

# Royal Bank of Canada Investor Presentation

Q3/2018

All amounts are in Canadian dollars unless otherwise indicated and are based on financial statements prepared in compliance with International Accounting Standards 34 *Interim Financial Reporting*, unless otherwise noted. Our Q3 2018 Report to Shareholders and Q3 2018 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 presentation, in filings with Canadian regulators or the Securities and Exchange Commission, 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 document 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 sections of our 2017 Annual Report and the Risk management section of our Q3 2018 Report to Shareholders; including global uncertainty and volatility, elevated Canadian housing prices and household indebtedness, information technology and cyber risk including the risk of cyber-attacks or other information security events at or impacting our service providers or other third parties with whom we interact, regulatory change, technological innovation and non-traditional competitors, global environmental policy and climate change, changes in consumer behavior, the end of quantitative easing, 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 and social 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 presentation are set out in the Overview and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2017 Annual Report, as updated by the Overview and outlook section of our Q3 2018 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 sections of our 2017 Annual Report and in the Risk management section of our Q3 2018 Report to Shareholders.

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

# About RBC





# The RBC story

- 
- **Market leader with a focused growth strategy**
    - Market leader in Canada and one of the largest financial institutions globally<sup>(1)</sup>
    - Clear strategy for continued long-term growth in Canada, the U.S. and select global markets
- 
- **Diversified business model with client leading franchises**
    - Well-diversified across businesses, geographies and client segments
    - Ability to capitalize on opportunities created by changing market dynamics and economic conditions
    - Wide breadth of products and capabilities allows us to meet all of our clients' financial needs and build deep, long-term relationships
- 
- **Financial strength underpinned by prudent risk and cost management**
    - Track record of earnings and dividend growth while maintaining a disciplined approach to risk and cost management
    - Credit ratings amongst the highest globally
    - Strong capital position and a high quality liquid balance sheet
- 
- **Innovation is in our DNA**
    - Long history of innovation and proven ability to adapt to industry trends
    - Investments in technology allow us to drive efficiencies and deliver an exceptional client experience
    - Focused on simplifying, digitizing and personalizing our products to make it easier for clients and employees to do business and lower costs
- 
- **Leading Corporate Citizen**
    - Launched our first-ever [Community & Social Impact Portal](#) and [Impact Measurement Framework](#), showcasing how we are living our purpose, driving positive impact and helping communities prosper
    - Achieved one of our most ambitious commitments ever: the [RBC Blue Water Project](#), a 10-year global charitable commitment of \$50 million<sup>(2)</sup> to help provide access to drinkable, swimmable, fishable water, now and for future generations
    - Supported our largest ever commitment of \$500 million to [RBC Future Launch](#), helping young people prepare for the future world of work through the development of a national map of youth-serving organizations in Canada to drive equitable access to inclusive prosperity
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# 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 10 Globally<sup>(1)</sup>

One of the 10 largest global banks by market capitalization with operations in 36 countries

## 16 Million+ Clients

Served by 84,000+ 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



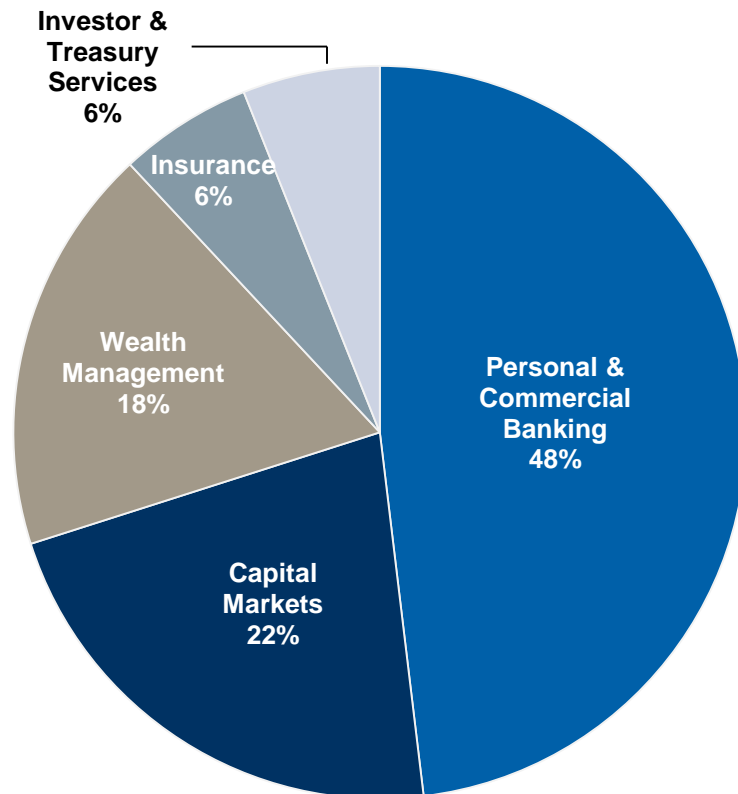
**In the United States:** To be the preferred partner to corporate, institutional and high net worth clients and their businesses



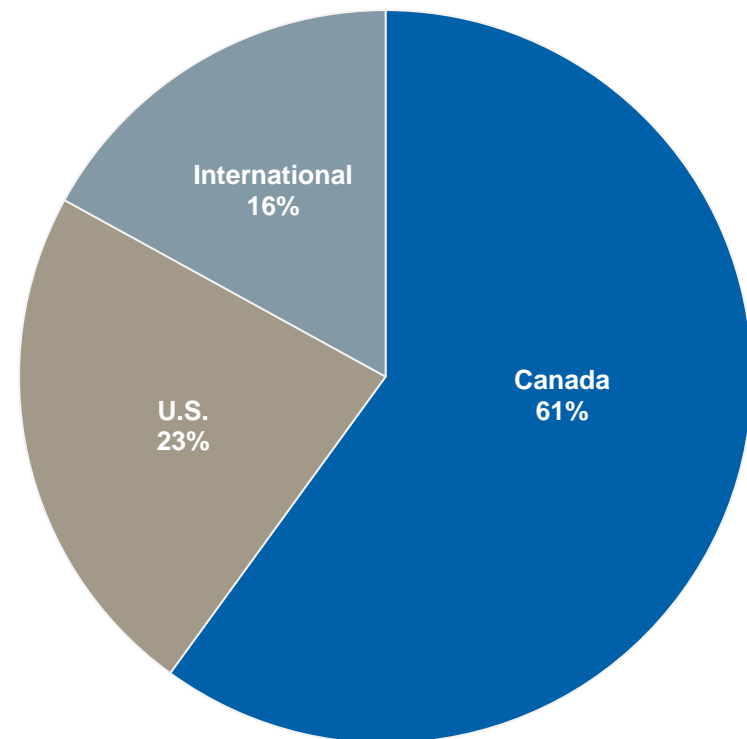
**In Select Global Financial Centres:** To be a leading financial services partner valued for our expertise

# Diversified business model with client leading franchises

**Earnings by Business Segment<sup>(1)</sup>**  
*Latest twelve months ended July 31, 2018*



**Revenue by Geography<sup>(1)</sup>**  
*Latest twelve months ended July 31, 2018*



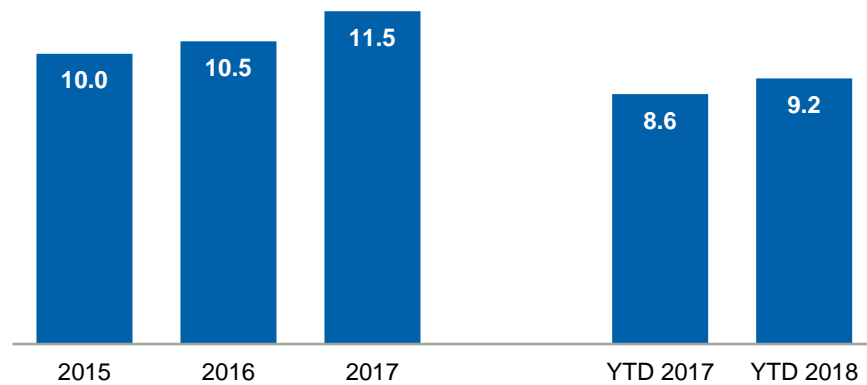


# Strong financial profile

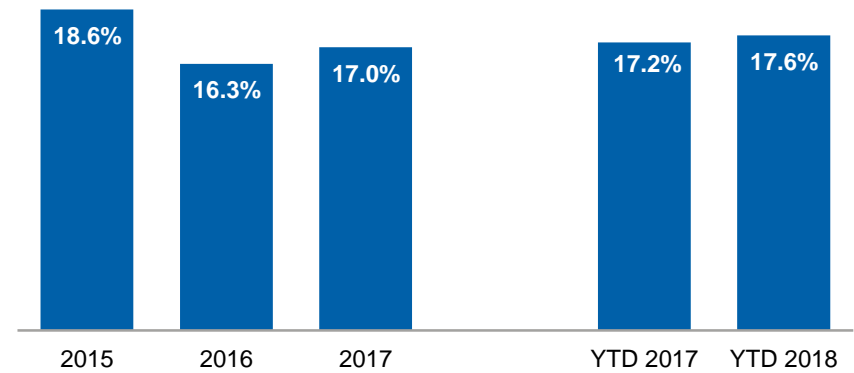
**Consistent earnings growth and solid ROE while maintaining a strong capital position with a disciplined approach to risk**

## Consistent Earnings Growth

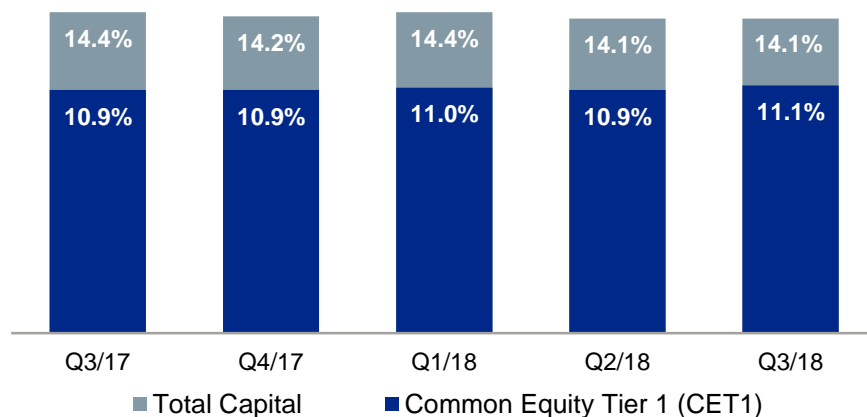
Net income (\$ billions)



## Strong Return on Equity<sup>(1)</sup>



## Strong Capital Position



## Strong Leverage and Liquidity Ratios

- **Leverage Ratio** **4.3%**
- **Liquidity Coverage Ratio** **120%**

## Credit Ratings<sup>(2)</sup> Amongst the Highest Globally

Moody's	S&P	DBRS	Fitch
Aa2	AA-	AA	AA
Stable	Stable	Positive	Stable

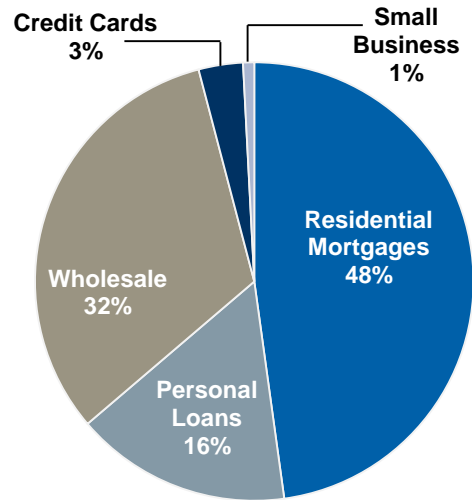
**About RBC**

(1) ROE does not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. (2) Based on long-term senior debt ratings as of July 31, 2018.

