

# Royal Bank of Canada Second Quarter Results

May 22, 2014

All amounts are in Canadian dollars and are based on financial statements prepared in compliance with International Accounting Standard 34 *Interim Financial Reporting* unless otherwise noted. Our Q2 2014 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 presentation and in the accompanying management’s comments and responses to questions during the May 22, 2014 analyst conference call (Q2 2014 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 presentation is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, and our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, regulatory compliance, operational, strategic, reputation and competitive risks and other risks discussed in the Risk management and Overview of other risks sections of our 2013 Annual Report and in the Risk management section of our Q2 2014 Report to Shareholders; the impact of regulatory reforms, including relating to the Basel Committee on Banking Supervision’s (BCBS) global standards for capital and liquidity reform, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder, over-the-counter derivatives reform, the payments system in Canada, the U.S. *Foreign Account Tax Compliance Act* (FATCA), and regulatory reforms in the United Kingdom (U.K.) and Europe; the high levels of Canadian household debt; cybersecurity; the business and economic conditions in Canada, the U.S. and certain other countries in which we operate; the effects of changes in government fiscal, monetary and other policies; our ability to attract and retain employees; the accuracy and completeness of information concerning our clients and counterparties; the development and integration of our distribution networks; model, information technology and social media risk; and the impact of environmental issues.

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 Q2 2014 presentation are set out in the Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2013 Annual Report, as updated by the Overview section in our Q2 2014 Report to Shareholders. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk management and the Overview of other risks sections in our 2013 Annual Report and in the Risk management section of our Q2 2014 Report to Shareholders.

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Information contained in or otherwise accessible through the websites mentioned does not form part of this Q2 presentation. All references in this Q2 presentation to websites are inactive textual references and are for your information only.

# Overview

Gordon M. Nixon  
Chief Executive Officer

Dave McKay  
President



## Strong earnings growth driving 19.1% ROE in Q2/2014

### Strong earnings growth driving ROE of 19.1%

- Net income of \$2.2 billion, up 15% YoY
- Solid performance across all businesses, including:
  - Record earnings in Wealth Management
  - Higher earnings from Capital Markets, Personal & Commercial Banking, and Investor & Treasury Services
- Ongoing focus on efficiency management activities
- Positive operating leverage<sup>(1)</sup>

### Strong capital position

- “All-in” Common Equity Tier 1 ratio of 9.7%

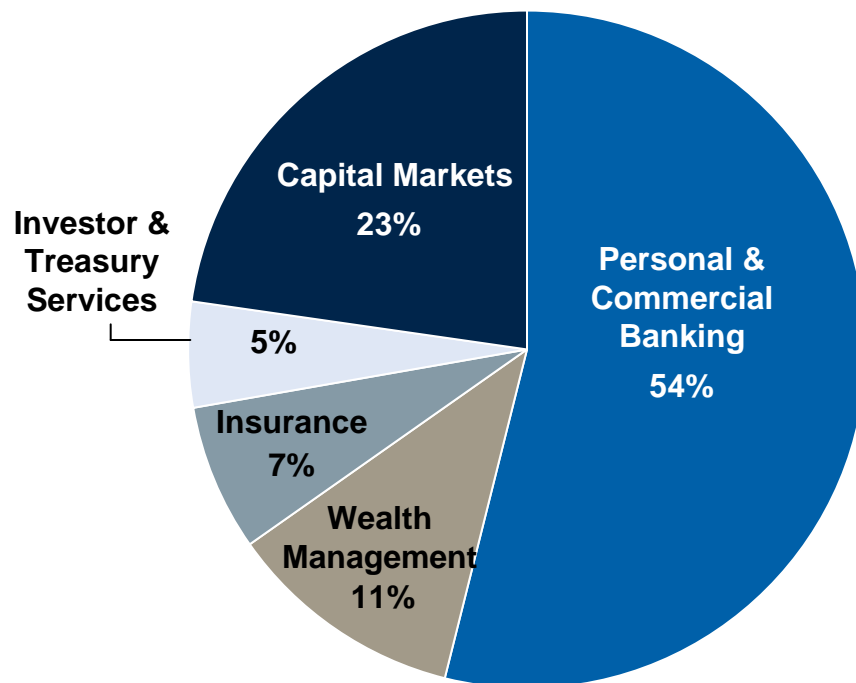
**Delivered strong earnings and ROE while maintaining a strong capital position**

## A diversified business model – RBC’s key strength

- Diversified business mix, with the right balance of retail and wholesale
- Almost two-thirds of revenue from Canada
- Strategic approach in key businesses in the U.S. and select international markets

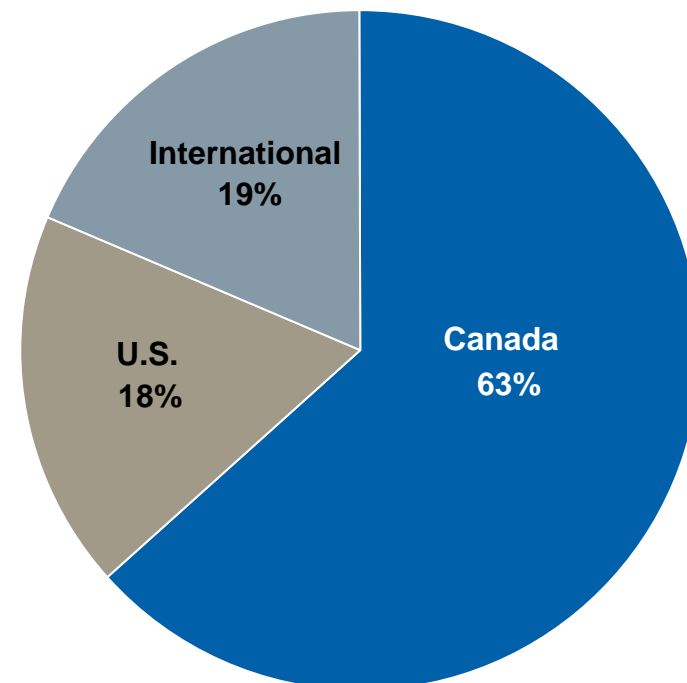
### Earnings by business segment<sup>(1)</sup>

Latest twelve months ended April 30, 2014



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

Latest twelve months ended April 30, 2014





# Key strategic priorities aligned to our long-term goals

## Strategic goals

- In Canada, to be the undisputed leader in financial services
- Globally, to be a leading provider of capital markets, investor and wealth management solutions
- In targeted markets, to be a leading provider of select financial services complementary to our core strengths

## Strategic priorities

Personal & Commercial Banking	Wealth Management	Insurance	Investor & Treasury Services (I&TS)	Capital Markets
<ul style="list-style-type: none"> <li>▪ Offering a differentiated experience: value for money, advice, access and service</li> <li>▪ Making it easier to do business with us and be the lower cost producer</li> <li>▪ Converging into an integrated multi-channel network</li> <li>▪ Enhancing client experience and improving efficiency in the Caribbean and U.S.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Building a high-performing global asset management business</li> <li>▪ Focusing on high net worth and ultra-high net worth clients to build global leadership</li> <li>▪ Leveraging RBC and RBC Wealth Management strengths and capabilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improving distribution efficiency and deepening client relationships</li> <li>▪ Making it easier for clients to do business with us</li> <li>▪ Pursuing select international opportunities to grow our reinsurance business</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing excellence in custody and asset servicing, with an integrated funding and liquidity management business</li> <li>▪ Focusing on organic growth through client relationships, cross-selling and promoting the RBC brand</li> <li>▪ Leveraging I&amp;TS as a driver of enterprise growth strategies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintaining our leadership position in Canada</li> <li>▪ Expanding and strengthening client relationships in the U.S.</li> <li>▪ Building on core strengths and capabilities in Europe and Asia</li> <li>▪ Optimizing capital use to earn high risk-adjusted returns on assets and equity</li> </ul>

