ROYAL BANK OF CANADA
FOURTH QUARTER RESULTS
CONFERENCE CALL
WEDNESDAY, DECEMBER 1, 2021

DISCLAIMER

THE FOLLOWING SPEAKERS' NOTES, IN ADDITION TO THE WEBCAST AND THE ACCOMPANYING PRESENTATION MATERIALS, HAVE BEEN FURNISHED FOR YOUR INFORMATION ONLY, ARE CURRENT ONLY AS OF THE DATE OF THE WEBCAST, AND MAY BE SUPERSEDED BY MORE CURRENT INFORMATION. EXCEPT AS REQUIRED BY LAW, WE DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE THE INFORMATION, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

YOU CAN REPLAY THE ENTIRE WEBCAST UP TO FEBRUARY 23, 2022, WHICH INCLUDES A QUESTION AND ANSWER SESSION, BY VISITING THE ROYAL BANK OF CANADA ("RBC", "WE" OR "OUR") WEBSITE AT RBC.COM/INVESTORRELATIONS.

IN NO WAY DO WE ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON OUR WEBSITE OR IN THESE SPEAKERS' NOTES. USERS ARE ADVISED TO REVIEW THE WEBCAST ITSELF AND OUR FILINGS WITH THE CANADIAN SECURITIES REGULATORS AND THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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 from the December 1, 2021 analyst conference call (the speakers' notes), in other filings with Canadian regulators or the 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, and climate related goals, net interest income growth, net interest margin, interest rates, provisions for credit losses, expenses and the potential continued impacts of the coronavirus (COVID-19) pandemic on our business operations, financial results and financial condition and on the global economy and financial market conditions, including statements about government support programs. 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".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, operational, regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and fines), strategic, reputation, competitive, legal and regulatory environment, and systemic risks and other risks discussed in the risk sections and Impact of COVID-19 pandemic section of our annual report for the fiscal year ended October 31, 2021 (the 2021 Annual Report); including business and economic conditions, information technology and cyber risks, environmental and social risk (including climate change), digital disruption and innovation, Canadian housing and household indebtedness, geopolitical uncertainty, privacy, data and third party related risks, regulatory changes, culture and conduct, the business and economic conditions in the geographic regions in which we operate, the effects of changes in government fiscal, monetary and other policies, tax risk and transparency, and the emergence of widespread health emergencies or public health crises such as pandemics and epidemics, including the COVID-19 pandemic and its impact on the global economy, financial market conditions and our business operations, and financial results, condition and objectives.

In addition, as we work to advance our climate goals, external factors outside of RBC’s reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, and technological advancements, the evolution of consumer behavior, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations.

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 Economic, market and regulatory review and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2021 Annual. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the risk sections and Impact of COVID-19 pandemic section of our 2021 Annual Report.

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

ASIM IMRAN, VICE PRESIDENT, HEAD OF INVESTOR RELATIONS

Thank you, and good morning everyone. Speaking today will be: Dave McKay, President and Chief Executive Officer; Nadine Ahn, Chief Financial Officer, and Graeme Hepworth, Chief Risk Officer

Also joining us today for your questions: Neil McLaughlin, Group Head, Personal & Commercial Banking; Doug Guzman, Group Head, Wealth Management, Insurance and I&TS; and Derek Neldner, Group Head, Capital Markets.

As noted on slide 1, our comments may contain forward-looking statements, which involve assumptions, and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the bank assesses its performance on a reported and adjusted basis and considers both to be useful in assessing underlying business performance. To give everyone a chance to ask questions, we ask that you limit your questions and then re-queue.

With that, I’ll turn it over to Dave.

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Thank you Asim and congratulations on your recent appointment to RBC's Head of Investor Relations.

