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DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning everyone, and thanks for joining us.

We delivered a solid second quarter. We earned of \$3.2 billion, up 6 percent from last year, and EPS was up 7 percent. We achieved continued growth in our core businesses where we have been investing to create more value for our clients and our shareholders. As we grow our client franchises, we are focused on maintaining premium ROE. Our ROE of 17.5 percent¹ this quarter continues to exceed our medium-term objective. We ended the quarter with a robust CET 1 ratio of 11.8 percent. This provides flexibility to fund organic growth opportunities and to return capital to our shareholders.

Our results were supported by strong underlying economic fundamentals in our core markets. Though GDP softened the last couple of quarters, the Canadian economy remains resilient and the unemployment rate is hovering near four-decade lows. Regulatory changes have helped some of Canada's major housing markets stabilize, particularly in Ontario and to the east. Western Canadian markets remain under downward pressure – overall making housing more affordable. In the U.S., we saw strong GDP growth and record low

¹ Return on Equity (ROE). This measure 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 Note to Users on page 10.

unemployment levels. Trade tariffs are expected to temper GDP growth. However, the underlying fundamentals of consumer spending and business investment remain favorable. Against this backdrop, we delivered solid volume growth and continue to increase our market share with the investments we've made across multiple business lines.

In the first half of the year, we continued to invest – especially in client facing talent and technology. In the latter half of the year, we expect to slow expense growth to drive better operating leverage. While there continues to be market and economic uncertainty, I remain confident in the diversity of our business mix and our focused growth strategy.

This quarter we saw PCL on a few accounts in our commercial book. While elevated from historical lows last year, we do not see this as a systemic trend. Our investments, and our commitment to helping clients thrive and communities prosper have helped RBC maintain the number one brand in Canada. This year we were the only Canadian company recognized in the top 100 Global Brands, an accomplishment we are very proud of.

Now turning to our business segments: in Canadian Banking, we saw increased market share and strong volume growth across a number of businesses. Higher revenue was driven by the strong execution of our growth strategy and the benefit of investments we have made across our multi-channel distribution network, including our client facing sales force and mobile banking platform. Business Banking saw strong deposit growth and client acquisition as a result of our highly engaged sales force. Commercial growth remained strong and diversified across sectors including commercial mortgages. Card volumes were also strong. And we were pleased to be recognized for our cards and rewards platform with Best Loyalty/Rewards Strategy at the Retail Banker International's Global Awards. Our mortgage business also performed well, generating solid growth of 5 percent year over year in what continues to be a very competitive environment. We continue to innovate and create more value for our clients through a number of new digital offerings, including personalized AI-powered budgeting insights through NOMI.

Turning to Wealth Management, we had strong earnings growth as the markets gained momentum and flows increased. We built on our leading position in Canadian Wealth Management attracting new investment advisors, and leveraged our technology and investment performance to strengthen relationships and grow our clients. Once again, RBC Dominion Securities was named the number one brokerage firm in Canada in the 2019 Investment Executive Brokerage Report Card. We continue to see strong AUM growth in Global Asset Management and industry leading performance. 82 percent of our funds beat their benchmark on a 3-year basis². This quarter we expanded our alternative asset offerings by launching the RBC Canadian Core Real Estate Fund through an innovative partnership with BCI. Our U.S. Wealth Management franchise

² As at March 2019, gross of fees.

continues to perform well as we execute on our growth strategy in the U.S. Both U.S. Wealth AUA and AUM were up double-digits as our U.S. Private Client Group continued to see great advisor recruitment. City National had yet another quarter of double-digit loan growth. Our results reflect the success of our organic expansion strategy, driven in part by attracting top talent from across multiple industries and geographies.

While our Insurance results were down year-over-year we still expect to see earnings growth for the full year. We continue to introduce innovative approaches to drive better outcomes for the increasing number of disability clients who are also facing mental illness. Through our exclusive ONWARD by Best Doctors program, we are better assisting clients by expediting their recovery through virtual access to health care experts. We are also exploring expansion of our virtual care programs to provide to more people who may be facing mental health challenges while still actively at work.

Our Investor & Treasury Services business faced revenue headwinds in light of secular trends in the asset services industry. Our cost structure continues to improve through our investments in technology initiatives – which are streamlining processes and creating efficiencies.

