ROYAL BANK OF CANADA FIRST QUARTER RESULTS CONFERENCE CALL WEDNESDAY, FEBRUARY 26, 2014

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GORDON M. NIXON, CHIEF EXECUTIVE OFFICER

Thank you, Karen, and good morning everyone.

We appreciate you joining us today, on this call, and hopefully after it you'll be able to join us for our Annual Shareholder Meeting.

As you can see from our results, we had a solid start to the year.

Earnings were 2.1 billion dollars, or 2.2 billion dollars(1), up 7 percent(1) from last year when you exclude the loss on sale of our Jamaican bank and provisions we incurred in our Caribbean operations.

And our return on equity was just under 19 percent(1) on the same basis.

Revenue was up 8 percent from last year and our results reflect continued strength in Canadian Banking and higher earnings in Capital Markets, Investor and Treasury Services and Wealth Management.

Our ability to continue to deliver solid results is a testament to the strength of our leadership position in Canada and our disciplined global growth strategy. As well, our ongoing focus on managing costs and risks and our commitment to maintaining a strong capital position remain clear competitive advantages in today's environment.

Our "all-in" Common Equity Tier 1 ratio remains strong at 9.7 percent, up 10 basis points from last quarter even with the new credit valuation charge and pension accounting adjustment.

We continue to take a measured approach to capital deployment and strive for the optimal balance between investing in our businesses for long-term growth, returning capital to shareholders through dividends and share buybacks and pursuing select acquisitions.

This morning we announced a 4 cent or 6 percent increase to our dividend, bringing the quarterly dividend to 71 cents a share.

Our dividend increase reflects the strength of our core earnings and the confidence we have in our ability to continue to generate solid earnings growth and successfully execute on our disciplined growth strategy.

Before moving on to the performance of our segments let me spend a few minutes on the Canadian economy and regulatory environment.

The Canadian economy continues to fare relatively well against other global economies, with solid growth and relatively stable unemployment levels.

However, we are seeing a slowing consumer lending environment, which, frankly, is a good thing. Notwithstanding the deleveraging of the consumer, which has reduced demand for mortgages and loans, we still continue to expect to see mid-single digit growth in consumer lending.

And we are seeing very strong core deposit growth and higher client investment balances.

An improving U.S. economy will certainly benefit Canada and those businesses that provide products and services to our biggest trading partner.

And our Capital Markets and Wealth Management businesses in the U.S. give us significant upside to benefit from their growing economy.

On the regulatory front, after constant regulatory change, we are finally seeing more clarity and certainly than we have had in the past few years. Although an evolving regulatory environment is part of being a financial institution we are well prepared to adapt to new rules and continue to deliver long term value to our shareholders.

Now let me turn to our business segments.

In Personal and Commercial Banking, we generated earnings of over 1 billion dollars.

Canadian Banking delivered another solid quarter with earnings up 4% over last year reflecting 7 percent volume growth across all businesses including Ally Canada, as we continued to leverage our unparalleled size and scale to profitably grow market share.

There were some unusual items, which Janice and will talk about in their comments later on in this call.

We remain focused on achieving or exceeding our objective of growing by a 25 percent premium to the market given the unrivalled strength of our distribution network with the largest and most diverse network of branches, ATMs and mobile sales force across Canada.

For example, we have the most branches across Canada, with our network on average being 18 percent larger than our peers.

We are rolling out new, smaller footprint branches in urban markets that allow us to reach more clients in key segments like small business owners and newcomers to Canada.

Our product offering is unmatched and we continue to develop new products and innovative solutions to extend our sales power, and provide our clients with greater value, flexibility and convenience to enhance their experience.

For example, RBC Direct Investing was the first to introduce a flat fee commission for equity trades to help eliminate barriers for clients with fewer assets to invest while keeping their costs down.

As well, we launched the RBC Wallet powered by our secured cloud mobile payment solution, making us the first Canadian bank to provide clients with the choice of using debit or credit for their mobile payments. And we were also the first North American bank to bring person-to-person electronic money transfers to Facebook Messenger.

While we continue to focus on innovations, we also remain committed to controlling costs through a number of initiatives. For example, we are benefitting from significant synergies as a result of fully integrating our Ally Canada acquisition, which has been done well ahead of schedule.

And we continue to focus on streamlining our processes and eliminating costs by introducing new ways of doing business. Our innovative e-signatures technology – the first of its kind in banking in Canada – is being rolled out in our branches freeing up our investment advisors to spend more time with our customers.

It is these types of initiatives that will help manage the growth of our expenses and help drive positive operating leverage for the balance of the year.

