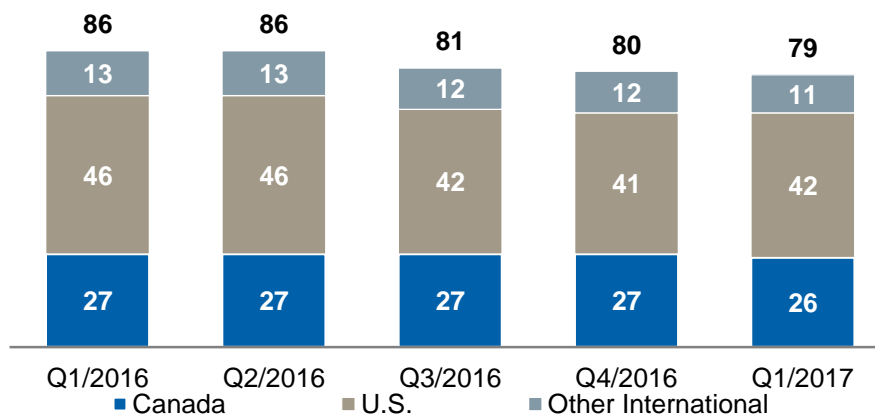
## Solid Corporate & Investment Banking Revenue (\$ millions)



## Steady Trading Securities (\$ billions, average)



## Geographic Diversification Across Loan Book Average loans outstanding by region (\$ billions)<sup>(2)</sup>

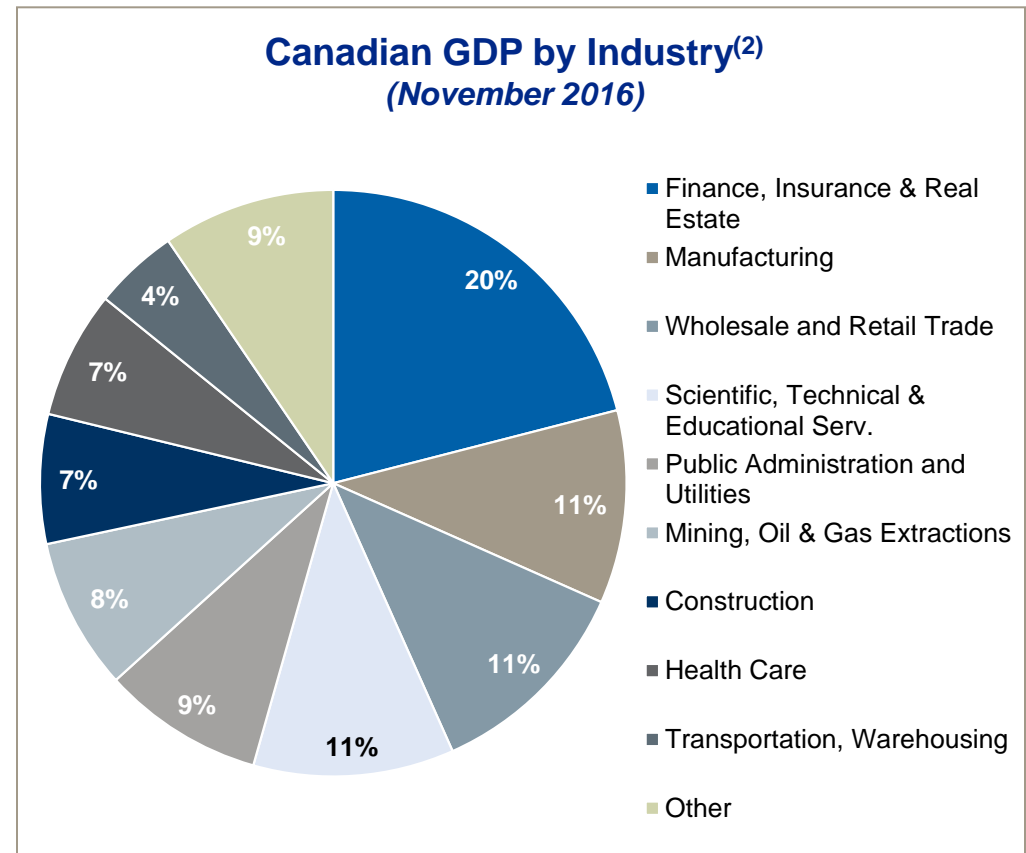
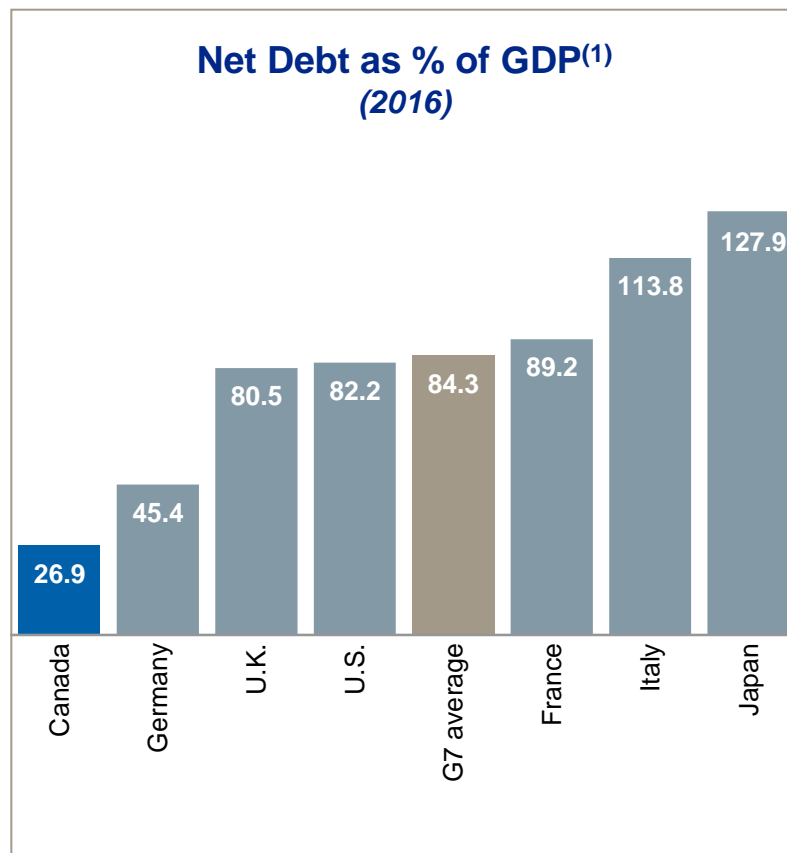


