ROYAL BANK OF CANADA FIRST QUARTER RESULTS CONFERENCE CALL FRIDAY, FEBRUARY 24, 2017

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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 this Q1 presentation 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 Q1/2017 Report to Shareholders. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the Risk management and the Overview of other risks sections in our 2016 Annual Report and in the Risk management section of our Q1/2017 Report to Shareholders.

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DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning everyone and thanks for joining us today.

RBC had a record first quarter with earnings of $ 3 billion, up 24 percent from last year driven by strong results across our businesses.

These results reflect our continued focus on supporting our clients, a stable credit environment, and our ongoing cost discipline, which drove strong operating leverage across most of our segments.

Our CET1 ratio grew to 11 percent, which provides us flexibility to redeploy or return capital to our shareholders. I'm pleased to report that we announced a 4 cent increase to our dividend this morning, bringing our quarterly dividend to 87 cents per share.

We also continued to buy back shares in the quarter, and at the end of January, we announced a specific share repurchase program for the remaining 14 million common shares of our buyback program.

Overall, RBC had a great start to the year and I'd like to highlight some of our key strengths this quarter.

In Canadian Banking, client volumes grew 6 percent year over year, with particular strength in cards and commercial.

We also saw momentum in customer deposits, up 8 percent from the prior year, reflecting our focus on growing core chequing accounts, a key anchor product for us. Beyond deepening relationships with our customers, our large deposit base supports our funding position and provides leverage to higher rates in the future.

Our expense growth in Canadian Banking was well controlled, driving positive operating leverage of 2.9 percent[1] and an industry leading efficiency ratio, even as we continued to increase our investments in technology and innovation.

Credit quality across our portfolios also improved, benefiting from stable economic conditions in Canada and higher oil prices, which Mark will expand upon.

In Wealth Management, higher client activity, asset inflows and volumes drove earnings growth of over 40 percent from last year.

Global Asset Management extended its leadership in Canada, with sales accounting for over a third of the industry in the first quarter. This business was also recognized this past month as Morningstar's Steward of the Year. Stewardship and ensuring investor-friendly practices is at the center of everything that we do and is one of the reasons our clients trust RBC with their investments.

Clients in Canadian Wealth Management also trusted us with more of their business, resulting in strong net sales and revenue growth.

This past December, the Fed raised rates and consensus is for additional hikes in 2017. Our U.S. Wealth Management franchise, which includes City National, is well positioned to benefit from this trend. We continue to be very pleased with the performance of this business with earnings this quarter of $139 million or $171 million of cash earnings[2].

Our corporate and institutional clients were also more active in the first quarter, driving strong results in our Capital Markets segment.

Fixed income trading was up strong across all regions, and our investment banking business was also robust, partly driven by syndicated finance deals and higher M&A in the oil patch, in addition to credit recoveries in the portfolio.

Investor & Treasury Services posted an outstanding quarter. We saw higher earnings in our funding and liquidity business. Our asset services business also performed well as we attracted new clients on the back of our technology enhancements that we announced last year.

So looking ahead, we believe our diversified client and geographic model provides a solid foundation for future growth.

In an environment of accelerating innovation and geopolitical uncertainty, we are leveraging several advantages to help us succeed.

We are carefully managing our capital position to maintain strong capital levels, which provide us flexibility to adapt to regulatory changes while investing for long-term growth.

We are leveraging our scale and investments in technology to enhance the client experience as their banking preferences evolve, and to drive cost savings by making all of our processes simpler. Our strong employee engagement to advance innovation across our businesses is driving efficiency improvements and new solutions for clients.

[1] Excluding our share of a gain related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale) which was $212MM before- and after-tax. Results excluding this gain are non-GAAP measures. For more information, please refer to the Notes to Users on page 8.

[2] Cash earnings is a non-GAAP measure and may not be comparable to similar measures disclosed by other financial institutions. For more information, please refer to the Notes to Users on page 8.

