ROYAL BANK OF CANADA FOURTH QUARTER RESULTS CONFERENCE CALL WEDNESDAY, DECEMBER 2, 2020

DISCLAIMER

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in these speakers' notes from the December 2, 2020 analyst conference call (the speakers' notes), in other filings with Canadian regulators or the SEC, in other 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, assumptions made in our IFRS 9 calculations, our CET1 ratio, risk-weighted assets (RWA) and the potential continued impacts of the coronavirus (COVID-19) pandemic on our business operations, financial results and financial condition and on the global economy and financial market conditions, including statements about our actions in support of our clients. The forward-looking information contained in this presentation is presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, insurance, operational, regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and fines), strategic, reputation, legal and regulatory environment, competitive and systemic risks and other risks discussed in the risk sections and Significant developments: COVID-19 section of our annual report for the fiscal year ended October 31, 2020 (the 2020 Annual Report); including business and economic conditions, information technology and cyber risks, Canadian housing and household indebtedness, geopolitical uncertainty, privacy, data and third party related risks, regulatory changes, environmental and social risk (including climate change), and digital disruption and innovation, culture and conduct, the business and economic conditions in the geographic regions in which we operate, the effects of changes in government fiscal, monetary and other policies, tax risk and transparency, environmental and social risk, and the emergence of widespread health emergencies or public health crises such as pandemics and epidemics, including the COVID-19 pandemic and its impact on the global economy and financial market conditions and our business operations, and financial results, condition and objectives.

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 presentation 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. 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.

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

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. Then we'll open the call for questions. Also, joining us today are Neil McLaughlin, Group Head, Personal and 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

Good morning, and thanks for joining us. I will start with some context on our strong fourth quarter and then provide my thoughts on the macro backdrop, and how we are positioned heading in to 2021.

Today, we reported fourth quarter earnings of $3.2 billion, driven by continued strength in our leading Canadian Banking, Capital Markets and Wealth Management businesses. Despite the significant impact from near-zero interest rates and a challenging operating environment brought on by the COVID-19 pandemic, earnings per share (EPS) were up 2 percent year-over-year. We benefited from strength in trading and underwriting revenue in Capital Markets, strong fee-based revenue growth in our Wealth Management businesses, and double-digit volume growth in both Canadian Banking and City National. Our results this quarter also benefited from our continued focus on risk management and cost control.

Now a few thoughts on the macro environment heading into 2021.The economy has rebounded well to date, but given the emergence of the second wave of COVID-19 in core markets, we expect economic growth to slip over the next couple of quarters, and project Canadian economic growth to end 2020 down over 5 percent. However, we project GDP growth to rebound 4-to-5 percent in 2021.The pace of economic recovery still remains contingent on the uncertain trajectory of the pandemic. While we have received positive news on the development of a series of vaccines, much uncertainty remains on the timing and execution of the roll out of a vaccination program. As a result, we will need to continue to focus on bridging and mitigating the impact of the pandemic on our citizens. We applaud the significant support Government programs have provided to our clients to date, and are pleased to see key programs extended. Measures to curb the spread of the disease must put the health and safety of people first and foremost, but also remain flexible and dynamic to manage the damage done to the economy, and particularly to small businesses. For RBC's part, we will continue to work with our clients to support them through this difficult time. Since the start of the pandemic, we've provided significant support to our clients, including deferrals on more than $90 billion of loans. While the majority of clients have returned to making payments on their loans, some will experience further difficulties with the effects of the second wave. Graeme will speak to this later. Therefore, while long-term interest rates have started to move higher, we are operating with a belief that low short-term interest rates will persist for an extended period. Low interest rates, combined with elevated levels of monetary and fiscal stimulus, provide both a buffer for individuals and businesses to manage the uncertain year ahead. It also provides a catalyst for growth once the health risks have been minimized.