# Economic Backdrop



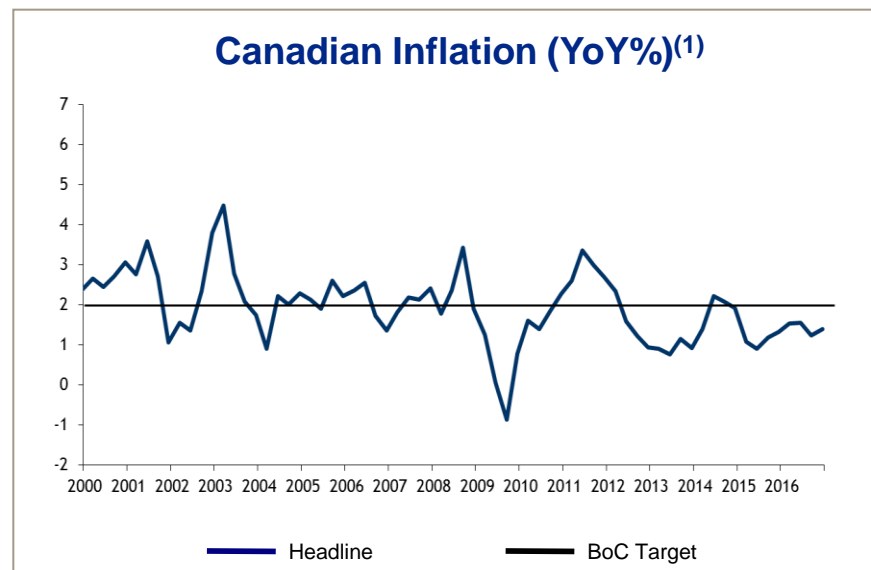
# Canada's fiscal position

- 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>
- Canadian economy adjusting to shifting drivers of growth



# Economy to post modest growth as energy headwinds subside

- The recovery in crude oil prices is expected to contribute to headline inflation gradually drifting higher, although is expected to remain within the Bank of Canada's 1-3% target range through 2017
- Nationally, strengthening economic activity and expected hiring gains could drive the unemployment rate lower through the forecast horizon
  - Following sizeable layoffs in 2015 and 2016 owing to the low crude oil price environment, signs of a recovery are expected to emerge in Alberta's labour market with broad beneficial effects to be spread across industrial sectors
- As the headwinds from low oil prices subside, the economy is expected to grow at a firmer pace. An easing in the weight from falling business investment, ongoing consumer spending strength and fiscal stimulus are expected to underpin a modest pick-up in economic growth in Canada in 2017 from 2016's lackluster pace



