ROYAL BANK OF CANADA FOURTH QUARTER RESULTS CONFERENCE CALL WEDNESDAY, NOVEMBER 30, 2022

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Additional factors that could cause actual results to differ materially from the expectations in such forward-looking statements can be found in the risk section of our 2022 Annual Report.

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 2022 Annual Report. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the risk sections of our 2022 Annual Report.

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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, and thank you for joining us. Today, we reported fourth quarter earnings of $3.9 billion. Net interest income increased over 20 percent from last year, underpinned by higher interest rates and client demand. Higher net interest income was partly offset by headwinds in our market-related Capital Markets and Wealth Management businesses as macro and geopolitical uncertainty pushed our clients towards a risk-off stance. Our results were also impacted by higher provision for credit losses (PCL) on Performing loans, and an end-of-year true up in Capital Markets variable compensation.

Looking back at the 2022 fiscal year, RBC delivered earnings of nearly $16 billion and revenue of nearly $49 billion. Both are the second highest on record, as we supported our clients' financing needs. We met all of our medium-term objectives as we generated return on equity (ROE) of 16.4 percent, while ending the year with a strong CET1 ratio of 12.6 percent. Part of our commitment to delivering long-term value to our shareholders, we ended the year with an 80 percent total payout ratio, including paying out nearly $7 billion of common share dividends while buying back over $5 billion of stock. And this morning, we announced a 4 cent or 3 percent increase in our quarterly dividend.

Before I discuss the strategic initiatives that will drive our growth over the coming years, I will provide my perspective on the macro environment. Elevated uncertainty continues to affect asset valuations and market volatility, which in turn is impacting investor sentiment and client activity in both public and private markets. While strong labour markets paint a favourable picture, and inflation appears to have peaked, we maintain our cautious stance on the outlook for economic growth. This caution stems from elevated housing and energy prices, political and geopolitical instability, a pressured manufacturing sector, and an aggressive monetary policy stance by central banks. Although higher interest rates are needed to preserve long-term economic stability, the lagging impact of monetary policy combined with strong employment and significant liquidity in the system has likely delayed what may end up being a brief and moderate recession.

With this context, I will now expand on RBC's many organic growth vectors that position us to succeed in all credit cycles. We believe our competitive advantages are underpinned by our strong balance sheet and continued investments to enhance the client value proposition. I will start with our Canadian Banking business. Our clients are at the centre of everything we do, and we are proud to note that RBC was yet again ranked #1 in Overall Customer Satisfaction among the Big Five Retail Banks by J.D. Power while also being recognized with the J.D. Power Canada award for "Best in Customer Satisfaction" for our mobile banking application. We added a record 400 thousand clients this year, more than the last two years combined. Given the value-added initiatives that we have in place, we are well-positioned to attract even more clients next year. Our partnership with ICICI Bank Canada to create a seamless banking experience for newcomers to Canada is expected to attract approximately 50 thousand clients as immigration levels reach record highs. Continuing on the theme of international connectivity, RBC recently launched Swift Go, a new solution that enables Canadian businesses to send cross-border payments of up to $10 thousand in foreign currencies. Our deposit and payments franchise – which we have built over two decades ─ is one of the crown jewels of the bank. It is a source of low-cost funding to grow Canadian mortgages, credit cards and business lending. And we believe our largely deposit-funded balance sheet will be a key driver of profitability in a rising rate environment, a topic Nadine will discuss further. Deposits are a core relationship-product, and a foundational reason why clients have consolidated their relationship with RBC at a rate that is 50 percent higher than the peer average. This success is partly built on the broader money-in continuum, helping our clients make the best decision between savings and investments in a volatile interest rate and market environment. RBC Vantage further incentivizes this consolidation of our strong client relationships. Over 1.5 million Canadians have adopted this expanded continuum of offerings. We also remain a leader in residential mortgages, growing this anchor product by over $30 billion this year. Our focus is to deliver a better home journey experience for clients, while building an advanced end-to-end process to take out costs. While mortgage origination volumes have declined from recent peaks given rising interest rates and supply-demand imbalance, they remain in line with pre-pandemic levels. We expect mortgage growth to be in the mid-single digits next year. The near-term outlook for commercial lending appears to be more constructive. We are confident growth will continue over the next couple of quarters, given post-pandemic client recovery plans and investments. We expect to see particular strength in the Agriculture and Consumer Discretionary sectors. Regionally, commercial growth is expected to continue primarily in the Greater Toronto Area and the Atlantic Provinces. We are also looking to build on our position as the largest of the Big 5 Canadian banks in Québec, where we are honoured to team up with the Montreal Canadiens, highlighting our commitment to the province. RBC's new loyalty collaboration with METRO will launch with a co-branded credit card for Quebec consumers in 2023, adding to our national partnerships with Petro-Canada, Rexall, and WestJet. We also continue to expand and move up the acquisition funnel. Earlier this year, we announced an expansion of our healthcare strategy with the acquisition of MDBilling.ca, a cloud-based platform that simplifies medical billing for Canadian physicians, joining our investment in Dr.Bill. This is in addition to Ownr, an RBCx Venture, which has helped launch over 30 thousand new Canadian businesses in 2022