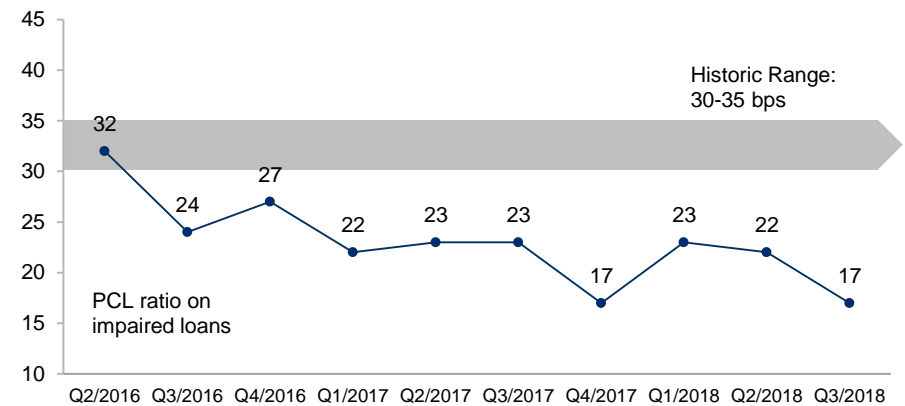
# Prudent risk management

**A disciplined approach and diversification have driven stable credit trends**

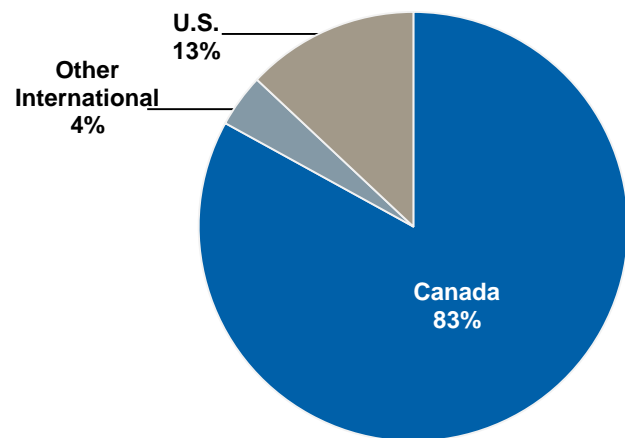
**Loan Book Diversified by Portfolio<sup>(1)</sup>**



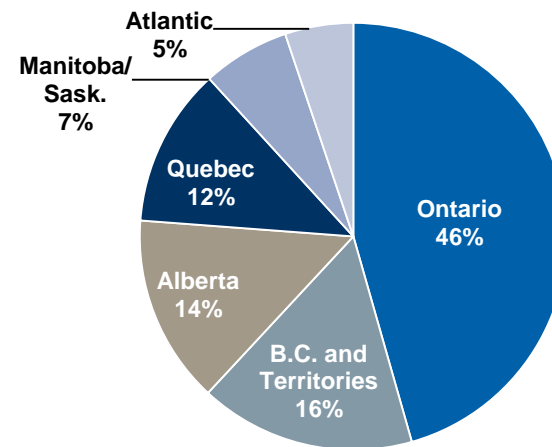
**PCL Ratio on Impaired Loans<sup>(2)</sup> (bps)**



**Breakdown by Region of Total Loans and Acceptances<sup>(1)</sup>**



**Breakdown of Canadian Total Loans and Acceptances<sup>(1)</sup>**



(1) Loans and acceptances outstanding as at July 31, 2018. Does not include letters of credit or guarantees. (2) Effective November 1, 2017, we adopted IFRS 9, which introduced a three-stage expected credit loss impairment model that differs significantly from the incurred loss model under IAS 39. Stage 3 allowances are held against impaired loans and effectively replace the allowance for impaired loans under IAS 39. Provision for Credit Losses (PCL) ratio is PCL as a percentage of average loans & acceptances (annualized).





# History of delivering value to our shareholders

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

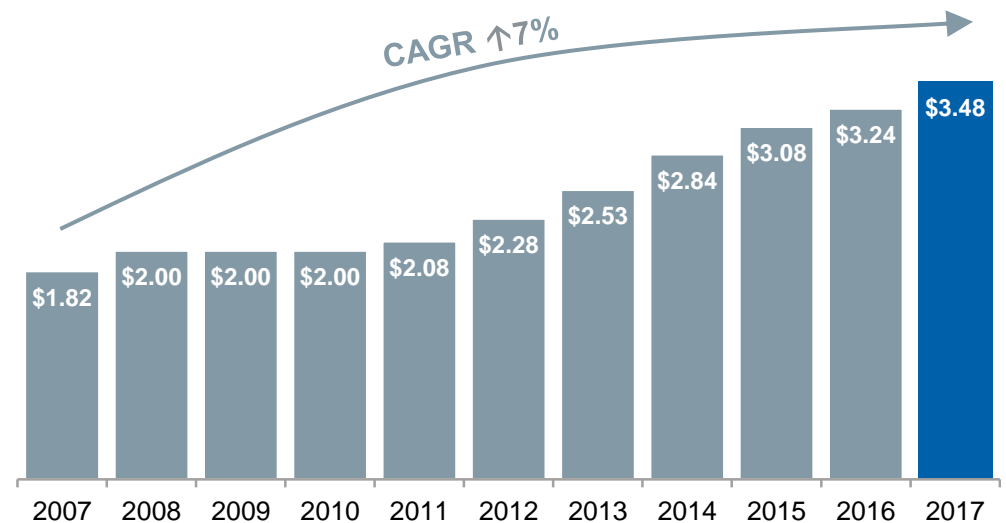
## Medium-Term Financial Performance Objectives

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>	14%	11%
<b>5 Year</b>	14%	12%
<b>10 Year</b>	12%	10%

## Strong Dividend Growth<sup>(2)</sup>



# Business Segments





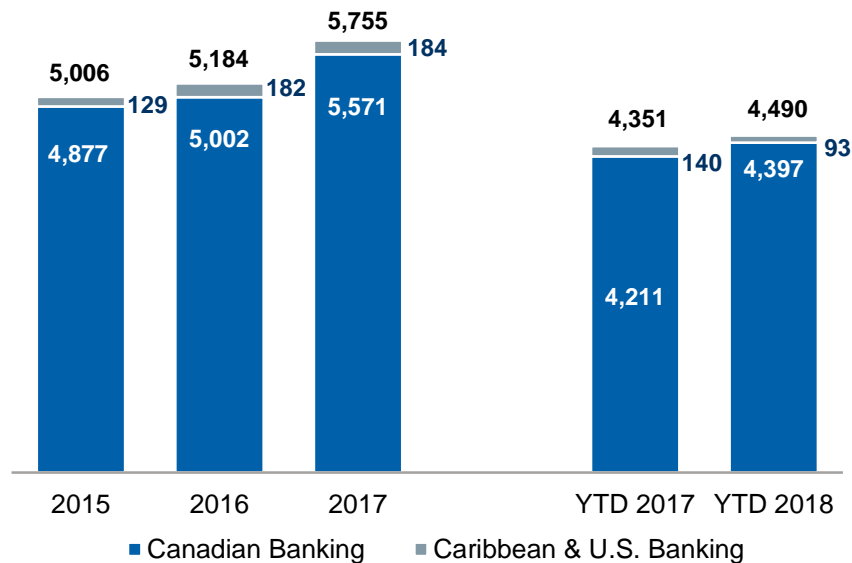
# Personal & Commercial Banking

- 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 16 countries and territories in the Caribbean
  - 2<sup>nd</sup> largest bank by assets<sup>(1)</sup> in English Caribbean
- Innovative direct banking to U.S. cross-border clients
- Ongoing investment to digitize our banking channels

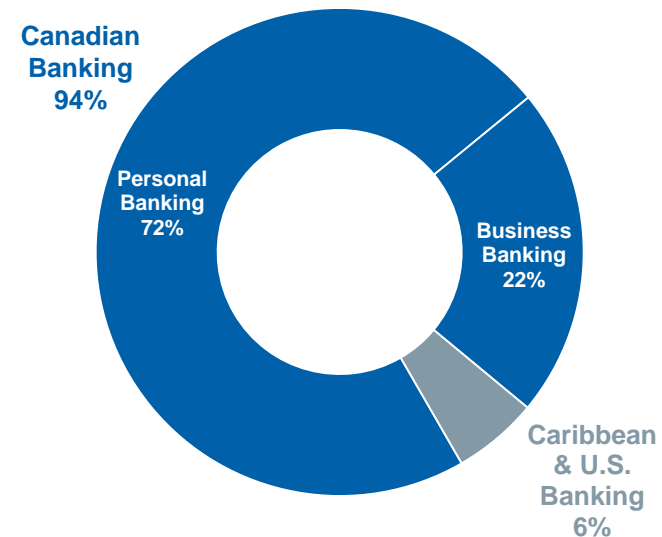
## Q3/2018 Highlights

Clients (MM)	> 13.0
Branches	1,266
ATMs	4,719
Active Digital (Online and Mobile) Users <sup>(2)</sup> (MM)	6.6
Employees (FTE)	> 35,000
Net Loans & Acceptances <sup>(1)</sup> (\$BN)	426.5
Deposits <sup>(1)</sup> (\$BN)	363.1
AUA <sup>(3)</sup> (\$BN)	276.7

## 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 July 31<sup>st</sup>, 2018. Effective Q1/2018, the lines of business within Canadian Banking have been realigned in a manner that emphasizes our client-centric strategy. Personal Financial Services and Cards and Payment Solutions, previously reported separately, are now reported collectively as Personal Banking, and Business Financial Services has been renamed to Business Banking. The change had no impact on prior period net income for our Personal & Commercial Banking segment.

# Personal & Commercial Banking – Canadian Banking

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

### Transform How We Serve Our Clients

- Making it easier for clients to access products and services digitally
- Create capacity and capability to focus on advice, complex servicing and sales, and problem resolution
- Focus on innovating our branch network

### Accelerate Growth in Key Segments

- Grow commercial market share through industry-specific credit strategies
- Target high-growth retirement segment and business succession planning
- Continue to increase client acquisitions in key segments including high net worth, newcomers and students and young adults while deepening existing client relationships


### Rapidly Deliver Digital Solutions

- Continue to deliver leading digital capabilities and functionality through our award-winning mobile app
- Create partnerships to innovate, making it easier to bank with RBC
- Invest in research and development to understand and meet rapidly changing client expectations

### Innovate to Become a More Agile and Efficient Bank

- Accelerate investments to simplify, digitize and automate for clients and employees
- Change or eliminate products and processes that do not add economic or client value
- Invest in employees to enhance digital, agile and change capabilities

## Recent Awards



**Highest in Customer Satisfaction Among the Big Five Retail Banks for the 3rd consecutive year<sup>(1)</sup>, Highest in Customer Satisfaction Among Mobile Banking Apps for the 2<sup>nd</sup> consecutive year<sup>(1)</sup> and Highest Satisfaction in Advice & Onboarding<sup>(1)</sup>**



**North American Retail Bank of the year & Best Customer Facing Technology for MyAdvisor<sup>(2)</sup>**



**NOMI Insights and NOMI Find & Save won the Personal Financial Experience category; RBC's digital employee activation strategy won in Employee Productivity category<sup>(3)</sup>**