# 2017 Economic Outlook



	Projected Economic Indicators for 2017 <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	1.8%	2.5%	6.9%	0.6%	-2.6%	-1.3%
U.S.	2.3%	2.4%	4.7%	1.1%	-2.8%	-2.9%
Euro Area	1.5%	1.7%	10.2%	NA	3.4%	-1.6%

## Canada

- The Canadian economy is forecast to grow by 1.8% in 2017. A rise in protectionist sentiment may weigh on demand for Canadian exports; however, ongoing strength in consumer spending and a lift from fiscal stimulus are expected to support an uptick in economic growth in 2017. A drag on growth stemming from a decline in residential investment is expected to be tempered by a modest recovery in business investment
- The Bank of Canada is expected to maintain its current policy stance as it awaits evidence that the economy is continuing to transition towards the non-resource sectors being the key drivers of growth
- Consumer spending is expected to remain a key source of economic growth. Housing market activity, nationally, will likely continue to be supported by still accommodative borrowing conditions, although recent policy changes and an uptick in interest rates are expected to temper the pace of resale activity

## U.S.

- Economic growth in the U.S. is expected to accelerate in 2017 from 2016's lackluster pace as business investment recovers and fiscal stimulus supplements solid consumer spending. Net trade will likely continue to weigh on economic growth in 2017 as a strong US dollar dampens exports and import growth could be impacted by uncertainty surrounding possible tariff implementation
- The U.S. Federal Reserve is expected to monitor economic and policy developments before resuming its withdrawal of monetary policy stimulus in Q2/2017. 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 2017 driven by consumer spending and business investment, reflecting an ongoing improvement in labour markets and rising business sentiment
- Significant monetary stimulus by the European Central Bank is expected to persist through 2017
- Political risks led by the U.K's withdrawal from the EU remain and in turn, weak trade activity is expected to result in slowing Euro area growth in 2017 relative to 2016

# 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

## January 2017 – City of Vancouver

- Beginning in 2017, Vancouver has introduced a tax of 1% of the assessed value of each home which is vacant (principal residence is exempt)

## October 2016 – Department of Finance

- Rate used to qualify high-ratio mortgage borrowers opting for a fixed-rate mortgage with a term of five years or more is changed from the contract rate to the 5-year posted rate
- Effective November 30, 2016, mortgage loans that lenders insure using portfolio insurance and other discretionary low loan-to-value ratio mortgage insurance must meet the eligibility criteria that was previously only applied to high-ratio insured mortgage
- Non-residents are not eligible for the principal residence exemption on any part of a gain from the disposition of a residence

## July 2016 – OSFI & the Government of British Columbia

- 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
- Foreign buyers registering the purchase of residential homes in Metro Vancouver, excluding treaty lands in the Tsawwassen First Nation, are subject to an additional property transfer tax of 15% under legislation introduced by the British Columbia government (announced in July 2016, effective August 2016)

## December 2015 – Department of Finance

- 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 (came into effect February 2016)

# Legislation and policies – promoting a healthy housing market

## April 2014 – CMHC

- CMHC discontinued offering mortgage insurance on 2<sup>nd</sup> homes and to self-employed individuals without 3<sup>rd</sup> party income validation

## July 2012 – CMHC

- 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 – CMHC

- 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 – Department of Finance

- Borrowers with mortgage terms of less than five years 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

## July 2008 – Department of Finance

- Maximum amortization on government-backed insured mortgages reduced to 35 years from 40 years
- A minimum 5% down payment is required in order to qualify for government-backed insured mortgages
- Additional – minimum credit score requirements, new loan documentation standards, setting a maximum of 45% on borrowers total debt service ratio

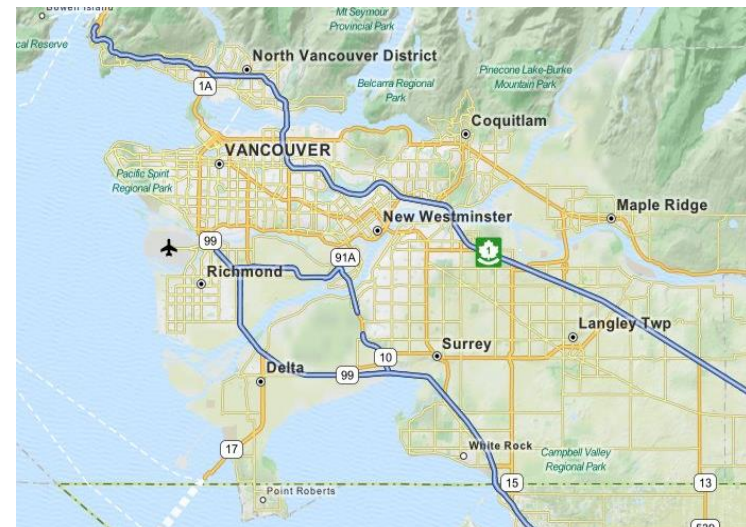
# The Toronto and Vancouver downtown condo markets

