ROYAL BANK OF CANADA SECOND QUARTER RESULTS CONFERENCE CALL THURSDAY, MAY 27, 2021

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From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in these speakers' notes from the May 27, 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, expectations with respect to our CET1 ratio, net interest income growth, net interest margin, interest rates, Canadian housing activity, projections relating to real gross domestic product in Canada and the United States, respectively, provisions for credit losses, 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", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

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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 Q2 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 Q2 2021 Report to Shareholders.

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NADINE AHN, SVP OF WHOLESALE FINANCE & INVESTOR RELATIONS

Thank you, and good morning everyone.

Speaking today will be: Dave McKay, President and Chief Executive Officer; Rod Bolger, Chief Financial Officer; and Graeme Hepworth, Chief Risk Officer. Also joining us today for your questions: Neil McLaughlin, Group Head, Personal & Commercial Banking; Doug Guzman, Group Head, Wealth Management, Insurance and I&TS; and Derek Neldner, Group Head, Capital Markets.

As noted on slide 1, our comments may contain forward-looking statements, which involve assumptions, and have inherent risks and uncertainties. Actual results could differ materially. I would also remind listeners that the bank assesses its performance on a reported and adjusted basis and considers both to be useful in assessing underlying business performance. To give everyone a chance to ask questions, we ask that you limit your questions and then re-queue. With that, I'll turn it over to Dave.

DAVE MCKAY, PRESIDENT & CHIEF EXECUTIVE OFFICER

Thank you, Nadine, and good morning, everybody. Thank you for joining us in our Q2 call. Today, we reported earnings of $4 billion, driven by strong client activity across our businesses. Our results reflect market share gains in Canadian Banking and Wealth Management, as well as record Investment Banking and Equities performance in Capital Markets. Even with heightened client activity, we leveraged our scale, past investments and disciplined approach to cost management to drive positive operating leverage.

Pre-provision, pre-tax earnings[1] increased 11 percent year-over-year despite absorbing approximately $450 million of headwinds related to lower interest rates and a stronger Canadian dollar. Although uncertainty remains, credit and market risk indicators are relatively benign when compared to the start of the pandemic. Our portfolios have performed exceptionally well through the cycle with very low provisions for credit losses (PCL) on impaired loans. We are confident that our wide range of strategic initiatives will enable us to continue growing our balance sheet well within our current risk appetite.

We remain very well capitalized, with a CET1 ratio of 12.8 percent. In addition, next quarter we expect the implementation of parameter updates, net of other items, to add 55 to 70 basis points[2] to our capital ratios, pushing our CET1 ratio to well above 13 percent. Even with these elevated capital levels, we generated a premium ROE[3] of 19 percent for the first half of 2021. We will continue to leverage the strength of our balance sheet and recurring internal capital generation to further accelerate organic growth across our businesses. In addition, when regulatory restrictions are lifted, we will look to accelerate capital return to our shareholders through a mix of share buybacks and higher dividends given our payout ratio is currently at the bottom end of our 40 to 50 percent range. Highlighting our organic value creation – our book value per share grew 8 percent from last year, with tangible book value per share up over 11 percent.

I will now speak to how we see the macro environment unfolding. While we are in the early stages of an economic recovery, there is still uncertainty about the risks posed by new variants and stresses in supply chains. The time horizon for how the recovery will evolve continues to be correlated to the success of the vaccination rollout. It remains uncertain when international borders will fully re-open. Although there is still work to be done to open up all parts of the economy, we are encouraged by the progress so far. As vaccine distribution gains momentum, we anticipate an acceleration of economic activity alongside easing virus containment measures. Until then, fiscal and monetary stimulus remains in place to bridge the gap, and stimulate the recovery. However, the combination of these actions and supply shortages is increasing the

[1] Pre-provision, pre-tax earnings is calculated as income before income taxes and PCL. This is a non-GAAP measure. For more information, see page 12.
[2] Amounts subject to change based on portfolio size or portfolio mix held.
[3] Return on equity (ROE) does not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed by other financial institutions. For more information, see page 12.

risk of inflation in certain asset classes. Consequently, there is a higher likelihood of central banks raising their benchmark interest rates in the second half of 2022.