# Risk Review

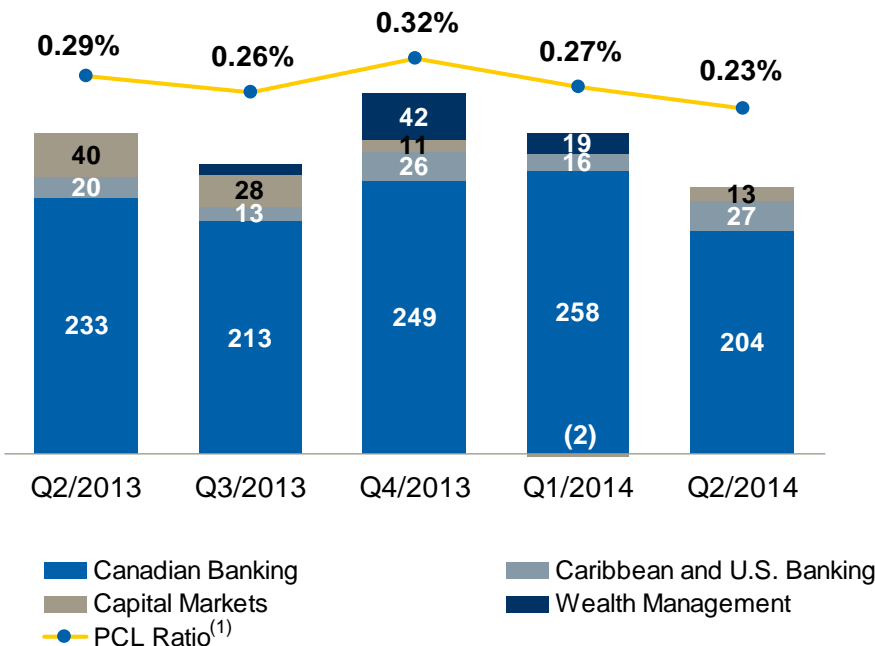
Mark Hughes

Chief Risk Officer



# Credit quality remains strong

Total PCL (\$ millions, except percentage amounts)				
287	267	334	292	244



## Personal & Commercial Banking

- PCL decreased \$43MM or 16% QoQ
  - In Canada, PCL was down \$54MM, driven by lower provisions in personal and commercial lending portfolios
  - Caribbean PCL was up \$11MM related to a few accounts

## Capital Markets

- PCL of \$13MM, mainly related to a single account, compared to recovery of \$2MM last quarter

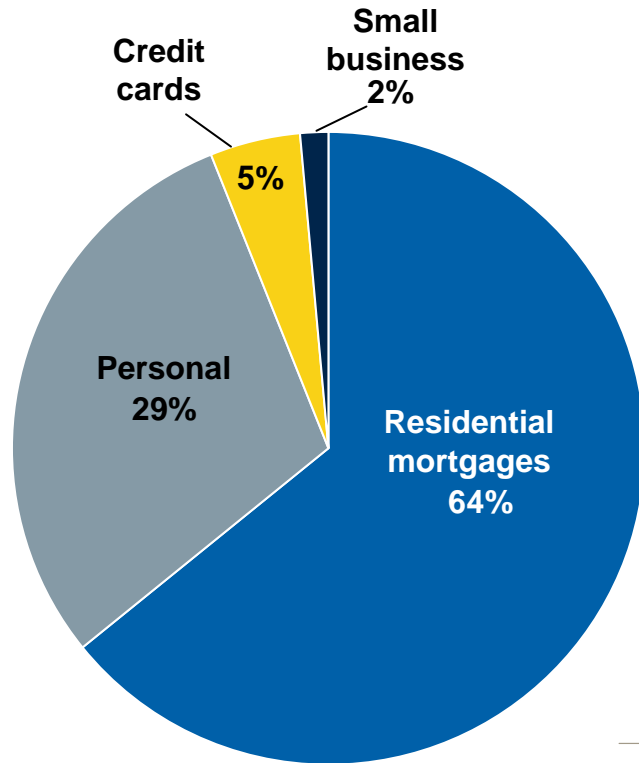
Selected PCL Ratios	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014
Personal & Commercial Banking	0.31%	0.26%	0.32%	0.31%	<b>0.27%</b>
Canadian Banking	0.29%	0.25%	0.29%	0.30%	<b>0.25%</b>
Capital Markets	0.31%	0.20%	0.08%	(0.01%)	<b>0.08%</b>



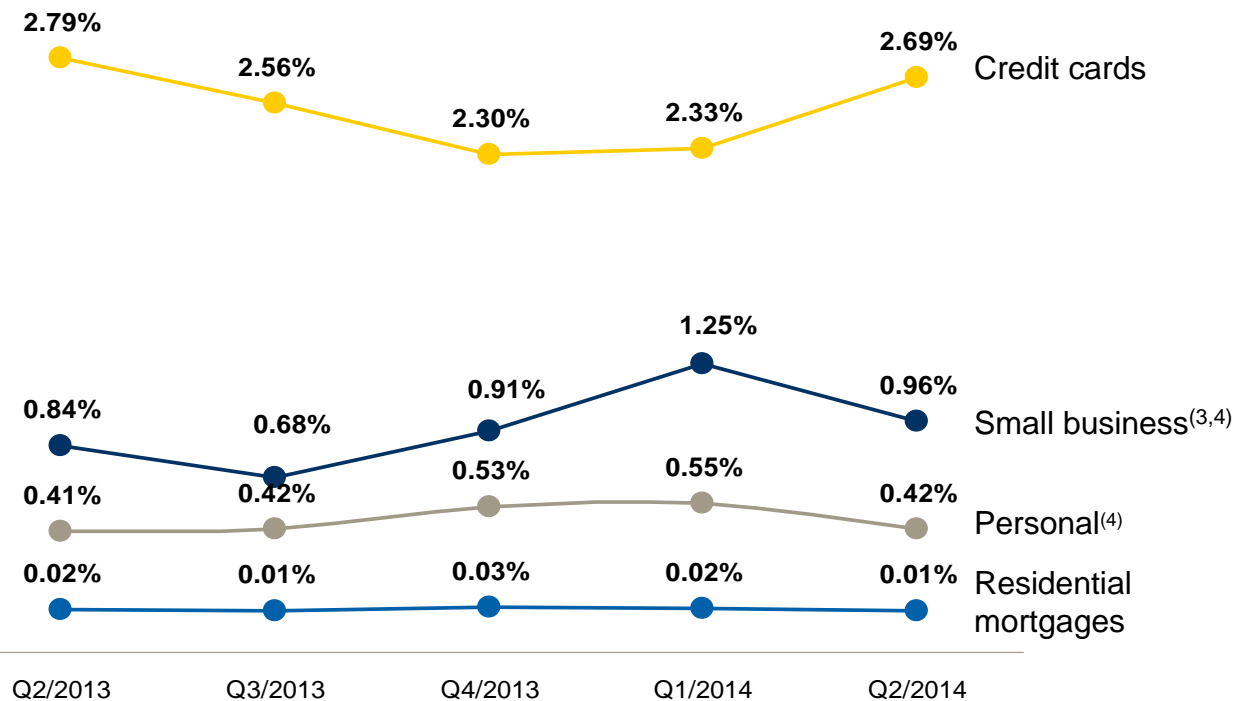
# Strong and stable credit quality in Canadian Banking retail portfolio



Average retail loans (\$288 billion)<sup>(1,4)</sup>



PCL Ratio<sup>(2)</sup> by product



**Credit quality across all products remain relatively stable**

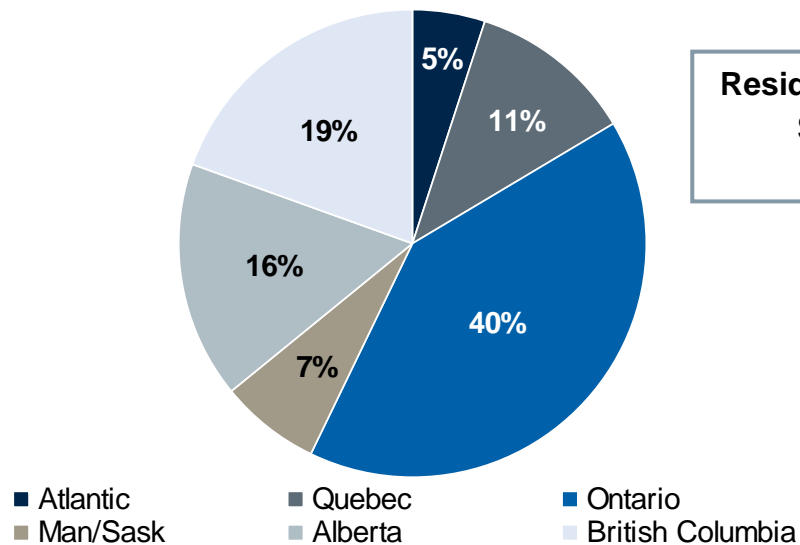
**Second Quarter 2014 Results**

(1) As at April 30, 2014. (2) PCL ratio is PCL on impaired loans as a percentage of average net loans & acceptances (annualized).  
 (3) Since Q2/2013, includes Ally Canada non-personal loan portfolio. In Q1/2014, we aligned Ally Canada to RBC's methodology.  
 (4) In Q2/2014, certain indirect auto loans were reclassified retroactively from personal loans to small business loans.