- 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 2.3% 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**



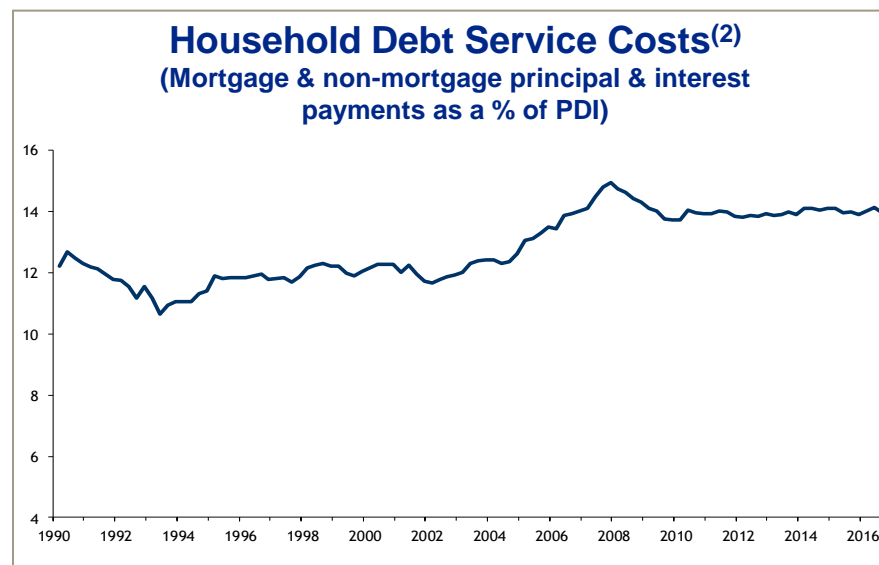
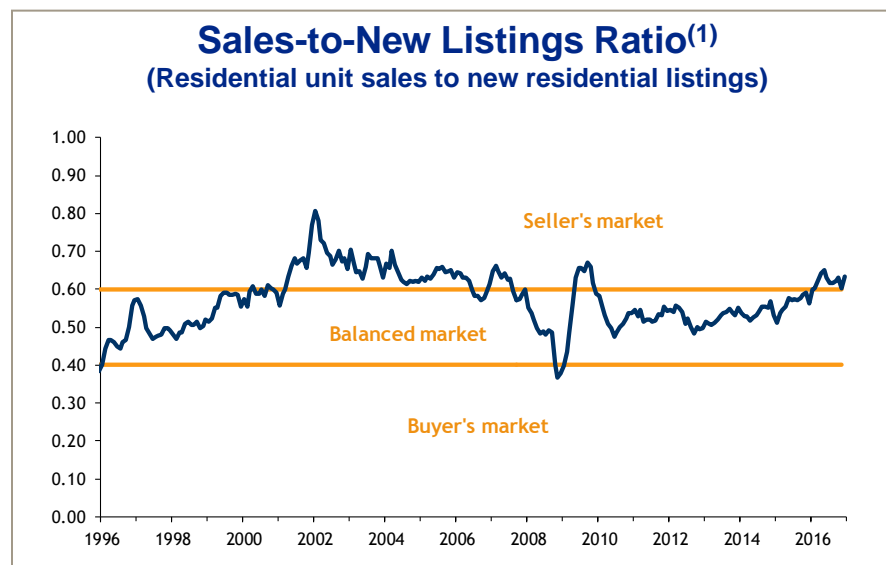
**Vancouver limited by mountains, sea, U.S. border**