alone, of which half opened an RBC small business account. Additionally, we continue to invest in talent and digital capabilities. We added nearly over 1,800 employees in Canadian Banking this year, including client-facing roles such as mortgage specialists, and commercial account managers.

Turning to our Wealth Management business. Our diverse set of wealth and banking capabilities are well positioned to deliver customized client value propositions. This is now truly a global platform with scale in Canada, the U.S. and the UK. Despite market volatility, Canadian Wealth Management added $20 billion of net new assets this year, highlighting the strength of client relationships, trusted advice, digital capabilities and a wide range of solutions. RBC Dominion Securities was ranked #1 amongst bank-owned advisory firms in the most recent Investment Executive Brokerage Report Card. We hired more than 25 experienced investment advisors last year, and are looking to hire at least a similar level next year. Our U.S. Wealth Management business supports over US$ 510 billion of Assets Under Administration (AUA), positioning RBC as the 6th largest full-service wealth advisory firm in the U.S. Advisor recruiting is a key source of growth, having recruited more than 100 advisors driving more than $18 billion of expected AUA growth. Similar to our Canadian strategy, we have been adding banking products to support the needs of our U.S. clients. Our lending portfolio now represents US$ 9 billion. Our broader U.S. strategy is further supported by sweep deposit balances.

We also welcome Brewin Dolphin, one of the largest discretionary wealth managers in the UK and Ireland, adding yet another secular growth platform in an attractive market. We will look to replicate our North American strategy and extend tailored banking capabilities in the future. Net interest income was up from last year across our global wealth management businesses, more than offsetting lower fee-based revenues. A testament to the strength of the platform, RBC Global Asset Management was yet again recognized for its outstanding investment performance at the 2022 Canada Lipper Fund Awards. While assets under management has declined amidst a tough backdrop, RBC GAM is a significant profit generator with a pre-tax margin of over 50 percent. City National is now approaching almost US$ 100 billion in assets. Given its outsized growth over the years, our focus is increasingly on improving both the profitability and technology infrastructure, and framework of the bank. Nonetheless, we expect higher net interest income to more than offset expense growth in the coming year.

Turning to our Insurance segment, which continues to generate high-ROE earnings, and provides diversification against credit and interest rate risk. RBC insurance is the largest bank-owned insurer in Canada serving 5 million clients, and holds a leadership position in Individual disability.

Moving on to our Investor & Treasury Services platform. Earlier this year, we announced the signing of a Memorandum of Understanding with a view for CACEIS to acquire our European asset servicing activities and its associated Malaysian centre of excellence. This transaction will allow us to increasingly focus on our Canadian asset services franchise in our home market where we are investing to develop new capabilities and optimize our operations.

Capital Markets generated $3.6 billion in pre-provision, pre-tax earnings in 2022, not far off our expectations of generating $1 billion of pre-provision, pre-tax earnings per quarter in a more normalized environment. Starting with our Global Markets platform, we are focusing on delivering our full product suite while at the same time investing in solutions, execution and capabilities to better support our clients, with aspirations to move up the league table. We recently launched Aiden Arrival, the next algorithm on our AI-based electronic trading platform, which has continued to gain traction, supporting our clients during these volatile times. Shifting now to Corporate and Investment Banking. RBC Capital Markets has moved up to 9th in the global league tables from 11th last year.

