ROYAL BANK OF CANADA THIRD QUARTER RESULTS CONFERENCE CALL WEDNESDAY, AUGUST 24, 2022

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In addition, as we work to advance our climate goals, external factors outside of our reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, and technological advancements, the evolution of consumer behaviour, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations.

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 2021 Annual, as updated by the Economic, market and regulatory review and outlook section of our Q3 2022 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 Impact of COVID-19 pandemic section of our 2021 Annual Report and the Risk management section of our Q3 2022 Report to Shareholders.

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ASIM IMRAN, VICE PRESIDENT, HEAD OF INVESTOR RELATIONS

Thank you, and good morning everyone.

Speaking today will be: Dave McKay, President and Chief Executive Officer; Nadine Ahn, 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

Good morning everyone, thank you for joining us today.

Today, we reported earnings of $3.6 billion, a solid quarter driven by continued strength in our personal and commercial banking businesses in both Canada and the U.S., where we benefited from double-digit volume growth and strong tailwinds from rising interest rates. Our market sensitive businesses reported a challenging set of results against the backdrop of one of the toughest environments for financial markets. This was underpinned by increased uncertainty, heightened volatility, lower asset valuations, and widening credit spreads impacting client sentiment and activity. Expense growth was relatively flat from last year as the built-in hedge of lower variable compensation offset higher spend as we continued to invest in the client experience. Our results also included a prudent reserve build given the range of potential macroeconomic outcomes, including the likelihood of a recession across North America. While we closely monitor early warning indicators, both gross impaired loans and provision for credit losses (PCL) on impaired loans remain low as our clients continue to demonstrate resilience despite rising costs.

I will now offer my thoughts on the operating environment to provide context for our results this quarter. The macro environment remains uncertain – characterized by a number of challenges, headlined by persistently high inflation. Supply chain constraints are being exacerbated by rising geopolitical tensions, COVID-related tail risk in Asia, tight labour markets, and more recently droughts related to climate change. While inflationary pressures appear to be peaking, we expect aggressive monetary policy to continue as central banks try to rein in demand-driven inflation by raising borrowing costs. This pushes us even closer towards the end of an economic cycle. These factors alone are not likely to drive a severe downturn. That would also require higher unemployment – and we believe the current strong job market is a differentiating factor relative to the beginning of prior downturns. Although there is high leverage in the system, our clients are entering this cycle with stronger liquidity than in prior ones, including healthy corporate balance sheets and increased personal savings across FICO bands in Canada. Consumer spending also remains robust.

Despite the complicated macroeconomic backdrop, we are operating from a position of strength across our capital, liquidity and allowance coverage ratios. I am confident our competitive advantages will drive premium growth going forward. Our premium return on equity was a source of strong internal capital generation and double-digit growth in book value per share. Our priorities in deploying our capital have not changed. We remain focused on building on our momentum and driving accretive, organic growth. Which I will speak to a little later. As part of our commitment to delivering long-term value for our shareholders, we bought back over 10 million shares while paying $1.8 billion of dividends this quarter. We remain well-positioned to execute on key strategic priorities via acquisitions should they meet our strategic and financial requirements. And we are looking forward to working with our new colleagues following the anticipated close of Brewin Dolphin acquisition later this year. Finally, we are comfortable with operating at a higher capital ratio at this point in the cycle. We believe this is the prudent thing to do given the uncertain environment. Our liquidity coverage ratio provides a $66 billion buffer over the regulatory minimum. And we expect to continue to fund the majority of our organic loan growth in our personal and commercial banking businesses through our large client deposit base.

