ROYAL BANK OF CANADA
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From time to time, we make written or oral forward-looking statements within the meaning of certain
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statements in these speakers’ notes from the February 24, 2021 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, our CET1 ratio, our
Canadian housing activity and projections relating to real gross domestic product in Canada and the United
States, respectively, Canadian Banking net interest margin, City National net interest margin, provisions for
credit losses on impaired loans, 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 government support programs, and our actions
in support of our clients. The forward-looking information contained in these speakers' notes 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”,
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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,
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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 Q1 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 Q1 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.
Good morning, and thanks for joining us today. We hope you and your loved ones are keeping safe and well.

Today, we reported very strong earnings of $3.8 billion, with Earnings Per Share (EPS) up 11 percent year-over-year. Our results are a testament to our diversified business model and revenue streams. We benefited from higher fee-based revenue in our Capital Markets and Wealth Management businesses, and strong client-driven volume growth in both Canadian Banking and City National. Expenses remained well-controlled and top of mind even as we increasingly saw heightened activity levels across the bank. We also saw a small release of reserves this quarter, which Graeme will speak to later. These factors partly offset the impact of the 150 basis points of rate cuts in March of last year, which negatively impacted our earnings by approximately $400 million. Strong volume growth, elevated client activity and our diversified business model allowed us to earn through this significant headwind. Our strategy is also delivering results in the U.S., where we are capitalizing on our investments across Capital Markets and Wealth Management. This quarter, we reported record results in our U.S. operations, generating over 2.5 billion U.S. dollars in revenue and over 650 million U.S. dollars in earnings.

Our robust capital ratio of 12.5 percent was flat quarter-over-quarter as record internal capital generation was effectively deployed to drive strong organic growth across our businesses, while also paying $1.5 billion in dividends. Our CET1 ratio provides a significant $19 billion surplus over the current OSFI minimum. Furthermore, our ACL on loans is over $2 billion higher than pre-pandemic levels in Q1/2020. We remain well positioned to continue funding organic growth opportunities that create value for our clients.

I will now speak to how we see the macro environment unfolding. As we approach a year into a global pandemic, we are encouraged by both the number and efficacy of vaccines. This is in addition to significant pent-up demand, rising prospects of further stimulus programs, expectations of a gradual easing of lockdown measures, and pledges of continued low interest rates to support a sustained economic recovery. Recent data shows CEO confidence of corporate America has reached a 17-year high, and we are also seeing the benefits of increasing public-private partnerships in the U.S. as companies are engaging with governments to distribute vaccines effectively in a timely manner. Canadian housing activity also remains elevated. While rising permit issuance is building up the new construction pipeline, we expect a lack of supply, low interest rates, elevated savings rates, continuing work-from-home arrangements, and the potential resumption of immigration to underpin continued demand.

While the timing and path of vaccination programs has been uncertain and uneven so far, particularly in Canada, we expect an accelerated pace of vaccination distribution over the coming months to drive a strong economic recovery through 2021, resulting in GDP growth of 4-to-5 percent across North America. Against this macro backdrop, we will continue our unwavering support for our clients as global economies pivot to recovery.
I now want to speak to the strong volume growth and increased momentum across our largest businesses. Part of our competitive advantage is how we leverage our scale, investments in technology, and our talented teams to deliver differentiated value and experiences to our clients. Our premier, global Capital Markets platform crossed a record $1 billion in quarterly net income driven by a very strong performance in Global Markets underpinned by robust equity trading and continued strength in credit trading. Corporate and Investment Banking surpassed $1 billion in revenue for a third straight quarter, benefiting from a constructive environment for new issuance and mergers and acquisitions. And we continue to be awarded significant mandates by some of the largest global clients, including serving as M&A advisor to Blackstone and providing fully committed financing for the recently announced $6 billion acquisition of Signature Aviation.

Canadian Banking recorded strong volume growth year-over-year, adding over $100 billion of average volumes across lending and deposit products. While expanded central bank balance sheets, government support, and reduced spending have added significant liquidity in to the system, and increased the savings rate of Canadians – we have also seen market share gains of over 50 basis points in personal core deposits over the last two years, which is a reflection of our technology investments, client support, and distribution strength. We have similarly added 100 bps of market share in residential mortgages over the last 2 years. Our strong mortgage growth has been partly underpinned by the reengineering of the entire end-to-end process over a number of years – from adjudication to fulfilment to retention, which reached an all-time high of 94 percent this quarter.

