ROYAL BANK OF CANADA SECOND QUARTER RESULTS CONFERENCE CALL THURSDAY, MAY 24, 2018

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MATERIALS, HAVE BEEN FURNISHED FOR YOUR INFORMATION ONLY, ARE CURRENT ONLY AS OF THE DATE OF THE WEBCAST, AND MAY BE SUPERSEDED BY MORE CURRENT INFORMATION.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.

THESE SPEAKERS' NOTES ARE NOT A TRANSCRIPT OF THE WEBCAST AND MAY NOT BE IDENTICAL TO THE COMMENTS MADE DURING THE WEBCAST. YOU CAN REPLAY THE ENTIRE WEBCAST UP TO AUGUST 21, 2018, 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 May 24, 2018 analyst conference call (the speakers' notes), in 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. The forward-looking information contained in this document 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, strategic, reputation, legal and regulatory environment, competitive and systemic risks and other risks discussed in the risk sections of our 2017 Annual Report and the Risk management section of our Q2/2018 Report to Shareholders; including global uncertainty and volatility, elevated Canadian housing prices and household indebtedness, information technology and cyber risk, including the risk of cyber-attacks or other information security events at or impacting our service providers or other third parties with whom we interact, regulatory change, technological innovation and non-traditional competitors, global environmental policy and climate change, changes in consumer behavior, the end of quantitative easing, 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 environmental and social risk.

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 Strategic priorities and Outlook headings in our 2017 Annual Report, as updated by the Overview and outlook section of our Q2/2018 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 of our 2017 Annual Report and in the Risk management section of our Q2/2018 Report to Shareholders.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning everyone, and thanks for joining us today.

We had a strong second quarter with earnings of 3.1 billion dollars, up 9 percent from last year, and EPS was up 11 percent. Our franchise is driving growth, with a focus on maintaining low earnings volatility and a premium ROE, which reached 18.1 percent this quarter.

We saw good results across our businesses, as we benefitted from strong volume and sales growth, as well as higher interest rates. While uncertainty over NAFTA remains a concern on both sides of the border, clients and markets have continued to work through this uncertainty. We remain in close dialogue with governments and with our clients, and we continue to remain hopeful for both sides to reach an agreement.

We are transforming the bank, and our mission is to create more value for clients, and to leverage our size and scale in everything we do. We are investing broadly for future growth – including in technology and the best talent. This quarter, we grew our leadership in fundamental and applied machine learning by opening another Borealis A.I. research lab – this time in Vancouver. The lab concentrates on computer vision, a sub-field of machine learning, focused on training computers to see and understand the visual world. We also launched the RBC Developers portal, which allows eligible external software developers, industry innovators and clients to access select RBC API's, or *Application Programming Interface*s. This initiative will increase connectivity with developers, and create new tools and experiences for clients. These are just two of many projects in flight, as we transform RBC into a *Digitally-Enabled Relationship Bank*.

As we innovate and make banking easier for customers, we know that our clients' privacy is of utmost importance, and will continue to dedicate significant resources towards data protection and cybersecurity.

Turning to the second quarter: Canadian Banking continued to benefit from a strong Canadian economy and healthy employment, which helped drive strong volume growth and low PCL. Notwithstanding monetary tightening and regulatory changes that affected some homeowners, we continued to see solid mortgage volume growth this quarter. We also saw momentum continue in business lending as a result of our focus on growing commercial client base.

Our RBC Rewards Program, combined with our partnerships with WestJet and PetroCanada, has created significant value for our clients, and led to strong purchase volume growth in Credit Cards. We've been investing in our people to better serve our clients. And I'm proud that RBC was awarded "*Highest in Customer Satisfaction Among the Big Five Retail Banks" by JD Power for the 3rd year in a row*. This speaks volumes about our employees, and I'd like to thank them, for putting the client at the centre of everything we do.

This quarter, two of RBC's digital initiatives also won *Model Bank Awards* from Celent. *NOMI Insights* and *NOMI Find & Save* won in the *Personal Financial Experience* category, and RBC's digital employee activation strategy won in the *Employee Productivity* category.