I will now speak to trends we are seeing across our largest segments, including the benefit from higher interest rates. In Canadian Banking, we saw double-digit, year-over-year growth across mortgages, commercial lending and credit cards, with deposits up 9%. Higher interest rates provided a $225 million benefit to year-over-year revenue growth, partly due to the strength of our core deposit franchise. Our strong market share in this key product provides us with a strategic advantage to deepen our client relationships, and builds a strong base to profitably grow our loan book. We feel good about the stickiness of these deposits given our client value proposition, led by our market-leading RBC Vantage offering. Average retail deposit balances are approximately 30% higher than pre-pandemic levels, and remain stable across all risk tiers, with the exception of our super-prime group, which have moved cash into higher yielding offerings. The dynamics of our mortgage business were also strong this quarter with acquisition volumes still higher than pre-pandemic levels. We expect mortgage growth to slow over the coming quarters given the decline in housing activity and prices, and a return to a more balanced sales-to-listing ratio. Notwithstanding macro factors, mortgage profitability should be supported by deepening client relationships around this anchor product, and a variable mortgage specialist cost base. Commercial loan growth was broad-based this quarter, including in Manufacturing, Logistics, and Business Services, along with a recovery in Auto Floor

financing. While commercial clients remain concerned around labour shortages and the cost of capital, we are seeing confidence start to tick higher, with revolver utilization rates also starting to recover.

Growth in credit card balances continue to be underpinned by transactors as our clients continue their discretionary spend at a healthy pace, with total spending 30% above pre-pandemic levels. We have also started to see solid growth in revolver balances in recent quarters. And over time, we expect upside growth from card revolver rates and commercial utilization rates recovering towards pre-pandemic levels. As the largest bank in Canada, we often ask ourselves ‘how does a market leader grow?’ We believe the most profitable avenue of growth is to organically add new clients by providing differentiated value propositions through our leading distribution channels, including our growing sales force. This quarter we are adding to our growth engine by further expanding the client acquisition funnel. With immigration levels expected to rise to record levels, we have announced a collaboration agreement with ICICI Bank Canada, which attracts a substantial proportion of the newcomer population from South Asia into Canada. As part of our agreement, ICICI Bank Canada will refer all newcomer clients to RBC over time, making it easier for them to open a bank account upon arrival. With this partnership, we will offer longer-term value to these clients by deepening our relationships through our leading mortgage, investments, and credit card businesses. Additionally, we will soon launch Avion Rewards. This is the next generation of value proposition for our proprietary loyalty program ─ reimagining it as an end-to-end commerce experience to drive further client engagement. Avion Rewards will deliver everything Canadians have grown to appreciate about our market leading program with a new shopping companion called Avion ShopPlus ─ seamlessly integrating offers, product searches, price alerts, and the ability to pay with points. We have an exciting pipeline of innovations that will continue to attract new clients and consolidate relationships.

Turning to Wealth Management. The diversity of our portfolio, and the quality of our advice continue to be strengths in these volatile markets. This quarter highlighted the balance across our various businesses within our Wealth Management segment. Tailwinds from higher interest rates in our U.S. and Canadian businesses more than offset the impact of lower markets on fee-based revenue streams. Despite market volatility, Canadian Wealth Management also benefited from net new assets in the quarter as well as over the last 12 months. This speaks to the holistic nature of our wealth management solutions and the strength of our client-advisor relationships. Earlier this quarter, RBC Dominion Securities ranked highest amongst Canadian bank-owned investment brokerage firms for the 16th year in a row according to the Investment Executive Brokerage Report Card. Moving to RBC Global Asset Management, where assets under management have a more balanced mix of equities and fixed income, relative to a more traditional 60 / 40 allocation. The decline in AUM was largely driven by the somewhat unusual occurrence of North American equities and bond valuations selling-off at the same time, largely driven by rising interest rates. However, Canadian long-term retail net sales remained positive over the last 12 months as our clients continue to look to us for actively managed investment strategies. In the U.S., we reported strong revenue growth and earnings growth, driven by margin expansion and diversified loan growth at City National. We are effectively leveraging our multi-year investments in this business, including technology, infrastructure, treasury management, and sales capacity, including commercial and private bankers. Our strategy is further supported by the availability of lower cost sweep deposit balances from U.S. Wealth Management.

