ROYAL BANK OF CANADA THIRD QUARTER RESULTS CONFERENCE CALL WEDNESDAY, AUGUST 25, 2021

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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 Economic, market and regulatory review and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2020 Annual Report, as updated by the Economic, market and regulatory review and outlook and Impact of COVID-19 pandemic sections of our Q3 2021 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 sections and Significant developments: COVID-19 section of our 2020 Annual Report and the Risk management and Impact of COVID-19 pandemic sections of our Q3 2021 Report to Shareholders.

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NADINE AHN, SVP OF WHOLESALE FINANCE & INVESTOR RELATIONS

Thank you, and good morning everyone.

Speaking today will be: Dave McKay, President and Chief Executive Officer; Rod Bolger, 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

Thanks, Nadine, and good morning, everyone.

Today, we reported earnings of $4.3 billion, driven in part by strong client activity as we continue to attract new clients and deepen existing relationships across our market-leading franchises. Our performance reflects disciplined execution of our strategy, strong expense control, volume growth, higher fee-based client assets, and record Investment Banking revenue. This was partly offset by the expected normalization in Global Markets revenue and continued pressures from low interest rates. We also saw improvements in our macroeconomic outlook and credit quality, resulting in a significant release of reserves, which Graeme will speak to later. Provision for credit losses (PCL) on impaired loans and new gross impaired loans (GIL) formations remain at cyclical lows as our well diversified portfolios continue to perform in these uncertain times underpinned by strong underwriting and well-defined risk appetite. Our CET1 ratio increased 80 basis points to 13.6 percent, net of $15 billion of risk-weighted assets (RWA) growth. This was to support client demand and business growth across our platforms. We leveraged our franchise and balance sheet strength to generate strong organic growth and an ROE[1] of 19.6 percent this quarter, or 19.2 percent year-to-date, well above our global peers. We continue to create long-term sustainable value for our shareholders in support of our 17 million clients – as underscored by our 12 percent year-over-year growth in book value per share. And even though regulatory restrictions remain, we paid $1.5 billion in common dividends to our shareholders, a majority of which are based in Canada.

I will now offer some perspective on the macro environment, which we view with cautious optimism in the near-term, but see growing in strength into 2022. We remain cognizant of the near-term challenges to global growth posed by new variants, an inconsistent global vaccine rollout, supply-chain disruption, rising geopolitical risks, and continued global travel restrictions. However, we are encouraged by the economy progressing as it reopens based on trends we are seeing in credit card spend on both goods and services, and business investments in term assets and working capital. While the momentum that is building could moderate in the near-term by rising virus cases – even with 75 percent of the eligible Canadian population being vaccinated – we believe the foundation of the economy remains solid, and will manage through the threat of the Delta variant. And, as I noted last quarter, we are well positioned to leverage the scale and embedded profitability in our core franchises to significantly grow earnings in a more favourable economic scenario, which would include rising interest rates, higher credit card revolve rates, and growth in business lending.

With or without a rate hike, our diversified business model and scale by geography, channel, product or service is poised to generate strong growth – particularly asset growth – through cycles and with a

[1] Return on equity (ROE) does not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. For more information, see page 10.

consistent risk appetite. Our success comes from our investments in significant client, data and geographic scale. This combined with our cross-sell ability, brand and people have produced premium growth in average earning assets, and market share gains in our core products.

In Canadian Banking, we added a market-leading $37 billion in mortgages year-over-year, including over $9 billion this quarter. And, we expect strong mortgage growth to continue, albeit at a lower rate than we have seen over an exceptional last 12 months. We are also seeing green shoots of growth in our higher-yielding Canadian credit card and commercial loan portfolios, both up quarter-over quarter. In the U.S., we are seeing particular strength at City National, where we have added 15 billion U.S. dollars in loans over the last 2 years, including over 5 billion U.S. dollars in mortgages. The recent launch of a new strategy supporting mid-Corporate-sized companies across the United States is also proving to be successful; already booking over 1 billion U.S. dollars in new commitments over the last few months. And on the other side of the balance sheet, our long-term strategy to grow our core deposit business and provide exceptional service and advice, continues to succeed. Over the last year, we added $43 billion personal and business deposits in Canadian Banking, and a further $14 billion U.S. dollars in deposits at City National.