# Canadian housing market demand-supply fundamentals in balance

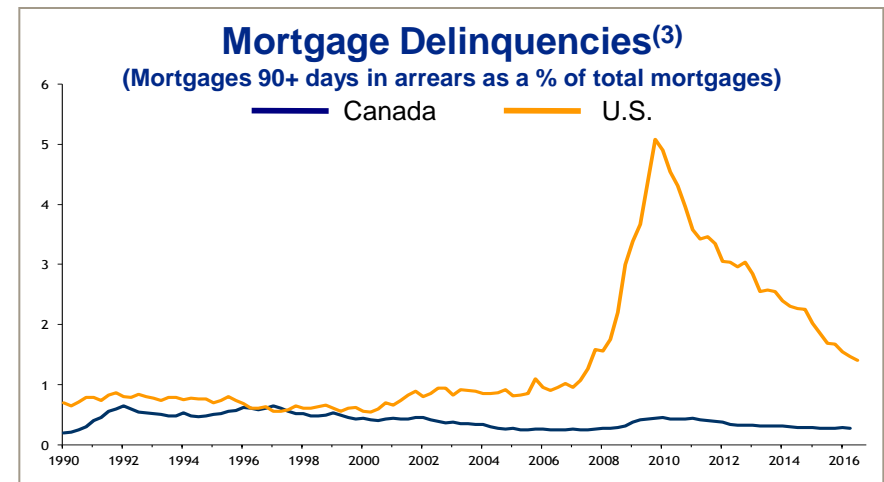
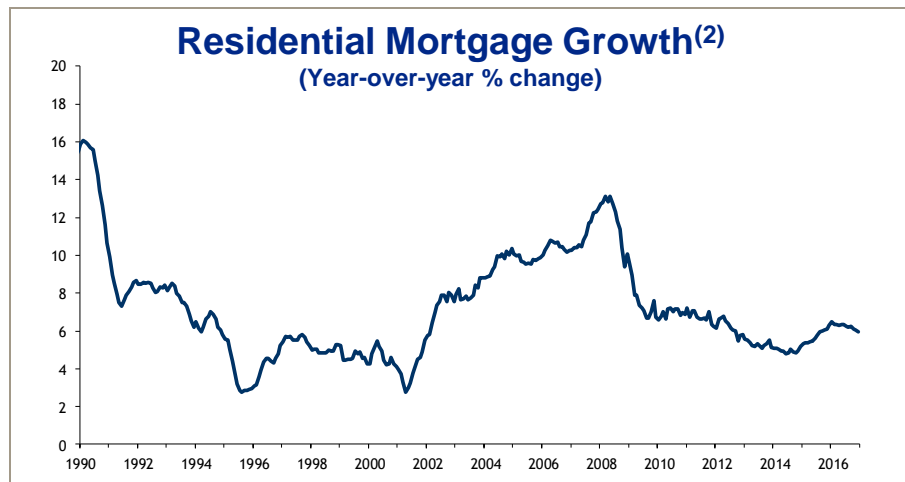
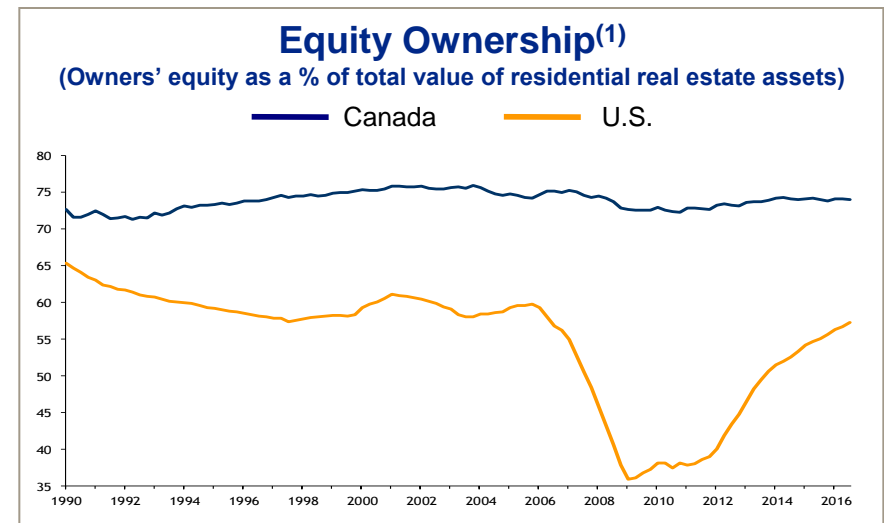


- Balanced demand-supply conditions continue to prevail in several markets in Canada with the exceptions being markets in British Columbia and those in and around the Greater Toronto region and Southwestern Ontario
- Housing affordability is being skewed at the national level by stretched conditions in Vancouver, Toronto and their surrounding areas. Affordability is in line with historical norms in most other markets across Canada
- Steady population growth, household income gains and low interest rates are supporting housing market activity nationally, although the introduction of mortgage regulation changes by the federal government is expected to temper the pace of home sales in most markets through the forecast horizon
- Regulatory changes at the federal level and the introduction of a foreign-buyer tax by the BC government have contributed to a significant slowing in home resale activity in the Vancouver area since spring 2016
- Household debt service cost ratios remain relatively stable
- 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



# Canadians have significant equity ownership in their homes

- Canadians carry a significant and stable amount of equity in their homes
- The pace of residential mortgage accumulation slowed through 2016 and continued 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