The results of our Capital Markets platform this quarter do not reflect the strength of this premium franchise, nor the potential of its performance going forward. Results were impacted by an industry-wide decline in fee pools, along with a disruption in high yield and broader credit markets. While leveraged finance remains a strategically important business ─ supporting our strategy of deepening client relationships ─ our market share has remained steady at 3 to 4%. It continues to be a higher ROE product where we have generated positive revenue ─ net of marks ─ in every fiscal year since we entered this business over 10 years ago. More broadly, we continue to strategically invest in our Capital Markets business. This includes adding senior coverage teams in key verticals, with a particular focus on advisory and equity origination businesses where we have gained market share year-to-date. Although the environment saw muted activity, client dialogue remains robust, underpinned by upcoming financing needs and secular trends around energy transition, technology disruption and re-shoring. Our backlog remains healthy, though conversion of this pipeline may

be extended as clients remain cautious as valuations reset. Despite difficult financial conditions, we remain committed to supporting our clients in managing their risk, and meeting their financing needs.

In closing, we have entered this period of uncertainty with momentum and from a position of strength underpinned by our strong capital, liquidity and allowance coverage ratios. Our leading client franchises are operating prudently and efficiently at scale, and we are well-positioned to take market share through the next point in the cycle. We remain committed to delivering more value to our clients, and to creating long-term value for our shareholders. Let me now turn the call over to Nadine for more details about our quarter.

Nadine, over to you.

NADINE AHN, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone.

I will start on slide 9. We reported earnings per share of $2.51 this quarter, down 15% from last year. Our diversified business model and balance sheet remained resilient amidst an unfavourable macroeconomic backdrop in which we increased the provisions for credit losses on performing loans. In addition, challenging conditions across financial markets had a significant impact on our results this quarter, with revenue down 5%, including the recognition of loan underwriting markdowns in Capital Markets. Adjusting for these markdowns, revenue net of PBCAE (insurance policyholder benefits, claims and acquisition expense) was up 2% from last year underpinned by strong volume growth and broad-based benefits from higher interest rates. Expenses were relatively flat year-over-year as lower variable compensation was offset by higher salaries and non-compensation costs as we continued to invest in our people and technology to create more value for our clients.

Before focusing on the drivers of our earnings, I will talk about our robust capital levels on slide 10. Our Common Equity Tier 1 (CET1) ratio remained strong at 13.1%, down 10 basis points (bps) from last quarter. Earnings this quarter generated 30 bps of capital, net of $1.8 billion of dividends to our common shareholders. Our capital return strategy has driven a total payout ratio of over 80% year-to-date, including dividend increases and the continued execution of our previously announced normal course issuer bid. Risk-weighted asset (RWA) was up from last quarter, largely due to strong loan growth across Canadian Banking, Capital Markets and City National as we continued to support our clients' financing needs. This was offset by a reduction in loan underwriting commitments and a decline in market risk RWA in Capital Markets as the impact of the significant volatility in Q2 / 2020 is no longer being reflected in our historical Value-at-Risk (VaR) period. We would expect our CET1 ratio to be around 12.5% next quarter following the anticipated close of the Brewin Dolphin acquisition, and the continuation of share buybacks. Our strong ratios provides us with flexibility in our capital deployment, leading with supporting client-driven growth.

Moving to slide 11. Net interest income was up a very strong 17% year-over-year, or an even higher 19% excluding trading results. The year-over-year benefit from higher interest rates and volume growth was broad-based across segments. Canadian Banking net interest income was up 14% underpinned by double-digit volume growth and margin expansion. Canadian Banking net interest margin (NIM) was up 15 bps points from last quarter primarily due to higher spreads across our low-beta core chequing platform and GIC portfolio, which is seeing inflows as clients shift into higher yielding deposit products. Going forward, announced rate hikes are expected to provide incrementally higher revenue in the 2nd year. And the benefit from future rate hikes will accumulate further. This, in turn is expected to drive continued NIM expansion. As interest rates increase, deposit mix and growth will matter even more. And we believe we are well-positioned given our large base of low-beta, core retail chequing accounts. We also expect to continue to gain market share in this key product through the widening of our client acquisition funnel and our deep client value proposition.