Throughout the uncertainty and volatility of the past year, the strength and liquidity of our balance sheet have remained a constant. We ended the year with a record CET1 ratio of 12.5 percent[1], with Common Equity Tier 1 up nearly $6 billion over the past year. This provides a $19 billion buffer against the current regulatory minimum of 9 percent. In addition, we increased our allowance for credit loss to over $6 billion, up nearly $3

[1] For further details on the CET1 ratio, refer to the Capital Management section of our 2020 Annual Report.

billion from last year. This represents over 4.5 times coverage of our last 12 month write-offs, and nearly 90 basis points coverage of loans & acceptances. Our strong balance sheet gives us flexibility to not only manage the uncertainty ahead, but it also allows us to continue supporting our clients, spur growth in the economy, and drive shareholder returns. This year, we paid over $6 billion in dividends to our common shareholders, up slightly from 2019. Despite the significant increases in capital levels, we delivered a premium ROE[2] of 16 percent for the fourth quarter, and continued to create value for our shareholders; growing tangible book value per share by 5 percent in a stressed year.

Heading into 2021, we are maintaining our 3 and 5 year medium-term objectives. However, we recognize that meeting these targets in the near-term will be challenged by the ongoing impacts of COVID-19, the prolonged low-interest rate environment and capital deployment restrictions. One path to higher ROE[2] and EPS growth will be through our continued emphasis on prudent cost control. Our past investments in digital capabilities, data, and cyber and risk management systems have underpinned our ability to support our clients and manage the last 9 months with operational resilience. While we will continue to invest in our core businesses and strategies, we remain committed to running our bank more efficiently with an emphasis on containing expenses and driving productivity.

I now wanted to speak to the full-year performance of our businesses. All our core businesses reported strong client volumes, driven by our investments in technology, our advice-led sales force capability, award-winning client experience, and simpler, easier-to-use products matched with resilient customer needs. Canadian Banking reported net income of over $5 billion for the year underpinned by strong volume growth. We have added over 60 basis points of market share in core chequing accounts over the last two years alone. We view this as a core relationship-product, and our goal remains to add more clients by expanding our digital capabilities and reach, and leveraging our scale to add more relationship-value. Our Canadian Banking and Wealth Management teams continue to partner to provide a continuum of offerings to our retail and wealth clients, covering the full spectrum of client segments and needs – from our InvestEase robo-advisor and Direct Investing brokerage platforms, up to full-service discretionary wealth management. We have seen a significant expansion of client relationships through this closer collaboration with over 65 percent of Canadian Wealth Management clients now having a Canadian Banking product, and with further cross-sell initiatives in progress. We are proud of the success we have had in our advisory role with clients. MyAdvisor, where clients can meet virtually with digital financial specialists, surpassed 2 million clients onboarded with a personalized plan since its launch in 2017.

Turning to the mortgage business, we recorded very strong residential mortgage growth of 11 percent year-over-year. The Canadian housing market has been exceptionally strong as work-from-home arrangements have driven an increased desire for more space, including in suburban areas and smaller markets. A limited

[2] 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, refer to page 13.

supply of detached homes and pent-up demand have also contributed to housing activity. We continue to gain market share through our 1,750 strong mortgage specialists driving more new originations and an overall focus on client loyalty, where we're seeing retention rates at nearly 92 percent. While low interest rates will continue to support buyers, we expect mortgage growth to slow going forward as pent-up housing demand begins to cool. In credit cards, our partnerships and engaged membership base drove nearly $120 billion of purchase volumes this year despite the reduction in travel.

With RBC Ventures, we continue to advance our strategy to differentiate the bank by creating value beyond banking. Ownr, for example, which provides digital incorporation services has now supported 13 thousand new business starts in 2020. Of those we incorporated, we have been able to convert 57 percent to RBC Business Banking. In addition, Ownr recently acquired Founded, adding both scale and new product offerings, including higher margin subscription services to our existing book.

Turning to Wealth Management, where we generated over $2.1 billion of earnings in 2020. In these volatile times, we are seeing an increased demand for our holistic wealth management and active asset management solutions. RBC Global Asset Management retail funds captured over 40 percent[3] of Canadian net sales this year, consistently outpacing industry trends, and added to our leading 16 percent[3] market share in Canadian retail AUM. The strong performance in net sales was driven by our expanded advice and planning capabilities, along with very strong investment performance in our funds with 70 percent of AUM outperforming the benchmark on a 3-year basis[4]. More broadly, the RBC iShare Alliance continues to be a strong partnership, capturing a significant 20 percent[5] of year-to-date industry flows as of September. In our Canadian Wealth Management advisory business, we continued to hire experienced investment advisors, while also seeing very limited attrition rates. Our industry-leading recruiting efforts have added nearly $15 billion in AUA over the last two years. And our over 1,850 investment advisors drive revenue per advisor that is nearly 30 percent[6] higher than the Canadian average. We saw yet another strong year of organic franchise growth in our U.S. Wealth Management and City National franchises. We have brought in over $60 billion of AUA since 2018 through hiring experienced financial advisors in our U.S. Private Client Group. We continue to organically scale up the platform, which is the 7th[7] largest wealth advisory firm in the U.S. by advisor count. We also continued to see strong volume growth at City National, with loans up 25 percent, and deposits up 31 percent from last year with broad-based growth across all business lines. City National grew its client relationships by nearly 14 percent over the last two years, and we will drive targeted efforts to deepen these relationships. We also continue to add private bankers to accelerate our strategy to provide complete financial solutions to High Net Worth (HNW) and Ultra High Net Worth (UHNW) clients.