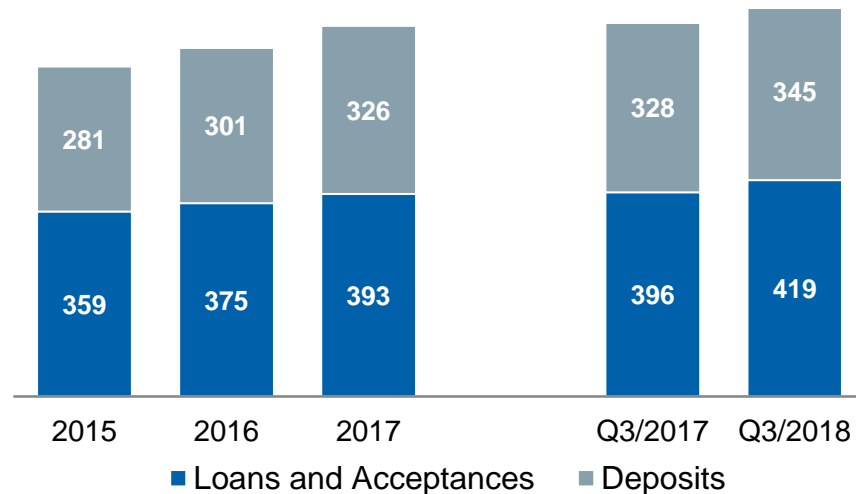


**RBC shares the highest overall score in The Forrester Banking Wave: Canadian Mobile Apps, Q2<sup>(4)</sup>**



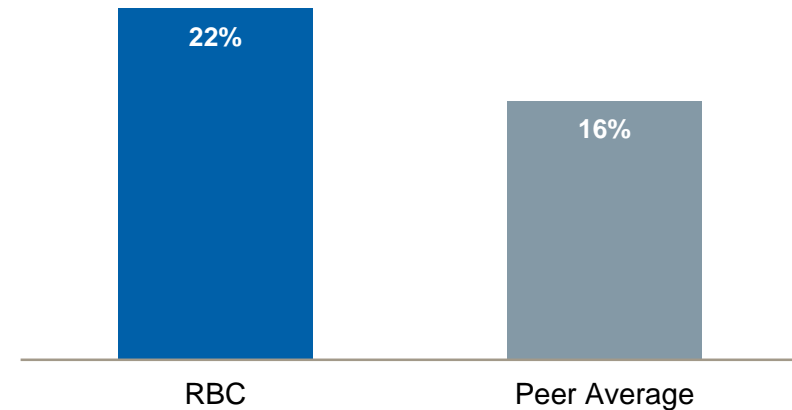
# Personal & Commercial Banking – Canadian Banking

## Solid Volume Growth (\$ millions)<sup>(1)</sup>



## Superior Cross-Sell Ability

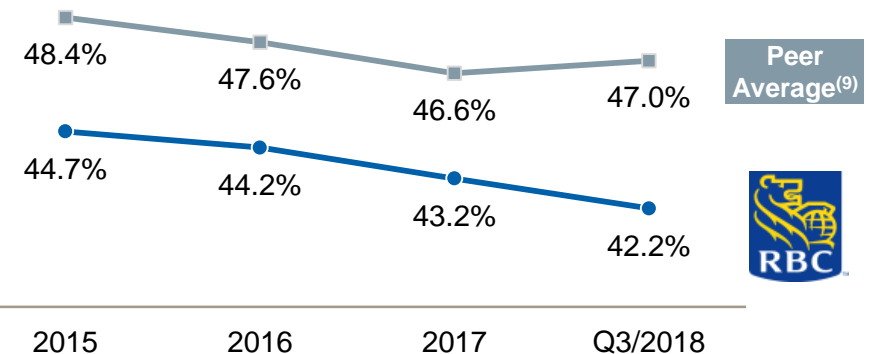
Percent of households with transaction accounts, investments and borrowing products<sup>(2)</sup>



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

Product	Market share	Rank
Personal Lending <sup>(4)</sup>	23.6%	1
Personal Core Deposits + GICs	19.5%	2
Credit Cards <sup>(5)</sup>	27.5%	2
Long-Term Mutual Funds <sup>(6)</sup>	15.1%	1
Business Loans (\$0-\$25MM) <sup>(7)</sup>	26.4%	1
Business Deposits <sup>(8)</sup>	26.6%	1

## Continue To Improve Our Efficiency Ratio<sup>(10)</sup>

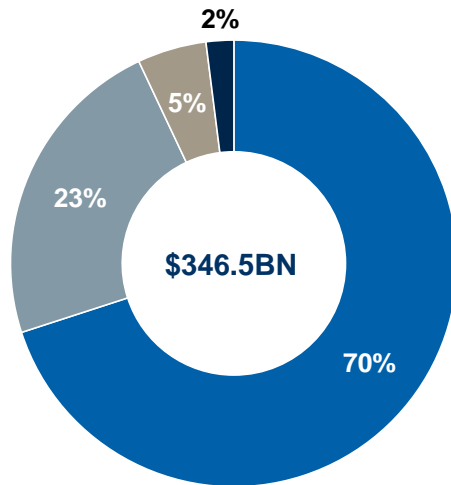


### Business Segments

<sup>(1)</sup> Based on average balances <sup>(2)</sup> Canadian Financial Monitor by Ipsos – 10,000 Canadian households – data based on Financial Group results for the 12-month period ending April 2018; TFSA is considered an Investment. Peers include BMO, BNS, CIBC and TD. <sup>(3)</sup> 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 July 2018 except where noted. Market share is of total Chartered Banks except where noted. <sup>(4)</sup> Personal Lending market share of 6 banks (RBC, BMO, BNS, CIBC, TD and NA) and includes residential mortgages (excl. acquired portfolios) and personal loans as at February 2018. <sup>(5)</sup> Credit cards market share is based on 6 banks (RBC, BMO, BNS, CIBC, TD and NA) as at February 2018. <sup>(6)</sup> Long-term mutual fund market share is compared to total industry and is as of July 2018. <sup>(7)</sup> Business Loans market share is of 6 Chartered Banks (RBC, BMO, BNS, CIBC, TD and NA) on a quarterly basis and is as of December 2017. <sup>(8)</sup> Business Deposits market share excludes Fixed Term, Government and Deposit Taking Institution balances. <sup>(9)</sup> Peers include BMO, BNS, CIBC and TD; 2015 through 2017 reflects annual, while the peer average efficiency ratio for Q3/2018 represents Q2/2018 (Q3/2018 peer data not available). <sup>(10)</sup> Effective Q4/2017, service fees and other costs incurred in association with certain commissions and fees earned are presented on a gross basis in non-interest expense. Comparative amounts have been reclassified to conform with this presentation.

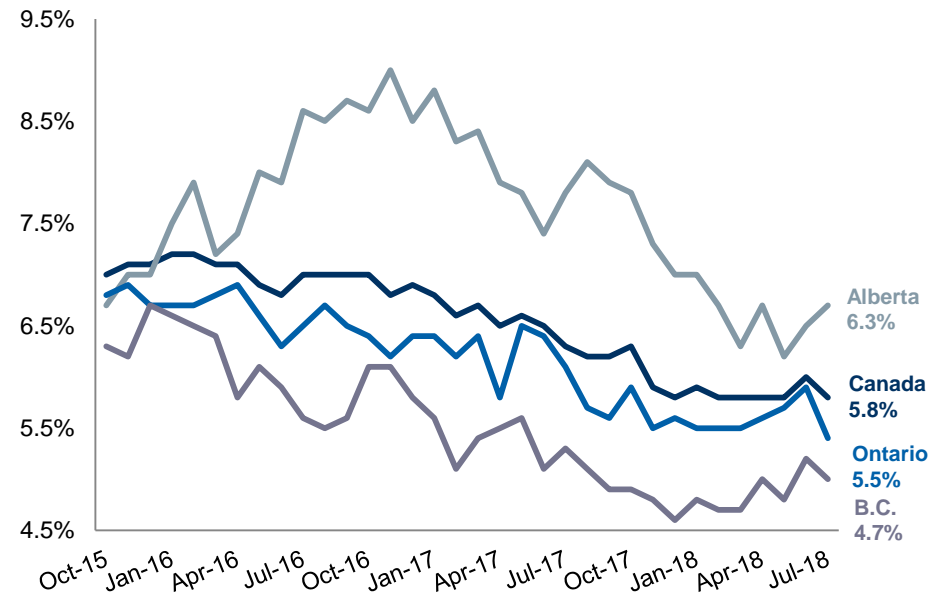
# Stable credit quality in Canadian Banking retail portfolio

## Average Canadian Banking Retail Loans (1)



■ Residential Mortgages ■ Personal ■ Credit Cards ■ Small Business

## Unemployment Rate



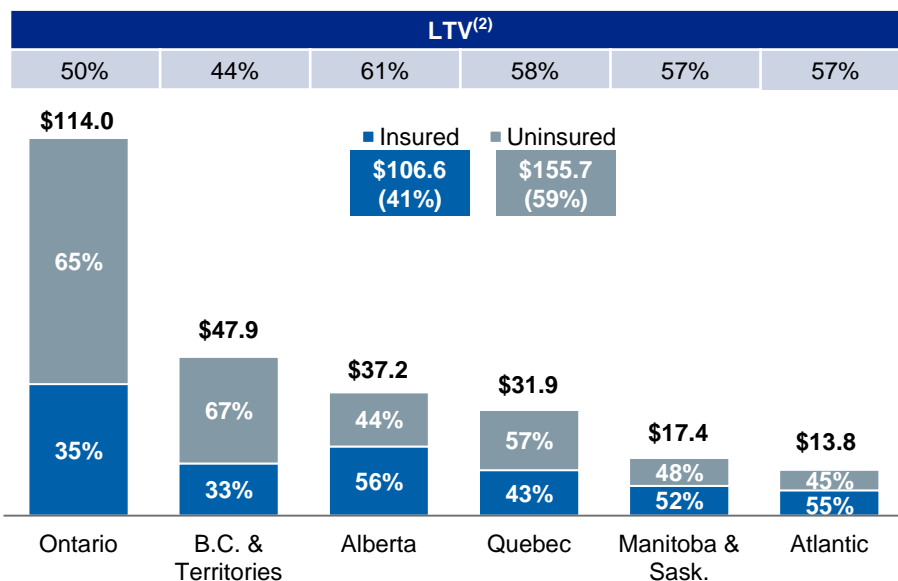
- Canada's unemployment rate improved, down 90 bps YoY to 5.8%
- Ontario and B.C., which represent the largest portion of our retail portfolio, continue to perform well with 5.5% and 4.7% unemployment, respectively

# Canadian residential portfolio has strong underlying credit quality



## Canadian Residential Mortgage Portfolio<sup>(1)</sup>

As at July 31, 2018 (\$ billions)



## Canadian Mortgage Portfolio

- Average remaining amortization on mortgages of 18 years
- Strong underlying quality of uninsured portfolio<sup>(2)</sup>
  - 48% of uninsured portfolio have a FICO score >800
- Greater Toronto Area and Greater Vancouver Area average FICO scores are above the Canadian average
- Condo exposure is ~10% of residential lending portfolio

## Canadian Banking Residential Lending Portfolio<sup>(2)</sup>

As at July 31, 2018

	Total (\$279BN)	Uninsured (\$196BN)
<b>Mortgage</b>	<b>\$239.0BN</b>	<b>\$155.7BN</b>
<b>HELOC</b>	<b>\$40.2BN</b>	<b>\$40.2BN</b>
<b>LTV<sup>(2)</sup></b>	<b>52%</b>	<b>50%</b>
GVA	42%	41%
GTA	48%	48%
<b>Average FICO Score<sup>(2)</sup></b>	<b>788</b>	<b>795</b>
<b>90+ Days Past Due<sup>(2)(3)</sup></b>	<b>19 bps</b>	<b>17 bps</b>
GVA	7 bps	6 bps
GTA	6 bps	7 bps

### Business Segments

14

(1) Canadian residential mortgage portfolio of \$262BN comprised of \$239BN of residential mortgages, \$7BN of mortgages with commercial clients (\$4BN insured) and \$16BN of residential mortgages in Capital Markets held for securitization purposes. (2) Based on \$239BN in residential mortgages and HELOC if \$40.2BN in Canadian Banking. Based on spot balances. Totals may not add due to rounding. (3) The 90+ day past due rate includes all accounts that are either 90 days or more past due or are in impaired status.