With respect to Canadian housing, we continue to monitor supply-demand imbalances across Canada, and we support recent actions taken by regulators to adjust mortgage stress tests to take some pressure off the demand side of the equation. But, we encourage policy makers to also address the problems of limited supply, which are exacerbating house price inflation. As always, we manage risk through a cycle, and the credit metrics of our most recent mortgage originations remain strong, and are consistent with our existing, high quality portfolio. Next, I will speak to a number of drivers that position us for strong performance going forward, starting with two Canadian Banking business that are poised to rebound. And then, I will highlight the embedded profit growth in our core deposit and U.S. Wealth Management franchises, followed by a number of initiatives we have to accelerate organic growth.

I will start by commenting on our credit card and commercial banking businesses, which have been disproportionately impacted by suppressed economic activity. Over the last 12 months, total revenue associated with our credit card business was down approximately $400 million year-over-year, largely due to lower net interest income as utilization rates fell 300 basis points. A stimulative macro backdrop sets the stage for higher-yielding card balances and purchase volumes to recover alongside economic activity. This relationship is one that is highly correlated, and we are confident that it will hold coming out of the pandemic. As a result, we expect that our leading credit card franchise will see total revenue rebound towards pre-pandemic levels. Business lending activity has also been restrained even though we have added $60 billion of business deposits over the last 2 years. Commercial banking utilization rates on operating lines have also fallen below pre-pandemic levels. However, we expect to see commercial activity resume over the coming quarters fueled by client investments, inventory receivables and rising utilization rates. In addition, we have two businesses which are better positioned than most to benefit from rising interest rates. Our strong growth in personal core deposits in Canadian Banking has increased our sensitivity to higher interest rates, and will drive outsized revenue growth in a rising rate environment. U.S. Wealth Management is also well positioned to benefit from rising interest rates given the asset sensitive nature of City National Bank’s balance sheet combined with nearly US$40 billion of sweep deposits. I will now speak to the second pillar of future performance.

Our investment in technology goes well beyond just adding digital functionalities. These investments have helped create differentiated digital businesses and additional client touch points, accelerating cross sell of existing clients and new client acquisition. We expect to see accelerated client growth through MyAdvisor, InvestEase, InsightEdge, NOMI, RBC Ventures, and Aiden, which have been in-market for a number of years now. We made early and continuous investments, in our distribution network and client-facing talent, including mortgage specialists, commercial account managers, and investment advisors. The combination of these investments over a number of years is driving better outcomes for our clients, strong volume growth, deeper client relationships, and increasing scale and profitability. We are proud to note that RBC has yet again been ranked #1 in Overall Customer Satisfaction among the Big Five Retail Banks by J.D. Power. Specifically, Canadian Banking added over $55 billion in mortgages, $45 billion in personal deposits, and increased assets under administration (AUA) by over $50 billion over the last two years, leading to market share gains in these anchor products. Our long-term strategy to grow our core deposit business and provide exceptional service and advice, is a core driver of our differentiated ability in building deeper relationships. The result is, roughly 65 percent of our Canadian Banking clients have more than just a transaction account with us; many of which also end up getting a credit card, a mutual fund or a mortgage. And our mortgage relationships have higher retention rates for these multi-product clients, with mortgage profitability roughly 2 times higher when a client is retained for a 2nd term. Going forward, we are also excited about the potential of two new strategies to further accelerate client acquisition and growth in Canadian Banking. We recently announced the national launch of RBC Vantage, a new everyday Canadian Banking offering that brings together a comprehensive suite of powerful benefits for RBC clients, incentivizing even deeper client relationships. Our new offering gives clients the ability to use their debit cards to earn RBC Rewards, save on monthly account fees, and earn more rewards and savings when they take advantage of partner offers. We launched our exclusive multi-year strategic partnership with The Royal College of Physicians and Surgeons of Canada to support the unique needs of Canada's medical specialists. Furthermore, 45 percent of our Canadian High Net Worth retail client base has a relationship with both Canadian Banking and Canadian Wealth Management. We expect this ratio to increase over time as more of our clients shift surplus deposits into investment products, further accelerating the growth trajectory.

