**Theme 1: Financial Performance - Margins, Revenue, and Efficiency**

Conversation 1:

**John Aiken - Barclays:**

Thanks. Good morning. Dave, I was hoping you could provide some color on the **NIM trajectory**. We saw **7 basis points** of compression this quarter. Can you walk us through the key drivers, and more importantly, what are you expecting for **Q4** and into **2025**?

**Dave McKay - CEO, Royal Bank of Canada:**

Thanks John. So the **7 basis point compression** in **NIM** this quarter was largely driven by three factors. First, we had about **3 basis points** from the shift in asset mix as we grew our lower-margin capital markets business. Second, deposit costs continued to rise, contributing another **2 basis points** of pressure. And finally, the remaining **2 basis points** came from competitive pricing pressure in our mortgage book.

Looking forward to **Q4**, **we expect NIM to stabilize around current levels, possibly improving by \*\*1-2 basis points\*\* as we see the full benefit of the recent rate cuts flowing through**. For **2025**, **we're cautiously optimistic about NIM expansion of \*\*5-10 basis points\*\*, assuming the rate environment normalizes and we continue to optimize our funding mix**. We're also seeing good momentum in our deposit gathering initiatives which should help offset some of the margin pressure.

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Conversation 2:

**Doug Young - Desjardins Capital Markets:**

Hi, good morning. Can you provide an update on your efficiency initiatives? **Operating leverage** was negative this quarter. What are you doing to bend the cost curve, and when should we expect to see positive **operating leverage**?

**Dave McKay - CEO, Royal Bank of Canada:**

Thanks Doug. You're right that **operating leverage** was negative **2%** this quarter, primarily due to continued investments in technology and risk infrastructure. However, we're making good progress on our *efficiency initiatives*.

We've identified **$400 million** in run-rate saves through our *modernization program*, with about **$150 million** realized this quarter. Key initiatives include automating back-office processes, consolidating real estate, and optimizing our branch network. We're also leveraging AI and machine learning to improve customer service efficiency while reducing costs.

For **Q4**, **we expect flat to slightly positive operating leverage** as revenue growth accelerates and our cost initiatives gain traction. Into **2025**, **we're targeting 2-3% positive operating leverage on an annual basis**, with quarterly volatility depending on investment timing. Our medium-term **efficiency ratio** target remains at **57%**, down from the current **59.3%**.

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Conversation 3:

**Mario Mendonca - TD Securities:**

Good morning. Can you quantify your technology investments and discuss how they're impacting your competitive position, particularly in digital banking? Also, when should we expect these investments to translate into revenue growth?

**Jennifer Tory - Chief Administrative Officer, Royal Bank of Canada:**

Thanks Mario. We're investing approximately **$3.5 billion** annually in technology, with about **60%** going to *innovation and growth initiatives* versus maintenance. Key areas include our *mobile platform*, *AI-driven personalization*, and *API banking infrastructure*.

Our digital adoption metrics are strong - we now have **7.2 million** active digital users, up **8% year-over-year**. Mobile transactions are up **15%**, and we're seeing **65%** of product sales initiated through digital channels. Our Net Promoter Score has improved by **12 points**, largely driven by digital experience enhancements.

In terms of revenue impact, we're already seeing benefits. Digital sales are growing at **20% annually** and have lower acquisition costs. Our *AI-powered NOMI insights* have generated over **$2 billion** in incremental balances. **We expect technology investments to contribute \*\*100-150 basis points\*\* to revenue growth annually going forward**, while also driving efficiency improvements.

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Conversation 4:

**Scott Chan - Canaccord Genuity:**

Hi, good morning. Capital markets had a strong quarter with revenue up **18%**. Can you provide color on the sustainability and what you're seeing in the pipeline for **Q4** and **2025**?

**Derek Neldner - Group Head, Capital Markets, Royal Bank of Canada:**

Thanks Scott. The **18%** growth was broad-based across investment banking, trading, and lending. Investment banking fees were up **22%**, driven by strong *DCM activity* and improving *M&A*. Trading revenues were up **15%**, with particular strength in rates and foreign exchange.

The pipeline remains robust. We have strong backlogs in *M&A* and *equity underwriting* that should support **Q4**. We're also seeing increased client activity in rates products as they position for the changing rate environment. Corporate lending spreads have improved by **15 basis points**, supporting lending revenues.

For **2025**, we're optimistic but cautious. **We expect continued recovery in \*M&A\* activity as rate certainty improves and corporate confidence returns**. *ECM* should benefit from increased *IPO activity*. **We're targeting 12-15% revenue growth in capital markets for 2025**, with balanced contribution from all business lines. We're also investing in our *U.S. platform*, which now represents **40%** of capital markets revenues.

