ROYAL BANK OF CANADA FOURTH QUARTER RESULTS CONFERENCE CALL WEDNESDAY, NOVEMBER 30, 2016

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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 these speakers' notes from the November 30, 2016 analyst conference call (the 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 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, 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".

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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 2016 Annual Report, as updated by the Overview and outlook section in our 2016 Annual Report. 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 2016 Annual Report.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning everyone and thanks for joining us today.

This morning we reported fourth quarter earnings of over 2.5 billion dollars.

This capped off a record year, with earnings of 10.5 billion dollars, up 4 percent from last year.

I am pleased with these results, particularly given challenges in the operating environment including sustained low interest rates and energy prices, as well as the subdued macro-economic backdrop across our key markets.

We continued to focus on prudently managing our costs. Expenses were up 8 percent, or down 1 percent[1] excluding the impact of City National. We achieved this while incurring about 130 million dollars of severance charges in 2016, higher than our typical run-rate of about 90 to 100 million dollars, and this was taken in the fourth quarter.

Our results illustrate the strength of our diversified business model driving sustainable growth, a disciplined approach to cost management and our commitment to maintaining a strong financial profile.

Turning to slide 4, we use key financial performance objectives to measure progress against our medium term goals, which we define as over three to five years.

This year, we did not meet our EPS growth and ROE targets. Both of these measures were impacted by the issuance of common shares related to the acquisition of City National.

On our capital objective, we exited 2016 with a strong CET1 ratio of 10.8 percent, four quarters after having closed the largest acquisition in our history.

Our strong capital position continues to provide us with the flexibility to invest in our businesses for long-term growth, while also returning capital to our shareholders.

[1] Expenses excluding the impact of City National of $1,648 million are non-GAAP measures. For further information, refer to the Note to Users on page 10.

During the year, we repurchased 4.6 million of our common shares and increased our quarterly dividend twice, for a total dividend increase of 5 percent. We ended the year at the high-end of our dividend payout ratio of 40 to 50 percent.

Going forward, we have decided to revise our medium-term objective for ROE to 16 percent plus recognizing the pressure on returns in the market, including persistently low interest rates and uncertainty on regulatory capital requirements. This new level continues to give us flexibility to grow our business, including abroad.

In 2016, we achieved an ROE of 16.3 percent, which is in the top decile of global banks, in spite of the downward impact from the acquisition of City National. Our revised 16 percent plus objective reflects a premium ROE that we continue to expect over the medium-term.

In all other aspects, including EPS growth, our financial objectives remain unchanged and I am confident we will achieve all of these over the medium-term.

Let me share my perspective on the full-year performance of our business segments.

Canadian Banking had a record year, with earnings of over 5 billion dollars despite a challenging operating environment.

Clients continued to take advantage of historically low interest rates as we saw solid growth in residential mortgages, with average balances up 7 percent from last year.

Our mortgage volumes continued to grow at a premium to the market driven by our expanded mortgage sales force, focus on key client segments such as newcomers, as well as the return of our successful Employee Pricing campaigns.

We also had excellent performance in our cards business this year, with strong growth in purchase volumes and balances up 6 percent.

We continued to build our mobile capabilities including the release of the RBC Rewards mobile app this October and Apple Pay in May.

The RBC Rewards app gives our clients the functionality of the online Rewards platform while they are on the go, including instant access to merchandise through partnerships with Best Buy and Saks for example. As well, our clients can use points to pay down their mortgage and credit card balances.

RBC Rewards is the largest and most flexible loyalty rewards program in Canada, reflecting our commitment to innovation and best-in-class mobile solutions. It is the core to our differentiated long term strategy which also provides us with unique customer insights and data.

For 2016, we delivered an all-time low efficiency ratio of 43.4 percent in Canadian Banking, reflecting our focus on cost discipline while continuing to invest in technologies for our clients and infrastructure.

As we have said before, we manage our business for long term sustainability. Our cost program to drive efficiencies is designed to do what is best for our clients and our employees.

In the Caribbean and U.S. Banking, earnings were up 41 percent, as we continued to realize the benefits from our cost management initiatives and lower provisions for credit losses in the Caribbean.

Moving to Insurance, our net income of 900 million dollars for 2016 reflects the 235 million dollar gain from the sale of our home and auto insurance manufacturing business to Aviva Canada. The transaction not only broadened our ability to serve our clients, but also provided RBC with additional capital that we can deploy to advance other growth initiatives.