[3] Investment Funds Institute of Canada (IFIC) as at September 2020 and RBC reporting. Comprised of long-term funds and money market funds.
[4] As at September 2020, gross of fees.
[5] Strategic Insight (formerly Investor Economics).
[6] Strategic Insight (formerly Investor Economics), July 2020.
[7] Source: U.S. wealth advisory firms quarterly earnings releases (10-Q).

Turning to our Insurance segment, which generated net income of $831 million in 2020. This segment continues to generate high-ROE[2] earnings, and provides a good source of diversification against credit and interest rate risk. Our diverse Insurance client base is building relationships with our other Canadian Retail franchises, and have added over 800 thousand clients since 2018.

Capital Markets had an exceptional year, generating near record earnings of $2.8 billion and a strong ROE[2] of 11.7 percent while absorbing total PCL of $1.2 billion. The strong results speak to a diversified business and geographic mix, balance sheet optimization, and a well-managed risk profile, which together results in lower than average earnings volatility relative to global peers. Our Global Markets businesses reported very strong results this year as they benefited from robust client activity and successfully navigated a volatile market environment. Looking ahead, we expect trading activity to moderate in the year ahead. Client engagement was exceptionally strong on our fixed income and equity desks. And to provide further value to clients, RBC Capital Markets launched Aiden, an AI-based electronic trading platform, which has already traded over 2.5 billion shares and $65 billion of notional volumes over the last 12 months. We also supported our Corporate & Investment Banking clients' financing needs through the various stages of the pandemic. As liquidity concerns moderated, our clients continued to take advantage of low interest rates and constructive equity markets to raise capital, thereby boosting our underwriting revenue. Looking into 2021, we do not see this elevated pace of underwriting activity continuing. Although M&A activity was on pause through most of 2020, we have led some significant transactions. For example, recently, RBC Capital Markets acted as financial advisor to Cenovus as part of their $24 billion merger of equals with Husky. In the very active technology sector, RBC acted as active joint bookrunner on Nuvei's IPO, and as the exclusive financial advisor to Lightspeed on its acquisition of ShopKeep. Looking ahead, we're more engaged with our well-capitalized clients on strategic advisory mandates and are seeing the M&A pipeline start to build again. Also, we are deepening client relationships in the U.S., and will also look to strengthen senior coverage teams in key sectors.

In conclusion, our performance in 2020 speaks to the scale, strength and resilience of our diversified business model and the significant investments we have made in technology and our people over a number of years. Despite the significant impact of COVID-19, we seamlessly mobilized to support our clients, strengthened our balance sheet, invested in our core franchises, supported communities, and paid dividends to our shareholders. We enter 2021 with strong momentum, strength, stability and operational resilience to support our clients and continue creating value for them. And to our shareholders, we are grateful for your support and we remain focused on executing our strategy to deliver long-term value. I also want to take this opportunity to thank our more than 86,000 colleagues across the bank for their relentless dedication in supporting our clients, communities and each other in such an extraordinary year.

I'll now turn it over to Rod.

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone. Hope you all are keeping well. Starting on slide 10, we reported quarterly earnings of $3.2 billion. Earnings per share of $2.23 was up 2 percent from a year ago. Pre-provision, pre-tax earnings of $4.6 billion[8] were up 4 percent from last year despite absorbing the impact of lower interest rates, which I will speak to shortly. Before I turn to segment results, I will spend some time on four key topics – expenses, capital, net interest margins, and non-interest income.