Our North American wealth management businesses have also been generating strong growth in fee-based client assets, both sequentially and on a year-over-year basis. Canadian Banking assets under administration (AUA) were up over $63 billion or 22 percent year-over-year, partly benefiting from strong equity markets and an increased client preference for investments, which I will speak to shortly. Furthermore, Canadian Wealth Management AUA increased 23 percent or $95 billion from last year, crossing $500 billion in client assets for the first time. RBC Global Asset Management had $35 billion of total net sales over the last 12 months, increasing assets under management (AUM) 13 percent or over $67 billion year-over-year to record levels. And in U.S. Wealth Management, we added over $115 billion U.S. dollars of AUA, growing client assets 27 percent year-over-year, and surpassing $550 billion U.S. dollars for the first time.

We are continuing to invest in our people to capture a greater share of growth, adding managing directors in core investment banking verticals such as technology, healthcare and aerospace. We are also adding Ultra HNW private banking teams in City National on the East coast, along with an expanded presence in our core California markets. And in Canadian banking, our team has added 1,700 employees year-over-year to capture strong client activity in mortgages, commercial banking and investments.

Another differentiated element of our strategy is building ecosystems that go Beyond Banking to enable RBC to participate in a broader part of the client journey and value chain. One example is in an increasingly competitive Canadian commercial and small business segment. Several of these capabilities are “made-in-RBC” proprietary solutions. Ownr, an RBC Venture, has helped 45 thousand entrepreneurs launch their business online, including 20 thousand year-to-date. With RBC InsightEdge, our business clients can leverage aggregated data to gain relevant insights into their markets to enable them to attract more

customers. We continue to make investments in building a digital platform with enriched payments and cash management capabilities for our business clients. RBC PayEdge helps our clients save time and money with a secure solution for their accounts payables process. We also launched RBCx, a platform to help entrepreneurs scale up their ideas through access to partnerships, capital and advice in the tech, clean tech and life sciences verticals. And to further support the Canadian tech ecosystem, RBC recently announced the Calgary Innovation Hub while also signing on to become the anchor financial sponsor for Hub350, a new technology park near Ottawa. And both RBC PayPlan and Ampli allow us to increasingly partner with merchants across Canada to provide even more value to our retail and business clients.

We have expanded our slate of partners, who continue to be a differentiator for RBC, and with the recent addition of DoorDash and Finance-it, it will help helping attract new clients and creating more value for existing clients. I have spoken a lot this morning about our asset generating opportunities. Also core to our client strategies is a fundamental belief in reciprocity – which rewards clients for the depth and breadth of their relationships with us. Last quarter, we provided a number of metrics highlighting our multi-product relationships. The recent launch of RBC Vantage further incentivizes the consolidation of our strong client relationships. And Vantage adds a further retail banking value proposition to our existing investment capabilities such as MyAdvisor, Direct Investing and InvestEase. This expanded continuum of offerings allows us to support our clients with advice and solutions to help them make the best decision based on the prevailing macro backdrop. The continued low interest rate environment is making it increasingly attractive for our Canadian Banking clients to shift out of lower-yielding GICs and savings accounts, and putting their money to work into investment products, such as mutual funds. The related fee-based revenue along with higher client savings and card payments rates have been positive for credit quality and risk-adjusted revenue metrics, helping offset margin pressures. Even as we invest in our core client franchises to achieve premium asset growth, we remain committed to managing our costs as we have done in the past. This includes implementing a zero-based budgeting methodology, where we judiciously and consistently re-evaluate every cost and activity across the bank.

To sum up, our diversified business model, scale, financial discipline, risk management culture and robust capital position continues to provide the foundation for delivering differentiated client and shareholder value over the long-term. And we will continue to grow in an inclusive and sustainable way that enables our clients to thrive and our communities to prosper.

I'll now turn it over to Rod.

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone.