# Diversified residential mortgage portfolio in Canadian Banking

## Geographic Diversification

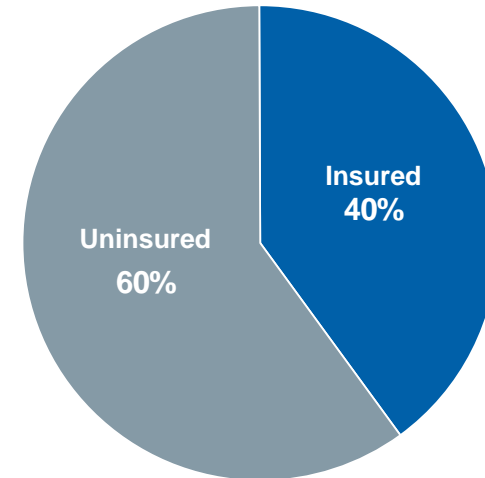
As at April 30, 2014



## Insured vs. Uninsured mortgages

As at April 30, 2014

**Residential Mortgages:**  
**\$185 billion<sup>(1)</sup>**  
**LTV: 56%<sup>(2)</sup>**



- Well diversified mortgage portfolio across Canada
- Ongoing stress testing for numerous scenarios including unemployment, interest rates, and a downturn in real estate
- Strong underwriting practices

# Financial Review

Janice Fukakusa

Chief Administrative Officer and Chief Financial Officer





## Strong earnings growth driving 19.1% ROE in Q2/2014

(\$ millions, except for EPS and ROE)	Q2/2014	Q1/2014		Q2/2013	
	As Reported	As Reported	Excluding specified items <sup>(1)</sup>	As Reported	Excluding specified items <sup>(1)</sup>
Revenue	<b>\$8,270</b>	\$8,454	\$8,454	\$7,717	\$7,717
Net income	<b>\$2,201</b>	\$2,092	\$2,184	\$1,909	\$1,940
Diluted earnings per share (EPS)	<b>\$1.47</b>	\$1.38	\$1.44	\$1.25	\$1.27
Return on common equity (ROE) <sup>(2)</sup>	<b>19.1%</b>	18.1%	18.9%	18.7%	19.1%

**Earnings up \$261 million or 13% YoY excluding specified items<sup>(1)</sup>**

- Strong earnings in Capital Markets reflecting higher trading revenue, lending revenue and M&A activity
- Record earnings in Wealth Management reflecting higher average fee-based client assets
- Higher earnings in Canadian Banking reflecting volume growth across most businesses and higher mutual fund fees

**Earnings up \$17 million or 1% QoQ excluding specified items<sup>(1)</sup>**

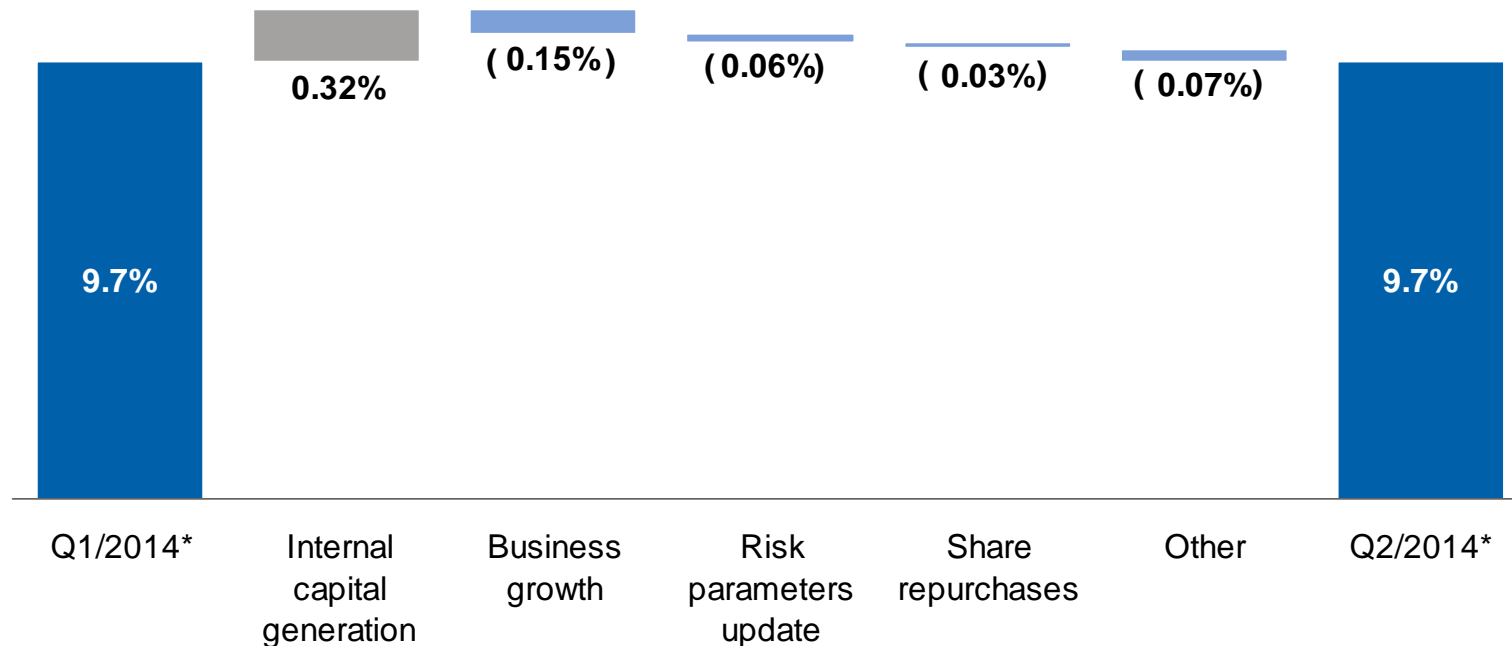
- Higher equity trading results and increased debt origination in Capital Markets
- Higher average fee-based client assets in Wealth Management
- Lower PCL in Canadian Banking
- Largely offset by fewer days in the quarter, lower loan syndication activity and higher litigation provisions and related legal costs

### Second Quarter 2014 Results

(1) Earnings excluding specified items are non-GAAP measures. For additional information and a reconciliation, see slides 29 and 30.

(2) ROE may not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. For additional information, see slide 30.

## Strong Basel III Common Equity Tier 1 (CET1) ratio<sup>(1)</sup>



- Strong internal capital generation, mostly offset by higher RWA, which included both business growth and an update to retail risk parameters, and \$100 million in share repurchases (1.4 million shares)

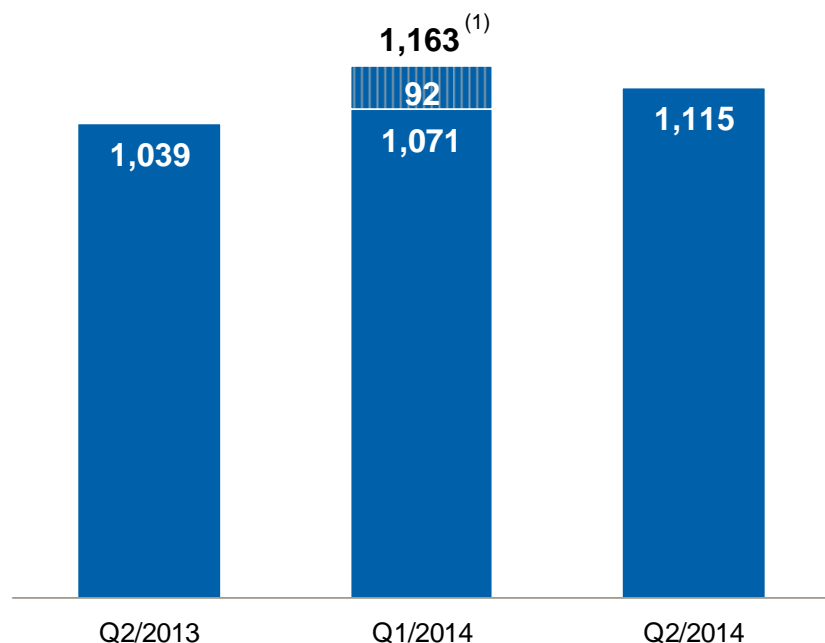
**Maintained a strong capital position**

