



ROYAL BANK OF CANADA THIRD QUARTER 2013 RESULTS CONFERENCE CALL THURSDAY, AUGUST 29, 2013

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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, the webcast, the accompanying presentation materials, in filings with Canadian regulators or the SEC, in reports to shareholders and in other communications. Forward-looking statements in these speakers' notes include, but are not limited to, statements relating to RBC and our business segment outlooks, the economic, market and regulatory environment, the risk environment and our financial performance objectives, vision and strategic goals. 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 and our financial performance objectives, vision and strategic goals and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could", or "would".

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: credit, market, liquidity and funding, operational, legal and regulatory compliance, insurance, reputation and strategic risks and other risks discussed in the Risk management and Overview of other risks sections of our 2012 Annual Report and in the Risk management section of our Q3 2013 Report to Shareholders; the impact of changes in laws and regulations, including relating to the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder, the Basel Committee on Banking Supervision's global standards for capital and liquidity reform, over-the-counter derivatives reform, the payments system in Canada, consumer protection measures and regulatory reforms in the U.K. and Europe; general business and economic market conditions in Canada, the United States and certain other countries in which we operate, including the effects of the European sovereign debt crisis, and the high levels of Canadian household debt; cybersecurity; the effects of changes in government fiscal, monetary and other policies; the effects of competition in the markets in which we operate; our ability to attract and retain employees; the accuracy and completeness of information concerning our clients and counterparties; judicial or regulatory judgments and legal proceedings; development and integration of our distribution networks; and the impact of environmental issues.

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 Overview and outlook section and for each business segment under the heading Outlook and priorities in our 2012 Annual Report, as updated by the Overview section of our Q3 2013 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 management and Overview of other risks sections of our 2012 Annual and in the Risk management section of our Q3 2013 Report to Shareholders.

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GORDON M. NIXON, PRESIDENT & CEO

I am pleased to announce today that RBC earned 2.3 billion dollars this quarter or \$1.52 per share – which record results, after excluding specified items, were up 12 percent⁽¹⁾ from last year and 13 percent, from last quarter.

Our results were underpinned by strong fundamentals and record earnings in Personal and Commercial Banking and Wealth Management. We also saw continued strength across most of our other businesses, particularly in Investor and Treasury Services.

Year-to-date RBC has earned 6.3 billion dollars, delivering a strong return on equity of 20 percent and earnings per share growth of over 12 percent.

And our “all-in” Common Equity Tier 1 ratio remains strong at 9.2 percent, which gives us the flexibility to deploy capital as we strive to optimize the balance between investing in our businesses for long-term growth and returning capital to shareholders.

I am also pleased to report that we announced a 4 cent or 6 percent increase to our dividend, bringing the quarterly dividend to 67 cents a share. Our increase of 4 cents a share, which is slightly higher than our most recent increases, reflects the confidence we have in our ability to continue to generate solid earnings growth and successfully execute on our disciplined growth strategy by leveraging our strength, scale and strong capital position. We are on track to meet or exceed our 2013 financial objectives and this is our 5th increase in nine quarters, representing a 34 percent increase.

Let me now turn to our business segments.

Personal and Commercial Banking had a record quarter, with earnings of 1.2 billion dollars.

In Canadian Banking, given our size, scale, superior breadth of products and our ability to provide advice to clients when and where they need it most, we continued to generate solid volume growth across all our businesses and take a disproportionate share of industry growth while profitably gaining market share.

For example, we increased our personal deposit market share by over sixty basis points since May of last year and saw market share gains in all other personal and business product categories during the same period, further extending our leading positions.

We also continued to extend our sales power by developing innovative solutions and new partnerships that will enhance the client experience and provide greater value, flexibility and convenience.

Just last month, we introduced the first cloud-based mobile payment solution in Canada, which will allow our clients to more safely and securely pay for purchases using their mobile devices.

We remain focused on continuing to grow our volumes at a 25 percent premium to the market; however, we will not do so at the expense of profitability. We continue to see good market opportunities and are excited about the potential growth from our cards business.

We also remain committed to controlling costs and driving efficiencies to the low 40's objective and have a number of initiatives underway to continue to manage the trajectory of expenses in the context of a revenue growth environment we are in.

In Caribbean banking, while the economic conditions remain weak, we continue to see stabilization in credit quality and improved performance.