Moving now to Wealth Management where we have added to our leading scale by investing in hiring experienced investment advisors, and technology and investment capabilities to meet our clients' evolving needs. And this quarter, RBC Global Asset Management posted its strongest quarterly long-term mutual fund net sales performance ever, and has increased its assets under management (AUM) by over $100 billion over the last two years. Furthermore, Canadian Wealth Management AUA has increased more than $80 billion over the last 2 years. We expect to similarly benefit from trends in U.S. Wealth Management, where our past investments have included strong advisor recruiting. This quarter alone, we added a further US$4 billion of AUA by hiring more experienced advisor teams. This is on top of the US$22 billion added over the prior 8 quarters. These seasoned advisors are attracted to our client-first culture coupled with the capabilities and resources of a large bank, including an integrated technology platform. We also expect the strong loan growth in City National to continue as the U.S. economy opens up, leveraging past investments to add private and commercial bankers; and expansion to new markets, including our office in Hudson Yards in New York City. Growth will be further accelerated by the recent launch of City National's new National Corporate Banking division, which specializes in meeting the complex needs of larger-Commercial and mid-Corporate-sized companies across the United States.

As you have seen over the last 5 quarters, we have benefited from the strong earnings provided by our Capital Markets business, which has delivered consecutive quarters of record results. Over half of RBC Capital Markets' revenue is earned out of the United States and will continue to benefit from an improving economic outlook, constructive equity markets, and structural trends in technology and ESG mandates that are creating further opportunities in the world's deepest, and most active market. To better leverage this opportunity, we have continued to strengthen and expand senior coverage teams in key sectors. We are already seeing strong results with a solid pipeline of M&A advisory and equity underwriting revenue. We have also reorganized our Global Markets unit into newly created cross-platform groups, including the Sales & Relationship Management group to further strengthen our client-centric approach. The Digital Solutions & Client Insights group will work to further scale RBC's data science, artificial intelligence and digital expertise across product lines.

To sum up, we have strong momentum across our core franchises and we will continue to focus on providing holistic solutions to grow and deepen client relationships with a goal of delivering long-term, sustainable value. While we will continue to invest in new strategies, we remain committed to running our bank efficiently with an emphasis on driving productivity. We are also committed to delivering on our Purpose of helping clients thrive and communities prosper. This includes our commitment to play an active and accelerated role in addressing climate change, supporting and financing our clients' efforts in the transition to net 0 is central to our strategy.

I'll now turn it over to Rod.

ROD BOLGER, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone.

Starting on slide 9, we reported quarterly earnings per share of $2.76, up from $1.00 per share last year. Pre-provision, pre-tax earnings of $5.1 billion[1] were up 11 percent year-over-year despite significant headwinds from lower interest rates and a stronger Canadian dollar.

Moving to slide 10. Our CET1 ratio of 12.8 percent was up 30 basis points from last quarter. And a strong quarterly ROE[3] of over 19 percent drove record internal capital generation of 43 basis points[4], even after paying out $1.5 billion in dividends to our common shareholders. This was partly offset by risk-weighted assets (RWA) growth, largely due to robust volume growth in Canadian Banking and City National, and higher trading activities in Capital Markets. I'll now spend some time discussing the outlook for our CET1 ratio heading into the back half of 2021. We expect the implementation of model parameter updates to

[4] Internal capital generation represents net income available to shareholders, less common and preferred share dividends and distributions on other equity instruments.

increase our CET1 ratio by approximately 70 to 80 basis points next quarter. This benefit is expected to be modestly offset by an increase in SVaR multipliers effective next quarter, which is estimated to decrease our CET1 ratio by approximately 10 to 15 basis points[2]. Also, we have seen net credit upgrades of approximately $3 billion in the first half of 2021, only partially offsetting the cumulative $13 billion impact from net credit downgrades between Q2 and Q4 last year. For the second half of this year, net credit upgrades could continue at the same pace as in the first half, contingent on the economic recovery. And we expect to continue generating 15 to 20 basis points of capital per quarter, net of dividends and RWA growth.