We have also seen elevated activity in our Wealth Management businesses, which have remained resilient over the turbulence of the last 12 months. Our diversified RBC Global Asset Management Assets Under Management, or AUM, grew by $60 billion from last year to a new high of $540 billion as more clients chose RBC as a trusted steward of their investments. Our retail funds captured over 25 percent of industry-wide Canadian net sales over the last 12 months\(^1\), adding to our leading 32 percent\(^1\) market share amongst bank-owned fund companies. Along with market appreciation, our recent growth has been the result of investment outperformance, with over 80 percent of AUM outperforming the benchmark on a 3-year basis\(^2\). Assets Under Administration, or AUA, in Canadian Wealth Management crossed $450 billion for the first time. Strong net sales and industry-leading recruiting efforts added to our #1 High Net Worth and Ultra High Net Worth market share in Canada\(^3\), which is built on the trust of our clients. Similarly, U.S. Wealth Management, the 7th\(^4\) largest wealth advisory firm in the U.S. surpassed 460 billion U.S. dollars in AUA for the first time, benefiting from our proven ability to bring in both net sales and attract experienced advisors to meet the needs of our clients. And City National continued to report double-digit loan and deposit growth, as we

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\(^1\) Investment Funds Institute of Canada (IFIC). January 2021 and RBC reporting. Comprised of long-term and money market prospective qualified mutual funds sold to Retail and Institutional clients.
\(^2\) As at December 2020, gross of fees.
\(^3\) Strategic Insight (formerly Investor Economics), October 2020.
\(^4\) Source: U.S. wealth advisory firms quarterly earnings releases (10-Q).
continued to execute on our organic-plus growth strategy. Our expanded jumbo mortgage platform is yielding results, growing over 15 percent year-over-year.

Our market share gains across our businesses are not only a reflection of our scale, but also our continued investments in technology and client-facing colleagues. We have seen an acceleration of digital trends as Canadians are increasingly reaching for their phone to fulfil their banking needs. Our active mobile user base increased 12 percent year-over-year to over 5 million this quarter, as mobile sessions crossed 100 million for the first time. New clients to RBC can now complete the full end-to-end account open in minutes on the RBC Mobile App. And now over 50 percent of Personal Deposit Accounts are opened through our mobile browser. Since the launch of NOMI in 2017, our mobile clients have benefitted from actively reading more than 1.5 billion financial insights, using its predictive analytics to help manage their finances. Over the years, we have also made significant investments beyond digital functionalities and into digital businesses. MyAdvisor, our digital platform for clients to activate their personalized financial plans was launched in 2017 and now has 2.3 million clients online. And AUM at InvestEase, our robo-advisor, has continued to trend higher.

Our success in Commercial Banking has also been underpinned by multi-year investments in cash management solutions and technology, where we expect InsightEdge, fueled by our data analytic capabilities to be a key differentiator. Aiden, our AI-based electronic trading platform in Capital Markets, continued to gain traction during these volatile times. The number of shares and notional volumes traded on this platform are up over 45 percent and 75 percent year-over-year, respectively. Investments in sales power have also been a key driver in the growth of our personal and commercial franchises, with our mortgage specialists, advisors, and commercial account managers benefiting from the investments that we've made in technology. Similarly, we have made investments in the bench strength of Managing Directors in Capital Markets, which helped us deepen client relationships and win key mandates.

Despite the significant increase in capital ratios, we delivered a premium ROE of over 18 percent this quarter, and we are focused on the continued creation of long-term shareholder value. Going forward, our priorities have not changed with respect to deploying capital. We remain focused on building on our momentum and driving accretive, organic growth. In Capital Markets, we will continue to deepen client relationships to further diversify our revenue stream towards less capital intensive investment banking and advisory revenue. We will also look to further strengthen senior coverage teams in key sectors. In Canadian Banking, we expect continued high-single digit mortgage growth and significant pent-up demand to drive a consumer-led recovery. And with commercial utilization rates below pre-pandemic levels, higher Canadian commercial volumes could further support the acceleration of economic activity. Continuing our innovative

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5 These figures represent the 90-Day Active customers in Canadian Banking only and are spot values.
6 These figures represents the total number of application logins using a mobile device.
7 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. This is a non-GAAP measure. For more information, see page 12.
approach to loyalty-linked partnerships with leading Canadian partners such as Petro Canada; RBC and Rexall recently announced a new strategic partnership that will allow our clients to earn and receive even more value and savings while accessing Rexall’s health and wellness resources. And as we see increased online shopping, RBC has launched PayPlan, offering Canadians yet another solution for purchases at participating retailers and merchants throughout Canada. In our U.S. Wealth Management platform, we expect to see further benefits from our recent expansion into new geographies, investments in our treasury management platform, and the hiring of experienced private bankers and financial advisors.