Our focus continues to be shifting revenue streams towards higher ROE advisory and activities while deepening client relationships. We also benefit from having broad-based,strong relationships with both public market corporates and private capital sponsors. Our success is also built on our investments in people. We will look to add to the 50 managing directors we have hired over the last two years, particularly in the technology and healthcare sectors. Looking forward, our pipeline is healthy, but we expect some challenges

in converting on deals as clients opt for a more cautious approach in response to the challenging market conditions, including rising financing costs and access to markets.

Across our businesses, a key pillar of our climate strategy is to play a role in the just, orderly and inclusive transition to Net Zero, including helping clients execute on their own sustainability strategies. We remain committed to providing $500 billion in sustainable financing[1] by 2025, and continue to build towards this goal. In accordance with our NZBA commitment to achieve net-zero in our lending by 2050, we recently published our interim emissions reduction targets for three key high-emitting sectors, namely oil & gas, power generation and automotive.[2] [3]

In conclusion, we made significant strides in our organic growth story. You also would have heard of our excitement in welcoming our colleagues from Brewin Dolphin, and yesterday, we announced the acquisition of HSBC Canada, with an implied consideration of approximately $12.5 billion, net of the locked box agreement, or less than 9x fully synergized 2024 earnings. And given expense synergies and potential revenue opportunities, this transaction is financially compelling. It also offers the opportunity to add a client base in the market we know best. It also positions us as a bank of choice for commercial clients and international needs, newcomers to Canada and affluent clients who need global banking and wealth management capabilities.

Nadine, over to you.

NADINE AHN, CHIEF FINANCIAL OFFICER

Thanks Dave, and good morning everyone.

I will start on slide 11. We reported Earnings Per Share (EPS) of $2.74 this quarter. Adjusted diluted EPS of $2.78 was up 3 percent from last year. Total revenue was up 2 percent year-over-year, or up 10 percent, net of insurance policyholder benefits, claims and acquisition expense (PBCAE). Accelerating growth in net interest income more than offset challenging market conditions, which impacted fee-based revenue in our asset management and investment banking businesses. Pre-provision, pre-tax earnings were up 10 percent from last year as strong revenue growth more than offset elevated expense growth, which I will discuss shortly.

Starting with our strong capital ratios on slide 12. Our CET1 ratio declined 50 basis points from last quarter, largely due to the completion of the Brewin Dolphin acquisition, which more than offset strong capital generation of 35 basis points, net of $1.8 billion of dividends to our common shareholders. Our balanced capital return strategy also included $1 billion of share buybacks this quarter.

We continued our multipronged organic growth strategy driven by strong growth in both commercial and personal lending. However, RWA business growth was lower than prior quarters, largely due to a reduction in loan underwriting commitments given the slowdown in market activity. Looking ahead in to fiscal 2023, we will continue to support client-driven, organic RWA growth. Furthermore, we expect the benefit from the

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[1] Sustainable finance refers to financial activities that take into account environmental, social and governance factors.
[2] In 2022, RBC delivered a key milestone in its commitment to achieving net-zero in its lending portfolio by 2050 with the release of its initial set of 2030 interim emissions reduction targets for key high-emitting sectors. Please refer to our 2022 Net-Zero Report for more information.
[3] Our 2030 interim emissions reduction target methodology excludes the practices of: (a) RBC Global Asset Management (RBC GAM), the asset management division of Royal Bank of Canada (the “Bank”), and RBC Wealth Management (RBC WM). RBC GAM includes the following wholly owned indirect subsidiaries of the Bank: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited and BlueBay Asset Management LLP. RBC WM includes the following affiliates: RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund), RBC Direct Investing Inc. (Member–Canadian Investor Protection Fund), Royal Mutual Funds Inc., RBC Wealth Management Financial Services Inc., Royal Trust Corporation of Canada and The Royal Trust Company, which are separate but affiliated subsidiaries of the Bank; and (b) Brewin Dolphin Holdings PLC and its subsidiaries.

implementation of the Basel III reforms in early-2023 to offset the combined impact of the Brewin Dolphin acquisition and the expected 20 basis point impact of the Canada Recovery Dividend. However, in light of the uncertain macroeconomic environment, we are activating a 2 percent discount to be applied to our dividend reinvestment plan. Furthermore, we will defer further share repurchases until the expected close of the HSBC Canada acquisition.