Turning to Wealth Management, we had another quarter of double digit earnings growth, with very strong operating leverage. In Canadian Wealth Management, we added client facing advisors and grew net sales. RBC DS received the highest overall rating by investment advisors amongst all full-service brokerages in Canada in the *2018 Brokerage Report Card by Investment Executive*.

In Global Asset Management we continue to lead AUM growth, and 84 percent of GAM's Canadian retail assets are beating their benchmarks on a 3-year basis. I'm pleased that this quarter GAM launched the only Canadian investment fund which focuses exclusively on board diversity in Canada. We also saw strong results in our U.S. Wealth Management business, even as we made investments for future growth by adding new bankers and expanding into new markets. Our U.S. Wealth franchise continues to grow its client base – currently at over 480,000 clients. This has contributed to consistent loan growth of 13-15 percent at City

National over the past two-and-a-half years, well above the industry average as we continue to see strong margin expansion.

Our Insurance business also continues to grow. This quarter, our term life business gained 7.5 percent market share, and we continue to be the market leader in Individual Disability Insurance with 38 percent share of the market.

Our Investor & Treasury Services business is seeing the benefits of our technology investments made over the last three years, with increasing client growth driving revenue. This quarter, we saw notable client wins and renewals in key markets such as Luxembourg and Australia, which have driven higher revenue across a broad range of product offerings. We are committed to continued investment in our global platforms.

Our Capital Markets performance was stable from last year. We saw strong corporate lending in Canada and in Europe, and continued momentum in European Investment Banking. However, the North American fee pool was down in the quarter, and we saw lower equities and FICC trading revenue in a more challenging trading environment. We've made notable market gains in Power and Utilities, Real Estate, and High Yield in the U.S. and M&A in Europe. And we continued to build our franchises in those geographies, by adding investment bankers across sectors and products, which we expect will drive origination activity. This quarter, RBC acted as Joint Lead Arranger and Joint Bookrunner on the 38 billion dollar debt financing in support of T-Mobile's merger with Sprint, which is expected to close in the first half of 2019. This represents one of the largest U.S. wireless transactions and one of the largest M&A transactions globally.

In conclusion, I'm very pleased with our second quarter results, which resulted from execution of our strategy and strong economic fundamentals. Looking forward, we expect strong earnings growth to continue into the second half of the year, and we are tracking well to meet our financial objectives for the full year. I'm also excited that we will share more details about our digital transformation and how we're creating more value for clients -- at our upcoming Investor Day on June 13th.

And now I will turn it over to Rod to discuss our second quarter financial results.

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thanks Dave and good morning everyone.

Starting on slide 6, we had strong second quarter earnings of 3.1 billion dollars. Earnings were up 9 percent from last year, and EPS of 2.06 per share was up 11 percent reflecting the benefit of share buybacks. We had strong revenue growth in our retail bank and wealth management franchises, as well as in Investor & Treasury Services. However, market-related revenues were down in some businesses due to less favourable market conditions.

Our expense growth was contained to 3 percent from a year ago, even as we continued to invest heavily in talent and technology including digital initiatives to support client business growth.

Our credit quality was stable as the current economic environment and outlook remained favourable. Last quarter we recorded a 178 million dollar write-down due to the U.S. Tax Reform, and we are still on track to earn that back by the end of the year. Given our business mix outlook, we are expecting our total effective tax rate to be at the low end of a 21 to 23 percent range.

Turning to slide 7, our CET1 ratio of 10.9 percent remains comfortably within our target range of 10.5 to 11 percent. Our strong internal capital generation in the quarter was offset by higher RWA reflecting good growth in client relationship business across our segments. We also had an update to our retail lending risk parameters, which was partly offset by the reversal of the Basel I floor adjustment. Consistent with our expectations, the new Basel II floor did not have an impact this quarter, and we do not expect it to impact our capital ratio in the foreseeable future.