Good morning everyone, and thank you for joining us. This morning, we reported fourth quarter earnings of $3.9 billion. Our results include further releases of PCL on performing loans, primarily reflecting improvements in our macroeconomic and credit quality outlook. Pre-provision, pre-tax earnings of $4.8 billion were driven by robust client activity, driving fee-based revenue growth in Canadian Banking, Wealth Management and Investment Banking. In addition, Canadian Banking and City National continued to generate strong volume growth. These factors were partly offset by a moderation in our Global Markets businesses, the continued impact of low interest rates, and higher expenses – largely due to variable compensation. As we continue to invest in our core businesses and strategies, we're committed to running our bank efficiently and driving improved productivity.

Looking back, 2021 was a year that saw RBC stepping up for our clients and communities while supporting our employees. Across our core businesses, we saw robust client activity, and as a result, we delivered record revenue of nearly $50 billion. We earned $16 billion in net income and generated a 19 percent return on equity (ROE) while paying $6.1 billion in taxes, over $6 billion in dividends, and meeting all of our medium-term objectives. Also noteworthy was our strong, double-digit growth in book value per share, highlighting our ability to compound the value of our business while maintaining the quality and risk appetite of the RBC franchise. We ended a strong year with a record CET1 ratio of 13.7 percent, up 120 basis points, with CET1 capital up $7.5 billion from last year.

As we turn our focus to 2022, from a macro perspective, we continue to see a strong recovery with consumer spending almost 20 percent above 2019 levels, increased mobility in society, and corporate management teams actively pursuing growth opportunities. At the same time, we recognize there are significant challenges, including supply-demand imbalances disrupting supply chains and various parts of the economy, including labour, housing, and energy markets. These factors are driving uncertainty and adding to inflation risk, which we are closely monitoring. While higher interest rates could add some drag to economic growth, we do not see material credit concerns given excess client liquidity and strong underwriting, including testing for higher rates.

As Nadine will speak to later, we are well-positioned to benefit from rising interest rates given our leading Canadian deposit franchise and the asset sensitive nature of U.S. Wealth Management's balance sheet. To highlight the potential benefit over time, the impact of lower interest rates reduced our revenue by approximately $1 billion in each of the last 2 years – the majority in Canadian Banking and U.S. Wealth

Management, including City National. Additionally, we are poised to benefit from the deployment of the unprecedented build-up of liquidity that we expect Canadians will use for a better tomorrow, whether that is to buy a home, increase discretionary spending, or invest in financial markets.

Within this context, let me expand how our momentum and ability to create value for our clients, along with our premium franchises, position RBC to succeed heading into 2022 and beyond. Our strong balance sheet gives us flexibility to continue supporting our growth momentum and strategic initiatives, in addition to increasing shareholder returns. And this morning, we announced a 12 cent or 11 percent increase in our quarterly dividend, while also announcing our intention to repurchase up to 45 million common shares under a normal course issuer bid. We remain focused on driving premium organic growth, including expanding our market leading position in Canada. We see growth opportunities in each of our Canadian businesses, and our results this year reflect the value we create for our clients

In Canadian Banking, we added over $35 billion in mortgages and over $22 billion in personal deposits over the last year leading to market share gains in both these anchor products. We have added and continue to add to our 1,750 plus mortgage specialist sales force. We also continue to invest in digital tools and capabilities to enhance the client experience and the productivity of our sales team. Looking forward, we expect mortgage growth to be strong in the high single-digit range supported by low interest rates, supply-demand imbalances affecting prices, and increasing immigration activity. We are seeing a strong recovery in transactional purchase activity, which helped drive a sequential increase in credit card balances, including revolvers. And though commercial utilization rates remain well below pre-pandemic levels, we are seeing an uptick, which is helping drive the emergence of stronger commercial lending activity. We are also hiring commercial account managers in priority industries, including in RBCx where we provide capital and advice to the growing innovation ecosystem. And as we move up the value chain and continue to reimagine banking and innovation, we are well-positioned for a world of payment modernization and open banking. RBC Ventures remains core to us accelerating our growth by creating value beyond banking, including in our healthcare and youth ecosystems. We are excited about Dr. Bill, a venture which helps reduce the complexity of medical billing for physicians. We are currently serving nearly 3 thousand Canadian physicians, up 28 percent from last year. Also within the healthcare vertical, we continue to support Canada’s medical community with our exclusive multi-year strategic partnership with The Royal College of Physicians and Surgeons of Canada. In the youth segment, MyDoh is a new pillar that helps kids learn and practice money management. We recently hit a milestone having on-boarded 10 thousand Canadian households.