We are also leveraging our data. As one of the largest aggregators of data in Canada, our advantage provides us with greater insight to benefit our customers and partners. Over the years, we have invested a great amount of time and money to leverage our information properly, transforming data to knowledge, and then into value.

We recognize that we are on a multi-year journey towards building a digitally-enabled relationship bank and we will continue to launch new initiatives through the journey.

In the next few weeks, you'll hear more about MyAdvisor. We're digitally connecting our clients with our advisors through a real-time online advice platform, supported by live video, personalized e-mails and phone.

You will also hear more about our relationship with Apple to introduce e-transfers using Siri and iMessage.

These types of initiatives reflect our commitment to making banking easier and integrating RBC into the everyday mobile experiences of our clients.

In Canadian Banking, almost 70 percent of service transactions were performed in self-service channels in the past quarter. We had almost 6 million active digital users in the first quarter, and activity through our digital channels represented an increasing portion of sales.

We're on an accelerated program in building value propositions and partnerships to benefit all of our customers, no matter how they want to interact with us.

So overall, I'm pleased with our first quarter results.

Going forward I'm confident that RBC's diversified business model, in combination with a leading culture of innovation, positions us well to continue to capitalize on opportunities created by the changing environment.

Before I turn the call over to Rod, I'd like to comment on a change in my group executives.

As you may have seen this morning, we announced that Jennifer Tory will assume the role of Chief Administrative Officer, where she will lead critical cross platform initiatives and key functions such as brand and marketing. Jennifer's 40-year career in financial services will serve her well in her new capacity for the bank. And while this is not Jennifer's last quarterly call, I would like to thank her for her very strong leadership of our retail banking franchise.

Neil McLaughlin will take on the role of Group Head, Personal and Commercial Banking group, effective May 1st. Neil has held a number of senior roles across Canadian banking for almost 20 years. And prior to leading Business Banking, he led roles in Canadian Consumer Lending, Credit Cards, Canadian Banking Operations, Marketing and Channel Management as well as Digital. I am confident his breadth of experience across retail banking and his proven leadership will position very well for success.

With that, I'll now turn the call over to Rod, who I'd like to welcome to his first quarterly call as CFO.

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thank you Dave and good morning everyone.

Starting on slide 5, our first quarter earnings of $3 billion were up 24 percent from last year.

This quarter, Moneris completed the sale of its U.S. operations which resulted in a before-and-after-tax gain for us of $212 million.

Excluding this gain, adjusted earnings were up 15 percent[3] from the prior year and reflect strong earnings in Wealth Management, Capital Markets and Investor & Treasury Services. We also had solid earnings growth in Personal & Commercial Banking.

Lower PCL also contributed to our strong performance as last year's results were impacted by low oil prices.

At the enterprise level, our effective tax rate was 21.5 percent or 22.7 percent[3], adjusting for the tax impact from the Moneris gain. For 2017, we expect our tax rate to remain within the 22 to 24 percent range, based on our anticipated earnings mix.

Compared to last quarter, earnings were up 19 percent, or 11 percent[3] excluding the gain, reflecting strong results across most of our businesses.

Turning to slide 6, our Common Equity Tier 1 ratio was strong at 11.0 percent, up 20 basis points from the last quarter. This was mainly driven by strong internal capital generation and lower pension obligations, partly offset by the impact of share repurchases.

As Dave mentioned, at the end of the quarter we announced a specific share repurchase program.

For part of this program, we have an obligation to repurchase common shares and that obligation required us to book an accrual in the first quarter, which reduced our CET1 ratio by approximately 20 basis points.

Now let me turn to the quarterly performance of our business segments, starting on slide 7.

Personal & Commercial Banking reported earnings of almost $1.6 billion, up 23 percent from last year.

Canadian Banking net income of $1.5 billion was up 26 percent from a year ago.

Excluding the gain[3], Canadian Banking earnings were $1.3 billion, up 8 percent from the prior year.

Results were driven by solid client volume growth of 6 percent, partially offset by lower spreads, and also benefited from higher fee-based revenue and lower PCL.