We are also expanding and deepening our existing client relationships through the inter-connectedness of our businesses. Over 65 percent of Canadian Wealth Management clients now have a Canadian Banking product, and we expect this to continue to grow over time as we expand the continuum of offerings to our retail and wealth clients. Also, 19 percent of our Canadian Banking clients have all four of transaction accounts, credit cards, investments, and borrowing products with RBC. We are also looking to increase the collaboration between our Capital Markets and Wealth Management franchises to provide a broader set of capabilities to both sets of clients, including acting as book-runners for debt and equity issuances. City National has seen almost $2 billion of mortgage flow through our U.S. wealth management channels, benefiting from our team of bankers covering RBC Wealth Management offices in key markets. Looking forward, City National is looking to make a focused push into mid-market lending in the U.S.

Not only am I proud of what we delivered, but also of how we continue to deliver on our Purpose of helping clients thrive and communities prosper. In Wealth Management, alongside our existing RBC Vision ESG funds, the RBC iShares brand has launched new ESG-focused ETFs. And RBC Capital Markets is playing a leading role in helping clients meet their goals and objectives serving as exclusive Financial Advisor to both Eni S.p.A. and to Greencoat UK Wind on acquisitions of offshore wind farms, a demonstration of our growing role in Europe related to renewable power. RBC Capital Markets also acted as joint bookrunner on Enbridge’s $1 billion sustainability-linked revolving credit facility, the first such issuance by an energy borrower in the North American market. Also, I’m proud to share RBC has received this year’s global Catalyst Award, an honour recognizing businesses dedicated to increasing the representation of women in leadership and promoting equal access to career opportunities. RBC is also recognized as an ESG leader by third party rating agencies with a high 86 percentile ranking on priority ESG indices. And as a reminder, today we’re kicking off our first ever RBC Capital Markets Global ESG Conference.

To sum up, our scale, innovation and talent are our competitive advantage as we create even more value for our clients. We continue to execute on our strategy with Purpose to prudently invest for sustainable growth and strong returns for shareholders. I’ll now turn it over to Rod.

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8 Average percentile ranking compiled from our four top-tier ESG ratings/rankings, including Sustainalytics, MSCI ESG Rating, FTSE4Good and RobecoSAM’s Corporate Sustainability Assessment (informing the DJSI).
Thanks Dave, and good morning everyone. Starting on slide 9, we reported quarterly earnings of $3.8 billion. Earnings per share of $2.66 was up 11 percent from last year. Despite operating in a near-zero interest rate environment, we generated nearly $5 billion in pre-provision, pre-tax earnings this quarter.

Moving to slide 10. We reported a robust CET1 ratio of 12.5 percent, unchanged from last quarter. We had record internal capital generation of 41 basis points this quarter, higher than our historic average of 30 to 35 basis points. This was largely offset by higher risk-weighted assets (RWA).

Outside of the impact of FX, RWA growth was underpinned by 4 key drivers: first, strong client-driven volume growth in Canadian Banking and City National; second, elevated client-driven trading, derivative and underwriting activity in Capital Markets; third, approximately $3 billion of transitional methodology changes to our securitization framework. And an additional $2 billion from maturities of existing securitization notes. Fourth, these factors were partly offset by a modest $1 billion benefit from net credit upgrades. This partially offsets the cumulative $13 billion impact from net credit downgrades over the last 3 quarters of 2020.

Our CET1 ratio was also impacted by a partial reversal of OSFI’s transitional capital modification, primarily driven by the reduction of the scalar rate from 70 percent to 50 percent. The remaining 19 basis point cumulative benefit should reverse over time given further reductions in scalars and migration to PCL on impaired loans. We expect to continue generating significant capital as the economy recovers. Our strategy for capital allocation has not changed. We will invest additional capital to support accelerated and prudent organic growth in order to further expand our market share in key businesses.