Starting on slide 8, we reported quarterly earnings per share of $2.97, up 35 percent from $2.20 per share a year ago. Pre-provision, pre-tax earnings[2] of $5.0 billion were up a solid 6 percent year-over-year with strong client-driven performance in Canadian Banking and Wealth Management (non-U.S.), along with record Investment Banking revenue, more than offsetting a moderation in Capital Markets trading revenue as client activity decreased across the industry. Excluding the impact of FX and lower interest rates, pre-provision, pre-tax earnings were up a strong 10 percent[3] from a year ago. These results yet again highlight the resilience of RBC's diversified business model.

Moving to slide 9. Our CET1 ratio of 13.6 percent was up 80 basis points sequentially, including the benefit from model parameter updates, net of the increase in SVaR multipliers guided to last quarter. This quarter saw a further $2 billion of net credit upgrades, lowering the cumulative net credit downgrades since the start of the pandemic to $8.5 billion. And strong internal capital generation, net of dividends, added nearly 50 basis points of capital. This was partly offset by strong client-driven business growth across our largest segments. Going forward, we expect RWA to continue to grow given the client-driven organic opportunities Dave highlighted earlier. I also wanted to give an update on our initial analysis of the impact of upcoming Basel changes. We expect the net impact of the reforms to be moderately favourable as the benefit from the implementation of guidelines in 2023 are partly offset by adverse market risk impacts under the fundamental review of the trading book coming into effect in 2024.

Moving on to slide 10. Net interest income was down year-over-year. Excluding trading revenue, net interest income was up 6 percent[4] from last year as strong client-driven volume growth in Canadian Banking and City National more than offset continued margin pressures. Canadian Banking net interest margin (NIM) decreased 4 basis points from last quarter largely due to competitive pricing pressures in mortgages, and changes in asset mix. City National NIM was down 10 basis points relative to last quarter, largely due to the dilutive impact of a lower loan-to-deposit ratio, with excess deposits being deployed into low-yielding, short-term securities. Although NIM was lower in each business, largely due to mix, more importantly, net interest income was up at least 5% year-over-year in each business. Going forward, we expect all bank net interest income to continue to increase year-over-year as strong volume growth more than offsets moderating margin pressures.

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[2] Pre-provision, pre-tax earnings is calculated as income before income taxes and PCL. This is a non-GAAP measure. For more information, see page 10.
[3] This is a non-GAAP measure. For more information, see page 10.
[4] This is a non-GAAP measure. For more information, see page 10.

Turning to slide 11. While we don't anticipate short-term rates to increase in the near-term, both Canadian Banking and City National are well-positioned to benefit when they do rise, partly because nearly half of the deposit base has near-zero rates. Looking forward, we expect a 25 basis point increase in short-term interest rates[5], with the long-end of the curve unchanged, would increase Canadian Banking net interest income by $90 million. And U.S. Wealth Management revenue would increase by another $80 million U.S. dollars in this scenario, including benefits from our sweep deposits.

Turning to slide 12. Higher non-interest income net of Insurance fair value change[6] was largely driven by strong growth in our higher-ROE[1] investment management and mutual fund revenue streams. This quarter also saw a shift in the revenue mix in Capital Markets. Strong loan syndication and M&A fees boosted underwriting, advisory and credit fees. This was offset by a decline in Global Markets revenue. Higher service charges and card service revenue reflected the benefits of higher client activity in Canadian Banking.

On slide 13. Non-interest expenses were well-controlled, up only 1 percent year-over-year largely due to higher variable compensation on stronger Wealth Management revenue, partly offset by lower compensation on reduced Capital Markets revenue and market-related movements in our U.S. Wealth Accumulation Plan. Excluding growth in variable and share-based compensation, and the impact of FX, expenses were up 1.5%[7] YoY, partly due to higher salary and benefit costs. Non-compensation costs declined largely due to lower facility and cleaning costs. This was partly offset by higher technology and equipment costs, as well as higher marketing and travel expenses from prior year lows. We are cognizant that some of these discretionary costs could start to increase as economies begin to open back up, and as we implement new client acquisition strategies. And as Dave noted, we will continue to execute on the zero-based budgeting program while continuing to invest in our people and technology to drive revenue growth.