Wealth Management net interest income increased 41% from last year due to strong volume growth and higher net interest margins at City National, combined with higher deposit margins in Canadian Wealth Management. Furthermore, higher interest rates drove increased revenue from U.S. Wealth Management sweep deposits. City National's asset sensitive NIM was up 31 bps from last quarter due to higher yields on its largely floating rate commercial loan portfolio, combined with a shift in asset mix. The increase in City National's NIM this quarter does not fully reflect the benefit from July's 75 bps increase in the Fed Funds Rate. Rising interest rates also drove higher client deposit revenue in Investor & Treasury Services.

Turning to expenses on slide 12. Non-interest expenses were relatively flat from last year with variable compensation down 19%, commensurate with a decline in market-related revenue. In contrast, expenses excluding variable and share-based compensation, were up 8%. The largest increase of these controllable costs was higher salaries, which were up 8% relative to last year. As Dave noted, we continued to strategically invest in sales capacity across our largest businesses. Marketing costs continue to normalize from low levels as we expand our client acquisition efforts by highlighting our growing value proposition to our existing and prospective clients. We have also seen an upward trend in revenue-related business development costs, such as travel, as we look to meet the complex needs of our clients across our businesses. U.S. Wealth Management expenses were up 10% year-over-year in U.S. dollars, including investments to improve the operational infrastructure supporting City National's expansion over the past 6 years. Next quarter, we expect year-over-year expense growth across the enterprise – excluding variable and share-based compensation – to be lower, partly due to the legal provision taken in the fourth quarter of last year. However, given salary inflation and strategic investments to grow the business, our full year 2022 growth in controllable expenses will likely come in slightly higher than our prior guidance.

Moving to our segment performance beginning on slide 13. Personal & Commercial Banking reported earnings of $2 billion this quarter. Canadian Banking pre-provision, pre-tax earnings were up 15% year-over-year, well above strong revenue growth of 11%. Non-interest income was up 6% from last year largely due to increased client activity driving higher banking-related fees, including higher service charges. A significant rebound in travel bookings from pandemic-lows resulted in higher foreign exchange revenue along with credit card purchase volumes. Higher card service revenue was partially offset by an uptick in travel-related rewards costs. Operating leverage was a strong 4.5% this quarter. We expect it to be even higher next quarter as the benefits from wider spreads will more than offset growth-related investments. We anticipate the full-year operating leverage to be well above our historical 1-2% range, driving our full year efficiency ratio towards 40% for this fiscal year.

Turning to slide 14. Wealth Management reported earnings of $777 million. Revenues were up 8% year-over-year supported by the strong growth in net interest income discussed earlier. In contrast, non-interest revenue was relatively flat. Global Asset Management revenue decreased primarily due to mark-to-market seed capital losses and lower fee-based client assets, largely due to unfavourable market conditions. Canadian long-term retail net redemptions were $4 billion this quarter at RBC GAM, mainly in Balanced and Fixed Income mandates. RBC captured a good part of the shift as clients moved to GICs during a period of elevated market uncertainty. The risk-off sentiment also subdued client activity, driving lower transactional revenue this quarter.

Turning to Insurance on slide 15. Net income of $186 million decreased 21% from last year, primarily due to the impact of new longevity reinsurance contracts in the prior year. The magnitude of these contracts can be volatile quarter-to-quarter.

Turning to I&TS on slide 16. Net income of $164 million increased $76 million from a year ago, primarily due to higher client deposit revenue, and higher funding and liquidity revenue, largely from increased market opportunities.

