ROYAL BANK OF CANADA SECOND QUARTER RESULTS CONFERENCE CALL THURSDAY, MAY 22, 2014

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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 these speakers' notes, 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 these speakers' notes include, but are not limited to, statements relating to our business segment outlooks, the economic and regulatory environment and our financial performance objectives, vision and strategic goals. The forward-looking information contained in these speakers' notes 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 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 these speakers' notes 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 of 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 Overview of other risks sections of our 2013 Annual Report and the Risk management section of our Q2 2014 Report to Shareholders.

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

GORDON M. NIXON, CHIEF EXECUTIVE OFFICER

Thank you Amy and good morning everyone.

I am pleased to announce that RBC reported strong earnings of 2.2 billion dollars this quarter, up 15 percent from last year. It was a clean quarter, with solid performance across all of our business segments, and positive operating leverage and strong credit quality and an ROE of over 19%.

Year-to-date RBC has earned 4.3 billion dollars, delivering a strong return on equity of 18.6 percent, and we are on track to achieve or exceed all of our financial performance objectives for the year.

Our "all-in" Common Equity Tier 1 ratio remains strong at 9.7 percent. The strength of our capital position is a key competitive advantage and provides us the flexibility to continue investing in our businesses for long-term growth, while returning capital to our shareholders through dividends and through share buybacks, which we commenced this quarter.

Our results reflect the strength of our diversified business model which is a key differentiator and positions us to benefit from opportunities across different business segments and geographies at different points in the economic cycle.

We have leveraged our Canadian leadership position and the strength of our brand to grow our market share in the U.S. and targeted global markets.

We were recently recognized by Brand Finance as having the most valuable brand in Canada and the 16th most valuable bank brand globally. In recent years, our brand has become a distinct advantage for us, as clients, both domestically and global, are attracted to the strength, stability and integrity of RBC.

Our brand is more than a logo: it's the people who represent us every day. As this is my last quarterly conference call, before turning it over to Dave to speak to the performance of our business segments, I'd like to take this opportunity to thank the our employees whose dedication and expertise have helped us earn the right to be our clients' first choice.

In particular, I'd like to particularly thank my senior leadership team for their support over the years. Any success I have enjoyed is due in large part to the talented executives who run our businesses and functional areas.

As an example, Janice has just recently been named Canada's CFO of the Year, in recognition of both her leadership at RBC and her commitment to giving back to communities. From all of us at RBC, congratulations to Janice!

I'd also like to thank you, the investment community, for their support and belief in RBC. While I have not always agreed with your conclusions, I have always respected them and enjoyed our exchanges. I have also appreciated that we have had honest, open and affable relationships – so many thanks to all of you.

It has been an honour and a privilege to have represented RBC over the past 13 years. It has been amazing to see the tremendous growth over that period. I am leaving with the confidence that we have the right strategy, the right culture, and, most importantly, the right people in place to continue to grow and create value and I look forward to being a shareholder, a client and a supporter for many years to come. I can assure you the best is yet to come.

Thanks again and I would now like to turn it over to Dave McKay, who is going to review the performance of our business segments.

DAVE MCKAY. PRESIDENT

Thank you Gord.

Starting with Personal and Commercial Banking. I am pleased to have Jennifer Tory, our new Group Head for this segment, here with us this morning. We've just begun our transition and I am confident that Jennifer will be a great leader given her extensive banking experience.

Canadian Banking had a strong quarter with earnings up 8 percent over last year, reflecting volume growth of 4 percent and strong fee-based revenue and improved credit performance.

Mutual fund revenue was up 18 percent compared to the prior year, and Canadian Banking exceeded 100 billion dollars in mutual fund assets under administration, driven in part by a strong RRSP season.

We also had continued strong momentum in deposits, which were up almost 6 percent over last year and had meaningful market share gains.

With respect to business lending, while year over year growth was slower, we continued to gain market share in our core market of loans 25 million dollars and under.

Overall, our objective in Canadian Banking remains to grow at a premium to our peers, and we continue to focus on achieving the right balance between driving volume growth and maintaining strong margins in order to deliver profitable earnings within our stated risk appetite.

Turning to the Caribbean, we continue to navigate through challenging economic and market conditions in the region and we are on track to close the sale of our banking operations in Jamaica next quarter.

Across the other parts of the region, we are making progress in restructuring and strengthening our business for the long term. This includes consolidating branches, fully implementing a new pricing model, and pursuing quality asset growth.

Turning to Wealth Management, we had record earnings this quarter, up 25 percent from last year, while generating a return on equity of 20 percent.

We grew our average fee-based client assets by 14 percent, driven by a favourable market environment and strong net sales.

We had a strong quarter in Global Asset Management, reflecting the breadth of our product offering. In particular, we saw strong demand for balanced and dividend funds in our Canadian retail asset management business where we captured a greater proportion of industry sales.

We also had strong flows in our institutional businesses globally, particularly in higher fee credit strategies, in Europe and the U.S.

In Canadian Wealth Management, we extended our lead, and in the U.S. we continued to improve advisor productivity and deepen client relationships. Both businesses continue to benefit from our comprehensive approach to our clients, our extensive fee-based solutions, and new technology which is making it easier for clients to do business with us.