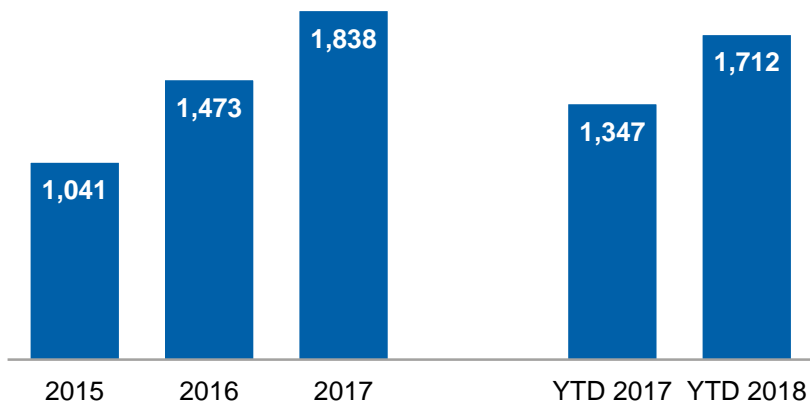


# Wealth Management

## Strategic Priorities

- **Global Asset Management:** Strengthen partnerships with Personal & Commercial Banking, other Wealth Management businesses and third-party distributors to defend and grow our distribution reach, and continue to grow our institutional asset management business in key global markets
- **Canadian Wealth Management:** Continue to deepen client relationships and deliver a differentiated client experience that is increasingly digitally-enabled and supported by data-driven insights
- **U.S. Wealth Management:** Leverage the combined strengths of City National, RBC U.S. Wealth Management and Capital Markets to accelerate growth in the U.S.
- **International Wealth Management:** Continue to leverage the strengths and capabilities of RBC to drive growth in HNW and UHNW client segments<sup>(1)</sup>

## Net Income (\$ millions)



## Recent Awards

### Top 5 Global Wealth Manager by Assets

*(Scorpio Partnership Global Private Banking Benchmark, 2018)*

### Best Overall Private Banking Services in Canada

*(Euromoney Private Banking and Wealth Management Survey, 2018)*

### Best Private Bank for Digital Client Communications – North America

*(PWM Global Wealth Tech Awards, 2018)*

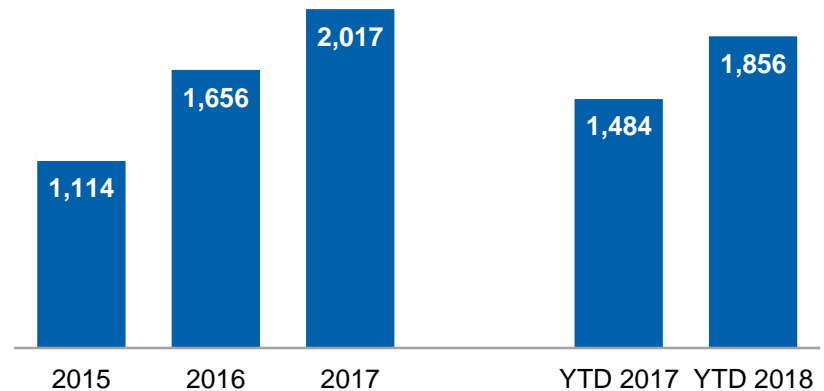
### Best Private Bank in Canada

*(PWM and The Banker Global Private Banking Awards 2017)*

### Outstanding Global Private Bank – North America

*(Private Banker International Global Wealth Awards, 2017)*

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



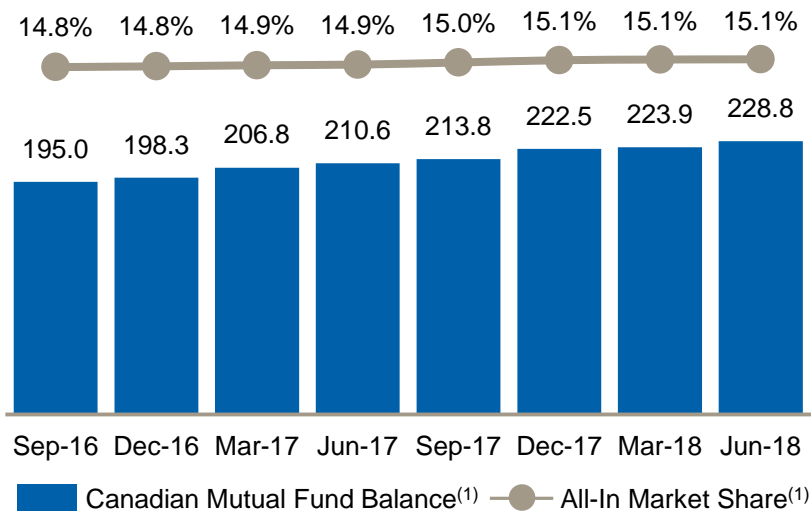


# Wealth Management – Global Asset Management

## Building a high-performing global asset management business

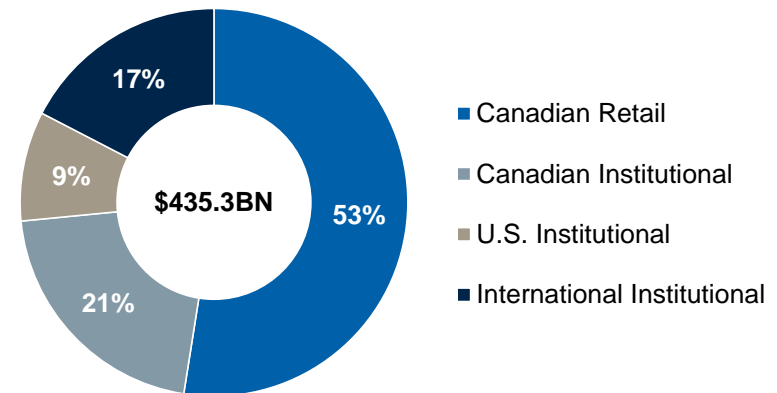
- **Driving top-tier profitability in our largest Wealth Management business**
  - \$435.3BN in client assets
  - Investor asset mix of 53% Retail / 47% Institutional client assets
- **Extending our lead in Canada**
  - Largest fund company in Canada, ranked #1 in market share capturing 32.9% amongst banks and 15.1% all-in<sup>(1)</sup>
  - 3<sup>rd</sup> largest institutional pension asset manager in Canada<sup>(2)</sup>
- **Delivering strong investment capabilities to support growth**
  - Top performing investment firm with ~82% of AUM outperforming the benchmark on a 3-year basis<sup>(3)</sup>
  - Continued growth of investment capabilities and innovative solutions for both institutional clients and retail investors

### Canadian Retail AUM (\$ billions)



### Diversified Asset Mix

Q3/2018 AUM by Client Segment (\$ billions)<sup>(4)</sup>



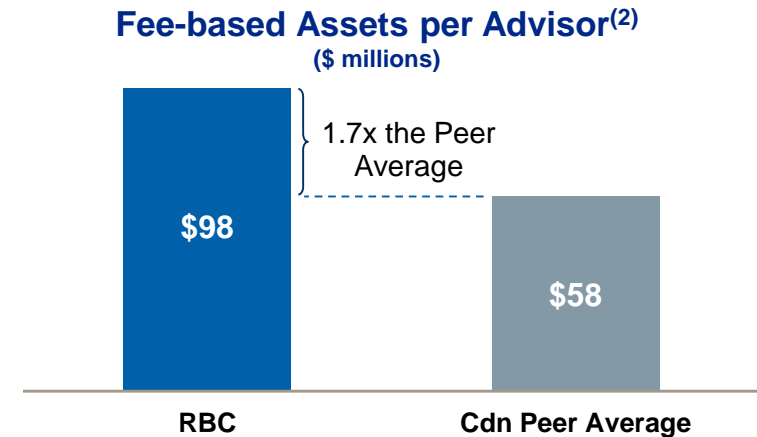
#### Business Segments

(1) Investment Funds Institute of Canada (IFIC) as at June 2018 and RBC reporting. Comprised of long-term funds and money market funds. (2) Benefits Canada as at May 2018. (3) As at June 2018, gross of fees. (4) RBC GAM, base on period-end spot balances.

# Wealth Management

## Canadian Wealth Management

- **Maintaining profitable growth**
  - Generating 27% of RBC Wealth Management revenue with strong pre-tax margin
  - Number 1 HNW<sup>(1)</sup> market share in Canada<sup>(2)</sup>
- **Driving strong advisor productivity**
  - Canadian leader in fee-based assets per advisor<sup>(2)</sup>
  - Consistently driving revenue per advisor of over \$1.44MM per year, 33% above Canadian industry average<sup>(2)</sup>
  - Strong new asset growth complimented by favourable market conditions
  - Leveraging Enterprise linkages to continue and extend market share gains



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

### U.S. Wealth Management

- 7<sup>th</sup> largest full-service brokerage in the U.S. among peers, as measured by number of financial advisors, and 7<sup>th</sup> largest among peers by assets under administration<sup>(3)</sup>
- Enhancing the client-advisor experience through a digitally-enabled, goals-based planning approach and strengthening the range of advisory solutions and product offerings
- Continuing to attract and onboard new advisors and clearing relationships while improving advisory productivity and operational efficiency

### City National

- A premier U.S. private and commercial bank that creates a platform for long-term growth in the U.S.
- Operating 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, New York, and Washington DC
- Expanding the CNB business model to selected high growth markets

## International Wealth Management

- Enhancing advisor and product capabilities to accelerate organic client acquisition
- Continuing to focus on high-priority client segments across HNW and UHNW<sup>(1)</sup>, especially in select target markets where we have scale
- Leveraging RBC's global capabilities to bring the best of RBC to our clients



# Insurance

## Strategic Priorities

- **Improve Distribution Efficiency:** “We’ll help you get it”; delivering multi-line advice and expertise through an integrated product portfolio giving consumers confidence we’ll be there when they need us the most; strengthening profitability in all channels by increasing revenues 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
- **Simplify. Agile. Innovate.:** Enhancing and streamlining all processes to ensure clients find it easy to do business with us; strengthening the digital client experience through more effective use of digital tools, analytics, data insights and promoting an innovative culture
- **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

## Highlights

Among the **largest Canadian bank-owned insurance organizations**, serving more than four million clients globally

**#1** in individual disability sales with 39%<sup>(1)</sup> market share

**Largest market share<sup>(2)</sup>** of creditor insurance among Canadian Banks

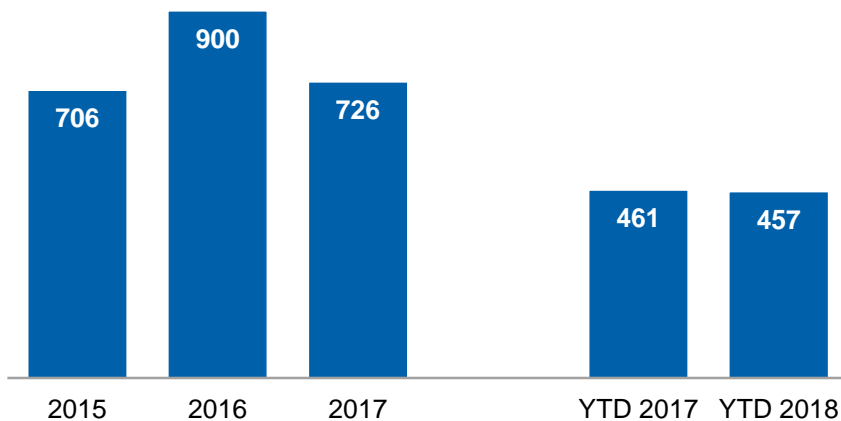
**Top performing<sup>(3)</sup>** segregated fund family for two consecutive years

**#2** in segregated fund net sales and continues to be one of the fastest growing seg fund providers with YoY growth rate of 23%<sup>(4)</sup>

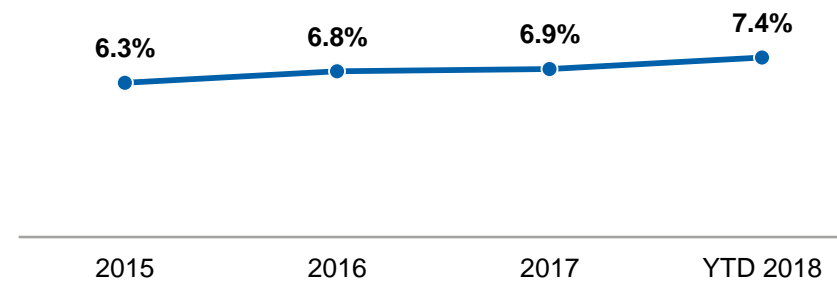
**Wellness Program** launched to group health clients as a value-added service

**Access to new technology** and **expanded set of insurance solutions** for our clients through partnership with Aviva

## Net Income (\$ millions)<sup>(5)</sup>



## Acquisition Expense Ratio<sup>(6)</sup>



(1) LIMRA Canadian Insurance Survey, 2<sup>nd</sup> Quarter, 2018. (2) Derived from Quarterly CBA reports. (3) Investment Executive, February 2018. (4) Strategic Insights, Insurance Advisory Service Report, July 2018. (5) 2016 net income includes the gain on sale of RBC General Insurance Company. (6) Acquisition Expense Ratio calculated as Insurance Policyholder Acquisition Expense over Net Earned Premiums, including annuity products.