Let me take a few minutes to discuss our Caribbean banking business. We have mentioned before, we have been navigating through challenging economic and market conditions in the region over the last couple of years.

We've been focused on managing the business to drive better performance and recently completed a comprehensive review of our operations across the Caribbean to find ways to operate more efficiently and to ensure we are able to be a competitive leader in the markets where we want to do business.

As part of that review, we recently announced that we are selling our banking operations in Jamaica – a country where we did not have scale or a market leading position necessary to compete effectively overtime and to meet our return hurdles.

We are also restructuring our operations by consolidating certain branches, reducing our workforce, and streamlining our head office structure.

These are important steps in repositioning the business and we believe that these changes will improve our performance and competitiveness, while driving efficiencies.

The decision to restructure our Caribbean business was a difficult one, but one that will allow us to focus our efforts on those markets in which we can be a leading financial institution and operate on a sustainable basis with good returns.

As I have said before, we have operated in the region for over 100 years. We remain committed to the region and we are excited about our long-term prospects and even this quarter, our core results continue to strengthen.

Turning to Wealth Management, we had strong earnings this quarter as we continued to focus on growing our global asset management business and delivering integrated global wealth management advice, solutions and services to our high net worth clients.

Our leadership position in Canada and our ability to go beyond traditional investments through collaboration with our partners across RBC continues to provide a strong foundation for global growth.

Average fee-based client assets grew by 6 percent this quarter in our wealth management businesses as we were able to capitalize on both improvements in global markets and strong net new sales across all regions.

As a result of the strength of our advisors and the services we provide, we were recognized as having the Best Private Banking Services Overall in four different regions by Euromoney in its 2014 Private Banking and Wealth Management Survey.

In Global Asset Management, we remain the Canadian leader in long-term funds sales, having captured nearly 18 percent of the market over the last twelve months, and had another year of positive flows in both our institutional and the retail segments.

In recognition of our high performing Canadian investment funds, we were recently recognized with five awards at the annual FundGrade A+ Awards.

In January of this year, we added a team of 10 global equity specialists to our London-based investment management team in RBC Global asset management. We now have a significant U.K.-based equity capability in global emerging markets, and European equities to compliment our fixed income and alternatives capabilities in BlueBay Asset Management.

Turning to Insurance, we continue to innovate and tailor our products to meet our clients' needs. We believe our focused strategy serves to differentiate our performance as this business continues to make a solid contribution to our diversified earnings stream and provide excellent claims service to clients during challenging times.

In addition to our ongoing focus on efficiency management activities in our Treasury Services, we had strong client retention and solid growth in client deposits, all of which contributed to strong earnings growth for this segment in the quarter.

We have now repositioned this segment to adapt to the current operating environment.

We continue to be recognized in the industry and were recently awarded “Transfer Agent of the Year” and “Fund Administrator of the Year, Luxembourg” in the Custody Risk European Awards in recognition of the quality of services and products that we offer.

Moving to Capital Markets, we saw solid earnings growth this quarter as we remain focused on growing our corporate and investment banking businesses, and rebalancing our global markets business by redeploying capital and managing risks.

We grew our loan book by 8 percent this quarter and are leveraging our lending relationships to offer ancillary products and services to drive more sustainable fee-driven income.

We also had solid investment banking revenue this quarter, although moderately lower compared to the robust levels we saw last year. Our deal pipeline remains strong and we continue to win significant mandates and build new client relationships.

We recently acted as joint bookrunner and sole swap arranger on AT&T’s 1 billion dollar seven-year Maple offering, which is the largest single-tranche corporate Maple bond on record.

We also acted as joint bookrunner and global coordinator on Barrick 3 billion dollar bought deal common share offering, which was the largest bought deal as well as the largest Canadian equity offering on record.

And we acted as joint bookrunner and sole lead arranger for the 300 million dollar initial public offering by Canadian Tire’s real estate investment trust.

In our Global Markets businesses, we remain focused on origination to drive greater earnings stability and expand client relationships. We are seeing particular improvement in fixed income, commodities and currencies, which has benefitted our trading revenue and we’re also seeing an improved run-rate compared to 2013 across all asset classes.

As you recall, the Volcker Rule was finalized last December and we have a strong team in place to oversee the adjustments to some of our businesses.

Overall, we remain pleased with the performance of our Capital Markets. We led the Canadian league tables in 2013, sweeping the board across almost every major category - M&A, Debt Capital Markets, Equity Capital Markets and Loan Syndication as compiled by Bloomberg, Thomson, and Dealogic.