Moving to Insurance, the business continues to focus on delivering innovative solutions to our clients. For example, we recently enhanced our suite of payout annuities to better serve our clients' guaranteed savings, retirement and estate planning needs.

Investor and Treasury Services continues to benefit from our efficiency management activities over the past year. Our cost structure is now more in line with our peers and we're focused on driving top line growth by deepening existing client relationships and winning new mandates.

Finally, moving on to Capital Markets. We had a strong quarter - demonstrating the success of our strategy to focus on traditional corporate and investment banking and origination activities.

We continue to leverage our lending relationships to provide ancillary products and services, which is strengthening our client relationships and driving more sustainable fee income.

Even with a growing client base, the proportion of clients with four or more products with us has increased to 22 percent this quarter.

The performance of our trading businesses was particularly strong this quarter, as we benefitted from improved market conditions compared to last year and our ongoing focus on origination drove a solid increase in new issue activity.

Before concluding, I'd like to comment briefly on our U.S. strategy.

In this market, we have a strong and growing Capital Markets presence. Our Wealth Management business has scale and generates close to one-third of the segment's revenue, and we also have a growing asset management business. Additionally, we have a U.S.-based bank which serves over 190,000 clients through the internet, many of whom are Canadian clients who live in or have homes in the U.S. It also includes some of our high net worth clients.

We would be interested in opportunities that complement our existing businesses, including areas such as wealth or asset management, credit, payments, private banking for high net worth clients, or other financial services. We are not interested in mass market banking through a "bricks and mortar" model.

However, nothing is imminent from an acquisition perspective. We have a very strong franchise and remain focused on executing our current strategy.

Overall, I am pleased with our solid results this quarter and the performance of each of our business segments.

Looking forward, I believe that our diversified business model backed by our strong balance sheet is a clear competitive advantage. I am confident that our longstanding commitment to serving our clients will continue to drive our performance and extend our lead in Canada, the U.S. and select global markets.

I'll now turn it over to Mark Hughes.

MARK HUGHES. CHIEF RISK OFFICER

Thank you, Dave. Good morning everyone.

If I could start by turning you to slide 7, our overall credit quality improved compared to the prior quarter. We are seeing credit trends at historic lows in part reflecting our strong risk management and a supportive economic backdrop in Canada.

Provisions for credit losses on impaired loans were $244 million or 23 basis points, down $48 million or 4 basis points from last quarter.

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

Let's look at our credit performance in a little bit more detail:

Provisions in Canadian Banking were $204 million or 25 basis points, down $54 million or 5 basis points from last quarter, driven by lower provisions in the commercial loan book and the indirect lending portfolio.

In Caribbean Banking, provisions on impaired loans were $27 million, up $11 million from the previous quarter. This was largely related to provisions on a few accounts reflecting the challenging economic environment in the region.

With respect to Capital Markets, this quarter we had a provision of $13 million largely attributable to a single account, compared to a $2 million in recoveries in the prior quarter, and I would say the loan book here continues to perform well.

For Wealth Management, you will recall that we incurred incremental provisions of $19 million on a few accounts last quarter. No further impairments or provisions were taken in Wealth Management related to these loans or the rest of the portfolio and for the overall segment this quarter.

Turning to slide 8 which focuses specifically on our retail portfolio within Canadian Banking.

Our credit card provisions remained near historical lows at 269 basis points, although they were up 36 basis points sequentially. This is largely due to seasonal trends in the second quarter and reflects the same seasonal trends a year ago.

The PCL ratio in our small business portfolio declined 30 basis points sequentially, as last quarter included an elevated level of PCL as we aligned Ally Canada to RBC's methodology.

We generally see some variability in our small business portfolio from quarter to quarter and we remain comfortable with its credit quality.

Our Canadian residential mortgage portfolio, which makes up 64 percent of our retail portfolio, continues to perform well with provisions this quarter of 1 basis point. This is consistent with our recent historical performance.

As you can see on slide 9, our mortgage portfolio is well diversified across Canada.

We continue to actively watch our loan portfolios for any early warning signs of credit deterioration and perform ongoing stress testing for numerous scenarios, including increases in unemployment and interest rates, and a downturn in real estate prices.

At this time we are very comfortable with our stress test results. We do not see signs of deterioration and the overall credit quality of our retail portfolios remains strong.

Turning to market risk, in the second quarter, average Market Risk VaR was $36 million, up marginally compared to last quarter driven by higher equity and interest rate risk. Average Market Risk Stressed VaR was $103 million, unchanged from last quarter.

During the second quarter, there were no daily 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.

Looking at slide 11, we had a strong second quarter with earnings of 2.2 billion dollars, up 292 million dollars or 15 percent from the prior year.

It was a clean quarter with solid performance across all of our businesses, positive operating leverage and strong credit quality, which Mark highlighted.

Excluding last year's restructuring charge in Investor & Treasury Services of 31 million dollars, earnings were up 13 percent(1).

Compared to last quarter, earnings were up 109 million dollars or 5 percent. Excluding two specified items from last quarter related to the Caribbean totaling 92 million dollars, net income was up 1 percent(2), despite the fewer days in the quarter.