# Investor & Treasury Services

- Specialist provider of asset services, payments and treasury services for financial and other institutional investors worldwide
  - Rated by clients as the #1 Global Custodian for the eighth consecutive year<sup>(1)</sup>
  - Named #1 Real Estate Fund Administrator of the Year<sup>(2)</sup>
  - Ranked the #1 Fund Administrator overall for the fifth consecutive year<sup>(3)</sup>
  - Named Best Trade Finance Bank in Canada for the sixth consecutive year<sup>(4)</sup>
- Canadian leader in cash management, correspondent banking and trade finance for financial institutions
- Short-term funding and liquidity management for RBC

## Strategic Priorities

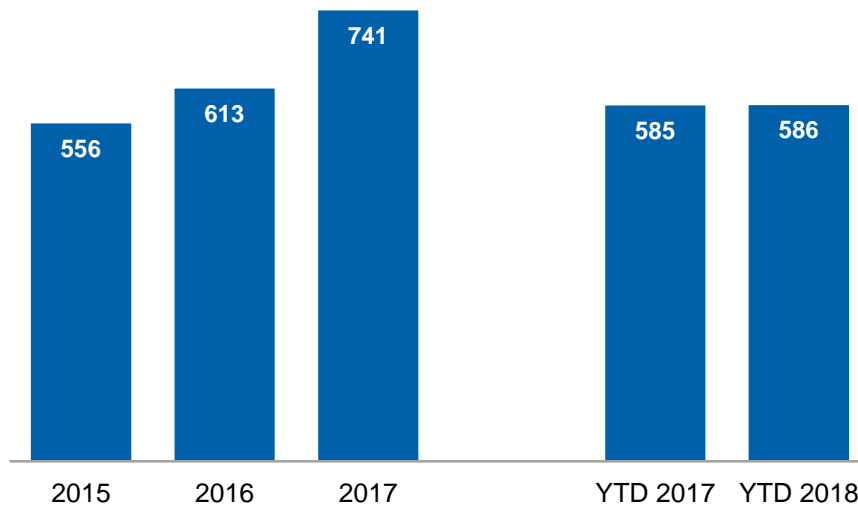
In Canada, maintain position as the #1 provider of domestic asset services and cash management

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

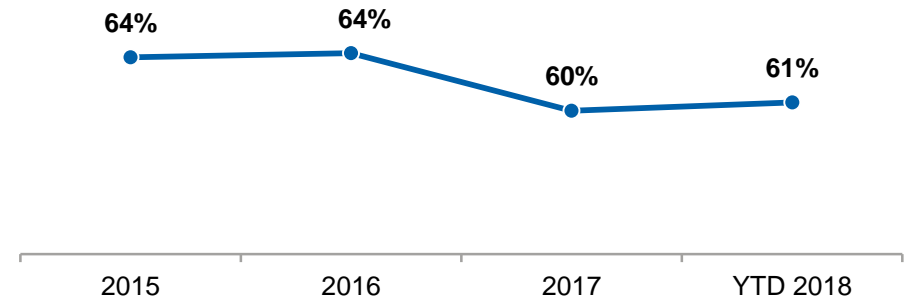
Continue to deliver a high-level of investment in client-focused technology solutions

Enhance our client centric service offering and improve efficiency

## Net Income (\$ millions)



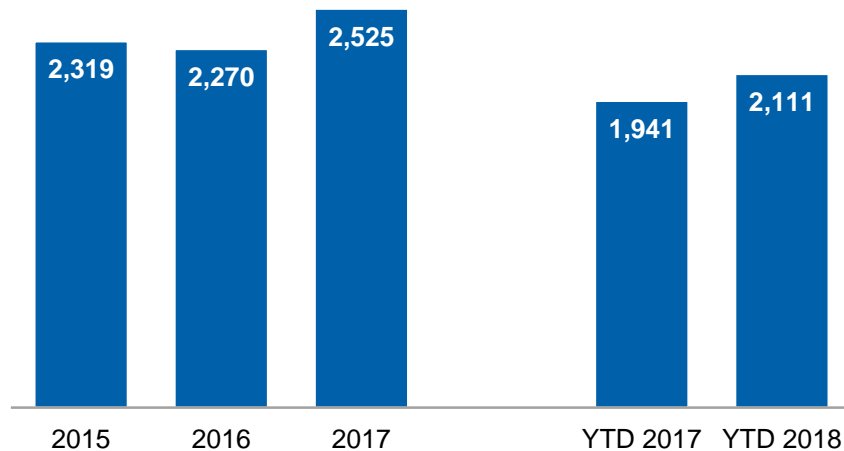
## Efficiency Ratio



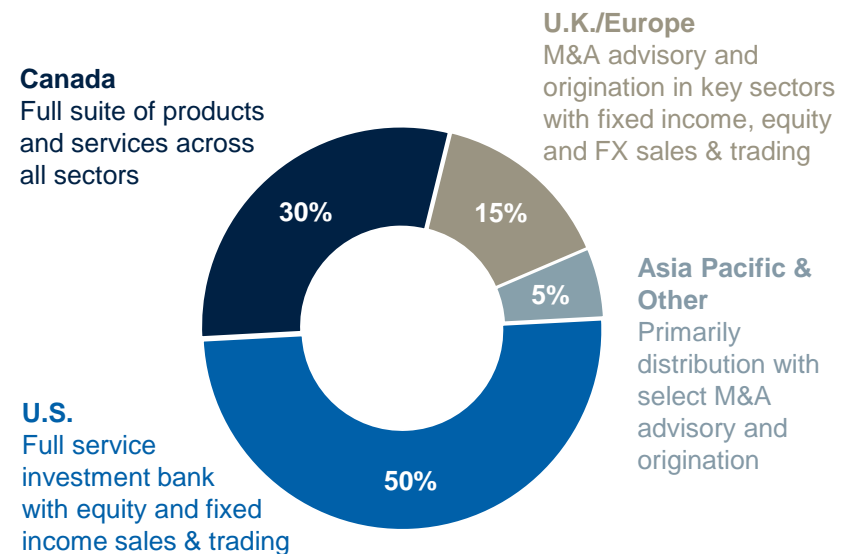
# Capital Markets

- A leading North American investment bank with core markets across Canada, the U.S. and U.K./Europe
  - 11<sup>th</sup> largest global investment bank by fees<sup>(1)</sup>
- Strategically positioned in the largest financial centers, focused on the world’s largest and most mature capital markets encompassing ~79% of the global investment banking fee pool<sup>(2)</sup>
- Through our integrated Corporate and Investment Banking and Global Markets teams, our clients consistently benefit from innovative products and solutions, and best-in-class strategic counsel across sectors and asset classes
- We believe in making a positive impact in the communities where our clients and employees live and work. This is reflected in our long-standing tradition of supporting local charities and our signature global campaigns, including [RBC Race for the Kids](#)

## Net Income (\$ millions)



## Revenue by Geography<sup>(3)</sup>



### Business Segments






(1) Dealogic – Trailing 12 Months (July 2017 to August 2018). (2) Thomson Reuters, Global Investment Banking Review, full year 2017. (3) For the quarter ended July 31, 2018.

# 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, 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, lending revenue and trading revenue</li> <li>Maintain disciplined diligence on the risks and costs of our business</li> </ul>  |

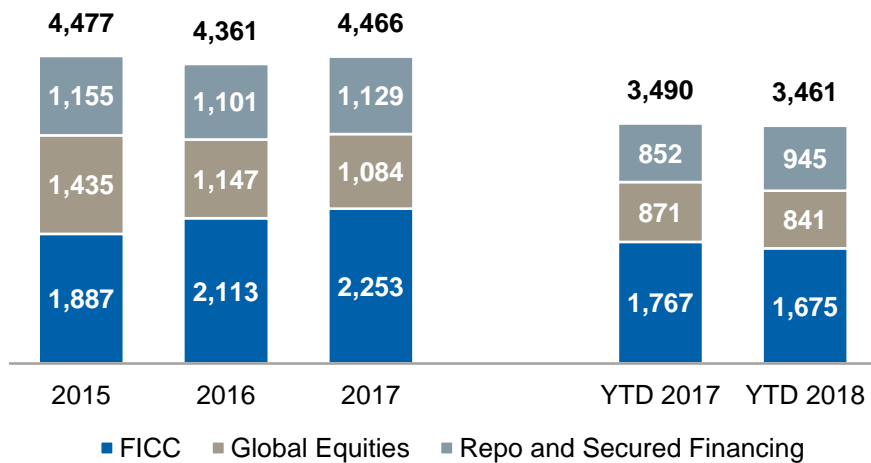
## Recent Awards

 <p><b>Best Investment Bank in Canada 11 years in a row<sup>(1)</sup></b></p>	 <p><b>Best Bank for Fixed Income Research<sup>(2)</sup></b></p>	 <p><b>#1 for Canadian Equity Trading Market Share<sup>(3)</sup></b></p>	 <p><b>Quality Leader in Canadian Equity Research Product and Analyst Service<sup>(4)</sup></b></p>	 <p><b>Best Investment Bank in Canada <sup>(5)</sup></b></p>
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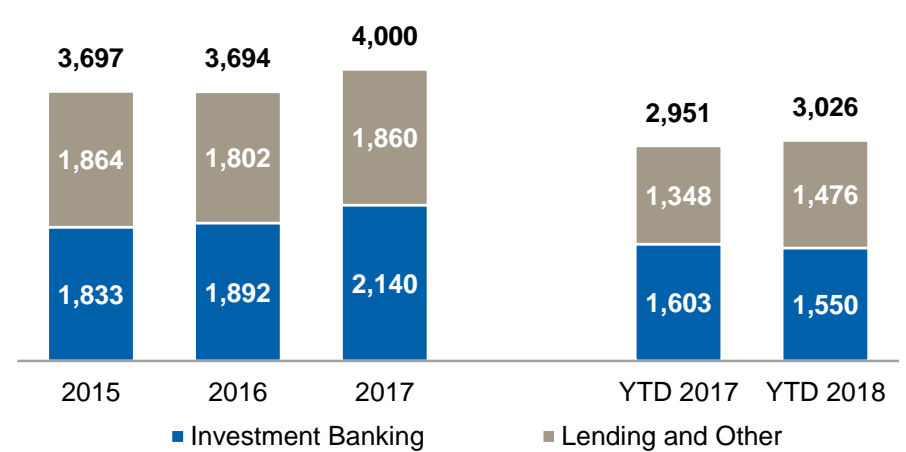


# Capital Markets

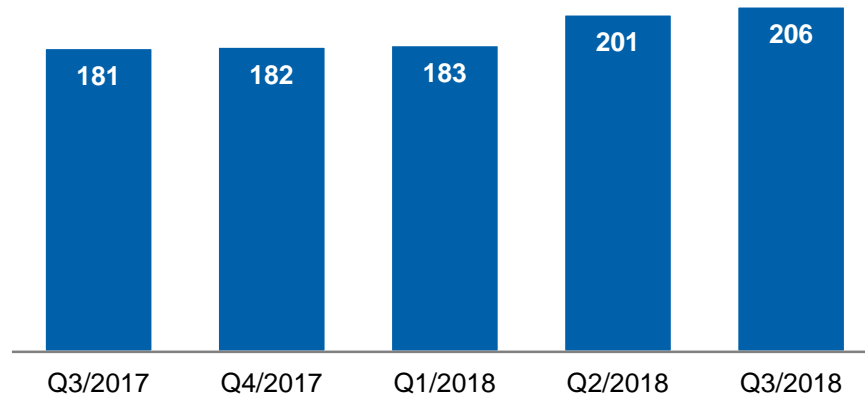
## Diversified Global Markets Revenue<sup>(1)</sup> (\$ millions)



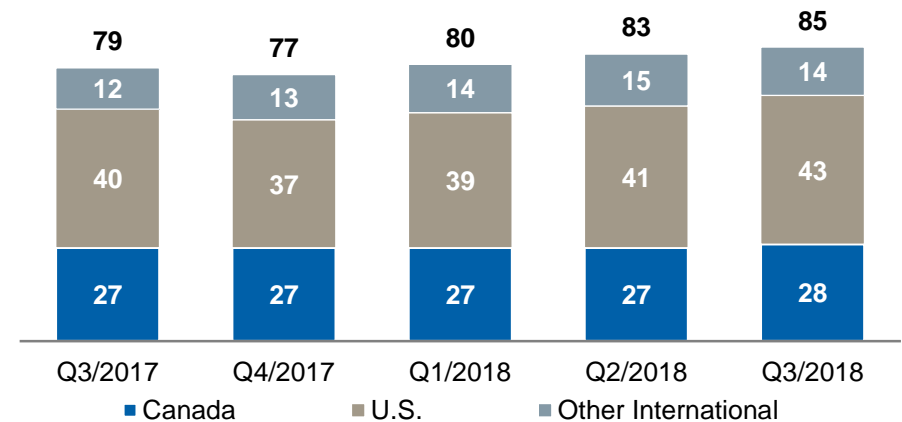
## Corporate and Investment Banking Revenue (\$ millions)



## Risk-Weighted Assets (\$ billions)



## Geographic Diversification Across Loan Book Average Loans Outstanding by Region (\$ billions)<sup>(2)</sup>



### Business Segments

(1) Global Markets segment revenue has been restated to align select portfolios previously disclosed in Repo and Secured Financing to FICC and Global Equities. (2) Average loans outstanding includes wholesale loans, acceptances, and off balance sheet letters of credit and guarantees for our Capital Markets portfolio, on single name basis. Excludes mortgage investments, securitized mortgages and other non-core items. This is a non-GAAP measure. For more information see slide 40.