And, we were again ranked #10 in America’s Investment Banking Fee League table by Thomson Reuters for 2013.

To conclude, our results demonstrate the earnings power of RBC, driven by our leading market positions, diversified business mix and strong capital position.

Our ongoing focus on developing innovative products and services, combined with our ongoing discipline in managing costs, remain, in our view, clear competitive advantages in today's environment, and position us well for long term growth.

With that, I'll turn it over to Mark, who as you know, became our Chief Risk Officer back in January. Mark?

MARK HUGHES. CHIEF RISK OFFICER

Thanks Gord. Good morning everyone.

Turning to slide 7, our credit quality improved overall compared to the prior quarter.

Provisions for credit losses on impaired loans were $292mm, down $42mm from last quarter or down 5 basis points to 27 basis points.

This decrease was driven by lower provisions in our Wealth Management, Capital Markets and Caribbean portfolios, partially offset by increased provisions in Canadian Banking.

Our overall credit quality has remained relatively stable since the beginning of 2013, with provisions this quarter continuing to reflect the low-end of our historical range.

Let's look at our credit performance in some more detail:

We incurred incremental provisions of $19mm in Wealth Management this quarter related to the same accounts that were impacted in the fourth quarter of 2013. These accounts are now fully provisioned and there were no new impairments this quarter.

As was mentioned on last quarter's call, growing the credit book forms part of Wealth Management's long-term growth strategy, and while we do anticipate incurring some provisions from time to time as this portfolio continues to grow, we remain comfortable with its overall credit quality.

With respect to Capital Markets, this quarter we had recoveries on a few accounts, totalling $2mm net of impairments or 1 basis point, compared to provisions mainly taken on a single account in the prior quarter. This represents an improvement of $13mm or 9 basis points.

In the Caribbean, provisions on impaired loans were $16mm, down $10mm from the previous quarter, largely driven by lower provisions in the wholesale portfolio. As we have previously highlighted, while credit quality in our Caribbean portfolio has been stabilizing, we believe that until we see a more sustained economic recovery, the credit environment will likely continue to be challenging.

Provisions in Canadian Banking were $258mm or 30 basis points, up $9mm or 1 basis point from last quarter. While provisions increased, gross impaired loans decreased $90mm, or 4 percent, from last quarter.

Slide 8 focuses specifically on our Retail Portfolio within Canadian Banking.

The increase in Canadian Banking provisions primarily reflected higher impairment in our small business and personal loans portfolios. This for the most part was due to the alignment of Ally Canada to RBC's methodologies.

We expect to see some variability in our small business portfolio from quarter to quarter and we remain comfortable with its credit quality. This portfolio only represents 1 percent of our total retail portfolio.

Our Canadian residential mortgage portfolio, which makes up 64 percent of our retail portfolio, continues to perform well with specific provisions this quarter of 2 basis points. This is consistent with our historical performance.

The credit quality of our retail portfolio remains strong. Overall, as I mentioned, our gross impaired loans decreased $90 million, our new formations decreased $220 million quarter-over-quarter and our coverage ratio increased 5% to 98%.

Turning to market risk, in the first quarter average Market Risk VaR was $34mm and average Market Risk Stressed VaR was $103mm, both down $11mm compared to last quarter.

The decrease in Stressed VaR was largely driven by lower risk in certain mortgage backed securities portfolios. This decrease was partially offset by the impact of foreign exchange translation on foreign denominated portfolios.

During the first quarter, we had no days with net trading losses, continuing the positive trend experienced over the past 2 years.

With that, I will turn the presentation over to Janice.

JANICE FUKAKUSA, CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

Thanks Mark and good morning.

As Gord mentioned, we had first quarter earnings of over 2 billion dollars, up 45 million dollars or 2 percent from the prior year, and relatively flat from last quarter.

Earnings were up 137 million dollars[(1)] or 7 percent[(1)] from last year excluding the specified items outlined on slide 29, which include the previously announced 60 million dollar loss on the sale of RBC Jamaica, and after-tax provisions related to post-employment benefits and restructuring charges in the Caribbean of 32 million dollars this quarter and 31 million dollars last quarter.

Our Common Equity Tier 1 ratio remained strong at 9.7 percent. As we disclosed last quarter, our ratio was negatively impacted by 32 basis points for the credit valuation adjustment and 9 basis points for the new pension accounting standard.

In addition, the depreciating Canadian dollar negatively impacted the ratio by 14 basis points. These factors were more than offset by strong internal capital generation and capital repatriation from our insurance business.