Over the last 2 years, we have added 350 thousand net new Canadian Banking clients, including over 200 thousand this year, a period in which clients weren’t making as many decisions to switch banks, and immigration activity was muted. Given the value-added initiatives we put in place, we are well-positioned to continue attracting even more clients, an important area of focus. Almost 70 percent of our Canadian

Banking clients who have a core chequing account and / or a mortgage with us also have a card and investment relationship. And clients with mortgage and chequing accounts that were on-boarded 3 years ago have deepened their relationship to all four products at a rate that is 3 times greater than any other acquisition relationship. This leads to another core part of our Canadian strategy, which is to deepen our client relationships, including providing access to best-in-class, award-winning service and advice, which has defined our leadership in wealth and asset management. As I noted earlier, we expect much of the buildup of liquidity in the system will be used to increase discretionary spending or be invested. And our full set of integrated, end-to-end, industry-leading wealth and asset management solutions have well over $1 trillion in client assets. These cover the full spectrum of client segments and needs, ranging from digital-only solutions, up to full-service discretionary wealth management.

Following a record year last year, RBC Direct Investing finished 2021 with another year of exceptional growth – including record trading volumes and record new client acquisition, with nearly half of new clients added this year being under the age of 35. And InvestEase has seen account openings double from the last year. In the wealth advisory space, our leading scale is complemented by our differentiated technology and investment expertise, including private banking, insurance, estate, philanthropy, and business planning solutions. These factors drive strong advisor productivity with RBC Dominion Securities ranked #1 amongst bank-owned advisory firms in the 2021 Investment Executive Brokerage Report Card. And, MyAdvisor, our digital platform to review financial plans, now has nearly 3 million clients.

Overall, our wealth management businesses continued to see strong growth in client assets. On a year-over-year basis, Canadian Banking and Wealth Management Canada assets under administration (AUA)[1] increased 26 percent each. With RBC Global Asset Management, we have a leading North American asset manager at scale with 85 percent of assets under management (AUM) outperforming the benchmark over the last 3 years[2], at below average fees. A testament to the strength of the platform, RBC GAM was recognized for its outstanding investment performance at the 2021 Canada Lipper Fund Awards. RBC Global Asset Management AUM was up 15 percent year-over-year. While higher markets were a large contributor, we also saw record Canadian long-term retail net sales of over $20 billion or 17 percent of industry-wide flows, adding to its leading market share in industry AUM. And though we can't control where equity markets will go, we are well-positioned to add to our market share in industry net flows as clients can choose from our broad range of products and advisory services, which increasingly includes an ESG and alternatives product suite. Our scale, innovation, and an ability to deepen client relationships with leading value propositions underpin our 30 percent ROE across our Banking, Wealth and Asset Management platforms in Canada.

[1] Canadian Banking AUA represents period-end spot balances and includes securitized residential mortgages and credit card loans as at October 31, 2021 of $15 billion and $3 billion, respectively (October 31, 2020: $16 billion and $7 billion, respectively).
[2] As at September 2021, gross of fees.