In Wealth Management, we had strong results with earnings of $1.5 billion up 41 percent. City National performed very well and despite the challenging markets in 2016, Wealth Management earnings excluding

City National were up 14 percent[2]. In 2016, we saw solid net sales, particularly in the second half, benefiting from our cost management initiatives as well as lower restructuring charges.

While global capital markets were turbulent in the first half of the year, markets improved in the latter half, and we were able to help our clients take advantage.

In fact, RBC Global Asset Management captured one third of industry sales in the fourth quarter and we expect our strong momentum to continue.

In Canadian Wealth Management, we achieved solid net sales of almost 20 billion dollars or half of the growth in Client Assets, driven by strong advisor productivity.

And In U.S. Wealth, our results were driven by the stronger than expected contribution from City National. City National delivered Canadian dollar earnings of 290 million or 465 million dollars[3], excluding the amortization of intangibles and integration cost of 175 million dollars.

Our results also reflect the benefits of referrals and collaboration across our businesses. In 2016, our headcount at City National increased by 10 percent which we expect will continue driving double digit growth in loans and deposits. We have also invested in infrastructure and technology to support revenue growth going forward.

I am very pleased with City National's performance in this first year, as we continue to execute on our strategy to be the preferred partner in the U.S. to corporate, institutional and high net worth clients and their businesses.

Moving to Investor & Treasury Services, we had a record year driven by favourable credit markets and interest rate movements. We achieved these results while making significant investment in the technology of our custodial business to enhance the client experience.

In Capital Markets, we had solid underlying results in light of difficult markets. Net income was down only 2 percent from a year ago, despite higher provisions in our energy lending portfolio and lower client activity.

The resilience of our performance was helped by our ongoing discipline on efficient capital deployment to focus on traditional corporate and investment banking activities.

On that, Corporate and Investment Banking had a solid year, with revenue in 2016 relatively in-line with last year's record levels.

Even as global deal volumes fell 22 percent during the first nine months of 2016, we had our best year ever in M&A, participating in significant mandates including Dell's 67 billion dollar acquisition of EMC.

Looking ahead to 2017, our pipeline is strong and so far in Q1, we have seen continued momentum in our U.S. investment banking business and good M&A activity.
Outlook

To wrap up, I'm pleased with our record results this year, which reflect significant investment across all of our businesses, notwithstanding the more challenging operating environment.

We've grown our core client businesses, successfully integrated City National, and continued to enhance our digital capabilities for our clients.

Looking ahead to 2017, we expect an operating environment characterized by moderate GDP growth in North America in the 1.5 to 2 percent range, low interest rates, an evolving regulatory landscape and changing client preferences and demographics.

[2] Wealth Management earnings excluding City National's contribution of $290 million are non-GAAP measures. For further information, refer to the Note to Users on page 10.
[3] City National results excluding the amortization of intangibles and integration costs of $175 million are non GAAP measures. For further information, refer to the Note to Users on page 10.

We believe we are well positioned to capitalize on opportunities created by the changing environment, given our strong capital position and risk management, and ongoing investments in our business and technology. We will also leverage our top employee engagement and customer satisfaction scores across our businesses.

We also welcome recent actions by our regulators and the Department of Finance that promote a healthy Canadian housing market, aimed at ensuring consumer debt remains at sustainable levels.
While the changes may weigh on mortgage growth for certain client segments, we see opportunities in others. We also believe these changes could ultimately help curb the tail risk associated with a long-term slowdown of economic growth.

And finally, we have spoken before on how shifting demographics and growing digital expectations are changing the landscape of banking.

We continue to transform how we serve clients by delivering a compelling digital experience and leveraging the scale of our data advantage to provide timely and personalized advice.

We believe we are uniquely positioned to achieve even greater client relevance in the digital world of the future.

In 2017, our focus is on driving run-rate cost reductions to support these investments in technology, as well as deploying capital for earnings growth, all with a focus on maintaining a premium ROE.

I am confident that we will continue to deliver long-term shareholder value given the strength of our sustainable client franchises, leading culture of innovation, and disciplined approach to risk and cost management.

Before I end my remarks, I'd like to take a moment to recognize Janice. As most of you know, she is retiring on January 31st after a distinguished thirty one year career with RBC.

I would like to thank Janice for her partnership, and for her leadership and dedication to our bank, our clients, and the community throughout her career.