Moving to slide 13. All-bank net interest income was up 24 percent year-over-year, or up 30 percent excluding trading revenue. These results highlight both the earnings sensitivity to higher interest rates as well as the benefit from higher volumes. All-bank net interest margin was up 4 basis points from last quarter due to higher margins in Canadian Banking and Wealth Management. Higher segment margins were partly offset by the cost of funding certain I&TS transactions, which is recorded in interest expense while the related gains are recorded in Other revenue. City National's asset sensitive NIM was up 30 basis points quarter over quarter due to higher yields on its largely floating rate commercial loans. We expect margin expansion at City National to moderate in the coming quarters due to higher funding costs driven by rising rates.

On to slide 14 with a deep dive on Canadian Banking NIM, which was up 10 basis points from last quarter. There are two ratios which are foundational to our sensitivity to rising interest rates as they demonstrate our ability to profitably fund the majority of our loan growth through a low-cost client deposit base. One is our largely match-funded balance sheet with a loan-to-deposit ratio of approximately 100 percent. The second is our zero-to-low cost deposit base, which represents 40 percent of segment deposits. Turning to this quarter's drivers of NIM, starting with deposit margins. While higher interest rates are driving up deposit costs, these low-beta deposits are a key driver of higher deposit margins, partly reflecting the spread relative to medium-term swap rates invested over a period of time. This strategy helps smooth the impact of changes in interest rates, while also providing a latent benefit from past rate hikes. As the illustrative example on the bottom right highlights, these deposit margins should continue to expand as maturing ladders of deposits from the past low-rate environment are reinvested at higher yields. Although we are seeing clients move out of chequing accounts into higher-yielding GICs, the shift in deposit mix has yet to have a significant impact on margins. On the contrary, given the worsening spread between GICs and credit spreads, it is increasingly advantageous to use GICs to fund similar term assets. Offsetting these positives are lower loan spreads due to intense mortgage competition, which have declined despite an offset of rising credit card revolve rates and commercial utilization levels. Furthermore, the compression of the spread between lagged Prime rate increases and higher short-term rates in anticipation of Bank of Canada announcements had a short-term negative impact, which we expect to reverse over time. Looking forward, we expect a lower sensitivity to rising Canadian interest rates, largely reflecting strategic hedging activities. As Canadian rates may be closer to peaking, we are looking to protect against the downside while still benefiting from implied rate increases. Our current expectation, based on the current rate outlook, is for Canadian Banking NIM to increase 10 to 15 basis points through next year, with most of the increase coming in the first quarter.

Moving to slide 15. Non-interest expenses were up 9.5 percent from last year with full-year expenses up 3 percent. The inclusion of Brewin Dolphin added 1 percent to expense growth this quarter. The biggest driver of expense growth, which represented half of the NIE increase in the quarter, was the year-end true-up of variable compensation in Capital Markets, updating our best-estimate accrual for the first 9-months of the year. While we have volatility on a year-over-year basis for the quarter, on a full year basis, capital market expense growth was in the low single digits as we look to maintain a competitive level of compensation to attract and retain top talent to build on our premier capital markets franchise. Excluding variable and stock-based compensation, quarterly expenses were up 8.5 percent year-over-year, or 6.5 percent for fiscal 2022. Salaries were up significantly, largely due to our strategic investments in sales capacity to support our multiple growth vectors, as well as base salary increases over the past year. Inflationary pressures combined with costs to support client acquisition and relationships resulted in higher marketing and travel costs. Technology and related costs were higher as we continue to add capabilities to support and expand our client value proposition. At a segment level, the increase in U.S. Wealth Management expenses included investments to improve City National's operational infrastructure as part of our focus to improve its longer-term profitability. And in Canadian Banking, we expect mid-single digit operating leverage for 2023, well above our historical 1 to 2 percent range, driving the full year efficiency ratio below 40 percent for 2023. At

an all-bank level, we expect operating leverage to be positive next year driven by rising interest rates, a partial recovery in market-related revenue, and productivity benefits from our zero-based budgeting plans. We expect these to more than offset the impact of growth-related investments and higher salaries.