Turning to the U.S., I want to focus on our diversified growth strategy. Our client franchises across wealth management, private & commercial banking, and capital markets generated US$10 billion or 25 percent[3] of total revenue over the last 12 months. Our U.S. Capital Markets franchise, our largest U.S. business, had yet another great quarter as we reported strong investment banking revenue on higher M&A advisory and loan syndication activity. We are increasingly deepening relationships and winning significant M&A advisory mandates with important partners such as Blackstone. Earlier this year RBC Capital Markets acted as exclusive financial advisor to Blackstone on the acquisition of Ellucian, a leading education technology solutions provider. This followed being the advisor on their acquisition of Signature Aviation. Looking forward, our investment banking pipeline remains strong, benefiting from the strength of our franchise. Our goal is to be a top 10 global investment bank while maintaining our position as the clear leader in Canada. And with this in mind, we have added a number of managing directors in U.S. Investment Banking, especially in the technology and healthcare sectors, while also focusing on sustainable finance, a growth opportunity for us and our clients.

City National continues to be a growth company with wholesale loans up a further 3 percent over last year, or up 11 percent excluding Triple-P trends. Our mid-market strategy, along with an expansion of market coverage, is expected to add to our growth trajectory. Mortgages at City National were up 23 percent year-over-year as we continue to grow our high net worth private banking capabilities with a mortgage-led growth strategy. And deposit growth was up a strong 25 percent this year. Going forward, we continue to expect strong loan growth in our City National businesses. And in U.S. Wealth Management, we grew client assets 30 percent year-over-year to nearly US$ 570 billion, including the addition of high-quality advisers to our Private Client Group platform. We are increasingly adding lending products to provide holistic advice to our U.S. Wealth clients. Our securities-based lending portfolio has increased by over $2 billion or nearly 60 percent year-over-year. Beyond our underlying business performance in 2021, we recognize we have an important role to play in accelerating clean economic growth. A key pillar of our enterprise strategy is to play a leadership role in the transition of our economy to net zero emissions, including helping clients work through an orderly energy transition. As part of that, we are committed to providing $500 billion in sustainable finance by 2025. And, in addition to our own net-zero commitments, we are pleased to have joined the Net Zero Banking Alliance.

To sum up, we are entering 2022 with strong momentum and are well positioned to take advantage of secular and macro trends, and deliver client and shareholder value over the near-and-long-term. Our focus will be to drive growth while maintaining prudent risk management and expense discipline. We will continue to leverage the size and strength of our balance sheet to consolidate our broad-based leadership position in Canada, including deepening client relationships and investing for the innovation economy. And in the U.S., we will continue to execute on our multi-pronged growth strategy across Capital Markets, City National and

[3] Excludes Corporate Support. Revenue is on a Tax Equivalent Basis (TEB).

Wealth Management. Before I conclude, I wanted to thank our more than 87,000 colleagues for their relentless dedication in Living our Purpose through these extraordinary times.

And now I will pass it to Nadine Ahn, our new CFO, who is well known to the investment community from her time as Head of Investor Relations and CFO of RBC Capital Markets previously. Nadine brings a wealth of experience gained over 20 years at RBC, including a number of positions of increasing responsibility in our Corporate Treasury group.

Nadine, over to you.

NADINE AHN, CHIEF FINANCIAL OFFICER

Thank you Dave, and good morning everyone.

I will start on slide 11. We reported quarterly earnings of $3.9 billion, up 20 percent from last year, including the benefit of a $355 million release of PCL on performing loans. Earnings per share of $2.68 was also up 20 percent. Pre-provision, pre-tax earnings of $4.8 billion were up 4 percent year-over-year, including the impact of a legal provision at City National.

Before I expand on earnings drivers, I will speak to capital on slide 12. Our CET1 ratio was up 10 basis points sequentially to a strong 13.7 percent. Our strong earnings, net of dividends, added 42 basis points to our CET1 ratio, highlighting the capital generation power of our diversified business model and premium ROE. Robust client-driven business growth across our largest segments was partly offset by $2 billion of net credit migration. Looking forward, we will continue to take a disciplined approach to deploying capital to create long-term value for our shareholders.