Turning to Wealth Management, we continue to have great momentum across all of our businesses which resulted in record earnings this quarter.

We were able to grow our average fee-based client assets by capitalizing on the improvement of global markets and generated strong transaction volumes. We have grown our assets under care by nearly 12 percent over the past year.

In Global Asset Management, we continue to be the leader in long-term funds sales in Canada, having captured 20 percent of the market over the last twelve months and delivered the highest pre-tax margins in the industry.

For Wealth Management, we continued to extend our number one position in Canada with leading fee-based assets, advisor productivity and profitability. For example, our revenue per advisor exceeds the Canadian industry average by 45 percent, according to Investor Economics.

In the U.S., we continue to shift from a transaction-based to a fee-based model and have grown our average fee-based client assets by 10 percent from last a year ago.

We are also pleased to report that for a second year, we have partnered with Capgemini to produce the World Wealth Report, an industry leading benchmark that brings trends and insights to high and ultra-high net worth individuals and strengthens our brand and reputation worldwide.

Moving to Insurance. We worked closely to support our clients through the weather-related events that occurred this quarter. While the claims did have an impact, which Janice will speak to, they were not material to our business given our claims mitigation process. This business continues to make consistent contributions to our diversified earnings stream.

In Investor and Treasury Services, we saw improved business performance in Investor Services as a result of higher revenue and the continued benefits of our ongoing focus on cost management activities.

Since our acquisition just over a year ago, we have made significant progress in integrating our Investor Services businesses into RBC. We have been successfully positioning the business to adapt to the operating environment and we continue to improve our efficiency and streamline our operations.

The initial phase of our integration is almost complete and our management group is delivering on their objectives and we are extremely excited about the opportunities in this business.

We are leveraging the RBC brand, reputation and financial strength to win new clients and business. As a testament to our longstanding and ongoing commitment to providing clients with market leading and innovative solutions, we were recently ranked number one overall in this year's Global Investor/ISF FX Survey.

Moving to Capital Markets our earnings this quarter were flat quarter over last quarter and down 10 percent from a year ago. The announcement by the U.S. Federal Reserve in June, that the current U.S. quantitative easing program would be coming to an end, as you remember, sparked market volatility and the widening of credit spreads.

Consequently, our fixed income trading revenue, mainly our U.S. muni trading and agency mortgage businesses was particularly weak this quarter and it was the most impacted by this announcement. As a reminder, when we realigned our segments last fall, a portion of our trading business was also transferred to the Investor & Treasury Services segment.

Market conditions today appear moderately better than they were in the latter part of the quarter and we believe our fixed income trading revenue will improve in the near term.

Having said that, we are re-adjusting our business to reflect some of the structural changes in fixed income. As you are probably aware, in Europe, we have realigned our businesses, including exiting our European government bond trading business, to strengthen our operations and position ourselves for growth over the long-term.

In light of these market challenges, we remain focused on our origination-led and client-based lending and fee-based activities in our target sectors and geographies, as we seek to further diversify our revenue stream, and we did see continued solid growth in the corporate sector this quarter, particularly in the U.S.

Investment banking revenue was lower this quarter compared to the strong levels we saw last quarter but fee-based revenue can fluctuate depending on deal timing. With the investments we have made and continue to make in our people, products and sectors, we have a healthy deal pipeline, especially in Canada and the U.S.

Our pipeline includes our role in the financing of the proposed 24.4 billion U.S. dollar Dell private transaction. We are acting as advisor to Shoppers Drug Mart and are participating in the financing for the sale to Loblaw, a 13.8 billion dollar transaction, which is expected to close in early 2014, and we are advising and providing financing to Hudson's Bay Co. for their 2.9 billion U.S. dollar acquisition of Saks Inc, just to name a few.

While there are some fluctuations in our capital markets results from quarter to quarter, we earned over 1.2 billion dollars to date, which represents a 6 percent increase compared to the same period last year, and we remain optimistic that we will deliver on our 2013 objectives.

To conclude, our record results this quarter demonstrates the earnings power of RBC, driven by our leadership positions, diversified business mix and strong capital position.

Our revenue and business mix outlined on slide 4 is consistent with our strategy and objectives, and our diversification provides a good balance from both an earnings and risk perspective. We believe RBC remains extremely well positioned, giving us the flexibility to continue to execute our long-term strategy as we deliver against our objectives.