We had solid loan growth of 4 percent, reflecting strong business loan growth and higher retail volumes in both credit cards and residential mortgages.

Deposit growth was strong at 8 percent, driven by business deposit growth of 12 percent and personal deposit growth of 5 percent. We continue to have the #1 deposit franchise in Canada, with an industry leading market share of combined consumer and business deposits.

Operating leverage was over 9 percent, or 2.9 percent[3] adjusting for the gain. Our results reflect strong cost containment as we limited non-interest expense growth to 1 percent while continuing to invest in technology and business growth.

That said, in light of our ongoing efficiency initiatives we expect to improve on our efficiency ratio this year and are targeting operating leverage at the high end of the 1 to 2 percent range.

Compared to the prior quarter, Canadian Banking net income was up 24 percent, or 7 percent[3] after adjusting for the Moneris gain. Earnings were largely driven by solid volume growth, positive operating leverage and lower PCL.

[3] Excluding our share of a gain related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale) which was $212MM before- and after-tax. Results excluding this gain are non-GAAP measures. For more information, please refer to the Notes to Users on page 8.

These factors were partly offset by lower spreads, with net interest margin down 2 basis points.

In this low interest rate environment in Canada, we anticipate 1 to 2 basis points of net interest margin compression per quarter, although likely at the low end of that range given recent higher five-year rates.

Turning to Wealth Management on slide 8. Earnings of $430 million were up 42 percent from last year. Results reflect strong volume growth in U.S. Wealth Management.

Improved market conditions and higher client flows also helped drive growth in Canadian Wealth and Global Asset Management.

Moving on to Insurance on slide 9. Net income of $134 million was up 2 percent from a year ago. Results this quarter include favourable claims experience.

Compared to the prior quarter, earnings were down 41 percent. Last quarter's results benefited from actuarial adjustments as part of our annual review and higher earnings from U.K. annuity contracts.

In the current quarter, we had no new annuity contracts which is partly due to timing. This business can be lumpy, driving fluctuations in the segment's results quarter-to-quarter.

On slide 10, Investor & Treasury Services had very strong earnings of $214 million, up 50 percent from last year. Compared to the prior quarter, net income increased 23 percent.

Results mainly reflect higher funding and liquidity earnings as the business benefited from volatility in interest and foreign exchange rates. Our asset services businesses also continued to perform well.

Turning to Capital Markets on slide 11. Net income of $662 million was up 16 percent from last year reflecting increased client activity as well as improved markets. Lower PCL, driven by recoveries in our oil and gas book, also contributed to the increase.

Corporate and Investment Banking revenue increased 8 percent, mainly due to higher loan syndication activity largely in the U.S., an increase in debt origination deals in North America and higher equity origination in Canada.

Global Markets revenue was up 8 percent as compared to last year, primarily due to higher fixed income trading across all regions and increased debt origination activity in North America.

Compared to last quarter, Capital Markets earnings were up 37 percent driven by improved market conditions and strong fixed income trading results across all regions.

We are also pleased with our results in Europe. Revenue in Europe continued to improve this quarter, up 24 percent from a year ago and 36 percent sequentially driven by strong trading revenue across most products.

With that I will turn it over to Mark.

MARK HUGHES, CHIEF RISK OFFICER

Thank you Rod and good morning.

Turning to slide 13. Total provisions for credit losses of $294 million were down $64 million or 18 percent from last quarter. Our PCL ratio of 22 basis points decreased 5 basis points quarter over quarter.

Our strong credit performance this quarter largely reflects benefits from the continued recovery in the oil & gas sector, stable economic conditions in many of the regions we operate, and prudent risk management across our portfolios.

This quarter, our total PCL ratio would have been 25 basis points excluding the better than expected recoveries in the oil & gas sector.[4]

Let me discuss the performance of each segment on slide 14.

In Personal & Commercial Banking, provisions of $249 million decreased by $39 million from last quarter.