Moving onto our business segments on Slide 8. Personal and Commercial Banking reported earnings of almost 1.5 billion dollars. And Canadian Banking net income of 1.4 billion dollars was up 8 percent year-over-year. This was driven by a 9 percent increase in revenue from solid volume growth across most products, including card purchase volumes, and higher spreads from interest rate hikes.

Business lending in particular, was strong, up 12.8 percent from last year as we continued to gain market share. Following the implementation of the B-20 guidelines, we saw solid volume growth of 6 percent in mortgages amid a backdrop of lower average home prices in Toronto. Mortgage growth stayed relatively stable quarter-over-quarter. However, we did see a modest decline in HELOC balances as clients migrated variable rate balances into fixed-rate mortgages in a rising rate environment.

We continue to expect mortgage growth in the mid-single digit range for the full year. Even if mortgage growth slows more than expected, the overall NIM benefit from rate hikes more than offsets the revenue impact from slower growth. For example, if mortgage balances grow at half of our expected rate, the impact on 2019 revenue would be less than the benefit we receive from one Bank of Canada rate hike.

Net interest margins increased 12 basis points year-over-year and 6 basis points quarter-over-quarter largely benefitting from higher interest rates. And, we expect NIM will increase a further 2 to 4 basis points by the end of the year given the current rate outlook.

We continued to make investments in talent and technology to support business growth and digital investments, putting our expense growth at 8 percent year-over-year. This led to positive operating leverage of 0.7 percent, just shy of our annual 1 to 2 percent target range. On a year-to-date basis, operating leverage was 2.1 percent after excluding last quarter's gain related to the Interac reorganization, and last year's gain related to Moneris[1]. For the second half of 2018, we expect our operating leverage to be in the 2 – 3 percent range.

Turning to slide 9, Wealth Management reported earnings of 537 million dollars, with double digit earnings growth of 25 percent year-over-year. This was the second highest quarter on record, in spite of choppy market conditions.

Revenue in Global Asset Management and Canadian Wealth Management increased 6 and 7 percent respectively, primarily reflecting higher fee-based assets on solid net sales and capital appreciation. In U.S. Wealth Management, including City National, revenue was up 9 percent year-over-year in U.S. dollars due to strong 15 percent loan growth at City National, benefits from higher U.S. interest rates and higher fee-based assets. As a reminder, when comparing quarter-over-quarter results, last quarter included a one-time 23 million dollar favourable accounting adjustment for City National.

Moving on to Insurance on slide 10. Net income of 172 million dollars was up 4 percent from last year largely due to favourable investment-related experience. Quarter-over-quarter figures were positively impacted by favourable investment related experience and lower disability claims.

On slide 11, Investor & Treasury Services had double digit earnings growth of 10 percent year-over-year to 212 million dollars. This was driven by higher revenue in our asset services business including custody, improving margins from recent rate hikes, and growth in client deposits.

In Capital Markets on slide 12, we had stable Net Income year-over-year, and this was our third highest quarter on record despite less favourable market conditions. We benefitted from a lower tax rate due to the

[1] For the three months ended January 31, 2017, our results included our share of a gain of 212MM (before-and after-tax) related to the sale of the U.S. operations of Moneris Solutions Corporation (Moneris gain on sale). For the three months ended January 31, 2018, our results included a gain of 27MM after tax (31MM pre-tax) related to the reorganization of Interac. Results excluding these gains are non-GAAP measures. For further information, refer to Note to Users on page 9.

U.S. Tax Reform, and lower loan loss provisions. We also saw higher municipal banking activity, a record quarter for European Investment Banking revenue and increased lending business largely in Canada and Europe. This quarter, RBC Capital Markets advised Melrose on its acquisition of GKN PLC in Europe, and also underwrote the associated debt financing. This transaction represents RBC's largest ever Industrials advisory role in Europe, and demonstrates our full service offering across all products to support clients on their highest profile transactions.