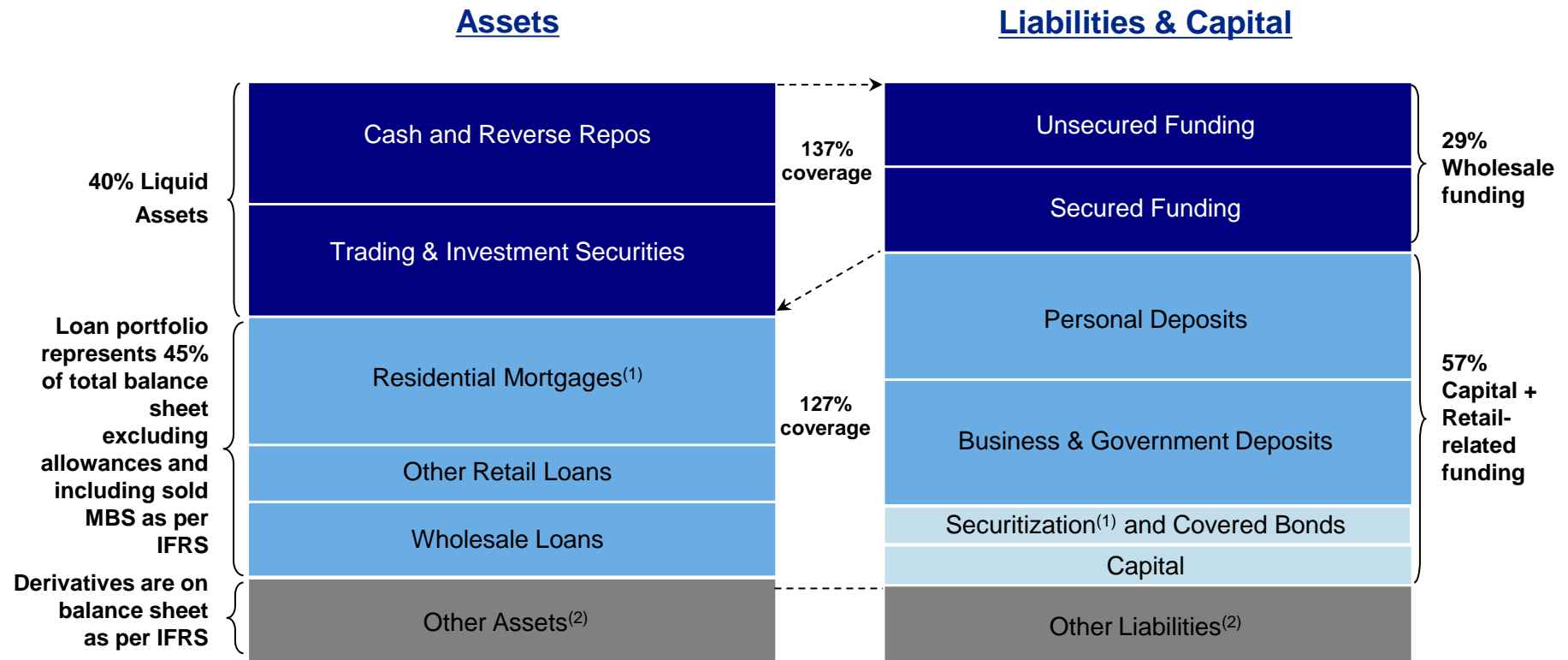


# Appendix A – Liquidity & Funding



# Strength of a high quality liquid balance sheet

**\$1,162 Billion**  
(as at January 31, 2017)

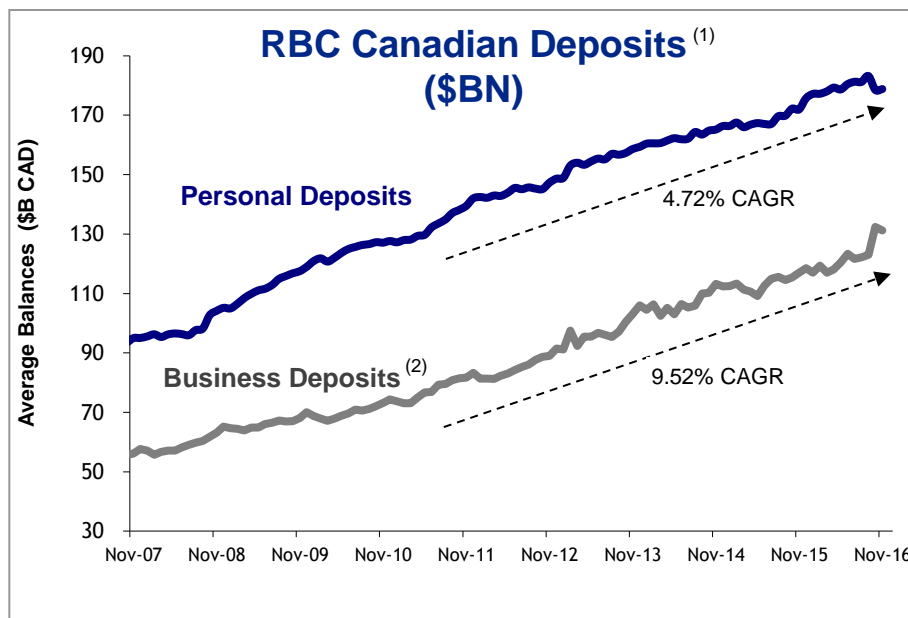


## Strong deposit growth

### 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
- Between December 2011 and November 2016, our share of the Canadian personal deposit market has grown from 19.4% to 19.5% <sup>(1)</sup>



#### Leveraging our international reach

- Strong deposit growth in our International Wealth Management platform

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

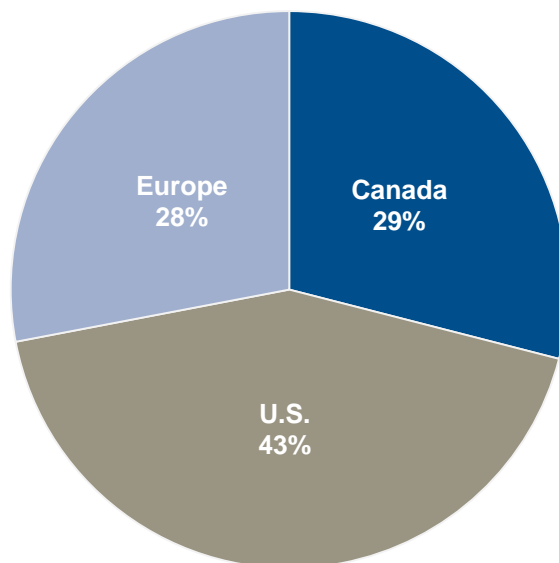