Our risk-weighted assets were up 13 percent compared to last year and 7 percent compared to last quarter, largely due to the negative impact of the credit valuation adjustment charge and foreign exchange translation.

I would like to highlight that this January we were the first Canadian bank to issue Basel III compliant preferred shares which strengthens our Tier 1 capital which strengthens our Tier 1 Capital position.

Let me now turn to the quarterly performance of our business segments, starting on slide 12.

Personal and Commercial Banking earned over 1 billion dollars, down 33 million dollars or 3 percent from last year, and relatively flat compared to last quarter. Canadian Banking net income was over 1.1 billion dollars, up 47 million dollars or 4 percent last year and up 50 million dollars or 5 percent sequentially, reflecting solid volume growth across all businesses.

Margins in Canadian Banking were up 3 basis points from last quarter reflecting a favourable funding mix. We expect margins to remain relatively stable for the remainder of the year as we continue to manage through the low interest rate environment and competitive pricing pressures.

Our reported efficiency ratio was 43.7 percent and we generated positive operating leverage of 0.5 percent. I would point out that this quarter we were impacted by certain unusual expenses including a litigation provision and higher share-based compensation reflecting the annual accrual for employees eligible to retire.

We continue to target an efficiency ratio in the low 40s and positive operating leverage through our ongoing focus on efficiency management activities.

Caribbean and U.S. Banking had a loss of 66 million dollars this quarter resulting from the specified items that I discussed earlier. We also expect to record a loss on foreign exchange translation when the sale of RBC Jamaica closes. The cumulative unrealized translation loss was 40 million dollars as at the end of our first quarter.

As Gord mentioned, we are focused on improving the performance and competitiveness of our Caribbean operations for the long term.

Turning to Wealth Management, we earned 235 million dollars this quarter, up 6 million dollars or 3 percent from last year, mainly due to higher average fee-based client assets resulting from capital appreciation and strong net sales. As well, we generated solid loan and deposit growth across most businesses in this segment this quarter.

As Mark mentioned, we incurred an additional 19 million dollars of PCL on the same accounts that impacted our fourth quarter, which are now fully provisioned.

Compared to the prior quarter, earnings were up 33 million dollars or 16 percent, mainly due to higher average fee-based client assets, semi-annual performance fees received this quarter, and lower PCL.

Moving to Insurance, although this quarter benefited from two new U.K. annuity reinsurance contracts, net income of 157 million dollars was down 7 million dollars or 4 percent compared to last year, mainly due to higher disability and weather-related claims costs.

Compared to the prior quarter, net income was up 50 million dollars or 47 percent as our prior quarter results included a charge related to the new tax legislation in Canada which affected certain individual life insurance policies.

Investor and Treasury Services earned 106 million dollars, up 27 million dollars or 34 percent from last year, and up 15 million dollars or 16 percent from last quarter, reflecting the continuing benefits from our ongoing focus on efficiency management activities and higher net interest income resulting from growth in client deposits.

This quarter also benefited from higher funding and liquidity revenue compared to last quarter, largely from tightening credit spreads.

In Capital Markets we had earnings of 505 million dollars, up 43 million dollars or 9 percent from last year largely from lower PCL and a lower effective tax rate this quarter.

We delivered solid but moderately lower global markets and investment banking revenue compared to robust levels last year, and saw continued growth in lending activity. I would note that last year's results benefited from a one-time gain related to the disposition of our London Metal Exchange shares.

Compared to last quarter, net income was up 36 million dollars or 8 percent mainly due to higher revenue in our fixed income, commodities and foreign exchange trading businesses, which included a 40 million dollar loss on fair value adjustments on certain RBC debt, and higher M&A activity and lending revenue.

To wrap up, we are pleased with our performance this quarter as we continue to focus on growing our market share in Canada, the U.S. and selected international markets, expanding our client relationships and prudently deploying our balance sheet.

At this point, I'll turn the call over to the operator to begin questions and answers. Please limit yourselves to one question, and then re-queue so that everyone has an opportunity to participate.

(1) These are non-GAAP measures. For additional information see the Note to users.

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 non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that non-GAAP measures, such as earnings excluding the loss related to the sale of RBC Jamaica as previously announced on January 29, 2014 and provisions related to post-employment benefits and restructuring charges in the Caribbean, do not have standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other financial institutions.

Additional information about our non-GAAP measures can be found under the "Key performance and non-GAAP measures" section of our Q1 2014 Report to Shareholders.

Definitions can be found under the "Glossary" sections in our Q1 2014 Supplementary Financial Information and our 2013 Annual Report.