Our Capital Markets business delivered record earnings this quarter. Our FICC and equities businesses generated strong revenue in both primary and secondary trading as we saw markets recover from challenging conditions last quarter. While our Corporate Banking and Investment Banking revenues were relatively flat this quarter we saw strong market share gains despite lower industry wide fee pools. This highlights both the strength and resiliency of our franchise, as well as strong relationships with our clients through the cycle.

In April, we issued our first Green Bond to fund a portfolio of new and existing businesses and projects that promote sustainability and the transition to a low carbon economy. This transaction follows a series of environmental milestones at RBC, including our commitment to provide \$100 billion in sustainable financing by 2025.

In Conclusion, our results over the first half of the fiscal year are a testament to the strength of our diversified business and our disciplined strategy to grow our client franchises and deliver long term value to shareholders. I would also like to comment on the floods in Eastern Canada. The difficult situation in Eastern Canada is impacting many families and communities. RBC remains committed to helping those affected by the floods and we have launched the financial relief program to assist our clients and are proud to support the Red Cross - First Responders and volunteers to support local relief efforts.

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

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone.

Starting on slide 5, we had strong second quarter earnings of \$3.2 billion – the second highest on record. Earnings were up 6 percent from last year and diluted EPS of \$2.20 was up 7 percent. Before I discuss segment level performance, I want to start with some perspective on key enterprise-wide performance drivers. I will start with cost management. Pre-provision, pre-tax earnings were up 7 percent year-over-year³, even after absorbing an elevated expense growth of 8 percent as we continue to invest to create more value for our clients. A third of this expense growth was driven by higher variable compensation on improved results. And another third was related to investments to drive business growth in the form of additional sales force, distribution, transformational technology, and marketing spend. While we remain confident in our client-focused growth strategy highlighted at our Investor Day last year, we are always mindful of risks to the macro economic environment.

We will continue to manage our costs based on the revenue outlook, and expect expense growth to slow to the low-single digits in the second half of the year. We believe our scale and discipline positions us well to pull levers, and prioritize discretionary projects, if necessary. However, we will always balance any tactical cost measures with our commitment to creating long-term value for our clients and shareholders.

Next, on taxes. Our Effective Tax Rate of 19 percent was down from last year. Given our outlook for business mix, we expect our total effective tax rate to be in the 20 to 22 percent range over the second half of the year. And given our continued double-digit earnings growth in the U.S., we would expect our structural tax rate to increase modestly over the next year or so given the relatively higher tax rate in the U.S. compared to other lower tax-rate jurisdictions.

I will talk about capital next on slide 6. Our strong earnings allowed us to generate over 30 bps of internally generated capital⁴, while also distributing \$1.5 billion in common dividends to our shareholders this quarter. Credit Risk RWA was up only 1 percent from last quarter, as client driven growth in Canadian Banking and City National were offset by run-offs in underwriting transactions. Market Risk was down over \$3 billion quarter over quarter, largely due to lower fixed income inventory in Capital Markets and I&TS. Going forward, we expect the effect of IFRS16 and revisions to the securitization framework to impact our CET1 ratio in Q1 of 2020. And given our premium ROE, we expect to absorb this impact with less than one quarter of retained earnings. As Dave noted, we remain well-positioned to fund organic growth opportunities and to return capital to our shareholders.

³ Pre-provision, pre-tax earnings is revenue net of PBCAE and non-interest expenses. This is a non-GAAP measure. For more information see Note to Users on page 10.

⁴ Internal capital generation of \$1.7 billion which represents net income available to shareholders, less common and preferred shares dividends

Moving on to our business segment performance on slide 7. Personal & Commercial Banking reported earnings of over \$1.5 billion. Canadian Banking net income of over \$1.4 billion was up 2 percent from a year ago, as 7 percent⁵ pre-provision earnings growth was partially offset by higher PCL on select Commercial accounts. Strong volume growth was the largest contributor to the year-over-year increase in net interest income, driving over two thirds of the growth, out-pacing the benefit from higher interest rates. Our strong, growing deposit base, as well as solid loan growth, should continue to be the main driver of higher net interest income going forward. Deposit growth was strong, up 9 percent across both business and personal accounts. Put another way, we added over \$30 billion of deposits over the last 12 months. Given market volatility and higher interest rates, we saw double-digit growth in term-GICs as our retail clients shifted into higher-yielding savings products. We also saw solid middle to single digit growth in non-interest bearing personal deposit accounts as Canadians continue to choose RBC as their primary bank. Net interest margin was up 6 bps from last year, and 1 bp from last quarter, largely driven by higher deposit spreads. Given the outlook for interest rates, we expect NIM to remain relatively flat over the next several quarters. Operating leverage in Canadian Banking was 1.7 percent this quarter as we continued to invest in client-facing staff, technology and marketing to drive sustained business and client growth. Going forward, we expect operating leverage to be in the 2-3 percent range, subject to volatility between quarters, as we slow the rate of expense growth.