	Q1 2017	Q1 2016
HISA <sup>(3)</sup>	\$31	\$30
Advisory Channel Deposits <sup>(4)</sup>	\$33	\$34
Other Personal Deposits	\$175	\$172
Business Deposits	\$266	\$242
<b>Total Deposits</b>	<b>\$505</b>	<b>\$478</b>

# Wholesale funding strategy

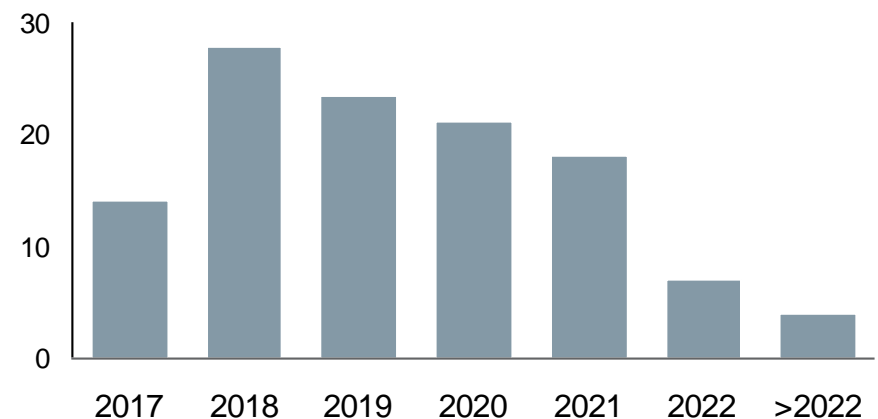
## Large retail deposit base complemented by well diversified wholesale funding mix

- 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>

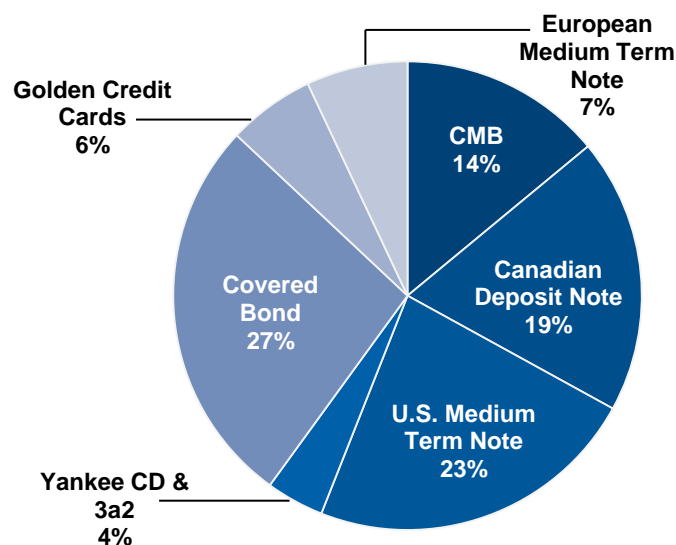


# Well diversified wholesale funding platform

- 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)<sup>(2)</sup></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>(3)</sup>