Now moving on to slide 11. All-bank net interest income declined 4 percent year-over-year, as strong volume growth in Canadian Banking and City National were more than offset by the impact of lower interest rates and the impact of fiscal and monetary stimulus, which continues to drive excess liquidity into the financial system. However, after adjusting for trading results, net interest income has been steadily increasing after bottoming out in Q3/2020, up 3 percent on the back of strong volume growth.

All-bank NIM declined 2 basis points from last quarter, primarily due to changes in asset mix, including towards lower yielding securities. At the segment level, Canadian Banking NIM declined 2 basis points quarter-over-quarter, as the impact of low interest rates and asset mix more than offset the benefit from strong deposit growth. Looking forward, we expect Canadian Banking NIM to continue to decline modestly throughout 2021. City National’s NIM was down 12 basis points relative to last quarter largely due to the

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9 Pre-provision, pre-tax earnings is revenue net of policyholder benefits, claims & acquisition expense (PBCAE) and non-interest expenses. This is a non-GAAP measure. For more information, see page 12.
10 Internal capital generation represents net income available to shareholders, less common and preferred share dividends and distributions on other equity instruments.
11 This is a non-GAAP measure. For more information, see page 12.
influx of deposits being invested in low-yielding, short-term securities. However, City National net interest income increased for the second consecutive quarter. Recall that City National has a more asset sensitive balance sheet with approximately 50 percent of its loans being floating rate commercial loans. Also approximately 50 percent of deposits are non-interest bearing. We expect the narrowing of City National’s NIM in Q1 to largely reverse in Q2 given expectations for accelerated Paycheck Protection Program loan forgiveness, as well as an improved balance sheet mix as we re-deploy our strong deposit growth into higher loan balances. Following this benefit in Q2, we expect City National’s NIM to return back to current levels in the second half of the year. More importantly, we expect strong volume growth at Canadian Banking and City National to completely offset the headwinds of lower interest rates by Q3. And as a reminder, our results get impacted by fewer days in Q2, particularly in Canadian Banking. While we don’t expect short-term rates to increase in the near-term, the steepening yield curve serves as a good reminder of the value of our low-beta core deposits, including substantial non-interest bearing checking accounts.

Turning to slide 12. Non-interest income, which represented 60 percent of revenue, was up 4 percent year-over-year – providing an important, countercyclical offset to the impact from low interest rates. Our diversified business model is performing as it should in times of stress, with strong trading results across our businesses. And our Wealth Management businesses continue to provide a growing revenue stream. Furthermore, we expect upside from our M&A advisory business as the economy strengthens. In contrast, we continue to see certain fee-based revenue streams in Canadian Banking being impacted by COVID-19, particularly those affected by lockdown measures and restrictions on travel. Targeted lockdowns have also lowered Wholesale loan demand, which in turn decreased credit fees. Looking forward, we would expect to see some of these revenue streams begin to pick up as economies open.

Now on to slide 13. Expenses were up 2.6 percent year-over-year, largely commensurate with strong performance. Excluding variable and stock-based compensation, expenses were down 1 percent\(^ {12}\) from last year. This follows on a similar year-over-year decline last quarter after adjusting for severance and related costs associated with the repositioning of I&TS in Q4/2019\(^ {13}\). We also continued to benefit from reductions in discretionary costs such as marketing, travel, stationary and printing, which were down approximately $80 million from last year. However, we are cognizant that some of these costs could start to increase as economies begin to open back up. We will continue to balance investments in key growth areas such as technology and innovation, with project prioritization in other areas. We already have a number of cost containment programs in place across our businesses. And we expect to generate efficiencies from the accelerated digital adoption that Dave spoke to earlier. Looking ahead, we expect full-year expense growth excluding variable and stock-based compensation to remain well-controlled in the very low single-digits.

\(^{12}\) Expenses excluding variable and stock based compensation, including changes in U.S. wealth accumulation plans (WAP Q1/21: $157MM; Q4/20: $8MM; Q1/20: $61MM) is a non-GAAP measure. For more information, see page 12.

\(^{13}\) Expenses excluding severance and related costs are non-GAAP measure. For more information, see page 12.
Moving on to our business segment performance beginning on slide 14. Personal & Commercial Banking reported earnings of over $1.7 billion. Canadian Banking quarterly net income was up 8 percent from last year, as the impact of lower interest rates and service charges was more than offset by strong volume growth, elevated market-related client activity and reserve releases, largely in our retail portfolios. Loan growth of 6 percent was largely driven by continued double-digit mortgage growth, which was a function of both a strong retention rate as well as new originations, which were up over 40 percent from last year. Commercial and credit card growth continues to be constrained by the impact of COVID-19. Growth in business deposits remained robust at 25 percent. And growth in core personal chequing accounts was also very strong, up over 30 percent year-over-year. And RBC Direct Investing also saw a material increase in client activity by individual investors with average trading volumes up nearly 200 percent year-over-year.