Rod Bolger will take on the role of Chief Financial Officer beginning tomorrow. Rod brings deep financial services experience and I have no doubt that his business knowledge and leadership position him well for success.

With that, I'll now turn over the call to Janice, to discuss our fourth quarter results.

JANICE FUKAKUSA. CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

Thank you Dave and good morning everyone.

Starting on slide 7, our fourth quarter earnings of over 2.5 billion dollars reflect solid underlying results across our businesses.

Earnings were down 50 million dollars or 2 percent, mainly due to the lower effective tax rate last year of 7.6 percent, which was driven by favourable income tax adjustments.

At the enterprise level, our effective tax rate for the fiscal year was 21.4 percent. Based on our forecasted earnings mix, we expect our 2017 tax rate to remain within the 22 to 24 percent range.

Compared to last quarter, earnings were down 12 percent, or 4 percent[4] excluding the gain of 235 million dollars after-tax from the sale of our home and auto insurance business.

[4] Results excluding the gain of $235 million ($287 million before-tax) on the sale of our home and auto insurance manufacturing business are non-GAAP measures. For further information, refer to the Note to Users on page 10.

Our growth in adjusted earnings from the prior quarter reflects higher results in Insurance, Investor & Treasury Services and Wealth Management. These factors were more than offset by lower earnings in Capital Markets and Personal & Commercial Banking, which were largely impacted by seasonality.

Turning to slide 8, our Common Equity Tier 1 ratio was strong at 10.8 percent, up 30 basis points from last quarter, driven by internal capital generation.

In November, the sale of Moneris USA to Vantiv was announced and is expected to close in the first quarter of 2017. We estimate the transaction will result in an after-tax gain to RBC of approximately 200 million dollars, with an expected impact to our CET1 ratio of about 8 basis points.

Our strong capital ratios and focus on balance sheet optimization provides us flexibility to fund all growth in all of our businesses and manage pending regulatory capital changes. As Dave mentioned, we will balance our capital deployment with returning capital to the shareholders, through dividends and share buybacks.

Please turn to slide 9 for the performance of our business segments.

Personal & Commercial Banking reported earnings of almost 1.3 billion dollars, which was relatively flat compared to last year.

Canadian Banking had earnings of over 1.2 billion dollars, up 19 million dollars or 2 percent from last year.

Results were driven by solid volume growth of 6 percent across most of our businesses, partially offset by lower spreads, as well as higher fee-based revenue.

This includes strong deposit growth of 8 percent, which was driven by momentum in both business and personal deposits.

Loans increased by 4 percent, reflecting solid growth in commercial lending and higher volumes in both residential mortgages and credit cards, partly offset by lower balances in auto lending.

These results were largely offset by higher PCL, primarily in oil-exposed regions, higher technology spend and higher costs in support of business growth.

The fourth quarter was also impacted by seasonally elevated levels of expenses due to the timing of certain marketing activities. For example, we ran a successful national deposits campaign with iPad incentives, and this quarter also included costs associated with our 2016 Summer Olympics campaign.

For 2016, operating leverage was 1.4 percent, which is within our annual target of 1 to 2 percent.

Compared to the prior quarter, Canadian Banking earnings were down 3 percent largely driven by higher initiatives and technology spend and higher marketing costs, partially offset by volume and fee-based revenue growth.

Caribbean and U.S. Banking had earnings of 29 million dollars, down 14 million dollars from a year ago mainly reflecting higher costs to support business growth.

Sequentially, earnings were down 9 million dollars.

Turning to slide 9, Wealth Management had earnings of 396 million dollars, up 141 million dollars from last year.

Results continued to benefit from the contribution of City National with earnings of 89 million dollars or 127 million dollars[5], excluding the amortization of intangibles and integration costs of 38 million dollars.

[5] City National results excluding the amortization of intangibles and integration costs of $38 million are non-GAAP measures. For further information, refer to the Note to Users on page 10.

Excluding City National, Wealth Management earnings were up 20 percent[6] from last year, reflecting higher results in Canadian Wealth Management and Asset Management, as well as lower International restructuring charges.

In fact, Canadian Wealth achieved record revenue this quarter, driven by growth in average fee-based client assets and higher transaction volumes on improved markets.

Compared to last quarter, Wealth Management results increased by 2 percent or 8 million dollars.