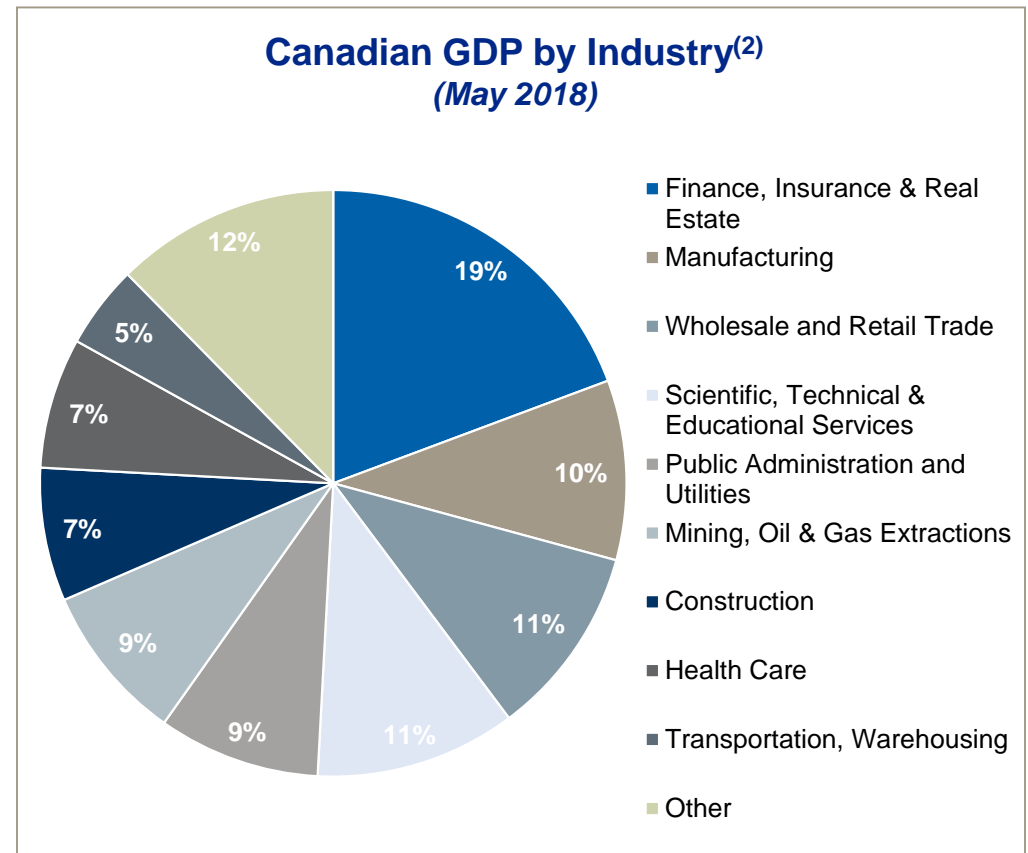
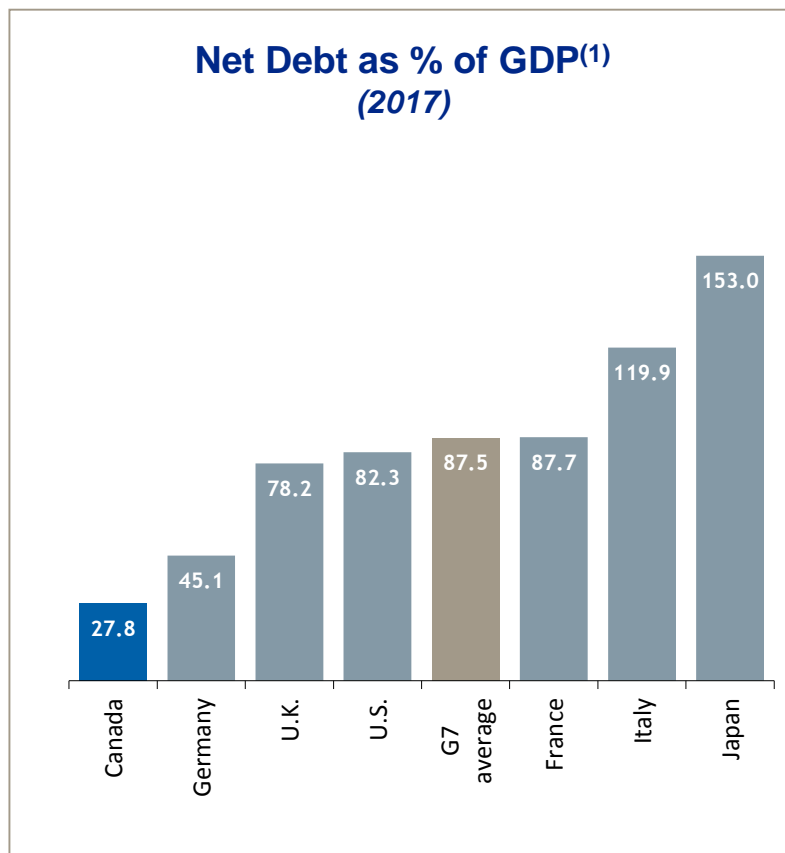
# Economic Backdrop





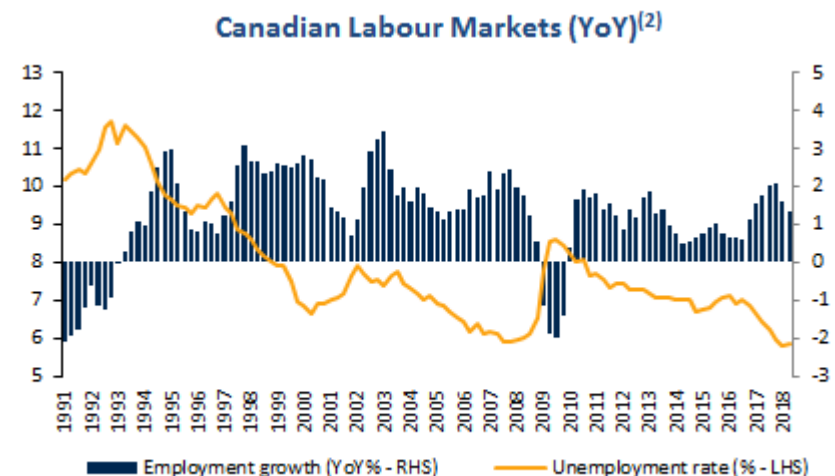
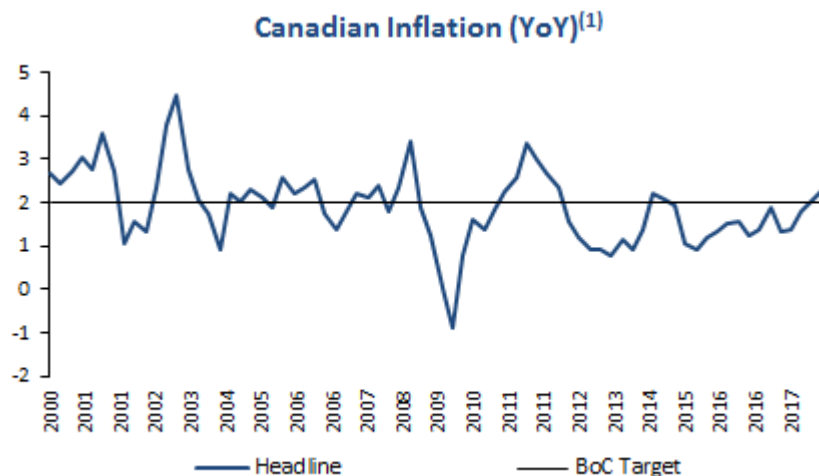
# Canada's fiscal position

- 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>
- Growth in the economy has slowed but from an unsustainably strong rate of growth a year ago. GDP is expected to increase at a more moderate pace in 2018 amid rising interest rates and limited slack in the economy



# Economy to strengthen and disinflationary pressures to subside

- Headline inflation has picked up to slightly above 2% in recent months amid stronger underlying price growth and rising energy prices. Inflation is expected to remain at or slightly above the Bank of Canada’s 2% midpoint target for much of 2018 with energy prices rising and limited slack in the economy putting upward pressure on prices
- Employment growth has slowed somewhat from an unsustainably strong pace in 2017 but has remained positive and is sitting close to multi-decade lows
  - The unemployment rate in Alberta has declined sharply thanks to a gradual recovery in the energy sector
- GDP growth has slowed somewhat in 2018 after the unsustainable 3.0% increase in 2017, but is still on track to post a slightly above-trend increase in the year



# 2018 Economic Outlook



	Projected Economic Indicators for 2018 <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	2.0%	2.4%	5.8%	1.65%	-2.8%	-0.8%
U.S.	2.8%	2.6%	3.9%	2.35%	-2.3%	-4.0%
Euro Area	2.1%	1.6%	8.4%	NA	3.4%	-0.7%

## Canada

- The Canadian economy is forecast to grow by 2.0% in 2018. That would be down from the unsustainably strong pace of 3.0% in 2017, but still slightly 'above-trend'. Housing activity is expected to continue slowing this year due to policy changes and rising interest rates. Consumer spending is also expected to increase at a more moderate pace. Further growth in business investment and government spending will provide some offset
- The Bank of Canada raised its key interest rate in July 2018 amid signs that inflation and wages are gradually rising. We expect the central bank will raise the overnight rate by another 25 basis points in the fourth quarter of 2018. The central bank remains cautious due to uncertainty about NAFTA renegotiations as well as the impact of rising interest rates on highly indebted households. However, with growing evidence the economy is reaching capacity, we expect the BoC will continue gradually removing accommodation this year

## U.S.

- The U.S. economy is forecast to grow by 2.8% in 2018, up from 2.2% in 2017. Consumer spending and business investment have continued to rise in 2018. Both are expected to continue to benefit from tax cuts passed late last year
- The U.S. Federal Reserve raised interest rates by 75 basis points in 2017. The central bank is on track to add another 100 basis points in 2018, with 25 basis point hikes already in each of the first and second quarters, while also gradually shrinking their balance sheet. We expect the central bank will continue to remove accommodation this year amid solid economic momentum, low unemployment, wage growth and inflationary risks from fiscal stimulus

## Euro Area

- Euro area GDP growth has surprised somewhat on the downside to-date partially due to transitory factors that likely won't be repeated. GDP is still tracking an above-trend 2.1% for 2018, down modestly from a decade-high 2.5% pace in 2017
- Inflation remains low despite the strengthening economic backdrop. The European Central Bank is set to end asset purchases next year, but negative rates are expected to persist through the end of 2019
- Political risks, particularly Brexit, remain but have had a limited economic impact thus far