MORTEN FRIIS, CHIEF RISK OFFICER

Turning to credit starting on slide 7, overall provisions for credit losses on impaired loans were 267 million dollars or 26 basis points this quarter, down 21 million dollars or 3 basis points from last quarter.

Since the beginning of 2013, credit quality has generally improved, reflecting stabilizing asset quality. Let's look at our credit performance in more detail:

In Canadian Banking, provisions were 213 million dollars, down 21 million dollars over last quarter, or 4 basis points. The decrease was driven by the recovery of a single commercial account, low loss rates and a reduction in impaired business loans. Underlying credit trends in the business loan portfolio remained stable quarter over quarter.

Our provisions this year have been trending at historically low levels, and were 25 basis points this quarter, reflecting very strong credit performance across a number of products, including our cards and business portfolios. Provisions for our residential mortgage portfolio were consistent with our historical performance at 1 basis point.

Turning to the Caribbean, provisions were 13 million dollars, down from the prior quarter, as credit quality continued to improve.

This quarter we incurred a 10 million dollar provision in Wealth Management related to a single account. Over the past three years, the Wealth Management credit book has grown by a 22 percent compounded growth rate to over 15 billion dollars as it forms part of this segment's growth strategy. While we do anticipate incurring some provisions from time to time as this portfolio continues to grow, we remain comfortable with its overall credit quality.

With respect to Capital Markets, provisions were 28 million dollars or 20 basis points, down 12 million dollars or 11 basis points over last quarter. We remain comfortable with the overall quality of the wholesale loan book.

Turning to market risk, average Market Risk VaR was 45 million dollars and Average Market Risk Stressed VaR was 105 million dollars, up 28 million dollars compared to last quarter. The increase in Stressed VaR reflects higher measured risk in mortgage-backed securities, partly due to a change in methodology which more accurately reflects the price behavior of mortgage-backed securities during the financial crisis of 2008 and 2009, as this is the historical period used for Stressed VaR.

During the quarter we had 4 days with net trading losses totaling 10 million dollars, none of which exceeded Market VaR. The largest loss of 5 million dollars was mainly driven by the tightening of our credit spreads.

JANICE FUKAKUSA, CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER

As Gord mentioned, we reported record third quarter net income of 2.3 billion dollars, which was up 64 million dollars or three percent over last year and up 368 million dollars or 19 percent compared to the prior quarter.

Overall, we had a clean quarter with only a single specified item due to a favourable income tax adjustment of 90 million dollars related to our 2012 tax filings which impacted our current period results.

Excluding this item and items specified in the previous periods, as outlined on slide 17, net income was 2.2 billion dollars, up 236 million dollars or 12 percent from last year, and up 247 million dollars or 13 percent from last quarter ⁽¹⁾.

Briefly touching on capital, in addition to the dividend increase announced this morning, we have continued to return capital to shareholders through our normal course issuer bid, repurchasing another 4.7 million common shares at a cost of 280 million dollars during the quarter. As you know, OSFI recently announced the phase-in of the credit valuation adjustment and we estimate the impact to our CET1 ratio in 2014 to be approximately 30 basis points.

Turning to our business segments starting on slide 11.

Personal and Commercial Banking earned a record 1.2 billion dollars, up 78 million dollars or 7 percent from last year, mainly driven by solid volume growth of 8 percent across all Canadian Banking businesses, and improved credit quality in both our Caribbean and Canadian portfolios. The inclusion of our acquisition of Ally Canada also contributed to the increase.

Earnings were up 170 million dollars or 17 percent ⁽¹⁾, excluding the prior year's mortgage prepayment interest adjustment of 92 million dollars after-tax. Compared to the prior quarter, net income was up 123 million dollars or 12 percent, largely due to

seasonality, including additional days in the current quarter, and volume growth across most of our businesses in Canada.

Turning to our Canadian Banking business. Net interest margin in Canadian Banking was up 9 basis points from last quarter mainly due to: the fair value purchase price accounting adjustments of 3 basis points related to Ally Canada, and; the reversal of the impact of accounting volatility, which we highlighted last quarter.

Factoring out these impacts, margins remained relatively steady at 2.72 percent ⁽¹⁾, despite the impact of a prolonged low interest rate environment and competitive pressures.

Our efficiency ratio was 44.5 percent on a reported basis this quarter. After adjusting for the impact of Ally, our efficiency ratio was 44.2 percent ⁽¹⁾, an improvement of 60 basis points from the prior year, as we continued to benefit from our cost management initiatives.