Turning to capital on slide 12.

Our Common Equity Tier 1 ratio remained at 9.7 percent this quarter, as strong internal capital generation was offset primarily by growth in risk-weighted assets and share repurchases.

This quarter we repurchased a total of 1.4 million shares, and we expect to continue our buyback activity through the remainder of the year.

I would point out that the growth in risk-weighted assets relates in part to an update to our retail risk parameters following our review. This increase reflects a recalibration to align with our peers.

We are now reviewing the parameters in our corporate and business lending portfolios. We expect the review to be completed over the next few quarters and we are confident that we will continue to maintain our strong capital position.

Let me now turn to the quarterly performance of our business segments, starting on slide 13.

Personal & Commercial Banking earned over 1.1 billion dollars, up 76 million dollars or 7 percent from last year reflecting strong earnings growth in Canadian Banking.

Canadian Banking net income of 1.1 billion dollars was up 86 million dollars or 8 percent from last year, reflecting volume growth across most businesses, higher mutual fund fees, strong margins and improved credit performance.

Sequentially, Canadian Banking earnings were down 27 million dollars or 2 percent primarily due to seasonality, which was partially offset by lower PCL in the current quarter.

Our net interest margin in Canadian Banking was 2.74 percent, up 3 basis points(3) over last year on an adjusted basis and 1 basis point sequentially, reflecting a favourable funding mix. Going forward, we expect margins to remain relatively stable as we continue to manage through the low interest rate environment and competitive pricing pressures.

We generated positive operating leverage in Canadian Banking this quarter of 0.9 percent. I would note that expenses were elevated this quarter due to higher marketing spend related to our Olympic sponsorship.

Our efficiency ratio improved 40 basis points from the prior year to 45 percent, reflecting our continued focus on driving our efficiency ratio down to the low 40's over the medium term.

Turning to the Caribbean, as Dave mentioned, the environment continues to be challenging and we are disappointed with the higher provisions for credit losses this quarter.

However, we are making progress in our restructuring efforts and we are starting to see some improvements in our core business, which should translate into higher earnings when economic activity improves.

Turning to Wealth Management on slide 14, we had record earnings of 278 million dollars, up 56 million dollars or 25 percent compared to last year, reflecting higher average fee-based client assets from capital appreciation and strong net sales, and positive operating leverage.

Sequentially, net income was up 43 million dollars or 18 percent mainly due to higher average fee-based client assets.

We continued to benefit from strong growth in AUM and AUA, up 15 percent and 14 percent from last year, respectively. And, pre-tax margins of 24.5 percent improved from 22.8 percent a year ago.

Moving to Insurance on slide 15. Net income of 154 million dollars was down 10 million dollars or 6 percent from last year, reflecting higher claims costs in International Insurance. Compared to the prior quarter, earnings were relatively flat as lower net claims costs in Canadian Insurance were mostly offset by the impact of two new U.K. annuity contracts last quarter.

Investor and Treasury Services earned 112 million dollars, up 47 million dollars from last year. Excluding the prior year restructuring charge I mentioned earlier, net income was up 16 million dollars or 17 percent [(1)]. Sequentially, net income was up 6 million dollars or 6 percent. We continue to benefit from our efficiency management activities and growth in client deposits.

Turning to Capital Markets on slide 17, we had a strong quarter with earnings of 507 million dollars, up 124 million dollars or 32 percent from the prior year. Strong equity and fixed income trading results were driven primarily by increased client activity and improved market conditions. We also had solid growth in our U.S. loan book, and had higher M&A activity relative to last year.

I would point out that the trading revenue this quarter benefitted from a favourable accounting adjustment of 60 million dollars, due to the reversal of the fair value adjustment recorded in the prior quarter.

This related to our early adoption of IFRS 9 this quarter, whereby changes in the fair value on our liabilities are now recognized in other comprehensive income instead of through the income statement. We believe this will reduce income volatility going forward.

The impact of this favourable accounting adjustment was more than offset by higher litigation provisions and related legal costs this quarter.

Sequentially, net income was relatively flat as higher equity trading revenue and debt origination was largely offset by lower loan syndication activity and higher litigation provisions and related legal costs. Excluding the IFRS adjustment, trading revenue decreased modestly from the prior quarter.

To wrap up, we are pleased with the solid performance of all our business segments, and our ability to generate positive operating leverage and maintain our strong capital position.

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

(1) Excludes a restructuring charge of $31 million ($44 million before-tax) related to the integration of Investor Services in the prior year. This is a non-GAAP measure. For additional information, see Note to users.

(2) Excludes a loss of $60 million (before and after-tax) related to the sale of RBC Jamaica and provisions of $32 million ($40 million before-tax) related to post employment benefit and restructuring charges in the Caribbean in the prior quarter. This is a non-GAAP measure. For additional information, see Note to users.

(3) 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%. Adjusted NIM is a non-GAAP measure. For additional information, see 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 prior quarter's 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 and the prior year's restructuring charge related to the integration of Investor Services and adjusted net interest margin, 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 Q2 2014 Report to Shareholders.

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