Moving to our business segment performance beginning on slide 14. Personal & Commercial Banking reported earnings of over $2.1 billion, up 55 percent mainly on lower PCL. Canadian Banking pre-provision, pre-tax earnings were up a strong 13 percent[2] from last year. Canadian Banking revenue was up 8 percent year-over-year partly due to volume-driven growth in net interest income. Non-interest revenue was up largely due to higher mutual fund distribution fees underpinned by very strong AUA growth. Well-controlled Canadian Banking expenses, up 2 percent from last year, combined with strong revenue growth drove operating leverage of 6 percent this quarter, and 3 percent year-to-date. On average, we expect operating leverage to remain at or above the higher end of our annual 1-2 percent historical guidance over the next 4-to-5 quarters based on current economic projections.

[5] Represents the 12-month revenue exposure (before-tax) to an immediate and sustained shift in interest rates.
[6] Non-interest income net of Insurance fair value change of investments backing policyholder liabilities (Q3/21: $475MM; Q2/21: -$568MM; Q3/20: $997MM).This is a non-GAAP measure. For more information, see page 10.
[7] Non-interest expense YoY growth excluding the impact of FX and the growth in variable and share-based compensation is a non-GAAP measure. For more information, see page 10.

Turning to slide 15. Wealth Management reported record quarterly earnings of $738 million, up 31 percent from last year. Pre-provision, pre-tax earnings were up a strong 16 percent[2]. Robust client asset growth across our Wealth Management franchises was underpinned by both constructive markets and higher net sales. This in turn drove strong, double-digit growth in mutual fund and investment management revenue. In addition, strong volumes drove 9 percent year-over-year growth in City National net interest income in U.S. dollars, or up 5 percent[8] excluding the benefit from Paycheck Protection Program (PPP) loans which is expected to moderate in the fourth quarter. RBC GAM attracted net sales of over $10 billion in the quarter with institutional flows into money market mutual funds, adding to continued strength in Canadian long-term retail net sales, which added nearly $6 billion to AUM. As with recent quarters, the majority of retail flows went into Balanced and Equity mandates.

Turning to Insurance on slide 16. Net income of $234 million increased 8% from a year ago, primarily due to the impact of new longevity reinsurance contracts, lower claims costs and the favourable impact of actuarial adjustments. These factors were partially offset by the impact of realized investment gains a year ago.

Turning to slide 17. Investor & Treasury Services reported net income of $88 million, up 16 percent from an even more challenged quarter last year. Funding & Liquidity revenue increased from low levels last year. And lower interest rates continue to drive deposit margin compression, negatively impacting client deposit revenue.

Turning to slide 18. Capital Markets reported earnings of over $1 billion for a 3rd straight quarter, and pre-provision, pre-tax earnings of over $1 billion[2] for the 7th quarter in a row. Corporate & Investment Banking reported record Investment Banking revenue. Strong loan syndication and M&A advisory fees were driven by robust deal flow and higher industry fee pools. Recall, last year also included recoveries in loan underwriting marks following the thawing of leveraged loan markets. Global Markets revenue normalized from recent elevated levels, down 31 percent year-over-year due to lower client activity. FICC trading results were down 35 percent year-over-year as tightening credit spreads last year drove mark-to-market gains as well as robust activity in our spread business. Macro products were also down from last year, which benefitted from elevated market volatility. Lower spreads amidst elevated market liquidity and lower balances continue to impact our Repo & Secured Financing business. Equities results were down 20 percent from last year underpinned by lower levels of market volatility. Going forward, we see a solid pipeline of M&A advisory mandates. Equity issuance activity is also expected to remain solid, but lower than peaks experienced in the first half of the fiscal year. We anticipate debt origination and trading activity will continue to normalize from recent peaks, but remain above pre-pandemic levels.

[8] This is a non-GAAP measure. For more information, see page 10.

In summary, we continue to exhibit strong momentum across our core franchises and we are well positioned to accelerate our growth trajectory while remaining focused on expense management.

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

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Rod and good morning everyone.