Our operating leverage was 1.5 percent ⁽¹⁾ after adjusting for the impact of the Ally Canada acquisition and last year's favourable mortgage prepayment interest adjustment.

Looking ahead, while our expense growth this quarter excluding the Ally Canada acquisition was higher than previous quarters, this was largely due to increased costs in support of business growth as well as a higher pension expense reflecting a lower discount rate.

While continuing to invest in our businesses to improve productivity and efficiency, we will limit the rate of growth of expenses through our strong cost management program. Despite the slow growth interest rate environment, we expect to continue to drive our efficiency ratio lower and generate positive operating leverage.

Turning to Wealth Management on slide 12. Net income was a record 236 million dollars, up 80 million dollars or 51 percent from last year mainly due to higher average fee-based client assets resulting from net sales and capital appreciation. Improved transaction volumes also contributed to the growth.

Excluding the prior year's unfavourable impact of 21 million dollars after-tax related to certain regulatory and legal matters, earnings were up 59 million dollars or 33 percent ⁽¹⁾. Sequentially, net income was up 11 million dollars or 5 percent. As mentioned, PCL of 10 million dollars was incurred, reflecting a provision on a single account.

Moving to Insurance on slide 13. Net income of 160 million dollars was down 19 million dollars or 11 percent from last year, as the prior year benefitted from a favourable adjustment of 24 million dollars after-tax related to changes we made in our proprietary distribution channel. Higher earnings from a new U.K. annuity contract this quarter were mostly offset by higher claims costs, including net claims of 10 million dollars after-tax related to severe weather conditions experienced in Alberta and Ontario. Compared to the prior quarter, net income was down 6 million dollars or 4 percent.

Turning to Investor and Treasury Services on slide 14. Earnings were 104 million dollars this quarter, up 53 million dollars compared to a year ago, primarily due to improved business performance in Investor Services, including higher revenue and continued benefits from our ongoing focus on cost management activities. Incremental earnings from our additional 50 percent ownership of Investor Services also contributed to the increase.

Excluding last year's loss of 11 million dollars after-tax related to the acquisition of RBC Dexia, net income was up 42 million dollars ⁽¹⁾.

Compared to last quarter earnings were up 37 million dollars or 55 percent, largely driven by stronger securities lending which benefitted from a stronger than anticipated European dividend season and continuing benefits from our ongoing focus on cost management activities.

Excluding a restructuring charge of 31 million dollars after-tax in the prior quarter related to the integration of RBC Dexia, net income increased 6 million dollars or 6 percent ⁽¹⁾. Lower funding and liquidity revenue provided a partial offset across both periods.

Turning to Capital Markets on slide 15. Net income of 388 million dollars was down 41 million dollars or 10 percent from last year. As Gord discussed, our results were impacted by lower fixed income trading revenue and lower investment banking activities this quarter. Compared to last quarter, net income was flat.

As Gord mentioned, on a year-to-date basis Capital Markets has earned over 1.2 billion, which was up almost 6 percent compared to the same period last year.

Overall, we are pleased with our solid performance this quarter and our strong capital position, and we believe we are well positioned to continue delivering earnings growth even in a slower growth environment.

With respect to our taxes, in addition to the specified items noted this quarter, we had our annual release of provisions due to another statute-barred year similar to the release in Q3 of last year, so there is no impact year-over-year. Our effective tax rate, going forward, is in the range of 21% to 23%. And for Capital Markets, it has been reduced by approximately 5 percentage points to around a 35% run rate.

⁽¹⁾ These are non-GAAP measures. For additional information see the Note to users.

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 non-GAAP measures we believe provide useful information to investors regarding our financial condition and result of operations. Readers are cautioned that non-GAAP measures, such as earnings excluding specified items including a favourable income tax adjustment in the current quarter, a restructuring charge in the prior quarter related to the integration of Investor Services, and net favourable adjustments in the prior year including a release of tax uncertainty provisions and net interest income related to the

settlement of several tax matters, a change in estimate of mortgage prepayment interest, and a loss related to our acquisition of the remaining 50% interest in RBC Dexia; and Canadian Banking measures excluding the impact of Ally Canada and the reversal of the impact of accounting volatility 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 non-GAAP measures can be found in our Q3 2013 Report to Shareholders and our Q3 2013 Supplementary Financial Information package.