Starting with expenses, which were down 4 percent year-over-year, or down 2 percent[9] when excluding the impact of severance and related costs within Investor & Treasury Services last year. This quarter highlighted our continued commitment to prudent cost management, with the vast majority of expenses either relatively flat or down from last year. Variable compensation in the quarter was down significantly from last year, largely in Capital Markets. We also continued to benefit from further reductions in marketing and travel costs, which were down approximately $80 million from a year ago and more than offset incremental COVID-related costs. Offsetting cost savings on discretionary items was an increase in technology and related costs as we continued our investment in digital solutions to enhance our clients' experience. As Dave mentioned, we will balance investments in key growth areas while also being laser-focused on costs, including balancing project prioritization. We also have a number of cost containment programs already in place across our businesses. Looking ahead to 2021, we expect expense growth to remain well-controlled in line with our pre-pandemic commitment to slowing expense growth.

Moving to slide 11, our CET1 ratio increased 50 basis points quarter-over-quarter to a strong 12.5 percent. Our capital build was yet again underpinned by strong capital generation, which added 31 basis points to our CET1 ratio this quarter. I will now discuss RWA movements on slide 12. Negative risk migration was partly offset by continued pay downs of corporate credit facilities to levels closer to those before the onset of the pandemic. Last quarter, we guided to credit migration in our Commercial portfolios over the coming quarters, and we saw that expected trend crystallize this quarter. 70 percent of the lending-related net credit downgrades this quarter was driven by migration in Canadian Commercial lending – largely related to vulnerable sectors. We have reviewed a large majority of our Canadian commercial portfolios, and absent a material adverse event, we don't expect further significant migration going forward. As a reminder, next quarter will include a reduction in OSFI's transitional capital modifications, which is expected to impact our CET1 ratio by an increase of approximately 10 basis points.

Now moving on to slide 13. Net interest income declined 2 percent year-over-year, as strong volume growth was more than offset by the impact of lower interest rates. All bank NIM increased 3 basis points from last quarter, benefiting from slightly lower, albeit still elevated, enterprise-wide liquidity. At a segment level,

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[8] Pre-provision, pre-tax earnings is revenue net of policyholder benefits, claims and acquisition expense (PBCAE) and non-interest expenses. This is a non-GAAP measure. For more information, refer to page 13.
[9] Expenses net of severance and related costs ($113MM before-tax) in Q4/19 is a non-GAAP measure. For more information, refer to Page 13.

Canadian Banking NIM declined 2 basis points quarter-over-quarter, as the impact of lower interest rates and asset mix more than offset the benefit from strong personal and business deposit growth. City National NIM was down 7 basis points relative to last quarter. Given the more asset sensitive nature of the balance sheet, lower interest rates continued to negatively impact loan and investment yields. This was partially offset by lower funding costs.

Looking forward, we expect NIM to continue to decline modestly in both Canadian Banking and City National. However, we would expect positive net interest income growth year-over-year in both segments by Q3 of next year, as we expect the impact of lower interest rates to be more than offset by strong volume growth.

We also expect to see elevated liquidity levels continue to decline to more normal levels through balance sheet optimization and as the Bank of Canada programs begin to roll off over the coming quarters.

Turning to slide 14. Non-interest income was down 3 percent year-over-year, or up 3 percent[10] net of Insurance fair value change and the prior year gain on the sale of BlueBay's private debt business. Our results this year show the benefits of a diversified business model with our non-interest income representing over 50 percent[11] of total revenue, providing an offset to the impact of lower interest rates. The strong performance of market-related revenue also highlights the countercyclical nature of some of our non-interest revenue streams. Strong Capital Markets and Wealth Management non-interest income offset lower fee-based revenue in Canadian Banking, which was affected by the impact of COVID-19.

Moving to our business segment performance beginning on slide 15. Personal & Commercial Banking reported earnings of over $1.5 billion. Canadian Banking quarterly net income was $1.5 billion, down 5 percent from last year, as the impact of lower interest rates and card service revenue more than offset lower provisions for credit loss and strong volume growth. Core chequing account growth was up over 20 percent from last year. In addition, personal GIC balances were up mid-single digits. We are also seeing strong growth in our Direct Investing balances. And Business deposit growth was up a robust 25 percent. This strength extended to mortgages with double-digit growth driving total loan growth of 5 percent year-over-year. Commercial Banking loan growth declined to 2 percent year-over-year. However, with commercial utilization rates remaining below levels noted in March, there is potential upside with sustained economic growth. The sequential decline in card service revenue was largely related to $35 million of one-off items, with underlying spending volumes also lower from last year. However, did see an uptick in credit card balances as the economy slowly opened in the summer.