We will lead with client-driven, organic RWA growth, and look to revert back to our traditional policy of twice-a-year dividend increases; returning to the mid-point of our 40 to 50 percent dividend payout ratio objective. This morning, we also announced a normal course issuer bid which will allow us to repurchase up to 3 percent of our common shares outstanding, giving us yet another lever to manage our capital levels.

Moving on to slide 13. Net interest income was up 1 percent year-over-year, or up 4 percent, excluding the impact of lower fixed income trading revenue, which was impacted by lower spreads on repo balances. Strong volume growth more than offset continued margin headwinds, driving solid net interest income growth in both Canadian Banking and City National.

Turning to slide 14. At the segment level, we had outsized net interest margin (NIM) compression in our largest banking franchises. Canadian Banking NIM decreased 9 basis points sequentially, partly due to an accounting adjustment of 2 basis points or $22 million, which we do not expect to repeat going forward.

Another 2 basis points was due to lower mortgage prepayment revenue, a reversal of favourable trends we noted on our Q2 earnings call. The 3 basis point impact from lower asset spreads is largely related to strong mortgage originations as the benefit from sequential credit card growth was offset by growth in lower spread mortgage loans. City National NIM was down 20 basis points sequentially, with 11 basis points related to lower loan fees, largely from the forgiveness of the first round of Triple-P loans. Another 7 basis points was due to the lower loan-to-deposit ratio trend, as deposit growth continued to outpace strong loan growth. Going forward, we expect both Canadian Banking and City National margins to stabilize around current levels, with a bias to the upside as central banks raise interest rates. While City National's interest rate sensitivity is largely driven by an increase in short-term rates[4], Canadian Banking would benefit more from a broader, across-the-curve increase. We estimate that a 25 basis point increase in interest rates across-the-curve could result in over $250 million of additional revenue over 12 months across Canadian Banking and U.S. Wealth Management, inclusive of sweep deposits. We expect the benefit from a rate hike in the second and third years would be higher than seen in the first year.

Turning to slide 15. Non-interest income was up 20 percent year-over-year. We continued to see strong growth in higher ROE investment management and mutual fund revenue in Wealth Management and Canadian Banking. Strong M&A deal flow and loan syndication activity were reflected in higher advisory and credit fees as we execute on our Capital Markets client-centric growth strategies. Higher card service revenue in Canadian Banking reflected Canadians' increased spending on travel and entertainment heading into the holiday season. As we continue to enhance our Rewards programs and drive higher client engagement through increased options to earn and redeem points, we adjusted our rewards liability by $29 million this quarter. Offsetting this was an expected moderation in Global Markets revenue, which I will provide more details on shortly.

Turning to expenses on slide 16. Non-interest expenses were up 9 percent year-over-year. A legal provision of $116 million in City National impacted expense growth by approximately 2 percentage points. Adjusting for this provision, and excluding higher variable and share-based compensation across our businesses, expense growth was 2 percent year-over-year. As the quarterly Capital Markets compensation ratio typically experiences volatility in the fourth quarter, it's important to look at full year trends. And the 2021 annual ratio of 35 percent is consistent with 2020 levels. Salaries & benefit costs were up 4 percent from last year as we continued to add employees in Canadian Banking and City National to support increasing client activity. Marketing costs were also higher as the economy opened up and we increasingly engaged with new and existing clients across our businesses. However, there is also an element of seasonality in the quarter-over-quarter increase of certain line items.

[4] Represents the 12-month revenue exposure (before-tax) to an immediate and sustained shift in interest rates.

Looking forward to 2022, we expect marketing costs to trend higher than pre-pandemic levels as we execute on our strategic growth initiatives. However, corporate travel costs are expected to remain below pre-pandemic levels in the near-term. Overall, we expect annual expenses, excluding variable and share-based compensation, to grow at the higher end of the low-single digits range as inflationary pressures and higher investments to support growth initiatives are expected to be offset by our continued focus on driving efficiencies and productivity gains.