Turning to slide 8, Wealth Management earnings of \$585 million were up 9 percent from last year. Revenue, AUA and AUM were up double-digits year-over-year as North American equity and bond markets rebounded from challenging market conditions in Q1. While the majority of industry players are reporting net redemptions, RBC Global Asset Management generated mutual fund net sales of \$6 billion with over \$2.5 billion from individual investors. The majority of our retail flows were in long-term fixed income and balanced solutions as we continue to support clients through uncertain times. Our industry leading net sales resulted in our all-in Canadian Retail market share increase to 15.5 percent⁶, up 40 bps from a year ago.

Adding to our strong growth, our non-U.S. Wealth Management efficiency ratio improved 80 bps year over year. In U.S. Wealth Management, earnings were up 8 percent year-over-year in U.S. dollars as strong growth in our U.S. Private Client Group more than offset higher PCL at City National. City National continued to generate strong growth in net interest income, up 14 percent year over year. In U.S. dollars, City National pre-provision, pre-tax earnings were up 10% year over year⁵. With deposit competition remaining intense, we utilized select wholesale funding this quarter to meet increasing client demand, resulting in margin compression quarter over quarter. We remain confident that our wide range of deposit initiatives will enable us to support strong, prudent loan growth at City National. Furthermore, recoveries on legacy loans that we

⁵ Pre-provision, pre-tax earnings is the difference between revenue and non-interest expenses. This is a non-GAAP measure. For more information see Note to Users on page 10.

⁶ Investment Funds Institute of Canada (IFIC) as at March 2019 and RBC reporting. Comprised of long-term funds and money market funds.

guided to last quarter were delayed and should now provide a boost to margins in Q3. We maintain our guidance from last quarter, and expect City National NIM to be range-bound from year-to-date levels assuming no rate cuts for the rest of the year.

Moving on to Insurance on slide 9, net income of \$154 million was lower as last year benefited from more favourable investment-related experience driven by new investment strategies. This quarter also had higher disability and life retrocession claims costs. Going forward, we expect some quarterly volatility from the timing of longevity reinsurance sales. Over the last three years, approximately 60 percent of RBC's Insurance earnings have been earned in the second half of the year given annual actuarial updates generally take place in Q4. And we also expect to keep expenses well controlled.

We highlight Investor & Treasury Services results on slide 10. Earnings of \$151 million were down from strong results in the first half of 2018. Funding & Liquidity revenue was down largely due to the impact of lower mark-to-market gains from lower short-term interest rates. In addition, the prior year also benefited from higher realized gains from the disposition of certain securities. Lower client activity, as seen across the industry, negatively impacted our Asset Services business, particularly in our global foreign exchange market execution services. We kept expenses fairly flat to last year and going forward, we expect expense growth to remain modest in this segment.

Turning to Capital Markets on slide 11. The segment generated record net income of \$776 million, up 17 percent from last year, benefiting from both strong revenue growth and a lower effective tax rate. Global Markets revenue was up 13 percent year-over-year largely driven by strong fixed income trading revenue. Credit trading was higher with improved client activity reflecting more favourable market conditions, including the narrowing of credit spreads. Our equities trading businesses also performed well, largely from momentum in equity derivatives and deeper client engagement. Corporate and Investment Banking revenue remained flat despite lower global fee pools. Constructive market conditions, including narrowing credit spreads, benefited both debt and equity origination. Looking forward, while we closed on some headline deals this quarter, our pipeline remains strong in the upcoming quarters.

Overall, we are pleased with our performance against our financial objectives. We continue to execute on the strategy that we outlined at last year's Investor Day, namely delivering more value to our clients while driving premium growth in a prudent manner. And with that, I will turn it over to Graeme.

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Rod and good morning everyone.

Starting on slide 13, our Total PCL on Loans was \$441 million this quarter, equivalent to 29 bps⁷, which was comprised of \$435 million in provisions on impaired loans as well as \$6 million in provisions on performing loans. PCL on impaired loans⁸ increased by \$12 million from last quarter, mainly due to higher provisions in Commercial Banking which were partly offset by lower provisions in Capital Markets. However, PCL on performing loans decreased by \$87 million from last quarter. Here, provisions necessary to support volume growth were more than offset by the impact of more favourable macroeconomic variables, such as equity markets, oil prices and as well as interest and unemployment rates, relative to Q1.