Now moving on to slide 11. Net interest income was down year-over-year largely due to the impact of lower interest rates, including lower repo & secured financing revenue in Capital Markets. More importantly, all-bank net interest income continued its strong recovery after bottoming out in Q3 of last year driven by strong volume growth in Canadian Banking and City National, and we expect core net interest income to continue to grow in 2022. Moving to segment level performance. Canadian Banking net interest margin (NIM) increased 1 basis point quarter-over-quarter, but was or down 1 basis point excluding the higher than average mortgage pre-payment revenue[5]. While lower interest rates and credit card balances lowered Canadian Banking NIM 15 basis points year over year, higher card payment rates have been positive for credit quality. Looking forward, we expect strong Canadian Banking volume growth to drive higher net interest income even as NIM modestly contracts over the back half of 2021, partly due to a continued shift in asset mix. City National's NIM was up 4 basis points relative to last quarter with Paycheck Protection Program loans contributing most of the increase. Net interest income at City National was up 4 percent year-over-year driven by continued strong volume growth. And we expect this trend to continue going forward, even as City National's NIM continues to narrow over the next two quarters, partly driven by a continued build in excess deposits. City National's average loan-to-deposit ratio of 75 percent has decreased from pre-pandemic levels of 84 percent in Q1/2020.

Turning to slide 12. While we don't expect short-term policy rates to increase in the near-term, we have strong leverage to rising interest rates as half our deposits are zero or low-rate core deposits. In addition, the economic recovery is expected to see further growth in higher-yielding asset classes as credit cards and commercial loan utilization rates begin to tick higher in Canadian Banking. City National has a more asset sensitive balance sheet with roughly 50 percent of its loans being floating rate commercial loans. Looking forward, a 25 basis point increase in interest rates across the curve and a stable deposit beta, could generate an additional $135 million in Canadian Banking net interest income over a 12-month period. And a 25 basis point increase in U.S. interest rates could generate a further US$90 million of revenue in U.S. Wealth Management, including benefits from our sweep deposits.

[5] This is a non-GAAP measure. For more information, see page 12.

Turning to slide 13. Our results this quarter continue to highlight the benefits of a diversified business model as market-related revenue across our largest segments benefited from elevated client activity and constructive markets. This continued to offset pandemic-related headwinds in our personal and commercial banking businesses. Strong Capital Markets activity boosted underwriting & advisory revenue, resulting in higher credit fees. And continued growth in both AUA and AUM helped drive higher mutual fund and investment management fees in Wealth Management and Canadian Banking.

Now on to slide 14. Non-interest expenses were up over 7 percent year-over-year, largely driven by higher compensation commensurate with strong results in Wealth Management and Capital Markets, along with market-related movements in our U.S. Wealth Accumulation Plan. Our results in the current quarter also included a favourable sales tax adjustment of approximately $40 million across all businesses. Excluding variable and stock-based compensation, expenses were down 4 percent from last year. And further adjusting for FX, our controllable costs were largely flat year-over-year[6]. And this is after already lowering the growth rate over the last 2 years. As economies reopen, we remain focused on controlling key discretionary expenses like travel, and prioritizing investments that drive client value. We'll also continue to execute our zero-based budgeting program that has resulted in a number of effective cost containment initiatives being implemented across RBC.

Moving to our business segment performance beginning on slide 15. Personal & Commercial Banking reported earnings of over $1.9 billion, largely driven by Canadian Banking. And Canadian Banking pre-provision, pre-tax earnings[1] were up 8 percent from last year. Canadian Banking revenue growth was up 4 percent year-over-year driven by double-digit growth in mortgages, both personal & business deposits, higher mutual fund distribution fees, and continued strength in Direct Investing volumes. Card service revenue was also up due to higher purchase volumes, as well as lower costs related to our Rewards program. Canadian Banking expenses were well controlled, down 1 percent from last year, helping to drive operating leverage of 4.7 percent. Historically, we have targeted 1 to 2 percent operating leverage in Canadian Banking through the cycle, and we would expect to be above the top-end of that range over the next few quarters.