Moving to our business segment performance beginning on slide 17. Personal & Commercial Banking reported earnings of $2 billion this quarter, including the benefit of lower PCL. Canadian Banking pre-provision, pre-tax earnings were up a strong 8 percent from last year as solid revenue growth was supported by strong operating leverage. Looking forward, we expect annual operating leverage to be closer to the high end of our historical 1 to 2 percent guidance with the potential to be above that range as central banks raise interest rates. Canadian Banking revenue was up 6 percent year-over-year with net interest income up 2 percent from last year. On a sequential basis, an uptick in Commercial loan growth added to continued strength in mortgages. Growth in credit card balances was largely related to higher purchase volumes with payment rates remaining elevated relative to pre-pandemic levels. Non-interest income was up 15 percent, largely due to higher mutual fund distribution revenue underpinned by higher AUA, including record net sales as client liquidity continued to move into investment products. Card service revenue was up on higher purchase volumes.

Turning to slide 18. Wealth Management reported fourth quarter earnings of $558 million driven by strong investment management and mutual fund revenue growth, and robust volume growth at City National. These were only partly offset by a commensurate increase in variable compensation, higher non-compensation costs, and a legal provision and lower spreads at City National. Double-digit client asset growth across our North American wealth businesses benefitted from both higher markets, with strong North American equity markets more than offsetting weakness in bond indices, as well as strong net sales. RBC GAM attracted total net sales of over $12 billion in the quarter, with strong institutional flows adding to continued momentum in Canadian long-term retail net sales, which added $4 billion to AUM. The majority of Canadian retail flows went into Balanced mandates.

Turning to Insurance on slide 19. Net income of $267 million increased 5 percent from a year ago, primarily due to favourable annual actuarial assumption updates, partially offset by lower favourable investment-related experience, including the impact of realized investment gains in the prior year. Insurance revenue benefited from higher group annuity sales and growth in longevity reinsurance and Canadian insurance sales.

Looking at I&TS on slide 20. Net income of $109 million increased 20 percent from a year ago, primarily driven by higher revenue from our asset services business. Funding & Liquidity revenue was also higher year-over-year as the prior year reflected heightened impacts from elevated enterprise liquidity.

Turning to slide 21. Capital Markets reported earnings of $920 million, up 10 percent from last year. Pre-provision, pre-tax earnings surpassed $1 billion for the eighth quarter in a row. Corporate & Investment Banking reported strong Investment Banking revenue as our platform performed very well in an environment of robust deal flow and elevated sponsor activity. In contrast, Global Markets moderated from elevated levels last year. FICC revenues were down 14 percent year-over-year, reflecting similar trends across the industry. Lower spreads continued to impact Repo & Secured Financing revenue, which was down 18 percent year-over-year. Equities revenues were down 17 percent as volatility levels normalize closer to pre-pandemic levels.

To conclude, we continue to drive strong growth in volumes and client assets, and are well-positioned to benefit from higher interest rates. And while we look to accelerate our growth momentum, we remain focused on expense management and effectively deploying capital to continue delivering value for our shareholders.

With that, I'll turn it over to Graeme.

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Nadine and good morning everyone.

Starting on slide 23, allowance for credit losses on loans of $4.4 billion is down $1.7 billion from its peak in Q4 of last year, reflecting the ongoing improvements in our macroeconomic outlook and the credit quality of our portfolio that Dave noted earlier. In 2021, we released over 50 percent of the pandemic-related reserves on performing loans built in 2020. The releases this quarter were primarily in our commercial, personal lending, and cards portfolios in Canadian Banking, reflecting further improvements in our macroeconomic outlook and the credit quality of those specific portfolios. Allowances for these portfolios do remain above pre-pandemic levels, given ongoing headwinds that I will touch on later in my remarks.