Turning to slide 15. Wealth Management reported quarterly earnings of $649 million, up 4 percent from last year. Canadian Wealth Management revenue was up 7 percent year-over-year, benefiting from higher average fee-based client assets, with AUA and AUM up 7 percent and 12 percent, respectively. Global Asset Management revenue increased 17 percent year-over-year, primarily due to higher average fee-based client assets. Results also benefited from higher performance fees as a result of strong investment performance. These are generally earned in Q1, if at all. Favourable changes in the fair value of seed capital investments also contributed to the increase. GAM AUM increased by 13 percent or over $60 billion year-over-year with nearly 60 percent of the increase coming from total net sales. Net sales were $7 billion for the quarter. Canadian long-term retail net sales remained strong at over $5 billion in Q1, particularly into Fixed Income and Balanced products. Long-term institutional net sales, largely from BlueBay, partly offset money market outflows. Very strong volume growth at City National continues to be more than offset by lower interest rates. Deposit growth remains exceptionally strong at 36 percent, outpacing double-digit retail and wholesale loan growth. We also saw solid growth in U.S. Wealth Management, with AUA up nearly $50 billion in U.S. dollars from last year.

Turning to Insurance results on slide 16. Net income of $201 million increased 11 percent from last year, primarily due to improved claims experience and higher favourable investment-related experience. These factors were partially offset by the impact of lower new longevity reinsurance contracts and lower International life volumes.

Turning to slide 17. Investor & Treasury Services net income of $123 million decreased 14 percent from a year ago. Earnings were up 35 percent quarter-over-quarter, partially due to seasonality. Both Funding & Liquidity and Client Deposit revenue declined year-over-year, as they were negatively impacted by the current interest rate environment and elevated enterprise liquidity. This was partially offset by higher gains from the disposition of securities.
Turning to slide 18. Capital Markets reported record quarterly earnings of $1 billion. This was the 5th quarter in a row with pre-provision, pre-tax earnings in excess of $1 billion. Corporate & Investment Banking reported yet another strong quarter. M&A advisory fees generated this quarter were the 2nd highest after the record fees reported in Q1 from a year ago. We continue to see strong equity origination fees underpinned by increased confidence and constructive markets. While debt underwriting has come down from elevated levels in 2020, they remained strong this quarter given low interest rates and narrow credit spread environment. Looking further into 2021, we remain actively engaged with our corporate & investment banking clients across all regions with respect to their strategic objectives. Our ECM and M&A pipelines are strong. Global Markets had yet another strong quarter with revenue up 12 percent from last year to $1.6 billion, benefiting from favourable market conditions across multiple asset classes, as well as from an increase in primary activity. FICC trading remained strong as credit trading benefited from tightening spreads. Interest rate, FX and Commodity trading all saw increased client activity on market volatility. Client activity was also strong in Equity trading. Looking ahead, we expect trading activity to moderate over the coming quarters.

In conclusion, we remain committed to improving productivity, attracting new clients through our differentiated products & services, and continuing to increase our market share 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 20, allowance for credit losses on loans of $5.9 billion was down $201 million compared to last quarter. This reflects PCL on impaired loans of $218 million, or 13 bps, which was down 2 bps from last quarter as lower provisions in Capital Markets and Wealth Management were partially offset by higher provisions in Canadian Banking. It also reflects a $97 million release of reserves on performing loans. Notably, this is the first quarter since the onset of the pandemic where we have released reserves in relation to our performing loans. For context though, this represents less than 4 percent of the reserves taken during 2020. Our release balances a more optimistic economic outlook, driven by the introduction and approval of vaccines in December of last year, with concerns around the new variants and challenges with the roll out of vaccines.