### Economic Backdrop

(1) RBC Economics Research as of May 4, 2018 and reflect forecasts for calendar 2018. (2) European Commission, RBC Economics Research. (3) FY 2017/2018 - Department of Finance, Congressional Budget Office FY2018, European Commission, 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 primarily 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 last year increased mortgage loan insurance premiums by ~15% for new mortgages with LTV over 90%</li> <li>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 – \$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

## February 2018 – Government of British Columbia

- The B.C. government's 2018 budget included a 30-point plan to address housing affordability issues in several areas of the province. The most significant changes are a new speculation tax (rising from 0.5% of assessed value in 2018 to 2% in 2019) that will apply to homeowners who do not pay income tax in the province, as well as an increase in the foreign buyer tax to 20% from 15%

## January 2018 – OSFI

- Qualifying rate for uninsured mortgages raised to 2 percentage points above the contract rate or the five-year posted rate, whichever is higher

## April 2017 – Government of Ontario

- Introduced 16 measures in a 'Fair Housing Plan' to address mounting risks in the housing market including a 15% Non-Resident Speculation Tax on the purchase price of homes in the Greater Golden Horseshoe region

## January 2017 – City of Vancouver

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

## October 2016 – Department of Finance

- Qualifying rate for high-ratio mortgages with a term of five years or more is changed to the 5-year posted rate
- Portfolio-insured low-ratio mortgage loans must meet the eligibility criteria of high-ratio insured mortgage
- Any sale of a principal residence must be reported in the seller's tax return for the year of sale, even if the entire gain is fully protected by the principal residence exemption

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

- OSFI increased scrutiny on mortgage underwriting standards and indicated it will place a greater emphasis on confirming internal controls and risk management practices are sound, and take into account market developments
- Foreign buyers registering the purchase of residential homes in Metro Vancouver become subject to an additional property transfer tax of 15% under legislation introduced by the British Columbia government

# Legislation and policies – promoting a healthy housing market

## 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)

## April 2014 – 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 insured 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

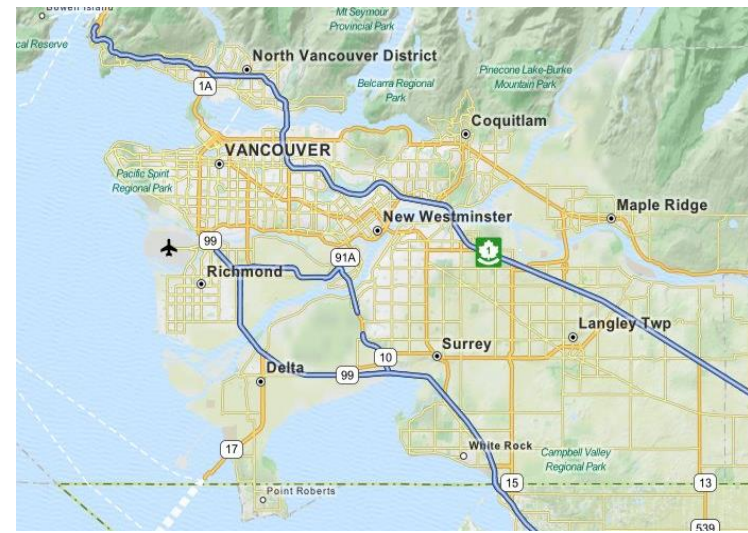
# The Toronto and Vancouver downtown condo markets

- Constraints on undeveloped land around Toronto / Vancouver, have contributed to a shift to higher-density condo housing
  - Provincial growth plan, including ‘Green belt’ surrounding Toronto, contains urban sprawl and favours condo development
  - 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>
  - 22% of Canada’s population is foreign born (7.5 MM), highest proportion among the G8 nations<sup>(1)</sup>
  - 56% of all new immigrants to Canada move to Toronto, Vancouver or Montreal<sup>(1)</sup>
- RBC’s exposure to condo development is limited – about 3% of our Canadian commercial loan book<sup>(2)</sup>
  - Condo exposure is about 10% of our Canadian residential mortgage portfolio<sup>(2)(3)</sup>

“Green Belt” Surrounding Greater Toronto Area



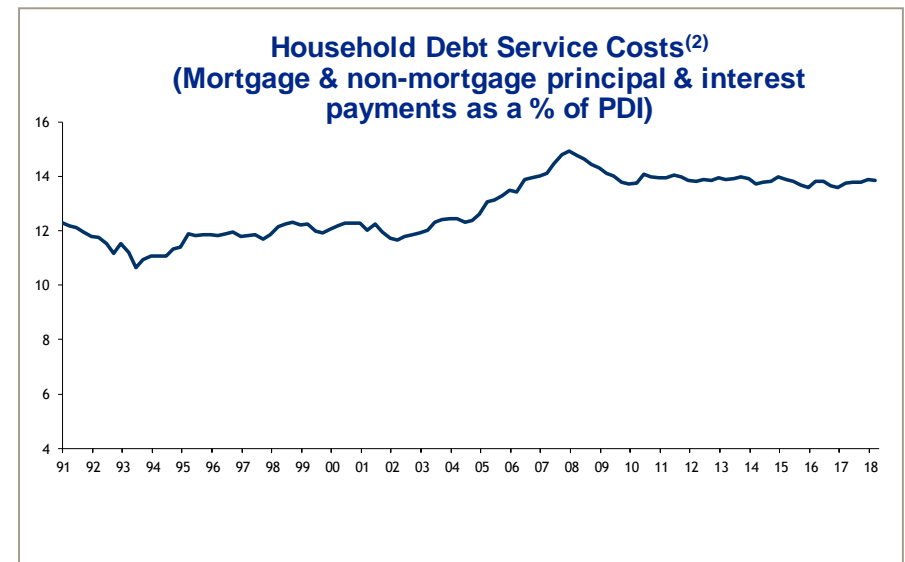
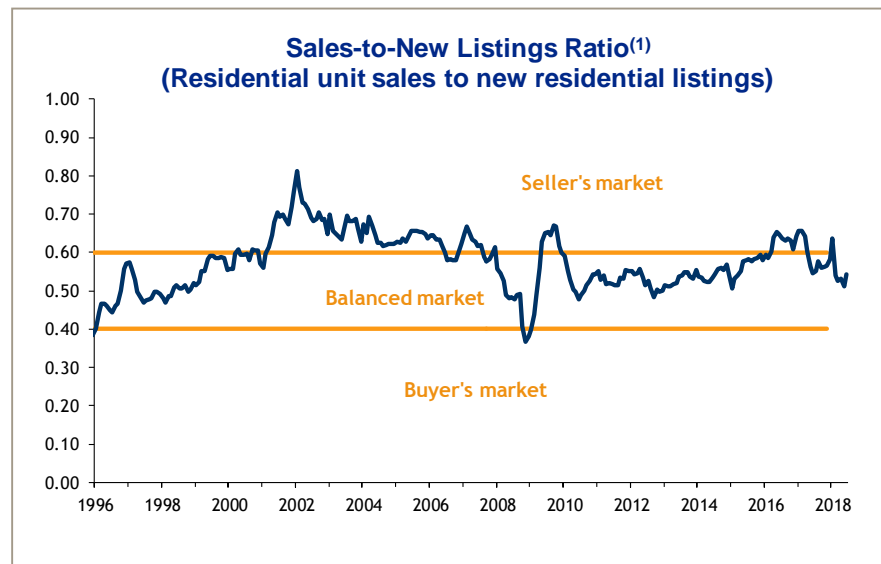
Vancouver Limited by Mountains, Sea, U.S. Border





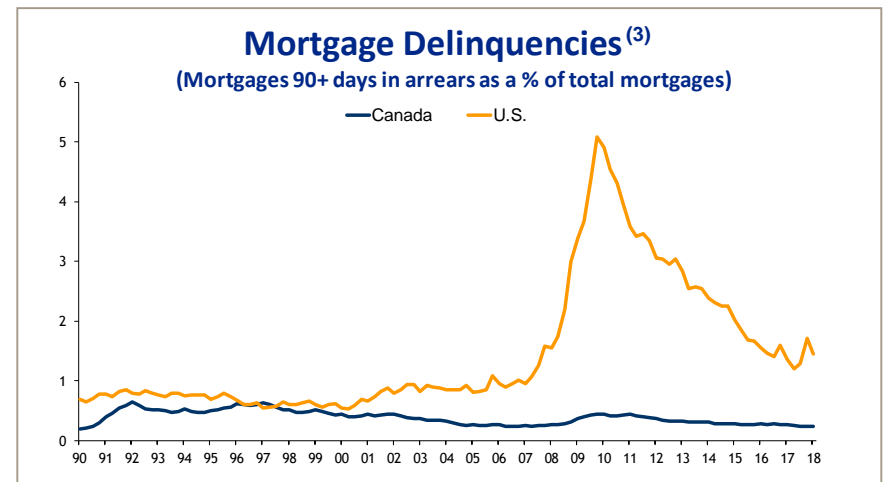
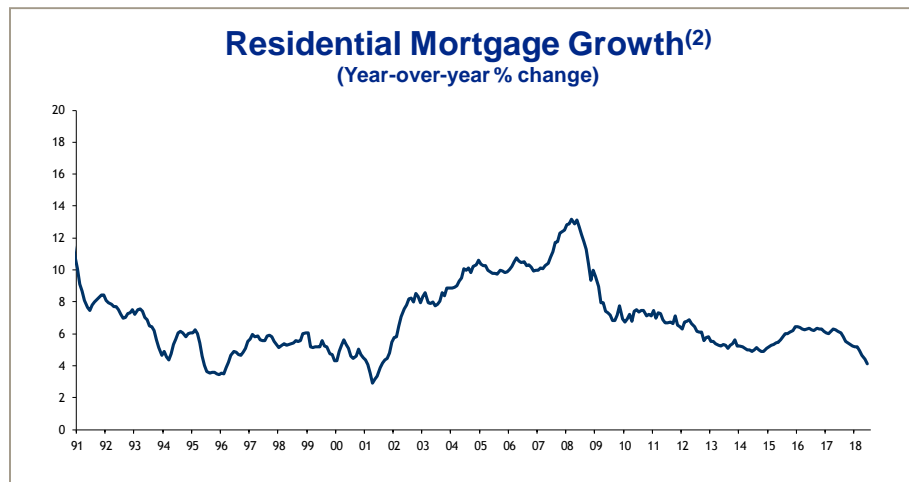
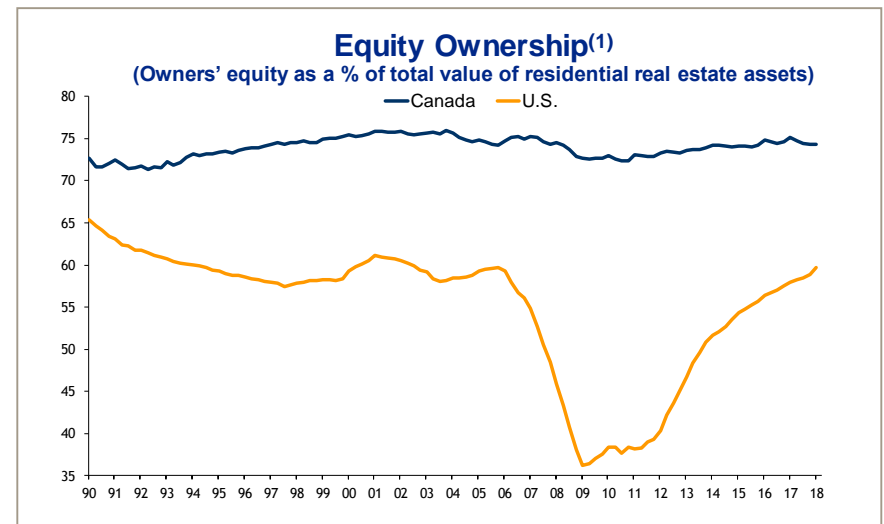
# Canadian housing market risks remain localized