Despite these wins our results were lower in Global Markets and Corporate and Investment Banking, mainly in the U.S., partly due to comparables from strong prior periods. Global fee pools were down which led to lower equity and debt origination and loan syndication in North America, as well as lower M&A in the U.S. as some deals were pushed to the third quarter.

Looking ahead, we have a very robust deal pipeline. We have some deals converting in future quarters as reflected in our strong RWA growth, and expect our lending relationships to generate more ancillary fees. Although fixed income trading revenue was down, we did see increased fixed income trading in Canada due to higher client activity in our Commodities business.

In Conclusion, we are pleased with our results this quarter as we continued to invest in future growth and create value for our clients. With that, I'll now turn the call over to Graeme.

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Rod and good morning. Happy to be here.

Overall, the credit quality of our portfolio is strong, as we continue to operate in a benign credit environment. The macro economic environment in Canada and the U.S. remains favourable with low unemployment and solid GDP growth.

Starting on slide 14, Total PCL of 274 million dollars was down 60 million dollars from last quarter. This includes PCL on impaired loans of 298 million dollars, down 27 million dollars from last quarter mainly due to lower provisions in Capital Markets. Our Total PCL ratio on loans was 20 basis points, down 4 basis points from last quarter, while PCL on impaired loans was 22 basis points, down 1 basis point from the prior quarter.

Let me provide some additional colour on our businesses. In Canadian Banking, PCL on loans decreased by 11 million dollars from last quarter. This reflects a decrease in PCL on impaired loans of 7 million dollars, mainly due to lower provisions in our Commercial and Personal Lending portfolios, which was partially offset by an increase in Credit Cards, and a decrease in provisions for performing loans, mainly in our Personal Banking portfolios.

In Caribbean and U.S. Banking, PCL on loans increased 5 million dollars from last quarter, mainly due to higher provisions on impaired loans on a few accounts that were unrelated to the hurricanes last year. This was partially offset by lower provisions on performing loans in the Bahamas and Trinidad & Tobago.

In Wealth Management, PCL on loans decreased 18 million dollars from last quarter, primarily reflecting lower provisions on performing loans in City National due to repayments and maturities, which was partially offset by volume growth.

In Capital Markets, PCL on loans decreased 34 million dollars from last quarter, primarily driven by lower provisions on impaired loans across multiple sectors.

Turning to slide 15. Gross Impaired Loans of 2.7 billion dollars were up 128 million dollars, or 5 percent from last quarter. Our gross impaired loan ratio of 47 basis points was up 2 basis points from last quarter. The most sizeable increase in gross impaired loans was in Capital Markets and was due to additional impairments on a few oil and gas loans.

On slide 16 we have more detail on our Canadian Banking portfolio. Overall delinquencies remained relatively stable across our retail portfolios. PCL was largely stable across all Canadian retail products, with the exception of Cards which was seasonally higher. The credit quality of our Canadian residential mortgages continues to be strong with provisions at 1 basis point. We remain comfortable in our client's ability to service their mortgage in this rising rate environment given our strong underwriting and credit monitoring practices.

Overall, we are pleased with the performance of our lending portfolios. While we expect to see some volatility quarter to quarter, we continue to expect our PCL ratio to be at our 25 to 30 basis points range for the balance of 2018.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Well thanks everyone for their questions. I think the themes that you've heard over the last hour are consistent that we're feeling good about our growth, we're feeling good about the pipeline of growth and continuing that momentum. We have seen good margin improvement, and we're expecting to see better margin improvement over the year. You're going to see a little bit better cost control and better operating leverage out of the bank going forward. And with the constructive economies that we're working in, in our primary markets of Canada, the U.S. and Europe, we still are forecasting, as you saw from our 25 to 30 range, a fairly benign credit environment. So we're feeling good about the operating environment and will continue to perform. So thank you, and we'll see you again in Q3.

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 results excluding our share of the Moneris gain on sale and results excluding the Interac gain 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 Q2/2018 Report to Shareholders and our 2017 Annual Report.

Definitions can be found under the “Glossary” sections in our Q2/2018 Supplementary Financial Information and our 2017 Annual Report.