# Continued earnings growth in Personal & Commercial Banking



## Net Income

(\$ millions)



Percentage Change	YoY	QoQ
Reported Net Income	7%	4%
Adjusted Net Income <sup>(1)</sup>	-	(4%)

## Q2/2014 Highlights

### Canadian Banking

- Net income of \$1,110 million, up 8% YoY and down 2% QoQ
- Volume growth across most businesses
  - Deposit growth driving lower funding costs

	Amount (\$ billions)	YoY	QoQ
Loans	\$341	3.1%	0.4%
Deposits	\$261	5.6%	0.3%

- Stable margins with NIM of 2.74%, up 1 bp QoQ
- Operating leverage of 0.9%
- Efficiency ratio of 45%, improved 40 bps YoY

### Caribbean & U.S. Banking

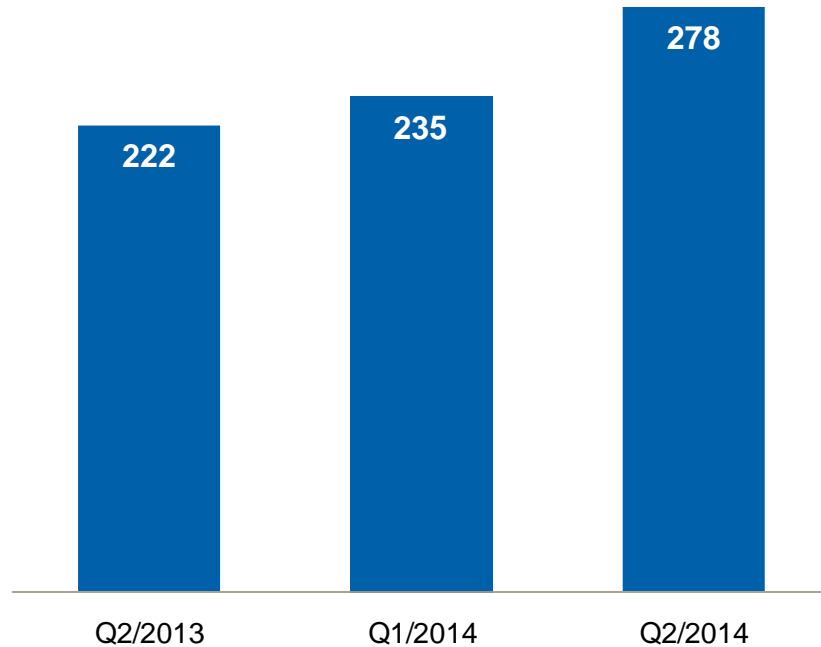
- Q1/2014 results reflect the loss related to RBC Jamaica sale, which is expected to close in Q3/2014, and provisions related to post-employment benefits and restructuring charges in the Caribbean



# Record earnings in Wealth Management

## Net Income

(\$ millions)



Percentage Change	YoY	QoQ
Net Income	25%	18%

## Q2/2014 Highlights

- Record earnings, up 25% YoY and 18% QoQ
  - Higher average fee-based client asset growth from capital appreciation and strong net sales
- Positive operating leverage
- Positive impact YoY from foreign exchange translation on growth in client assets, loans and deposits
- Higher net interest income on strong loan and deposit growth across most businesses

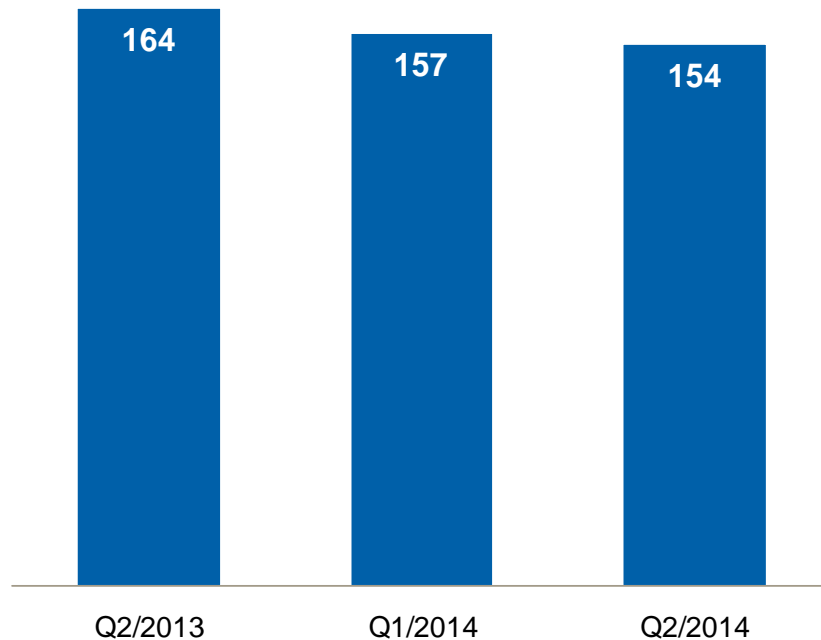
	Amount (\$ billions)	YoY	QoQ
AUA	\$691	14%	2%
AUM	\$426	15%	4%
Loans <sup>(1)</sup>	\$15.7	37%	8%
Deposits <sup>(1)</sup>	\$36.2	13%	4%

- Prior quarter included PCL of \$19MM

# Insurance complements our retail offering

## Net Income

(\$ millions)



Percentage Change	YoY	QoQ
Net Income	(6%)	(2%)

## Q2/2014 Highlights

- Net income, down 6% YoY
  - Higher claims costs in International Insurance products
- Net income, down 2% QoQ
  - Lower net claims costs in Canadian Insurance products largely offset by the favourable impact of two new UK annuity contracts in Q1/2014

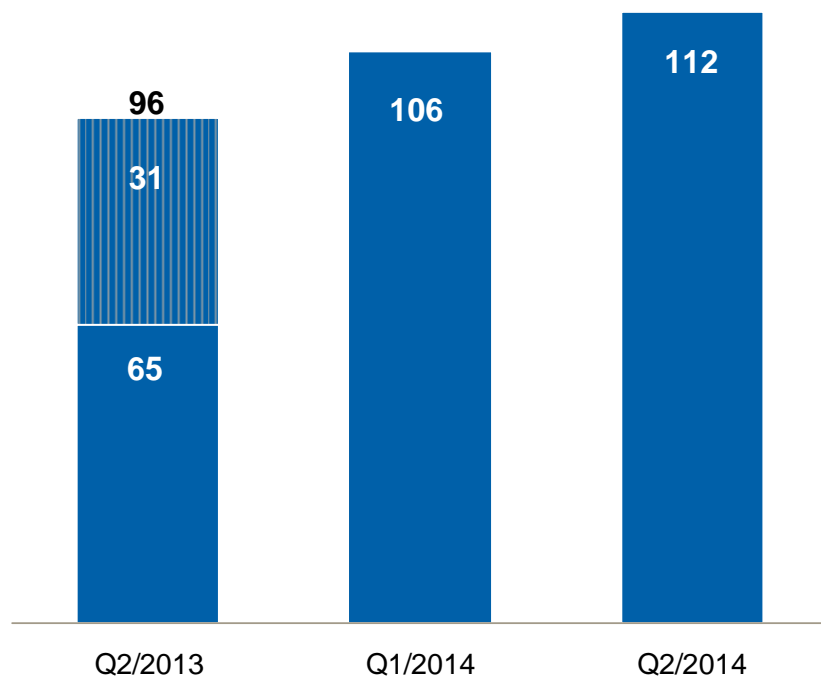


# Investor & Treasury Services benefited from business realignment



## Net Income

(\$ millions)



Percentage Change	YoY	QoQ
Reported Net Income	72%	6%
Adjusted Net Income <sup>(1)</sup>	17%	-