[10] Non-interest income net of BlueBay gain ($151MM of revenue; $142MM before-tax gain on the sale of the private debt business of BlueBay in Q4/19) is a non-GAAP measure. For more information, refer to Page 13.
[11] Revenue net of insurance fair value change of investments backing policyholder liabilities (2020: $277MM) is a non-GAAP measure. For more information, refer to Page 13.

Turning to slide 16. Wealth Management reported quarterly earnings of $546 million, down 25 percent from last year. Excluding the impact of the BlueBay gain last year, net income was down 8 percent[12] year-over-year largely due to the impact of interest rates and higher expenses, primarily in our U.S. Wealth Management business. Canadian Wealth Management benefited from higher average fee-based client assets. This was partially offset by the impact of lower interest rates. Global Asset Management revenue decreased 15 percent year-over-year. But excluding prior year's BlueBay gain, revenue was up 8 percent[12]. AUM increased by over $50 billion year-over-year with over two-thirds coming from total net sales, and the rest from constructive markets. Net sales were broad-based, with the two-thirds of long-term sales driven by International institutional mandates. Very strong volume growth at City National was more than offset by lower interest rates. Retail loan balances increased 15 percent year-over-year in U.S. dollars, underpinned by our focus on jumbo mortgages. Commercial loan growth was up 26 percent or up 13 percent[13] excluding the impact of Paycheck Protection Program (PPP) loans. We also saw solid growth in our U.S. Private Client Group, with AUA up $27 billion in U.S. dollars from last year, benefiting from both higher market returns and net sales.

Turning to slide 17, we discuss Insurance results. Net income of $254 million this quarter decreased 10 percent from a year ago, primarily due to unfavourable annual actuarial assumption updates, mainly related to mortality experience.

Turning to slide 18. Investor & Treasury Services net income of $91 million in the fourth quarter increased $46 million from a year ago, as the prior year included severance and related costs associated with the repositioning of the business. Excluding this, earnings were down 29 percent[14] year-over-year. And given revenue headwinds in this challenging environment, we will continue to assess and act on strategic cost management initiatives in this business.

Turning to slide 19. Capital Markets reported record fourth quarter earnings of $840 million. This was the 4th quarter in a row with revenue over $2 billion and pre-provision, pre-tax earnings in excess of $1 billion[8], reflecting the continued strength of our premium capital markets franchise. Corporate & Investment Banking reported yet another quarter with revenue of over $1 billion, up 16 percent year-over-year as we continued to deepen client relationships and support financing needs. Our clients continued to pay down previously drawn credit facilities to more normalized levels, and instead took advantage of lower financing costs to access debt capital markets, which contributed to strong debt origination fees. Our equity underwriting business also benefited from the shift in financing trends as equity markets also remained constructive. While the M&A pipeline is recovering and our advisory revenue remains muted, we gained market share in what is an area

[12] Results excluding the impact of the sale of the private debt business of BlueBay ($142MM before-tax; $134MM after-tax; $151MM of revenue) in Q4 2019 is a non-GAAP measure. For more information, refer to page 13.
[13] This is a non-GAAP measure. For more information, refer to Page 13.
[14] Excludes $83MM after-tax ($113MM before-tax) in Q4/19 in severance and related costs associated with repositioning of the business. For more information, refer to Page 13.

of focus. Global Markets had yet another strong quarter with revenue up 22 percent from last year to $1.3 billion, wrapping up a strong year where the business generated revenue of over $6 billion. Equities trading remained strong, benefiting from elevated volatility and strong client flow in equity derivatives. We continued to see strong credit trading, benefiting from narrowing credit spreads and secondary trading activity. Rates trading continues to be robust. Higher fees in commodities were offset by a decline in FX trading.