Turning to slide 17. Capital Markets reported earnings of $479 million. Pre-provision, pre-tax earnings were down 52% from last year's strong results. During the quarter, widening credit spreads as well as weakening primary markets in July resulted in the recognition of $385 million of loan underwriting markdowns in an

uncertain environment. Approximately 75% of the marks are unrealized, and do not yet include the benefit of fees, which are recognized upon close of the transaction. Excluding these marks, Investment Banking revenue was down 49% from last year, relatively in line with the decline in global fee pools. The uncertain backdrop impacted client activity in M&A advisory, while higher interest rates and market volatility kept issuers on the sidelines, impacting our origination businesses. Lower trading revenue was primarily driven by the impact of widening credit spreads on credit trading, which is a larger part of our Global Markets business. In contrast, our macro businesses performed relatively well given volatility in rates and FX markets. Equities revenue was solid, albeit impacted by softer origination activities.

To conclude, we will continue to deploy our strong balance sheet to drive client-driven growth and deliver sustainable value to our shareholders. We remain well-positioned to benefit from further increases in interest rates, which along with our focus on expense control, should drive positive operating leverage going forward.

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

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you, Nadine, and good morning, everyone.

Starting on slide 19, our Gross Impaired Loans ratio of 25 bps was down 2 bps this quarter, reflecting a modest reduction in Gross Impaired Loan balances, and continued portfolio growth. New formations[1] of $458 million increased 15% quarter-over-quarter but remain low at less than two-thirds of pre-pandemic levels. The increase in new formations this quarter was primarily in the wholesale loan portfolio, and largely attributable to a new impaired loan in the Real Estate and Related sector.

Turning to slide 20, PCL on impaired loans of $170 million was down $4 million or 1 bp this quarter. The reduction in PCL was driven by Capital Markets, where we had a $13 million net reversal of provisions this quarter, primarily on loans in the Oil and Gas and Utilities sectors. In Canadian Banking, PCL was up $34 million from last quarter, with modest increases in both the retail and commercial portfolios consistent with expectations that we are trending back to more normal levels of impairments and PCL. For context though, the $180 million of PCL in Canadian Banking this quarter still remains well below the 2019 quarterly average of $330 million.

Moving to slide 21, we provide some further context on our allowances. During the quarter, the economy continued to operate near full capacity, driving unemployment rates down to record low levels. This environment has helped sustain the low levels of gross impaired loans and PCL on impaired loans I just highlighted. But the exceptionally strong economic conditions, have exacerbated inflationary pressures prompting central banks to take action, with substantial interest rate increases, fueling recessionary concerns and increasing uncertainty around the macroeconomic outlook. To account for this growing uncertainty, we have prudently increased our provisions on performing loans by $177 million this quarter, which drove a $124 million increase in our allowance for credit losses on loans, from $3.9 billion to $4 billion. Last quarter, we increased both the severity and likelihood of the downside scenarios used to determine our provisions. This quarter, the increase in reserves primarily reflects a weaker base case credit outlook and macroeconomic forecast. For example, we now assume the Canadian and U.S. economies will face a moderate recession in 2023, and Canadian house prices will on average decline over 12% from their peak. Additionally, business growth - particularly in our Cards and Commercial portfolios - as well as a shift in our portfolio composition contributed in part to the increase in allowances this quarter.

In the context of a rising interest rate environment, I did want to spend some time discussing a couple of portfolios being impacted, starting with the Canadian Banking residential mortgage portfolio on slide 22. As I

[1] New formations for collectively assessed portfolios in Canadian Banking and Caribbean Banking are net of amounts returned to performing, repayments, sales, FX, and other movements, as amounts are not reasonably determinable.