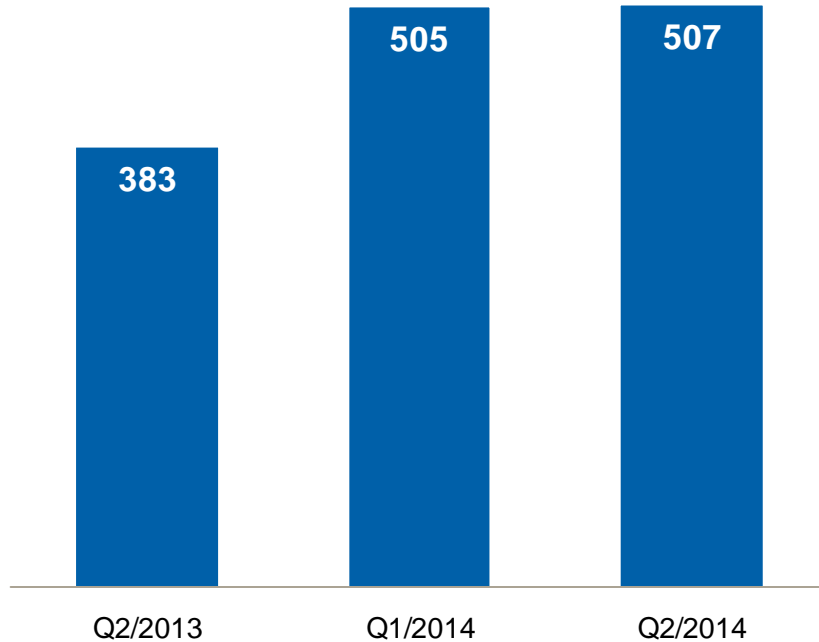
## Q2/2014 Highlights

- Net income, up \$47 million. Excluding a prior year restructuring charge, net income was up \$16 million or 17% YoY <sup>(1)</sup>
  - Continuing benefits from efficiency management activities
  - Higher net interest income from growth in client deposits
- Net income up \$6 million or 6% QoQ
  - Higher net interest income from growth in client deposits
  - Higher custodial fees

# Strong earnings in Capital Markets

## Net Income

(\$ millions)



Percentage Change	YoY	QoQ
Net Income	32%	0.4%

## Q2/2014 Highlights

- Net income, up \$124 million or 32% YoY
  - Stronger equity and fixed income trading revenue reflecting increased client activity and improved market conditions
  - Higher lending and M&A activity in the U.S.
  - Favourable impact of foreign exchange translation
  - Favourable accounting adjustment in the current quarter related to fair value adjustments on certain RBC debt<sup>(1)</sup> was more than offset by higher litigation provisions and related legal costs
- Net income flat QoQ
  - Higher equity trading revenue
  - Higher debt origination reflecting stronger issuance activity, mainly in the U.S.
  - Lower loan syndication activity in the U.S. and Canada
  - Higher litigation provisions and related legal costs

# Appendices





## Continued retail momentum in Canadian Banking

Canadian Market Share	Q2/2014		Q2/2013	
	Rank	Market Share <sup>(1)</sup>	Rank	Market Share <sup>(1)</sup>
<b>Consumer Lending<sup>(2)</sup></b>	<b>1</b>	<b>23.6%</b>	<b>1</b>	<b>23.6%</b>
Personal Core Deposits + GICs	2	20.1%	2	19.9%
<b>Long-Term Mutual Funds<sup>(3)</sup></b>	<b>1</b>	<b>14.1%</b>	<b>1</b>	<b>14.2%</b>
Business Loans <sup>(4)</sup>				
\$0 - \$250 thousand	1	28.7%	1	26.6%
\$250 thousand - \$25 million	1	24.4%	1	24.2%
<b>Business Deposits<sup>(5)</sup></b>	<b>1</b>	<b>26.9%</b>	<b>1</b>	<b>27.3%</b>

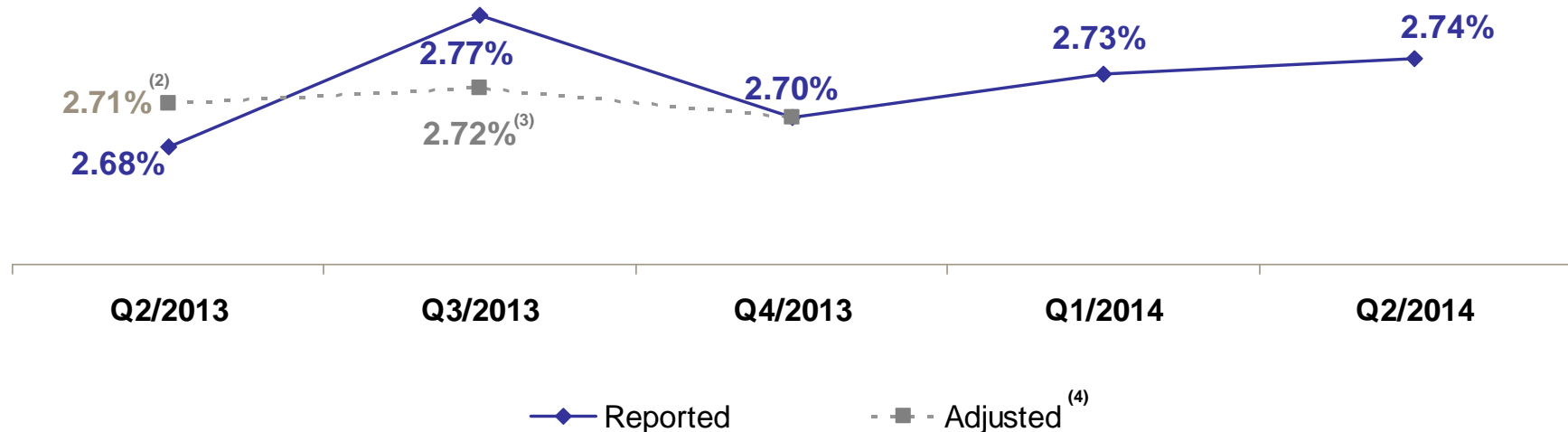
- Leveraging the strength of our commercial franchise to extend our lead in business lending
- Continue to gain market share in personal core deposits and GICs

*(1) Market share is calculated using most current data available from OSFI (M4), Investment Funds Institute of Canada (IFIC) and Canadian Bankers Association (CBA). OSFI, IFIC and Consumer Lending CBA data is at February 2014 and February 2013, Business Loans CBA data is at September 2013 and September 2012. (2) Consumer Lending market share is of 6 banks (RBC, TD, CIBC, BMO, BNS and National). Consumer Lending comprises residential mortgages (excluding acquired portfolios), personal loans and credit cards. (3) Mutual fund market share is per IFIC and is compared to total industry. (4) Business Loans market share is of the 7 Chartered Banks (RBC, BMO, BNS, CIBC, TD, NBC, CWB) that submit tiered data to CBA on a quarterly basis. (5) Business Deposits market share is of total Chartered Banks and excludes Fixed Term, Government and Deposit Taking Institution balances.*

**Leadership in most personal products and in all business products**

# Strong net interest margin in Canadian Banking

- Net interest margin<sup>(1)</sup> increased 1 bp QoQ and 3 bps<sup>(2)</sup> YoY reflecting favourable funding mix
- Margins are expected to continue to reflect the competitive and low interest rate environment



## Second Quarter 2014 Results

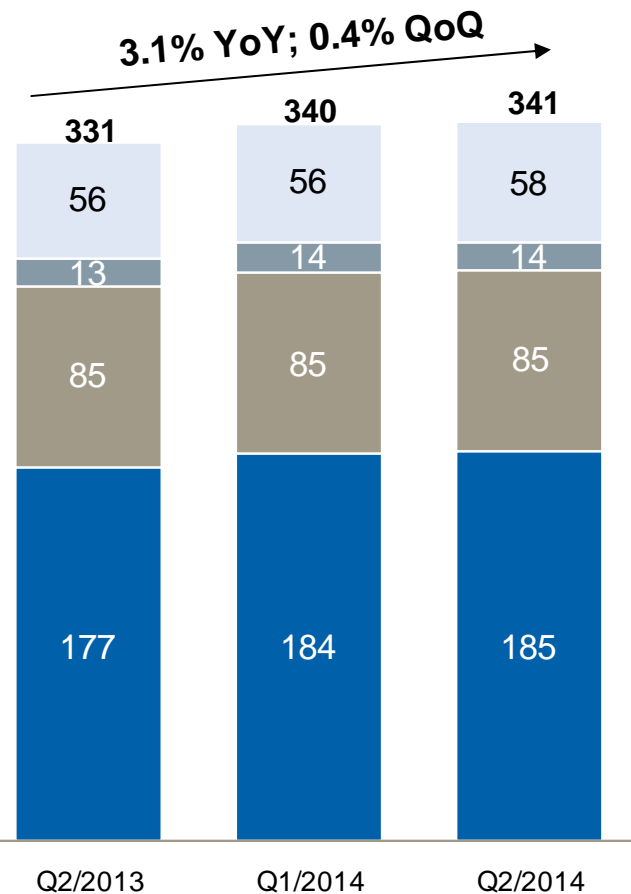
(1) Net interest margin: net interest income as a percentage of average total earning assets. (2) Q2/2013 NIM was unfavourably impacted by accounting volatility (2 bps) and our Ally Canada acquisition (1 bp). Excluding these items, Q2/2013 NIM was 2.71%. (3) Q3/2013 NIM was favourably impacted by fair value purchase accounting adjustments related to Ally Canada (3 bps) and reversal of prior quarter accounting volatility (2 bps). Excluding these items, Q3/2013 NIM was 2.72%. (4) Adjusted NIM is a non-GAAP measure. For additional information, see slide 30.