Moving to Insurance on slide 11. Net income of 228 million dollars was relatively flat from a year ago. Higher results from new U.K. annuity contracts were offset by the reduction in earnings as a result of the sale of our home and auto insurance business last quarter.

The reduction to earnings this quarter from the sale was in-line with the 10 to 15 million dollar range that we provided previously.

Compared to last quarter, earnings were down 136 million. Excluding the gain on sale, net income was up 99 million dollars[7] mainly due to favourable actuarial adjustments resulting from our annual review and higher earnings from two new U.K. annuity contracts.

Turning to slide 12. Investor & Treasury Services had record earnings of 174 million dollars, up 86 million dollars or 98 percent from last year. Compared to the prior quarter, net income increased 17 million dollars or 11 percent. Results were mainly driven by higher funding and liquidity earnings.

As you may recall, credit spreads widened significantly in the fourth quarter of last year, causing our funding and liquidity portfolio to realize mark-to-market losses. Throughout the current year, results have benefitted from the subsequent tightening of credit spreads, which drove funding and liquidity earnings up.

Turning to Capital Markets on slide 13. Net income of 482 million dollars was down 73 million dollars or 13 percent compared to a year ago as the prior year benefited from favourable tax adjustments contributing to an effective tax rate of 12% last year.

This quarter, our results included unfavourable tax adjustments that contributed to a tax rate of 30 percent, which was higher than the full year tax rate of 28 percent.
Looking ahead to 2017, we expect our tax rate in Capital Markets to be in the 27 to 29 percent range.

Pre-tax earnings were up 10 percent. In the current quarter, results were solid, reflecting higher revenue in both our Corporate and Investment Banking and Global Markets businesses.

In Corporate and Investment Banking, we experienced strong debt and equity origination revenue driven by increased client activity and increased loan syndication, particularly in the U.S. in advance of a potential U.S. rate hike in December.

In Global Markets, fixed income trading revenue strengthened across all regions and we had higher equity trading revenue in Europe. This was partially offset by lower equity trading in Canada.

Sequentially, earnings were down 153 million dollars or 24 percent. Fixed income and equity trading results were lower compared to robust levels last quarter. These factors were partially offset by higher loan syndication revenue, largely in the U.S.

In 2016, our compensation ratio for Capital Markets was 34.9 percent, down from 37.2 percent last year. A primary driver of this variance was related to a change in the bonus deferral policy that aligns us with industry practice.

As a result of this change, the compensation ratio will continue to be impacted in 2017 and 2018, but to a

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[6] Wealth Management results excluding City National's contribution of $89 million are non-GAAP measures. For further information, refer to the Note to Users on page 10.
[7] Insurance results excluding the gain of $235 million ($287 million before-tax) on the sale of our home and auto insurance manufacturing business are non-GAAP measures. For further information, refer to the Note to Users on page 10.

lesser extent than in the current year.
Before I turn the call over to Mark, it has been a privilege to work with such a talented team here at RBC, and I truly value the connections I've made with our investors and analysts over the years.

With that I will turn it over to Mark.

MARK HUGHES. CHIEF RISK OFFICER

Thank you Janice and good morning.

Turning to slide 15. Total provisions for credit losses of $358 million were up $40 million or 13% from last quarter and our PCL ratio of 27 basis points increased 3 basis points quarter over quarter.

We believe these results reflect the strength of our diversified portfolio, and benefited from low interest rates, stable employment trends, an improved backdrop for the oil & gas sector, and prudent risk management.

Let me discuss the performance of each segment on slide 16.

In Personal & Commercial Banking, provisions of $288 million increased by $17 million from last quarter.

Canadian Banking provisions of $276 million, increased by $11 million from last quarter, largely in our retail portfolios.

Caribbean and U.S. Banking provisions were up $6 million from last quarter due to the impact of Hurricane Matthew.

Wealth Management provisions of $22 million increased by $8 million from last quarter, mainly reflecting higher provisions at City National due to normal loan growth and a single account in International Wealth.

Capital Markets provisions of $51 million increased by $18 million from last quarter, largely reflecting higher provisions in the oil & gas sector.

Turning to slide 17. Gross impaired loans of $3.9 billion were up $187 million or 5% from last quarter. Our gross impaired loan ratio of 73 basis points was up 3 basis points from the prior quarter.