highlighted last quarter, while variable rate mortgages accounted for a growing volume of our acquisitions through 2021 and 2022, fixed rate mortgages still account for more than 65% of our portfolio. In addition, most variable rate mortgages at RBC will not see an increase in payment until they renew[2], or will experience a relatively modest increase if rates continue to rise. Thus, the impact of higher interest rates is primarily realized at renewal. Overall, our mortgage portfolio and our mortgage client base are exceptionally strong. Our Canadian Banking uninsured mortgage portfolio has a current Loan to Value of 46% with only $17.9 Billion of mortgages with a Loan to Value greater than 75%. Our mortgage clients have an average FICO score of 801, and our internal payment analysis indicates that a majority of our clients will be able to absorb these anticipated payment increases. In addition to those core strengths, our borrowers will also benefit from the flexibility that comes with the time they have before their mortgage comes up for renewal, and their payment increases. As highlighted on the slide, only 17% of mortgage balances[3] come up for renewal by the end of 2023. Additionally, the vast majority of our mortgages that are in the highest Loan to Value bands and have the lowest interest rates – those generally originated in 2021 and early 2022 – don't renew until 2025 or beyond. This puts our clients in a strong position to deal with rising rates and declining home prices we have experienced to date and expect going forward. Borrowers will have time to adjust behaviour, and benefit from wage and income inflation to moderate the impact of higher payments. While the risks associated with our mortgage portfolio are increasing, our underwriting standards have been designed to ensure resilience through an economic cycle.

Turning to slide 23, I will now discuss our capital markets leveraged finance business, which deals with leveraged loans and high-yield bonds, and has also been impacted by the rising rate environment. We continue to prudently manage both credit and market risk for this business. In our leveraged lending portfolio, our exposure represents only 1.2% of our total outstanding loan portfolio, down from 1.5% in 2019. At origination, our leveraged loans benefit from security and a 1st lien position in a borrower's capital structure. Additionally, the portfolio is very well diversified by sector and by borrower with no sector accounting for more than 17% and an average outstanding exposure per borrower of approximately $20 million. In our underwriting portfolio, exposure is managed within a consistent risk appetite, supported by well-established limits. Market risk is managed through a deal-specific structure and pricing protections, timely syndication and portfolio hedging. While we incurred realized and unrealized losses in the underwriting portfolio this quarter, which Nadine noted earlier, those are consistent with the risk framework and within the risk appetite we've established for this business. Overall, this business has a track record of generating strong financial performance through market cycles.

To conclude, we continue to be pleased with the ongoing performance of our portfolios. The strong economic recovery from COVID-19 has allowed us to sustain our exceptional credit performance for longer than we originally anticipated. That said, leading indicators like credit card delinquency rates have started to increase towards pre-pandemic levels, and point towards a normalization of PCL on impaired loans through 2023. The timing and magnitude of increased credit costs will ultimately depend on central banks' success in curbing inflation, while creating a soft-landing for the economy. We continue to proactively manage risk through the growing economic uncertainty. As I noted last quarter, we stress test our portfolios for inflation and interest rate risks, and believe we are well capitalized to withstand plausible, yet even more severe macroeconomic outcomes. With that, operator, let's open the lines for Q&A.

Note to users:

We measure and evaluate the performance of our consolidated operations and each business segment using a number of financial metrics, such as net income, ROE and non-GAAP measures, including pre-provision, pre-tax earnings. Certain financial metrics, including ROE and pre-provision, pre-tax earnings do not have any standardized meanings under GAAP and may not be comparable to similar measures

[2] Payments on variable rate mortgages will be increased if a client's payment is less than the accrued interest.

[3] Current mortgage and HELOC balances. Excludes mortgages expected to be fully paid off before the expected renewal date, $11BN of mortgages on multi-unit residential buildings and ~$130MM of balances related to Social Housing projects.

disclosed by other financial institutions. We believe that certain non-GAAP measures are more reflective of our ongoing operating results and provide readers with a better understanding of management's perspective on our performance.

Additional information about our ROE and non-GAAP measures can be found under the “Key performance and non-GAAP measures” sections of our Q3 2022 Report to Shareholders and 2021 Annual Report.

Definitions can be found under the “Glossary” sections in our Q3/2022 Supplementary Financial Information and our 2021 Annual Report.