# Continued volume growth in Canadian Banking

## Average Loans & Acceptances<sup>(1)</sup>

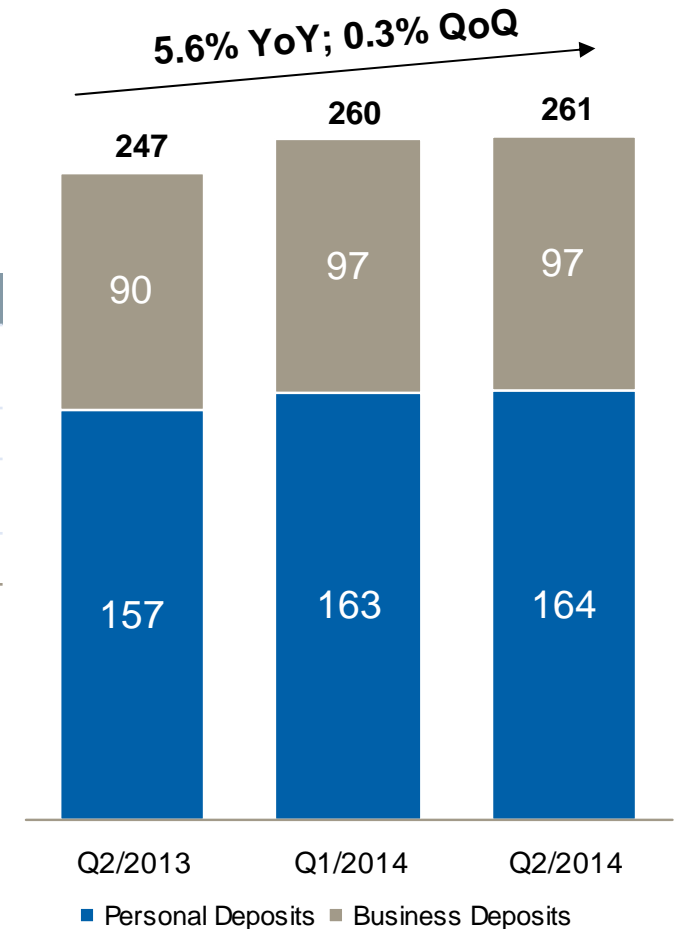
(\$ billions)



Percentage Change <sup>(1)</sup>	YoY	QoQ
Business (inc. small business)	3.6%	2.5%
Credit Cards	3.8%	(2.8)%
Personal Lending	(0.4)%	0.0%
Residential Mortgages	4.6%	0.2%

## Average Deposits<sup>(2)</sup>

(\$ billions)



**Combined loan and deposit growth of 4% YoY**

### Second Quarter 2014 Results

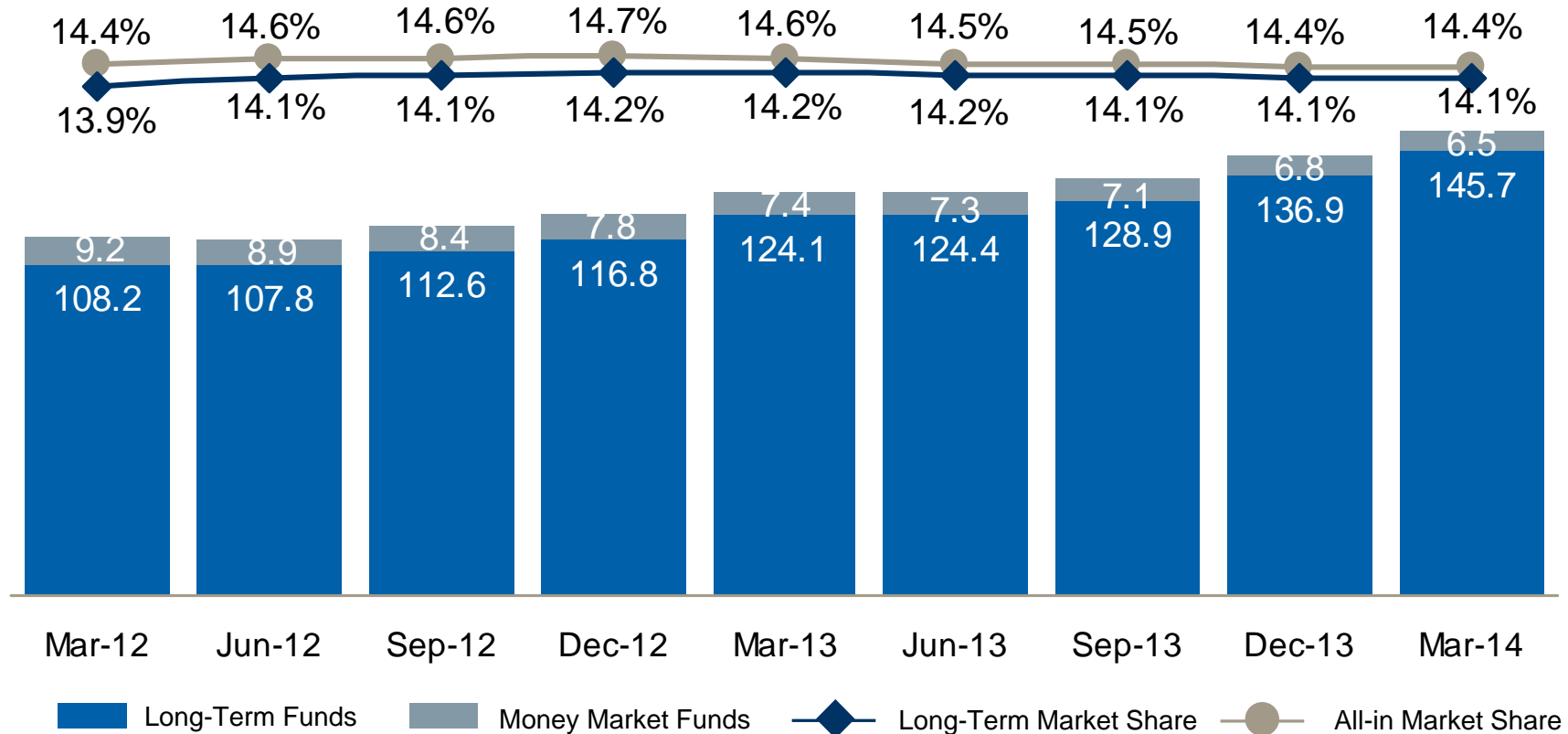
(1) Total loans & acceptances and percentage change may not reflect the average loans & acceptances balances for each loan type shown due to rounding.

(2) Total deposits and percentage change may not reflect the average deposits for each deposit type shown due to rounding.

# Strong growth in asset under management

## Canadian mutual fund balances and market share<sup>(1)</sup>

(\$ billions, except percentage amounts)



- For the 11<sup>th</sup> quarter in a row, RBC Global Asset Management (GAM) ranked #1 in market share, for both all-in and long-term fund assets<sup>(1)</sup>
- Long-term fund assets increased 17% since March 2013, with GAM capturing 17% of industry sales



## Capital Markets revenue – diversified by business

(\$ millions)	Q2/2014	Q1/2014	Q2/2013	QoQ	YoY
Investment banking	393	417	370	(6%)	6%
Lending and other	407	409	349	-	17%
<b>Corporate &amp; Investment Banking</b>	<b>\$800</b>	<b>\$826</b>	<b>\$719</b>	<b>(3%)</b>	<b>11%</b>
Fixed income, currencies and commodities (FICC) <sup>(1)</sup>	524	539	393	(3%)	33%
Global equities (GE) <sup>(1)</sup>	356	267	263	33%	35%
Repo and secured financing	191	183	161	4%	19%
<b>Global Markets (teb)</b>	<b>\$1,071</b>	<b>\$989</b>	<b>\$817</b>	<b>8%</b>	<b>31%</b>
<b>Other</b>	<b>\$1</b>	<b>\$(5)</b>	<b>\$26</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Capital Markets total revenue (teb)</b>	<b>\$1,872</b>	<b>\$1,810</b>	<b>\$1,562</b>	<b>3%</b>	<b>20%</b>

### Corporate & Investment Banking

- YoY increase reflects higher lending revenue, mainly in the U.S. and higher M&A activity primarily in the U.S. and Asia Pacific, partially offset by lower loan syndication in the U.S. and Canada
- QoQ decrease due to lower loan syndication in the U.S. and Canada, partially offset by higher debt origination in the U.S.