I will now add colour to segment trends beginning on slide 16. Personal & Commercial Banking reported earnings of $2.1 billion this quarter with Canadian Banking pre-provision, pre-tax earnings up 25 percent year-over-year. Net interest income was up 23 percent from last year due to higher spreads and strong growth in our lending portfolios and term deposits. While credit card balances have largely recovered to pre-pandemic levels, revolve balances remain well below those seen in 2019. Similarly, commercial utilization levels remain low, but should continue to tick higher towards 2019 levels, supporting near-term growth. Non-interest income was up 6 percent from last year due to higher credit card purchase volumes and foreign exchange revenue.

Turning to slide 17. Wealth Management earnings were up 47 percent from last year. Revenues were up 15 percent year-over-year as very strong net interest income growth offset weaker fee-based revenue. Global Asset Management revenue decreased primarily due to lower fee-based client assets. Challenging market conditions in both equity and bond markets have disrupted traditional asset class correlations. Canadian long-term retail net redemptions were $3 billion this quarter, mainly in Balanced mandates. Net redemptions were lower than elevated levels seen last quarter across the industry.

Turning to Insurance on slide 18. Net income remained relatively flat to last year, largely reflecting the impact of offsetting items between revenue and PBCAE, which also included the impact of favourable annual actuarial assumption updates.

Turning to I&TS on slide 19. Net income remained relatively flat year-over-year as the benefit from improved client deposit margins was largely offset by lower funding and liquidity revenue and lower revenue from our asset services business.

Turning to slide 20. Capital Markets earnings were down 33 percent year-over-year. While revenues were up 1 percent from last year, pre-provision, pre-tax earnings were down 39 percent largely due to the end of year true-up in variable compensation. Investment Banking revenue was down 24 percent from last year due to the challenging credit market environment and muted client activity. However, results outperformed a more significant decline in global fee pools, resulting in record share gains across most products. Record Lending revenue was on the strength of higher U.S. loan balances. Our macro businesses within Global Markets continued to perform well, supporting increased client activity in an environment of elevated volatility in rates, FX and commodities markets. This offset a more challenging environment for credit trading. Our Equities business performed well despite challenging market conditions, which impacted origination activities

To conclude, our results this quarter were largely underpinned by our structural sensitivity to higher interest rates. Looking forward, we will continue to deploy our strong balance sheet to drive client-driven growth and deliver sustainable value to our shareholders.

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

GRAEME HEPWORTH, CHIEF RISK OFFICER

Thank you, Nadine, and good morning, everyone.

Starting on slide 22, I will discuss our allowances in the context of the macroeconomic environment. Over the course of 2022, as the recovery from the COVID-19 pandemic continued, we saw robust economic strength. This is being driven by record low unemployment rates, pent-up consumer demand, peak housing prices, and elevated savings and deposit levels. The strength of the recovery allowed us to release the majority of our COVID-19 related reserves in the first half of the year. However, as the year progressed, we saw signs

that the economy was over-heating, with persistent elevated inflation causing central banks to react with aggressive rate hikes not seen for 40 years. This in turn has created market volatility, downward pressure on asset prices, and the prospect of a recession as we head into 2023. Last quarter, we began increasing our allowances on performing loans to reflect deterioration in the macroeconomic outlook. This quarter, we started to see those headwinds manifest, and credit outcomes have started to normalize toward pre-pandemic levels. With this backdrop, we continued to prudently build our reserves. Provisions on performing loans this quarter reflect: Changes to our base case scenario to incorporate an earlier and modestly more severe recession than previously expected; Increases in delinquency rates and credit downgrades; and Ongoing portfolio growth. In total, our allowance for credit losses on loans increased by $170 million this quarter, to $4.2 billion.