Turning to the credit performance of our key businesses, starting with Capital Markets. Compared to last quarter, Gross Impaired Loans of $857 million decreased $348 million, and PCL on impaired loans of $18 million decreased $50 million. These decreases reflect limited new formations, as clients continue to benefit from access to debt markets and substantial liquidity. As well, we saw good resolution of previously impaired accounts, mainly in the oil & gas sector, as prices rebounded from the lows we saw in 2020. We also
released $37 million of reserves on performing loans, following a $38 million release last quarter. This reflects continuing improvement in our credit outlook for this business. In Wealth Management, Gross Impaired Loans of $289 million decreased $56 million from last quarter due to lower new formations at City National, mainly in the Consumer Discretionary and Consumer Staples sectors. Improvements in these same sectors also led to $27 million of recoveries on previously impaired loans. In Canadian Banking, Gross Impaired Loans of $1.4 billion was up $95 million, primarily in the residential mortgage and personal lending portfolios. PCL on impaired loans of $217 million was up $48 million from last quarter, with increases across all portfolios with the exception of our Cards portfolio. As expected, delinquencies and impairments have begun to increase from the exceptionally low levels that were experienced last year when clients benefited from our deferral programs. While delinquencies and impairments are increasing, they continue to be at, or below, historical levels as government support programs remain in place benefiting many of our clients. We do expect delinquencies and impairments to increase through the remainder of 2021 as many government support programs are scheduled to conclude this summer. Additionally this quarter, we released $63 million of reserves on performing loans in Canadian Banking. This release came primarily from our Cards portfolio, reflecting lower outstanding balances, and from our residential mortgage portfolio, reflecting very strong housing market conditions.

Before concluding, let me touch on our overall credit outlook. As you recall, in Q2 last year, we materially increased our reserves against performing loans. At that time, our expectations for credit losses were guided by a rapid deterioration of economic indicators caused by the significant uncertainty around the pandemic. In particular, there was uncertainty around the speed and timing of an economic recovery; the degree of government support; the size and duration of additional waves of the virus; and the availability and efficacy of a vaccine. To date, bank and government support programs have been robust and beneficial to our clients, resulting in better-than-expected credit performance. Additionally, the economy has outperformed our expectations since the onset of the pandemic with economic indicators such as GDP and unemployment faring better than we originally expected. Although some sectors continue to be severely impacted by containment measures, other sectors are experiencing robust growth in the current environment. Despite these positive developments, concerns around the new variants of COVID-19, including the efficacy of the vaccines against these new variants, and current vaccination delays could negatively impact the timing and pace of the economic recovery. Over the course of this year, we expect PCL on impaired loans to rise, but timing and level will be dependent on the success of the vaccine rollout and how, and when, government programs come to an end. Concurrently, we would also expect our allowance on performing loans to decline as performing loans migrate to impaired. As well, our performing loan allowance could be positively impacted as uncertainties around vaccination rollouts abate and the re-opening of the economy supports more confident outlooks on unemployment rates and GDP growth. At 0.85 percent of loans and acceptances our ACL continues to be well above our pre-pandemic levels to reflect the noted uncertainty. Thus far, we have been very pleased with the resiliency of our portfolio, which reflects our disciplined approach to underwriting
and the quality and diversity of our lending portfolios. As we’ve done since the start of the pandemic, we will continue to actively work with our clients to help them navigate through these uncertain times.

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

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Thanks, everyone, for your questions today. A few themes that we really wanted you to take away, first and foremost, the very strong client franchise growth that we saw across capital markets, wealth platforms, both North and South, in U.S. and Canada, and obviously, our retail bank with over $100 billion of client growth. That really allowed us to earn through very significant interest rate headwinds. And we talked about a $400 million impact to the interest rates on our U.S. and Canadian businesses. And we are very happy to have earned through that. And that positions us very well as Rod referenced, as those headwinds start to diminish through Q2 into Q3 that strong momentum that we have is going to be even further accelerated by a return to credit card business, return to the commercial businesses as we reopen the rest of the economy in the second half of the year. So we feel very good about where we are. Our ROEs of 18.6% stand out. So we are earning a premium on our capital we are investing in the business, because we are cross-selling as we have got multiproduct relationships which spans out in our fee based revenue. While net interest income was challenged, you saw a very strong fee-based growth, which I think was a proof point of the cross-sell off of our balance sheet activity. So all that, we feel very good about. We are very proud of our quarter. Thank you for your questions, and we will see you in 3 months.

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, net interest income adjusted for trading results and expenses excluding variable and stock-based compensation including changes in U.S. wealth accumulation plans, 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 Q1 2021 Report to Shareholders and our 2020 Annual Report.

Definitions can be found under the “Glossary” sections in our Q1/2021 Supplementary Financial Information and our 2020 Annual Report.