In Canadian Banking, the reduction in formations was due to a number of commercial accounts returning to performing status. This was offset by higher formations in Caribbean banking due to Hurricane Matthew.

In Wealth Management, we had an increase in formations in City National's technology portfolio, largely offset by a reduction in credit impaired loans acquired by City National after the financial crisis.

In Capital Markets, we had higher impairments largely related to a few U.K. and U.S. oil & gas accounts and one consumer goods account.

Let me elaborate on our oil & gas portfolio on slide 18.

Our drawn exposure to the oil & gas sector of $6.3 billion, or 1.2% of RBC's drawn loan book, decreased by 11% from last quarter, driven by higher repayments from Exploration & Production companies, as they benefited from improved performances, improved balance sheets and increased M&A activity driven by higher oil prices.

We are approximately 40% through our Fall redetermination and so far, we are seeing that borrowing bases in both Canada and the U.S. are largely flat from their Spring levels.

At current oil prices, our portfolio has performed as we expected. While the increase in oil prices has provided some relief to certain of our clients, the price remains well below 2014 levels which continues to challenge the profitability of the sector and its ability to reinvest for future growth. We are monitoring this portfolio closely.

Outside of our direct oil & gas portfolio exposure, our commercial portfolio in Alberta continues to demonstrate resiliency.

Let's now turn to our Canadian retail exposure on slide 19.

We had an increase in provisions in a few of our retail portfolios this quarter, which was partially offset by lower write-offs in our cards portfolio.

The higher PCL is due to an increase in the allowance in our residential mortgage and personal lending portfolios following our review of loss rate assumptions applied to collectively assessed impaired loans, which we conduct annually.

Normally, we make these changes in Q1, but since our retail review was completed, we elected to apply them this quarter. Next quarter, we will be reviewing our wholesale parameters.

This year's change for our residential mortgage portfolio primarily reflects the termination of valuation insurance provided by a third party. It is a one-time change and does not reflect any change in the underlying credit risk of our portfolio.

Nationally, our mortgage delinquencies are flat quarter over quarter, but we did note a modest deterioration in our personal lending and residential mortgage portfolios in oil-exposed regions.

Delinquencies for our cards and auto portfolios declined, even in oil-exposed regions, as they benefited from stable unemployment rates, both nationally and in Alberta, and a strong unemployment rate in Ontario.

Turning to slide 20. Overall we remain comfortable with the risk profile of our residential mortgage portfolio.

Our clients' credit profiles remain strong, with low LTVs and high FICO scores.

Many clients are also committed to increased down payments, fixed mortgage rates and accelerated repayment plans, reinforcing our confidence in our clients' ability to repay.

Our impaired rates remain low, especially in Greater Toronto and Vancouver.

However, given the elevated house prices in both the Greater Toronto and Vancouver areas, as well as the recent announcements by the Department of Finance, we continue to actively monitor this portfolio.

Overall, I am pleased with our credit performance this year with total annual PCL of 29 basis points, which is slightly below our historical range of 30 to 35 basis points.

Looking ahead, the outlook for PCL relative to our historical range remains contingent on both the duration and level of macroeconomic drivers such as interest rates, unemployment and commodity prices.

Also, as I have mentioned in the past, both loan loss provisions and recoveries within our Wholesale book could show some degree of variability, which in turn, may drive our total PCL to fall outside of our historical range from quarter to quarter.

Turning to market risk on slide 21.

Average VaR of $25 million decreased by $10 million from last quarter due to inventory reductions in fixed income and securitized product portfolios.

We had one day of trading loss this quarter largely driven by market conditions that negatively impacted trading activity across major business lines.

With that we'll open the lines for Q&A.

Note to users:

We use a variety of financial measures to evaluate our performance. In addition to generally accepted accounting principles (GAAP) prescribed measures, we use certain key performance and non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that key performance measures, such as ROE and non-GAAP measures such as results excluding a gain of $287 million ($235 million after-tax) related to the sale of RBC General Insurance Company to Aviva Canada Inc., Wealth Management results excluding the acquisition of City National, City National results excluding amortization of intangibles and integration costs, do not have any standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures disclosed by other financial institutions.

Additional information about our ROE and non-GAAP measures can be found under the “Key performance and non-GAAP measures” section of our Q4/2016 Earnings Release and 2016 Annual Report.

Definitions can be found under the “Glossary” sections in our Q4/2016 Supplementary Financial Information and our 2016 Annual Report.