## Recent Deals

- US\$1.75BN 5-year unsecured at Libor+73bps
- US\$1BN 2-year unsecured at Libor+45bps
- £500MM 5-year covered bond at Libor+55bps
- C\$1.25BN 7-year unsecured at Libor+82bps
- US\$700MM 3-year golden credit card at Libor+50bps
- C\$1.75BN 5-year unsecured at Libor+68bps

# 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
  - £500MM 5-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. SEC registered covered bond program<sup>(1)</sup>
  - Issued US\$15.5BN across seven deals since September 2012
  - Index eligible and Trace eligible

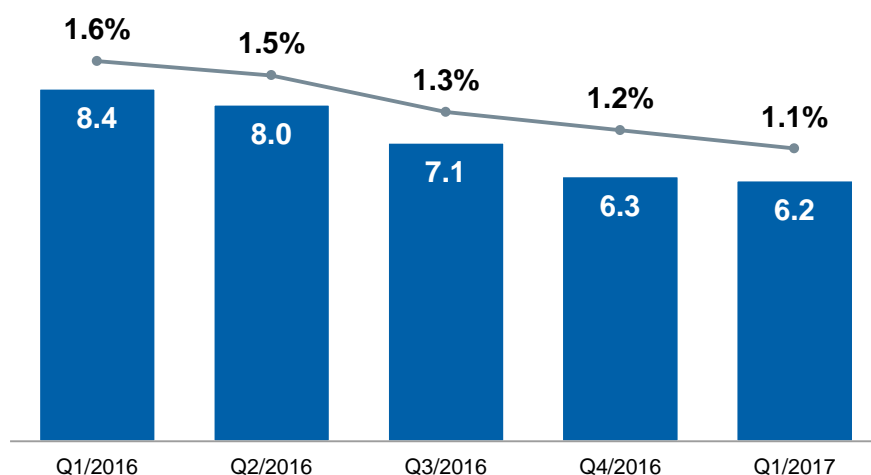
## Appendix B – Oil & Gas



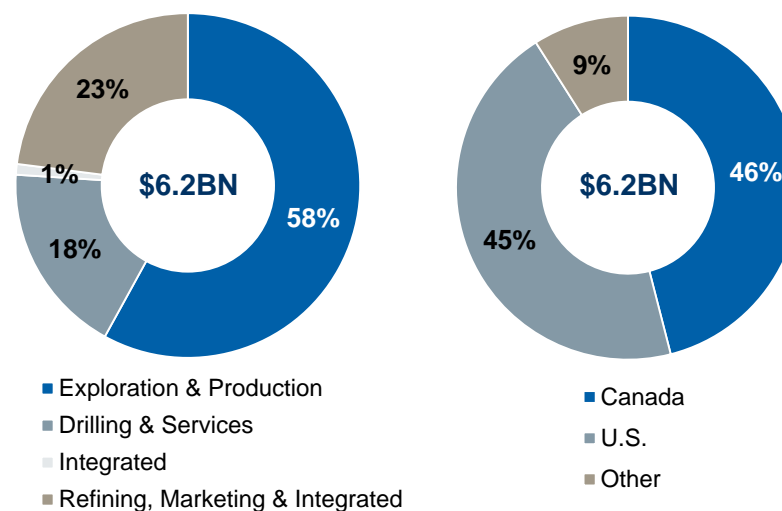
## Exposure to the oil & gas sector within our risk appetite

- Our oil & gas portfolio benefited from an improved economic backdrop and increased capital markets activity underpinned by higher average oil prices
- Exposure to oil & gas sector:
  - Drawn of \$6.2 billion, decreased 1% QoQ; undrawn<sup>(1)</sup> of \$10.4 billion decreased 3% QoQ
  - Drawn exposure represents 1.1% of RBC's total drawn loans and acceptances, down from prior quarters
- 16% of our drawn and 57% of undrawn<sup>(1)</sup> oil & gas portfolio is to investment grade clients

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



**Drawn Oil & Gas Exposure by Industry Segment and Geography**



## 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, cash earnings, Q1/2017 results excluding our share of a gain related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale) of \$212MM (before- and after-tax), a gain of \$235 million after-tax (\$287 million before-tax) in Q3/2016 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 Q1/2017 Report to Shareholders and 2016 Annual Report.

Definitions can be found under the “Glossary” sections in our Q1/2017 Supplementary Financial Information and our 2016 Annual Report.

### Investor Relations Contacts

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