Turning to slide 16. Wealth Management reported quarterly earnings of $691 million, up 63 percent from last year. Canadian Wealth Management revenue was up 15 percent year-over-year, with AUA up 22 percent or nearly $90 billion. Global Asset Management revenue increased 26 percent year-over-year with AUM up 15 percent or over $70 billion. RBC GAM net sales were nearly $15 billion in a quarter with continued strength in institutional mandates, including BlueBay. Canadian long-term retail net sales of over $7 billion remained healthy in a quarter where the Canadian mutual fund industry recorded a strong RRSP season. The majority

[6] Non-interest expense YoY growth excluding the impact of FX and the growth in variable and stock-based compensation is a non-GAAP measure. For more information, see page 12.

of our retail net sales flowed into Balanced mandates with lower net sales into Fixed Income strategies partly related to a pullback in North American bond returns. U.S. Wealth Management AUA growth was also strong, up over 30 percent in U.S. dollars.

Turning to Insurance on slide 17. Net income of $187 million increased 4 percent from a year ago, mainly due to lower travel and disability claims costs and the favourable impact of actuarial adjustments.

Turning to slide 18. Investor & Treasury Services net income of $120 million decreased 47 percent from a year ago. Funding & Liquidity and Asset Services revenue declined year-over-year as the prior year reflected a more constructive environment as well as higher gains from the disposition of securities. Lower interest rates continue to negatively impact Client Deposit revenue.

Turning to slide 19. Capital Markets reported another record quarter with earnings of over $1 billion. Corporate & Investment Banking reported record revenue of $1.2 billion, reflecting strong deal flow and elevated client activity. M&A advisory fees were the 3rd highest on record as an improving macroeconomic climate has increased client confidence levels in boardrooms. Robust ECM revenue was underpinned by strong IPO activity and constructive equity markets. Looking forward, we are seeing increased client activity and momentum in our M&A advisory and ECM businesses. Global Markets had a very strong quarter with revenue of $1.6 billion. We saw record Equities results this quarter, benefiting from our participation in strong primary activity and derivatives flow. FICC trading results were down from last year with lower volatility impacting rates and FX trading. This was partially offset by increased client activity in credit trading, which benefited from constructive markets. Lower spreads hurt the Repo & Secured Financing business, which benefitted from elevated client funding demand and rate cuts last year. While primary issuance has positive implications for secondary activity, we do expect both debt underwriting and FICC trading results to moderate from strong results over the last year.

To close, we have strong momentum across our core client franchises, and with a robust capital position, disciplined expense management and leverage to higher rates we are well positioned to continue delivering long-term growth.

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

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you Rod and good morning everyone.

Starting on slide 21, allowance for credit losses on loans of $5.5 billion was down $389 million compared to last quarter. This reflects PCL on impaired loans of $177 million, or 11 bps, which was down 2 bps from last quarter and is at its lowest level in over 15 years. It also reflects a $260 million release of reserves on performing loans, primarily in Canadian Banking and Capital Markets. Our macroeconomic forecast shows continued economic recovery as government support remains in place and vaccine distribution accelerated in our key markets this quarter. This is further supported by the significant level of savings Canadian households have accumulated since the onset of the pandemic. At an estimated $212 billion, these savings should help support a strong economic recovery. While our release of provisions this quarter was more than double our release in Q1, our allowance for credit losses (ACL) remains above pre-pandemic levels at 0.79% of loans and acceptances. We continue to take a prudent posture on our allowance given the uncertainties associated with new COVID-19 variants, continued lock-down measures in a number of regions, and the significant government support that has suppressed defaults.