Moving to slides 23 and 24, gross impaired loans were up $140 million or 1 basis point this quarter, noting new formations[4] of impaired loans increased for the third consecutive quarter. Provisions on impaired loans were up $84 million or 4 basis points compared to last quarter, with increases in each of our major lending businesses. The increases in impaired loans and provisions were anticipated, and reflect the normalization of credit outcomes I noted earlier. I do want to emphasize that both impaired loans and provisions remain well below pre-pandemic levels. For context, our PCL on impaired loans ratio of 12 basis points remains less than half of 2019 levels. I'll now briefly discuss the credit outcomes in our major businesses.

In Canadian Banking, delinquency rates, new formations of impaired loans, and provisions on impaired loans were modestly higher across all retail products, as well as in the commercial portfolio. Credit outcomes in the commercial portfolio remain relatively benign, as our clients continue to benefit from strong consumer demand, and many of these businesses are able to increase prices to pass through the impacts of rising costs. Across our retail lending products, delinquency rates are now back to more historic norms or are trending to those levels. Even as delinquency rates increase, our portfolio remains resilient, supported by elevated deposit levels, low insolvency rates, and low unemployment rates. Collectively, these forces have helped maintain our PCL on impaired loans well below pre-pandemic levels. Shifting focus to our home equity finance portfolio, the rapid rise in interest rates and softness in housing demand and prices continue to act as headwinds. And as a result of higher rates, more of our client base will experience an increase in payments as they cross their trigger rate threshold. As I discussed in detail last quarter, our mortgage portfolio and mortgage client base remain exceptionally strong, and our internal payment analysis indicates a majority of our clients will be able to absorb these anticipated payment increases. Additionally, our underwriting standards have been designed to ensure resilience through an economic cycle, and we believe we are adequately provisioned to withstand economic stress, as our allowance for credit losses (ACL) ratio on performing mortgages is well above pre-pandemic levels.

Moving to our Capital Markets business, during the quarter, gross impaired loans increased by $74 million, and PCL on impaired loans was $11 million, primarily driven by loans in the Other Services sector. Inflation and higher rates have yet to materially impact credit outcomes in Capital Markets, elevated market volatility has impacted our market-sensitive businesses. Our loan underwriting business continues to be impacted by challenging market conditions. However, through the quarter, we continued to reduce exposure, and exposure has shifted to higher-rated credits. Mark-to-market impacts in Q4 were largely offset by the underwriting fees on the associated transactions. Our Global Markets business has been well positioned for a rising rate environment. Our trading Value at Risk remained stable, and notwithstanding substantial volatility, we only saw 2 days of net trading losses during the quarter. Market volatility also increased our counterparty credit risk exposures, and we saw a higher volume of margin and collateral calls this quarter. Our counterparties remain strong, and no negative outcomes have been observed to date.

Finally, moving to our Wealth Management business, in Q4, gross impaired loans increased by $56 million from last quarter and we took $11 million of PCL on impaired loans. The new impairments and provisions

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[4] 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.

were concentrated at City National in the Consumer Discretionary sector, primarily in the franchise restaurant space, where rising input costs have challenged our clients' ability to maintain margins. Our portfolio here is focused on larger franchise operators, and performed consistently through economic downturns.

To conclude, we continue to be pleased with the ongoing performance of our portfolios, with provisions and impairments remaining well below pre-pandemic levels. However, we are starting to see the normalization of delinquencies, credit downgrades, impairments, and provisions that we have been anticipating for a number of quarters. We expect this normalization to continue through 2023, with PCL on impaired loans forecasted at 20 to 25 basis points. Total PCL in 2023 is expected to be 25 to 30 basis points, as a return to more normal levels of credit downgrades, and continued portfolio growth increase provisions on performing loans. As I noted last quarter, the timing and magnitude of increased credit costs will ultimately depend on central banks' success in improving inflation, while creating a soft-landing for the economy. We continue to proactively manage risk through the cycle, and we remain well capitalized to withstand plausible, yet 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 of our segments based on a variety of financial measures, 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 a standardized meaning under GAAP and may not be comparable to similar measures 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" section of our 2022 Annual Report.

Definitions can be found under the "Glossary" sections in our Q4/2022 Supplementary Financial Information and our 2022 Annual Report.