### Global Markets

- YoY increase reflects higher equity and fixed income trading, driven by higher client activity and improved markets, higher debt origination mainly in the U.S., and the impact of foreign exchange translation
  - Includes a favourable accounting adjustment related to fair value adjustments of \$60 million on certain RBC debt<sup>(1)</sup>
- QoQ increase driven by higher revenue in equity trading





## Capital Markets revenue – diversified by geography

(\$ millions)	Q2/2014	Q1/2014	Q2/2013	QoQ	YoY
Canada	525	523	537	-	(2%)
U.S.	1,027	1,078	817	(5%)	26%
Europe	227	221	169	3%	34%
Asia and Other	53	45	59	18%	(10%)
<b>Geographic revenue excluding certain items <sup>(1)</sup></b>	<b>\$1,832</b>	<b>\$1,867</b>	<b>\$1,582</b>	<b>(2%)</b>	<b>16%</b>
<i>Add / (Deduct):</i>					
BOLI <sup>(2)</sup>	(1)	(4)	(6)	n.m.	n.m.
CVA <sup>(3)</sup>	(19)	7	10	n.m.	n.m.
Fair value adjustment on RBC debt <sup>(3,4,5)</sup>	60	(60)	(24)	n.m.	n.m.
<b>Capital Markets total revenue (teb)</b>	<b>\$1,872</b>	<b>\$1,810</b>	<b>\$1,562</b>	<b>3%</b>	<b>20%</b>

### Canada

- YoY increase reflects higher equity trading partially offset by lower fixed income trading

### U.S.

- YoY increase reflects higher equity trading revenue and growth in the loan book

### Europe

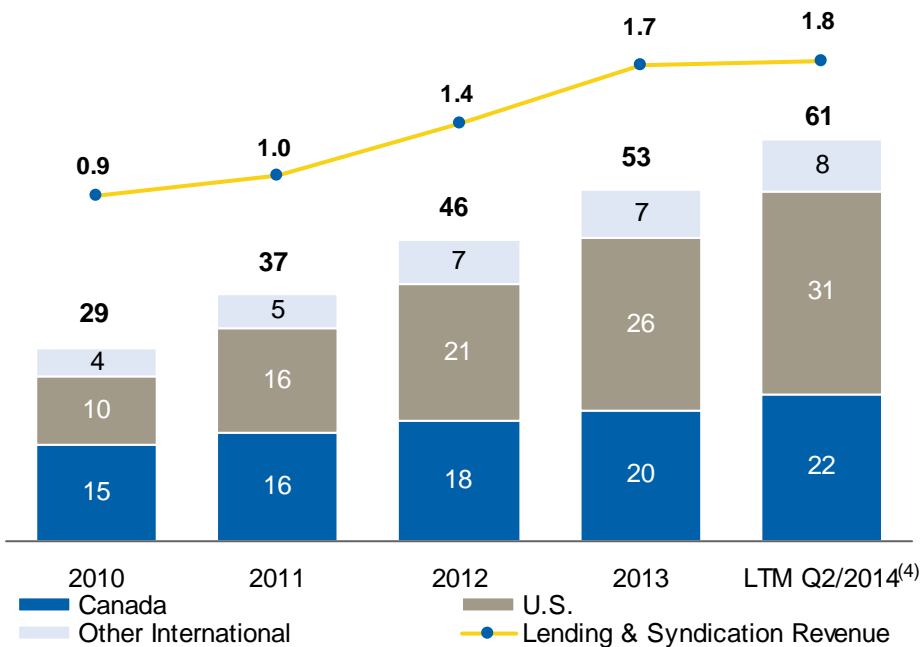
- YoY increase mainly due to higher fixed income trading revenue

*(1) These are non-GAAP measures. For additional information, see slide 30. (2) Excluded from U.S. (3) Excluded from all geographies. (4) Effective Q2/2014 we have prospectively adopted the own credit provisions of IFRS 9 Financial Instruments. Changes in fair value in own liabilities attributable to changes in credit spreads are now recorded in other comprehensive income. For further information, refer to the Accounting and control matters section of our Q2/2014 Report to Shareholders, Note 2 of our Q2/2014 Interim Condensed Consolidated Financial Statements and slide 26. (5) Q1/2014 amount has been revised from amount previously presented.*

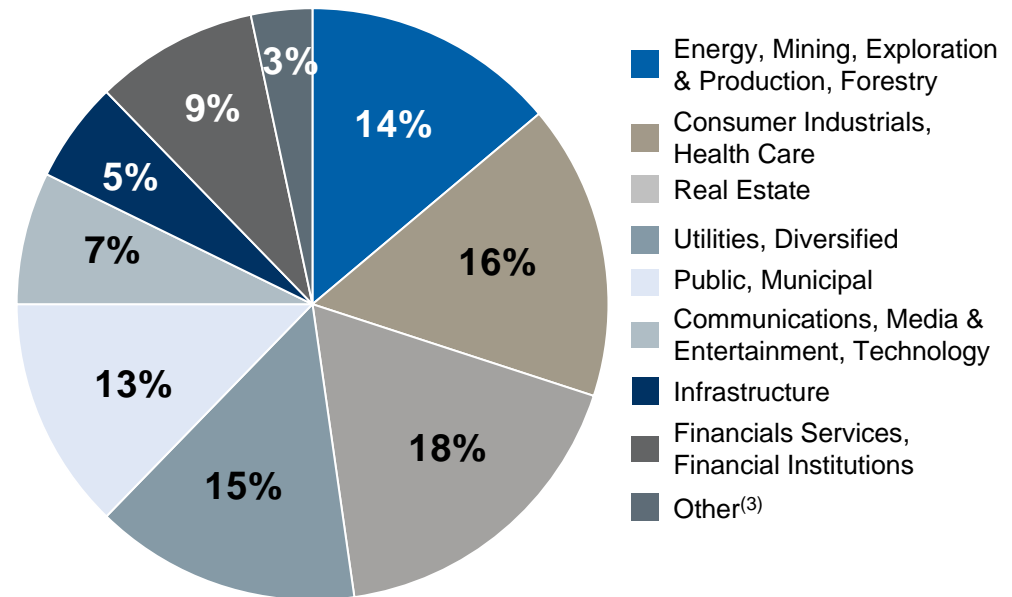
# Prudently growing Capital Markets' loan book

## Lending and Syndication Revenue and Loans Outstanding by Region<sup>(1)</sup> (\$ billions)

- In the last 2 years, our lending and syndication revenue grew by 26%, exceeding our loan book growth of 22%<sup>(2)</sup>



## Loans Outstanding by Industry<sup>(1)</sup> Q2/2014



- Diversification driven by strict limits on single name, country, industry and product levels across all businesses, portfolios, transactions and products
- Consistent lending standards throughout the cycle, with PCL levels in line with our risk parameters
- Approximately 68% of our authorized Capital Markets loan portfolio is investment grade