I'll now speak to the credit performance of our key businesses, starting with Capital Markets. Compared to last quarter, Gross Impaired Loans of $700 million decreased $157 million, as we continued to see good resolution of previously impaired accounts, largely in the oil & gas sector, which benefitted from a more supportive oil price environment. PCL on impaired loans was a net recovery of $29 million this quarter, reflecting recoveries on loans in the Oil & Gas and Other Services sectors, partially offset by an impairment on a commercial real estate loan in the retail space. We also released reserves on performing loans in Capital Markets for the third consecutive quarter. This quarter's $87 million release reflects continuing improvement in macroeconomic forecasts, particularly for Canadian and U.S. GDP growth, global equities, and oil prices. In Wealth Management, Gross Impaired Loans of $338 million increased $49 million from last quarter, due to higher new formations at City National from borrowers in the Consumer Discretionary and Information Technology sectors, and a few smaller borrowers in the Commercial Real Estate sector. Despite the noted impairments, PCL on loans was relatively benign this quarter and overall credit quality of the portfolio remains strong. In Canadian Banking, Gross Impaired Loans of $1.4 billion was stable from last quarter, as a $54 million increase in GIL in our retail portfolios was offset by a $55 million decrease in GIL in our commercial portfolios. PCL on impaired loans of $195 million was down $22 million from last quarter, with decreases across all portfolios with the exception of our Cards portfolio. Higher write-offs in cards are attributed to the end of our deferral programs in Q4 2020, with card balances written off after 180 days past due. I would note that delinquency rates for cards have decreased relative to last quarter as the impact of the client deferral program has largely migrated through to conclusion. Looking at our portfolio more broadly, delinquency rates for all products and regions across Canadian Banking are down compared to last quarter and remain at, or below, historical levels, as government support programs remain in place, benefitting many of our clients both directly and indirectly. This quarter, we also released $155 million of reserves on performing loans in Canadian Banking. The release came primarily from our cards portfolio, and our commercial portfolio, reflecting improvements in both macroeconomic forecasts, including GDP and short-term unemployment rates, and our overall credit outlook.

Turning to the Canadian residential mortgage portfolio on slide 25. As Dave touched on, we have been growing our residential mortgage exposure and market share since the start of the pandemic, while maintaining a prudent and consistent approach to risk management. Our origination metrics on loan to value, debt service, and FICO scores have remained largely unchanged compared to pre-pandemic levels. We have also stressed the portfolio for a higher interest rate environment, which demonstrated that the vast majority of our clients have the capacity to absorb a significant increase in interest rates. That said, we have taken a conservative approach to our reserves on performing residential mortgages, which are stable compared to last quarter, as improvements to our house price forecasts were offset by an increase in the weighting to our downside scenario, given the rapid growth in house prices since the start of the pandemic.

To conclude, while credit trends improved this quarter, we continue to maintain a cautious approach to reserve releases, until a larger percentage of the population is vaccinated, vaccines prove effective against new COVID-19 variants, and the economic recovery takes hold. At the onset of the pandemic, I noted that the prime nature of our retail portfolio and the diversity of our wholesale portfolio would serve as strong mitigants against the economic impact of COVID-19, and this remains true today. In our retail portfolio, FICO scores and LTVs remain strong, and our clients have increased savings and lowered utilization rates on cards and personal lending products throughout the pandemic. In our wholesale portfolio, diversification across sectors has served us well, with just 4.5% of total loans and acceptances to sectors most vulnerable to COVID-19. Additionally, we are seeing positive trends in many of our key credit indicators. Watchlists are declining, upgrades are outnumbering downgrades, and delinquency trends are stable. As well, both our retail and wholesale portfolios are well diversified geographically, which has helped mitigate the risk of an uneven global economic recovery and has allowed us to benefit from the re-opening of the economies in certain regions.

With many government programs scheduled to conclude in the fall, we do expect delinquencies and impairments to increase in Q4 and into the first half of 2022; however, we don’t expect them to be as acute as we initially expected at the onset of the pandemic. Additionally, we expect to be able to draw down on the allowance on performing loans we built in 2020 such that our total PCL across all Stages will remain below long-term averages.

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

Note to users:

We use a variety of financial measures to evaluate our performance. In addition to generally accepted accounting principles (GAAP) prescribed measures, we use certain key performance and non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that key performance measures, such as ROE and non-GAAP measures, including pre-provision, pre-tax earnings, non-interest expenses excluding variable and stock-based compensation and the impact of FX, and adjusted net interest margin, 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 2021 Report to Shareholders and our 2020 Annual Report.

Definitions can be found under the “Glossary” sections in our Q2/2021 Supplementary Financial Information and our 2020 Annual Report.