I would now like to provide some colour on three businesses starting with Canadian Banking. PCL on impaired loans of \$363 million, increased 7 bps from last quarter largely due to losses associated with two borrowers in our commercial lending portfolio – one in the public works and infrastructure sector and the other in the information technology sector. In Wealth Management, PCL on impaired loans increased by \$6 million from last quarter, mainly due to higher provisions on a couple of accounts at City National. In Capital Markets, PCL on impaired loans decreased by \$54 million, as we had a large provision on one account in the utilities sector in Q1.

Turning to slide 14. Gross impaired loans increased to \$3.0 billion, up 3 bps from last quarter, largely due to new formations, which were partially offset by a number of impaired loan sales. Most notably this quarter, we saw an elevated level of new formations in the oil & gas sector, mainly in the U.S. While headline oil prices have strengthened in recent months, there are still critical headwinds impacting a number of our clients. These include i) weakened financial situations persisting from the 2015 downturn and ii) continued low natural gas prices. The impaired loans in this sector continue to be well structured with our seniority and collateral providing us good protection against loan losses. So despite the elevated level of impairments, we believe we are adequately provisioned. Additionally, we do not expect new oil & gas formations to persist at this level going forward. Aside from oil & gas, new impairments and loan losses in our wholesale portfolios have been relatively limited in number and widely dispersed across geographies and sectors.

Turning to slide 16, our Canadian retail portfolios were generally stable both in terms of provisions and new formations this quarter, with the exception of our Cards portfolio where seasonal factors led to higher provisions in the quarter. Overall, the performance of our retail portfolios is as expected and we anticipate performance will remain so for the remainder of the year.

⁷ PCL ratio on loans is calculated using PCL on loans as a percentage of average net loans and acceptances.

⁸ PCL on impaired loans ratio under IFRS 9 is calculated using PCL on Stage 3 loans and acceptances as a percentage of average net loans and acceptances.

In closing, we continue to be well disciplined in our loan underwriting process and are comfortable with the credit profile of our portfolios. While we have seen elevated levels of impairments and provisions in our wholesale portfolios relative to the exceptionally low levels experienced in 2018, we do not see that as indicative of a material credit trend. As we look to the remainder of the year, we expect our Total PCL ratio, including both impaired and performing loans, to continue to be in the 25 to 30 bps range based on the current macroeconomic environment, but we do expect to see some quarter over quarter variability in our provisions.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Before I conclude, I would like to welcome Nadine Ahn who is our new Head of Investor Relations. Nadine brings a wealth of experience gained over 20 years at RBC, including in her current role as our CFO of Capital Markets and I&TS. Prior to this, Nadine held a number of positions of increasing responsibility in our Corporate Treasury group. Nadine's capacity for building trusted relations is coupled with strong business and financial acumen which will serve her well in her new role, so welcome Nadine to your first call, so welcome Nadine to your first call. At the same time, I would like to sincerely thank Dave Mun who you all know well, has moved onto another role, continuing on his 20-year journey at the Bank. We all have greatly valued Dave's insights over the years and his leadership was critical to both the success of our 2018 Investor Day and for RBC being recognized as having the best Investor Relations team in the Canadian financial sector for 2 years in running. So congratulations to Dave and he's going to do great work for us in another role.

And just summing up, I think you heard a story today and the results around great customer momentum and flow across all our businesses and market share gains. Our investments have really produced growth and stable to growing margins in most cases. We have great activity and success in our capital markets business and our trading business. So I think that is one of the headline stories. Our NIE was elevated to drive some of that growth, that positioned us well for the future, and I thank you for a number of questions and comments that we are going to bring that down quite significantly, as we have achieved a number of our objectives going forward and our run rates become a little easier. And you have seen a few credit spikes, we don't think it's systemic, but as part of the diversification of our book – we have got a globally diversified book, a customer diversified book and diversified across businesses – and you're going to see credit here and there that's going to go the wrong way. So overall we are feeling good about the business. Thank you for your questions and look forward to talking to you next quarter.

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 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 Q2/2019 Report to Shareholders and our 2018 Annual Report.

Definitions can be found under the “Glossary” sections in our Q2/2019 Supplementary Financial Information and our 2018 Annual Report.