Canadian Banking provisions of $250 million, decreased by $26 million from last quarter, mainly in our personal and commercial lending portfolios.

Caribbean and U.S. Banking provisions were down $13 million from last quarter largely due to recoveries in our Caribbean portfolio.

Wealth Management provisions of $13 million decreased by $9 million from last quarter, largely reflecting lower provisions at City National due to lower charge-offs in the technology sector. Last quarter also included a provision in one International Wealth account.

Capital Markets provisions of $32 million decreased by $19 million from last quarter, largely reflecting recoveries in the oil & gas sector. This was partially offset by one provision on a commercial real estate account in the U.S.

Turning to slide 15. Gross impaired loans of $3.6 billion were down $344 million or 9 percent from last quarter. Our gross impaired loan ratio of 66 basis points was down 7 basis points from the prior quarter.

Personal & Commercial Banking gross impaired loans decreased by $114 million mainly related to repayments in our Caribbean portfolio and lower impairments in our Canadian personal and commercial portfolios.

Wealth Management gross impaired loans decreased $100 million due to a continued reduction in credit impaired loans acquired by City National. We also had a repayment in one International Wealth account.

In Capital Markets, we had higher than average repayments and recoveries in the oil & gas sector. New formations in Capital Markets were largely driven by two U.S. accounts, one in the real estate sector and one in business services.

Turning to slide 16, PCL across all our Canadian retail portfolios improved slightly from last quarter.

As a reminder, last quarter included an increase in PCL related to an annual update of loss-rate assumptions in our mortgage and personal lending portfolios.

Looking at our 90-day plus delinquencies, we did note a modest deterioration in our personal lending portfolios in Quebec driven by a change in the repayment terms of the Canada student loan program starting on November 1 and seasonally higher credit card delinquencies this quarter, but these are still below Q1 2016 levels.

Our 90-day plus mortgage delinquencies remained stable at low levels.

[4] PCL excluding recoveries in oil & gas sector is a non-GAAP measure and may not be comparable to similar measures disclosed by other financial institutions. For more information, please refer to Notes to Users on page 8.

While oil prices are stabilizing, we expect employment trends to lag the recovery in the oil & gas sector. However, the impact of elevated unemployment rates in oil-exposed regions continue to be offset by lower than average unemployment rates in our larger markets of Ontario and B.C.

We discuss the performance of our mortgage portfolio on slide 17.

Our clients' credit profiles remain strong. 46 percent of our uninsured mortgages have a FICO score greater than 800. Furthermore our total portfolio LTV ratio remains low at 54 percent.

Looking at the Greater Toronto and Vancouver areas, these two portfolios continue to be characterized by higher than average credit scores, as well as lower than average LTV ratios and delinquency rates.

Given accelerated house price appreciation in both of these markets, we continue to closely monitor this portfolio with extra due diligence for higher-value mortgages.

Overall, we remain comfortable with our residential mortgage portfolio given our clients' ability to repay and the strong underlying credit quality of this portfolio.

This quarter, I am extremely pleased with the strength and resiliency of our lending portfolios.

Looking ahead we would expect PCL to return to a more benign range of 25 to 30 basis points with the possibility of being at the lower end of the range depending on the level of recoveries.

It is however worth noting that oil prices remain well below 2014 levels and geopolitical risks are elevated which could also impact our provisions going forward.

Turning to market risk on slide 18.

Average VaR of $23 million decreased by a modest $2 million from last quarter due to higher interest rates and improved credit quality in our fixed income portfolios.

We had one day of trading losses this quarter largely driven by the unfavorable market conditions for U.S. municipal bonds and Canadian money markets following the U.S. presidential election.

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 our share of a gain related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale), our merchant card processing joint venture with the Bank of Montreal, to Vantiv Inc. (Vantiv), cash earnings and PCL excluding recoveries in oil & gas sector 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 Q1/2017 Report to Shareholders and our 2016 Annual Report.

Definitions can be found under the "Glossary" sections in our Q1/2017 Supplementary Financial Information and our 2016 Annual Report.