Turning to slide 20. A final thought on our 3 and 5 year medium term objectives. We met three out of four of our stated financial objectives while falling short on EPS growth, given significantly lower interest rates and the record level of PCL recorded under IFRS 9. Despite current headwinds, we remain committed to our medium-term objectives. However, we are suspending our 2021 targets highlighted at our 2018 Investor Day. The current macroeconomic forecasts around the forward interest rate curve and GDP growth on a cumulative basis are materially lower than where they were in June, 2018.

But, as Dave and I mentioned earlier, we remain committed to improving productivity, attracting new clients through our differentiated products & services, and increasing our market share consistently over time.

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

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Rod and good morning everyone.

Starting on slide 22. Gross impaired loans of $3.2 billion or 47 bps were down $662 million or 10 bps from last quarter, mainly due to fewer impairments across all business segments, with Capital Markets accounting for nearly two thirds of the decrease.

Turning to slide 23, PCL on impaired loans of $251 million or 15 bps was down $147 million or 8 bps from last quarter, due to lower provisions across all business segments. In Canadian Banking, PCL on impaired loans of $169 million, was down $95 million or 9 bps from last quarter, as the impact of payment deferrals and government support programs kept delinquencies and impairments muted. In Capital Markets, PCL on impaired loans of $68 million, was relatively flat to last quarter. In Wealth Management, we had no net PCL on impaired loans this quarter, as the provisions required for new impairments were offset by recoveries on previously impaired loans.

Turning to slide 24. We maintained our allowance for credit losses at a strong $6.1 billion or 0.89 percent of loans and acceptances, consistent with the prior quarter. This resulted in PCL on performing loans of $147 million this quarter, which is down by $133 million from last quarter, mainly in our Canadian Banking retail portfolios and in Capital Markets. While this quarter there were favourable changes to our forecasts for house prices as well as to near-term Canadian and U.S. GDP growth, equities and U.S. bond yields, we elected to increase the weights to our downside scenarios by 10 percent given the resurgence of containment measures due to the rise in COVID-19 cases in many of the regions where we operate.

Let me now comment on our Canadian Banking relief programs[15] starting on slide 25. At the end of October, nearly 90 percent of retail deferrals offered as part of our Client Relief Program have expired. Only 2 percent of those deferrals have become delinquent, of which a third were delinquent[16] prior to the deferral being put in place. This has resulted in a slight uptick in early stage delinquencies from the Q3 lows. Of the remaining $6.3 billion in active deferrals, which represents less than 2 percent of our Canadian Banking retail portfolio, over 75 percent are expected to roll off by December, with the balance mostly rolling off by March 2021. Nearly all of the active deferrals are from our residential mortgage portfolio which includes Home Equity Line of Credit (HELOCs). Of these active deferrals less than 2 percent of the balances are uninsured with a current LTV greater than 80 percent. The majority of those balances are in Alberta, which has seen a decline in home prices over the last few years. While we do anticipate retail delinquencies to rise over the coming quarters as all deferrals roll off, at present delinquencies remain lower than our normal run rate.

Turning to slide 26, nearly 90 percent of Commercial and Small business deferrals[15] have also expired. Nearly all of our clients who had a payment due after the expiration of the deferral period have returned to performing, in line with the general credit performance of those portfolios. For clients who took deferrals and have a Business Deposit Account with us, deposit balances at the end of October averaged over 14x their monthly debt service obligations, up from an average of 11x last year. The increase in debt service coverage is due to rising average deposit balances, and declining utilization for borrowers who have taken deferrals. 35 percent of active deferrals and 41 percent of the expired deferral population operate in a vulnerable sector. Through our client outreach program, we have proactively contacted almost all of our retail and commercial clients who requested a deferral to see how we can best support them. And while the majority of clients have indicated that they don't require further assistance, we are working with those who do, to help them navigate these challenging times.

Turning to slide 27, certain sectors have been negatively impacted by containment measures put in effect to curb the spread of COVID-19, while others have benefited. This exposure represents 5 percent of our total loans and acceptances outstanding, down from 6 percent last quarter, as utilization trends continue to decline. Let me discuss the sectors that represent the majority of our vulnerable exposures, starting with commercial real estate on slide 28. Nearly 30 percent of our vulnerable exposure is to retail-related commercial real estate, which continues to be impacted by business closures and physical distancing measures, making rent collections more challenging. Only a small portion of this exposure is to smaller independent retailers and non-investment grade enclosed malls, which have seen rent collections trend