Turning to slide 24, our Gross Impaired Loans of $2.3 billion were down $253 million or 4 basis points during the quarter. Impaired loan balances decreased across all our major businesses, and new formations[5] of $298 million remained close to the 9-year low set last quarter. In Canadian Banking, we had modest increases in new formations during the quarter, with increases in the unsecured personal lending and small business

[5] New formations for collectively assessed portfolios in Canadian Banking and Caribbean Banking are net of amounts returned to performing, repayments, sales, FX, and other movements, as amounts are not reasonably determinable.

portfolios. In Capital Markets, new formations were limited to just $7 million, as clients continue to benefit from favourable market conditions.

Turning to slide 25, PCL on impaired loans of $137 million, or 7 basis points, was down by 1 basis point and declined for a sixth consecutive quarter. The low levels of provisions throughout 2021 reflect the quality of our client base, our prudent underwriting practices, the economic recovery underway, and the impact of government support programs on delinquencies and impairments. In the Canadian Banking retail portfolio, PCL on impaired loans was down $12 million quarter-over-quarter, due primarily to lower write-offs on credit cards. During the year, the retail portfolio has benefitted from higher client deposit levels, decreasing unemployment rates, and ongoing government support programs. For context, this quarter approximately 6 percent of our retail lending clients were still receiving government support, down over 60 percent from the peak observed in 2020. In the Canadian Banking commercial portfolio, PCL on impaired loans was down $3 million quarter-over-quarter. Provisions taken this quarter continue to be primarily in sectors impacted by COVID-19, however, the portfolio overall continues to see low and stable delinquency rates, net credit upgrades, and reductions in credit watchlist exposure. In Capital Markets, we had a net recovery on impaired loans for the third consecutive quarter. This portfolio is not materially impacted by government support programs and has benefited from a constructive operating environment and strong market liquidity. Finally, in Wealth Management, PCL on impaired loans increased $14 million quarter-over-quarter. During the quarter, we took additional provisions on a loan written off in the Information Technology sector at City National.

Overall, we continue to be pleased with the positive trends in our loan portfolios, supported by favourable market conditions. While many individuals and businesses have weathered the worst of the pandemic, a number of headwinds remain as Dave noted. Rising and persistent COVID-19 cases and the prospect of new variants create the potential for a continuation or resumption of COVID-related containment measures. Inflationary pressures may also impact our clients through increasing costs driven by supply chain disruptions and labour shortages, and through increases in interest rates. We have incorporated many of these risks into our provisioning scenarios which leaves us comfortable with our current level of allowances. Looking forward, we do expect our PCL ratio on impaired loans to trend back toward long-term averages over time. In addition to the headwinds I have already noted, the wind down of government support now underway will also impact both our commercial and retail clients, though the full impact will take time to materialize due to the strong levels of liquidity, savings and job demand currently in place. Additionally, we have seen strong recoveries on impaired loans over the past few quarters which we do not expect to persist given the low levels of impaired loans now remaining. That said, as I have noted for a number of quarters, we expect to be able to draw down on the existing allowance on performing loans such that our total PCL across all stages will remain below long-term averages. Importantly, we remain steadfast in our commitment to supporting our clients and delivering advice, products and insights to help them navigate the evolving macroeconomic and operating environment.

With that, operator, let's open the lines for Q&A.

Note to users:

We measure and evaluate the performance of our consolidated operations and each business segment using a number of financial metrics, such as net income, ROE and non-GAAP measures, including pre-provision, pre-tax earnings. Certain financial metrics, including ROE and pre-provision, pre-tax earnings do not have any standardized meanings under GAAP and may not be comparable to similar measures disclosed by other financial institutions. We believe that certain non-GAAP measures are more reflective of our ongoing operating results and provide readers with a better understanding of management's perspective on our performance.

Additional information about our ROE and non-GAAP measures can be found under the "Key performance and non-GAAP measures" sections of our 2021 Annual Report.

Definitions can be found under the "Glossary" sections in our Q4/2021 Supplementary Financial Information and our 2021 Annual Report.