## Strong Capital Markets' trading revenue

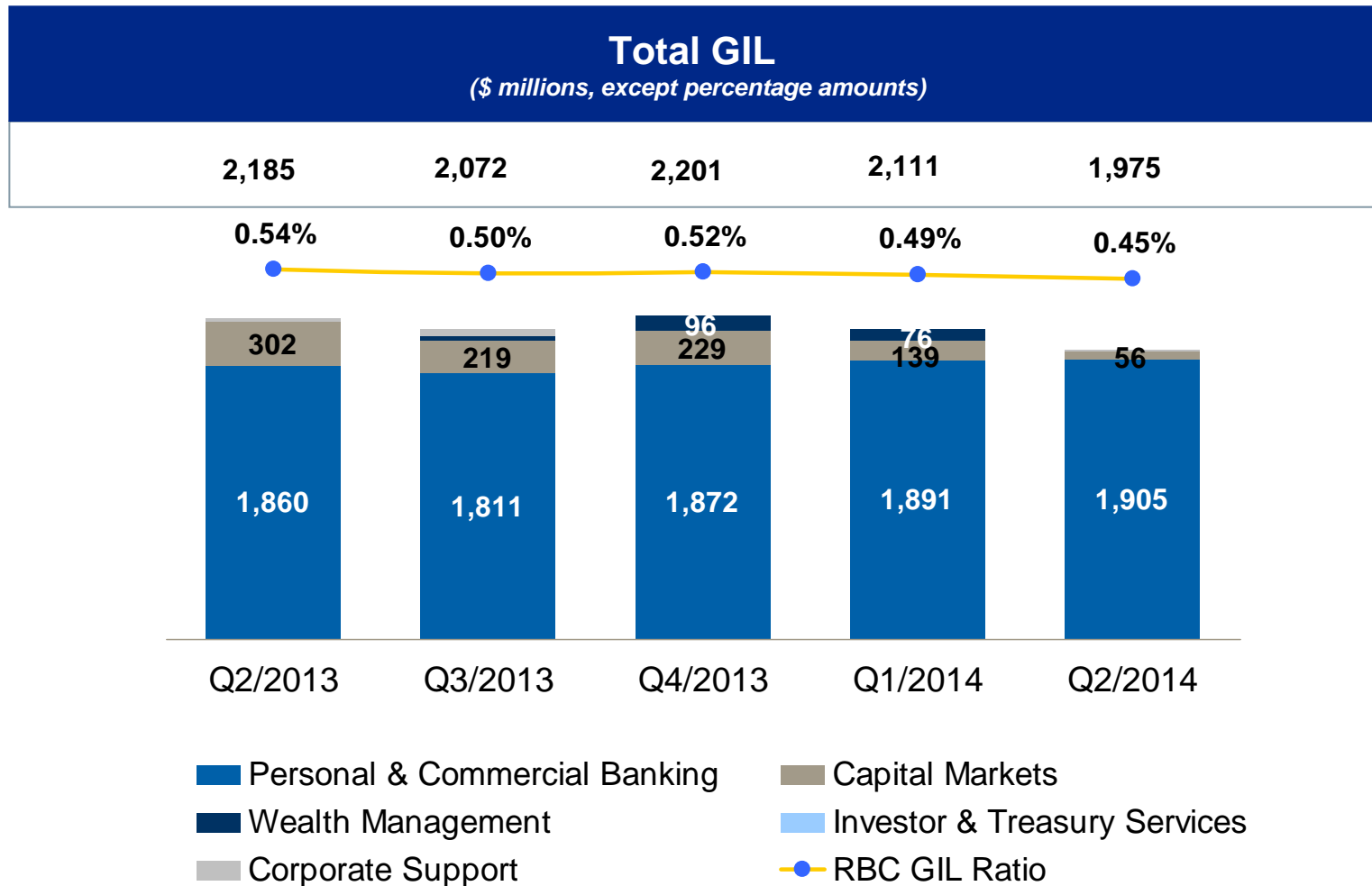
(\$ millions)	Q2/2014	Q1/2014	Q2/2013	QoQ	YoY
<b>Capital Markets total revenue (teb)</b>	<b>\$1,872</b>	<b>\$1,810</b>	<b>\$1,562</b>	<b>3%</b>	<b>20%</b>
Capital Markets non-trading revenue <sup>(1)</sup>	1,062	1,077	976	(1%)	9%
<b>Capital Markets trading revenue (teb)</b>	<b>\$810</b>	<b>\$733</b>	<b>\$586</b>	<b>11%</b>	<b>38%</b>
<i>Add / (Deduct):</i>					
BOLI <sup>(2)</sup>	1	4	6	n.m.	n.m.
CVA <sup>(3)</sup>	19	(7)	(10)	n.m.	n.m.
Fair value adjustment on RBC debt <sup>(3,4,5)</sup>	(60)	60	24	n.m.	n.m.
<b>Capital Markets trading revenue (teb) excl. certain items<sup>(6)</sup></b>	<b>\$770</b>	<b>\$790</b>	<b>\$606</b>	<b>(3%)</b>	<b>27%</b>

- In Q2/2014, we early adopted IFRS 9, whereby changes in fair value in our liabilities due to changes in credit spreads are now recognized in other comprehensive income instead of through the income statement
- As a result, we benefitted from a favourable accounting adjustment of \$60 million this quarter due to the reversal of the fair value adjustment recorded in the prior quarter

### Second Quarter 2014 Results

(1) Non-trading revenue primarily includes Corporate & Investment Banking and Global Markets origination and cash equities businesses. (2) Excluded from U.S. (3) Excluded from all geographies. (4) In Q2/2014 we prospectively adopted the own credit provisions of IFRS 9 Financial Instruments. Changes in fair value in own liabilities attributable to changes in credit spreads are now recorded in other comprehensive income. As a result, a fair value adjustment on RBC debt of \$60MM (\$42MM to FICC, \$18MM to GE) recorded in Q1/2014 was reversed in Q2/2014. For further information, refer to the Accounting and control matters section of our Q2/2014 Report to Shareholders and Note 2 of our Q2/2014 Interim Condensed Consolidated Financial Statements. (5) Q1/2014 amount has been revised from amount previously presented. (6) These are non-GAAP measures. For additional information, see slide 30.

# Credit trends near historic lows



Selected GIL Ratio by Segment	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014
Personal & Commercial Banking	0.55%	0.53%	0.54%	0.54%	<b>0.55%</b>
Canadian Banking	0.36%	0.33%	0.35%	0.35%	<b>0.36%</b>
Capital Markets	0.56%	0.40%	0.40%	0.23%	<b>0.09%</b>



## Other – other income

<i>(\$ millions)</i>	Q2/2014	Q1/2014	Q2/2013	QoQ	YoY
Other income – segments	<b>104</b>	112	125	(7%)	(17%)
FV adjustments on RBC debt	<b>2</b>	(2)	(8)	n.m.	n.m.
CDS on corporate loans	<b>(7)</b>	(3)	(12)	n.m.	n.m.
Funding related items	<b>(1)</b>	91	3	n.m.	n.m.
Other misc. items	<b>(20)</b>	(40)	11	n.m.	n.m.
<b>Total Other – other income</b>	<b>\$78</b>	<b>\$158</b>	<b>\$119</b>	<b>(51%)</b>	<b>(34%)</b>



## Specified items impacting results in prior periods

Consolidated Results (\$ millions, except for earnings per share (EPS) amounts)	Reported	Loss related to RBC Jamaica sale	Provisions for post- employment benefits and restructuring charge in the Caribbean	Restructuring charge in I&TS	Adjusted <sup>(1)</sup>
<b>For the three months ended January 31, 2014</b>					
<b>Consolidated</b>					
Net income	\$2,092	\$60	\$32	-	\$2,184
Basic EPS	\$1.39	\$0.04	\$0.02	-	\$1.45
Diluted EPS	\$1.38	\$0.04	\$0.02	-	\$1.44
ROE	18.1%				18.9%
<b>Personal &amp; Commercial Banking</b>					
Net Income	\$1,071	\$60	\$32	-	\$1,163
<b>For the three months ended April 30, 2013</b>					
<b>Consolidated</b>					
Net income	\$1,909	-	-	\$31	\$1,940
Basic EPS	\$1.26	-	-	\$0.02	\$1.28
Diluted EPS	\$1.25	-	-	\$0.02	\$1.27
ROE	18.7%				19.1%
<b>Investor &amp; Treasury Services</b>					
Net Income	\$65	-	-	\$31	\$96



## 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, earnings excluding the restructuring charge related to the integration of Investor Services, adjusted net interest margin, and Capital Markets trading and geographic revenue excluding specified items 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 non-GAAP measures can be found under the “Key performance and non-GAAP measures” section of our Q2 2014 Report to Shareholders and our 2013 Annual report.

Definitions can be found under the “Glossary” sections in our Q2 2014 Supplementary Financial Information and our 2013 Annual Report.

### Investor Relations Contacts

Amy Cairncross, VP & Head	(416) 955-7803
Lynda Gauthier, Director	(416) 955-7808
Robert Poole, Associate Director	(416) 955-7809
Christopher Taylor, Associate Director	(416) 955-7872

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