[15] Deferral statistics do not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions.
[16] May include loans past due as a result of administrative processes, such as mortgage loans where payments have been restricted pending payout due to sale or refinancing.

down again, as COVID-19 restrictions have returned in certain regions. Most of this exposure has a high debt service coverage ratio and low LTV. Nearly 30 percent of our vulnerable exposure is in the consumer discretionary sector. Retailers with limited to no online presence, hotels that continue to see low occupancy rates, and recreational companies that have been forced to temporarily shut down to meet COVID-19 restrictions continue to be the most impacted segments of this sector. However, a large portion of this exposure is secured. Casual dining restaurants with no drive thru or takeout options have also been impacted, but the majority of our restaurant exposure is in the quick-service segment. 20 percent of our vulnerable exposure is in the oil & gas sector, which continues to be impacted by low commodity prices, due in part by the reduction in demand from COVID-19, limited access to capital and a weaker market for asset sales. A large majority of exploration and production exposure benefits from a borrowing base loan structure. Thus far, fall borrowing base redeterminations have been relatively benign, supported by higher commodity prices compared to the spring. Most of our remaining vulnerable exposure is in portions of our transportation and other services sectors. While each sector is unique, we believe that the support programs in place will continue to help mitigate potential loan losses.

Overall, the macroeconomic environment has proven more supportive than originally forecast at the onset of the pandemic, due in part to the extent of government support programs which resulted in better than anticipated credit performance this year. More recently though, the emergence of a second wave of the pandemic has led to the reintroduction of restrictions which will negatively impact the economic recovery.

We believe the economic impact of this second wave will be less severe than the first wave, given the narrower and more targeted restrictions that have been introduced, a better understanding of the virus which has led to stronger consumer and business sentiment, and continuing government support. However, there is considerable uncertainty around the speed of the economic recovery and the availability of a vaccine, as well as renewed pressure on vulnerable sectors due to the newly imposed restrictions. These are all factors which resulted in us putting greater weight on our downside scenarios, as I noted earlier. For context, our primary pessimistic scenario has the Canadian unemployment rate at above 9 percent until March 2023, and house prices declining by 8 percent and remaining depressed until late-2023. If such a scenario were to play out, we could see our ACL on performing loans increase by approximately 18 percent. As we look forward into 2021, we expect to see an increase in delinquencies and impairments over the coming quarters, particularly in our vulnerable sectors, but we believe that we are adequately reserved at this time.

To conclude, we are satisfied with the resiliency of our high-quality diversified portfolio, which has benefited from our strong risk-aware culture and disciplined approach to underwriting, which remains focused on effective lending structures and solid risk return profiles. And, as we have done since the onset of the pandemic, we will work with our clients to help them continue to navigate through these uncharted times.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Okay. I think we have answered all the questions in the queue. I just want to thank everybody for attending today. And maybe just to summarize, what we would like you to take away from the Q&A, our speeches and the themes today: Number one, significant client momentum across all our businesses. Look at the market share gains in the Retail Bank, really strong Capital Markets (Trading and Investment Banking performance) and outstanding flows in the Wealth franchise (AUM and AUA growth). And when you look at that client momentum, as we exit into a more normalized year that will continue to grow. So we feel very good. At the same time, you look at almost record low Stage 3 losses, we are growing our franchise. We are growing our balance sheet. We are managing risk exceptionally well. It positions us very well in a normalized world to continue to put our balance sheet to work. So I would say you should take comfort in our Risk Management capability and the quality of our client franchise. We are growing this franchise at a premium level. We are delivering a premium ROE[2]. We are managing our risk in a premium fashion. We have got a premium CET1 ratio. It gives us enormous strategic flexibility to accelerate out of this. And I feel very good. In addition to technology investments, you heard Rod talk about our focus on cost control and keeping low-single digits. Those are all levers with momentum that create shareholder value at a premium ROE[2]. So I think we feel very good. I think that's the story that we wanted to tell today, and thank you for your questions. Have a great holiday season, and we'll certainly talk to you in the New Year.

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, expenses excluding prior year severance and related costs, results excluding Insurance fair value change, results excluding the prior year gain on the sale of the private debt business of BlueBay, and results 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 2020 Annual Report.

Definitions can be found under the “Glossary” sections in our Q4/2020 Supplementary Financial Information and our 2020 Annual Report.