- The stress test introduced on January 1<sup>st</sup> 2018 for uninsured mortgages, had a cooling impact across Canada. The stress test, along with increases in interest rates - will likely cause home resales to decline for a second-straight year in 2018. In 2017, regulatory changes at the federal and provincial levels in BC and Ontario contributed to a 4% decline in home resales in Canada. To a large extent, this is a 'soft landing' engineered by policy makers
- Demand-supply conditions, however, remain balanced nationally and in most local markets including Vancouver and Toronto. This has kept property values on the rise for the most part. Prices fell modestly in the GTA following Ontario's Fair Housing Plan in April 2017 and have since stabilized
- Solid population growth, household income gains and low unemployment rates lower the risk of a downward spiral
- 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
- Canada's household debt service ratio remains generally stable
- Lenders maintaining strong underwriting discipline and require extensive documentation
  - Most mortgages 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 markedly since early-2017 to a 17-year low in mid-2018
- 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

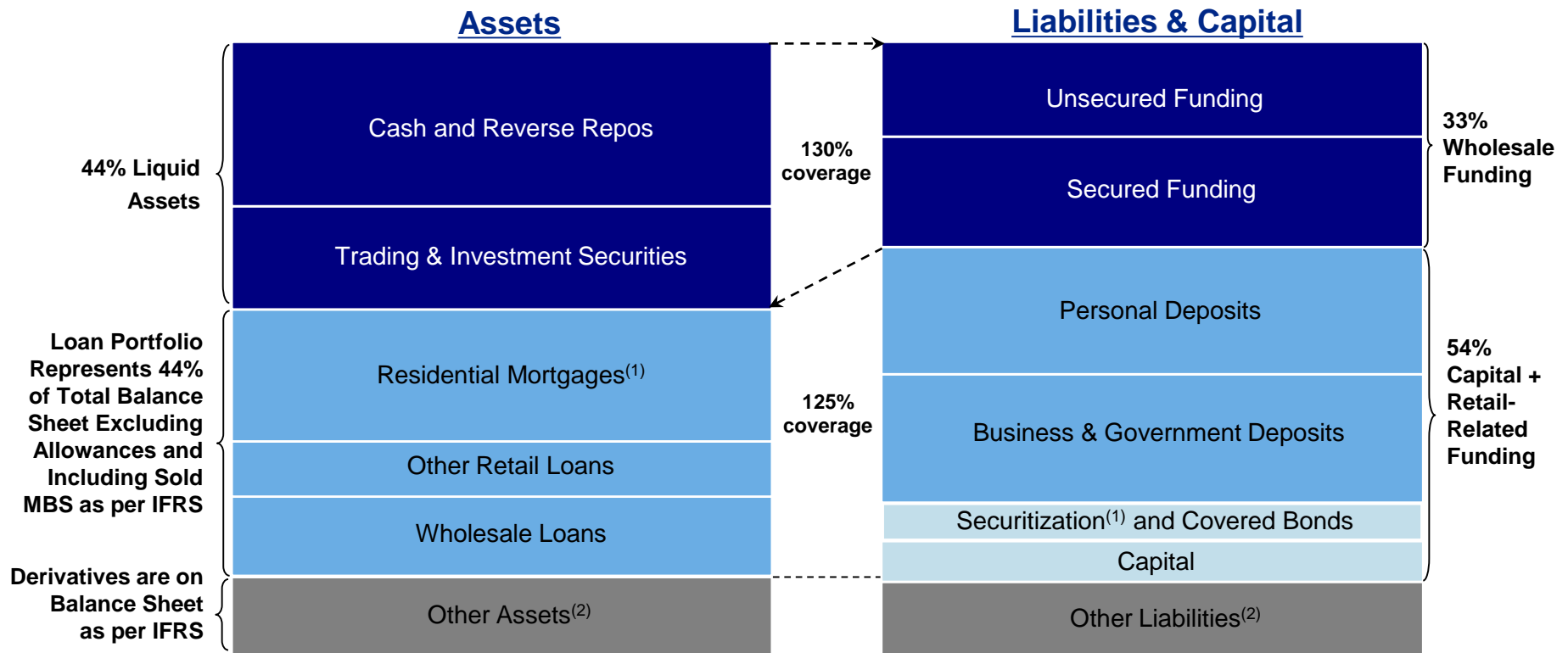


# Appendix A – Liquidity & Funding



# Strength of a high quality liquid balance sheet

**\$1,292 Billion**  
(as at July 31, 2018)



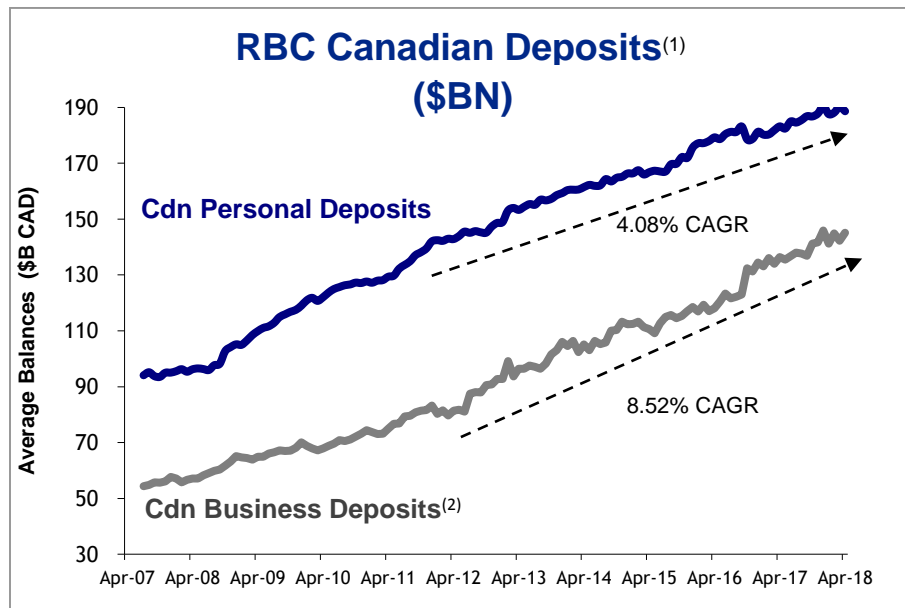


# Strong deposit growth

**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
- Canadian relationship deposits continue to grow
- RBC Canadian personal deposit market share has grown 8 bps year over year to 19.5% as of April 2018



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

	Q3 2018	Q3 2017
HISA <sup>(3)</sup>	\$31	\$33
Advisory Channel Deposits <sup>(4)</sup>	\$30	\$33
Other Personal Deposits	\$190	\$176
Business Deposits	\$287	\$275
<b>Total Deposits</b>	<b>\$538</b>	<b>\$517</b>

**Appendix**

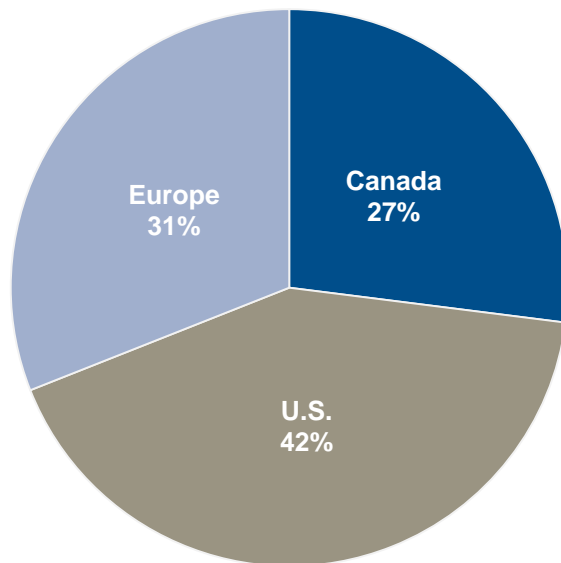
(1) Sourced Canadian deposit market share, which is based on OSFI (M4 report). The volume change in Oct'16 was mainly due to a re-class of personal deposit to business deposits  
 (2) Canadian Business deposits reflect all platform demand deposits and Canadian Banking term deposit balances only. (3) High Interest Savings Account; Includes CAD and USD deposits.  
 (4) Sourced largely from RBC Wealth Management network.

# Wholesale funding strategy

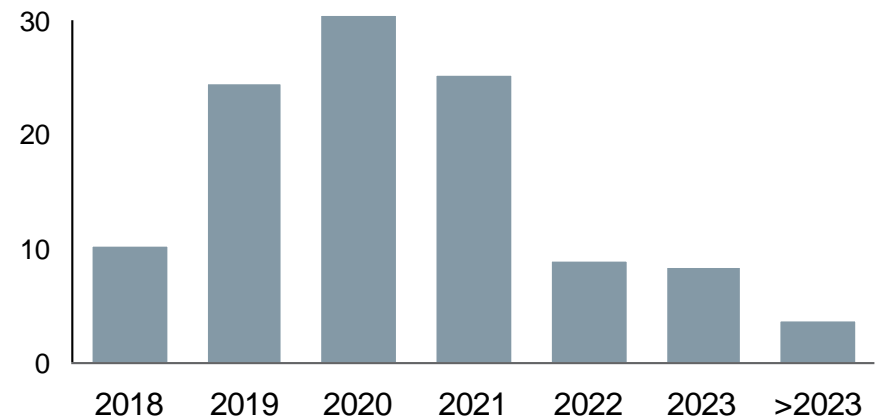
## Large retail deposit base complemented by well diversified wholesale funding mix

- 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>

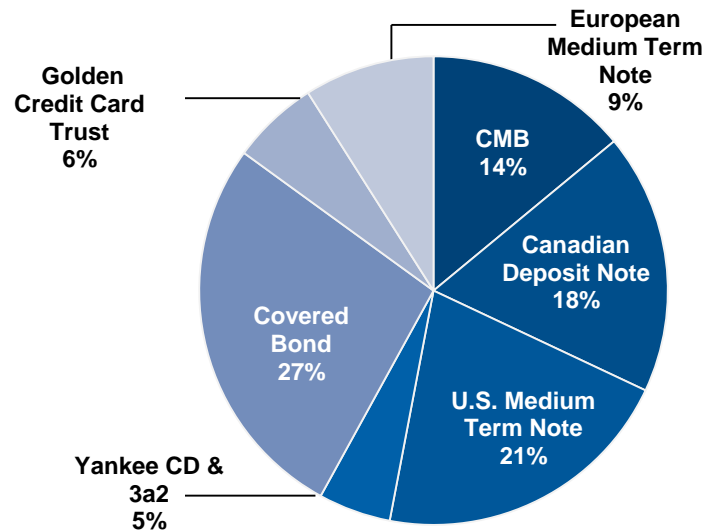


# Well diversified wholesale funding platform

- 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> </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

- US\$1BN 2-year unsecured at LIBOR + 30bps
- €1BN 2-year unsecured at LIBOR + 30bps
- AU\$1.3BN 3-year unsecured at LIBOR + 38bps
- €1.5BN 5-year covered bond at LIBOR + 34bps
- £750MM 3-year covered bond at LIBOR + 31bps
- \$2BN 5-year unsecured at LIBOR + 48bps

# RBC Covered Bond Program

## Globally Active

- Active program in six different currencies: EUR, CAD, USD, CHF, AUD and GBP
  - C\$36BN currently outstanding

## 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. Market



- Active U.S. dollar covered bond issuer
- Several benchmark bonds outstanding
- Broad U.S. investor base
  - Issued US\$15.5BN across seven deals since September 2012
  - Trace eligible





## Note to users

We use a variety of financial measures to evaluate our performance. In addition to generally accepted accounting principles (GAAP) prescribed measures, we use certain key performance and non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that key performance measures, such as ROE and non-GAAP measures, including amounts excluding Corporate Support, average loans and acceptances excluding certain items, and cash earnings excluding the after-tax effect of amortization of intangibles, do not have any standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other financial institutions.

Additional information about our ROE and non-GAAP measures can be found under the “Key performance and non-GAAP measures” sections of our Q3 2018 Report to Shareholders.

Definitions can be found under the “Glossary” sections in our Q3 2018 Supplementary Financial Information and our 2017 Annual Report.

### Investor Relations Contacts

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Jennifer Nugent, Senior Director	(416) 955-7805

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