Starting on slide 20, allowance for credit losses (ACL) on loans of $4.9 billion was down $658 million compared to last quarter. This includes a $638 million release of reserves on performing loans, primarily in Capital Markets, and the Canadian Banking cards and personal lending portfolios.

The release reflects improvements in both our macroeconomic outlook, as well as the credit quality of our portfolios during the quarter. We have now released about 40% of our pandemic-related reserve build, with ACL of 0.67% of loans and acceptances down from its peak of 0.89% in Q4 of last year. Our level of allowances remains well above pre-pandemic levels, given the ongoing uncertainties associated with the COVID-19 Delta variant, and the conclusion of the significant government support that has benefited both consumers and businesses.

Turning to slide 21, our Gross Impaired Loans of $2.6 billion were down $216 million or 5 bps during the quarter. Impaired loan balances decreased across all our major businesses, and new formations of $293 million were at 9-year lows this quarter. Muted new formations in Canadian Banking are due in part to ongoing government support programs as noted earlier, while in Capital Markets, clients continue to benefit from active debt and equity markets providing strong access to capital, and the improving macroeconomic environment.

Turning to slide 22, PCL on impaired loans of $146 million, or 8 bps, was down 3 bps from last quarter, and has trended lower in each of the last 5 quarters. In the Canadian Banking retail portfolio, PCL of $136 million was down $25 million from last quarter, with decreases across all products with the exception of our residential mortgage portfolio, where PCL was flat QoQ and remains at its lowest level in more than 5 years. In the Canadian Banking commercial portfolio, PCL of $25 million was down $9 million from last quarter. The credit quality of the commercial portfolio is strong, with sustained low delinquency rates, positive net credit migration, and reductions in our watchlist exposures. In Capital Markets, we had a net recovery for the second consecutive quarter. The net recovery of $16 million was due to PCL reversals in the Real Estate and Related, and Oil and Gas sectors, partially offset by a provision in the Transportation sector. Our strong performance on credit continues to be a reflection of the quality of our client base, the diversification of our portfolios and our prudent underwriting practices.

With government restrictions easing, and companies starting to return employees to premises, I'd like to provide an update on our Commercial Real Estate portfolio on slide 23. Our portfolio is well diversified by geography, business segment, and property type. As I noted in prior quarters, the retail segment of this portfolio has been most impacted by COVID-19 restrictions. Rent collection has been most challenged for enclosed malls, which have faced closures and reduced foot traffic, however our exposure to enclosed malls is limited, and the loans were well structured heading into the pandemic. As for the office segment of this portfolio, we have not seen material changes in rent collection or occupancy rates. However, the outlook for the office segment remains uncertain, as companies will need to balance remote work capabilities with physical distancing requirements and the need for more space per employee when in the office. The remaining segments of this portfolio, where a majority of our exposure sits, have not been materially impacted by COVID-19. We continue to monitor the portfolio and are carefully managing exposure to the retail and office segments.

To conclude, we are pleased with the positive trends in our credit portfolio that we are seeing as the economy recovers. We have seen pandemic-related government restrictions easing and significant progress on vaccine distribution, which has contributed to the strong credit performance this quarter. While pandemic-related uncertainty has declined, translating into a larger release of reserves on performing loans this quarter, uncertainty does remain elevated due to a rise in cases of the COVID-19 Delta variant. This could impact the timing and pace of the economic recovery. We do however remain adequately provisioned for an expected increase in delinquencies and impairments in 2022 that we believe will result in 2022 PCL on impaired loans trending above our long-term average. However, as I noted last quarter, we expect to be able to draw down on the remaining balance of our performing loans we built in 2020 such that our total PCL across all stages will remain below long-term averages. With that, operator, let's 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, including pre-provision, pre-tax earnings, non-interest expenses excluding variable and stock-based compensation and the impact of FX, results excluding the impact of foreign exchange and lower interest rates, net interest income excluding trading revenue, and CNB net interest income excluding the impact of PPP loans 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” sections of our Q3 2021 Report to Shareholders and our 2020 Annual Report.

Definitions can be found under the “Glossary” sections in our Q3/2021 Supplementary Financial Information and our 2020 Annual Report.