**Theme 2: Credit & Risk Management - Quality and Provisions**

Conversation 1:

**Gabriel Dechaine - National Bank Financial:**

Good morning. My question is on credit quality. Your **PCLs** came in at **54 basis points** this quarter, which was better than expected. Can you provide more detail on what you're seeing across your portfolios, particularly in commercial real estate and Canadian mortgages?

**Graeme Hepworth - Chief Risk Officer, Royal Bank of Canada:**

Thanks Gabriel. Yes, our **PCL ratio** of **54 basis points** reflects the resilient credit performance across our portfolios. In commercial real estate, we're seeing stable performance with our office exposure well-diversified and representing less than **2%** of our total loan book. We've been proactive in working with clients on refinancing and haven't seen material stress.

On the Canadian mortgage side, our uninsured mortgage portfolio continues to perform well. Despite the rate environment, our debt service ratios remain manageable with an average **DSR** of **38%**. We're watching the **2025** and **2026** renewal cohorts closely, but stress testing suggests losses will remain contained.

For **Q4** and into **2025**, **we expect PCLs to remain in the \*\*55-65 basis point\*\* range**, with potential for some normalization as economic uncertainty persists. However, we're not seeing any early warning indicators that would suggest a material deterioration in credit quality.

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Conversation 2:

**Paul Holden - CIBC World Markets:**

Thank you. Your commercial loan growth was **3%** this quarter, below peers. What's driving the slower growth, and how are you thinking about market share in Canadian commercial banking?

**Neil McLaughlin - Group Head, Commercial Banking, Royal Bank of Canada:**

Thanks Paul. The **3%** growth reflects our disciplined approach to credit and pricing. We've been selective in certain sectors like real estate and retail where we see elevated risk. We've also walked away from some deals where pricing didn't reflect the risk-return profile we require.

That said, we're seeing strong pipelines in technology, healthcare, and renewable energy sectors where we're growing at double-digit rates. Our commercial deposits grew **8%**, which shows clients value our relationship and cash management capabilities.

On market share, we're comfortable with our position as the **#1** commercial bank in Canada. We're focused on deepening relationships rather than chasing growth. Cross-sell ratios have improved to **4.2 products per client** from **3.8** last year. **We expect commercial loan growth to accelerate to \*\*5-7%\*\* in \*\*2025\*\* as economic conditions improve and our targeted sectors continue expanding.**

**Theme 3: Capital Strategy - Allocation, Returns, and Deployment**

Conversation 1:

**Meny Grauman - Scotiabank:**

Hi, good morning. Question on capital deployment. Your **CET1 ratio** is now at **13.1%**, well above your target. Can you talk about your priorities for excess capital, particularly around buybacks versus organic growth opportunities?

**Nadine Ahn - CFO, Royal Bank of Canada:**

Thanks Meny. You're right that at **13.1%**, we have significant excess capital above our **11.5% target**. Our capital deployment priorities remain consistent. First, we're focused on organic growth opportunities that meet our **ROE** hurdles - we're seeing good opportunities in our *U.S. wealth management* and *capital markets* businesses.

Second, we remain committed to our dividend, and you saw we increased it by **3%** this quarter. Third, we're actively executing on our *NCIB program* - we bought back **$1.5 billion** worth of shares this quarter and **expect to maintain a similar pace in \*\*Q4\*\***.

Regarding **ROE**, we're currently at **14.2%** and **targeting to reach \*\*16%+\*\* by the end of \*\*2025\*\***. The key drivers will be margin expansion, operating leverage from our *efficiency initiatives*, and optimizing our capital through continued buybacks. We see a clear path to achieving this target.

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Conversation 2:

**Mike Rizvanovic - KBW:**

Good morning. Can you discuss the impact of upcoming regulatory changes, particularly *Basel III endgame* and the recent *OSFI mortgage rules*? How are you preparing for these changes?

**Graeme Hepworth - Chief Risk Officer, Royal Bank of Canada:**

Thanks Mike. On *Basel III endgame*, based on current proposals, we expect our **risk-weighted assets** to increase by approximately **5-7%**. However, given our strong capital position, we don't anticipate any impact on our capital deployment plans or business strategy. We're well-prepared for implementation in **2025**.

Regarding *OSFI's mortgage rules*, the recent changes to the stress test and LTV limits will have minimal impact on our originations. Less than **5%** of our mortgage originations would be affected. We've already adjusted our underwriting criteria and pricing to reflect the new requirements.

We're also preparing for *Open Banking* implementation in **2025**. We see this as an opportunity rather than a threat, given our strong digital capabilities and customer base. We're investing in *APIs* and partnerships to be ready from day one. Overall, we view regulatory changes as manageable and have incorporated them into our planning.

**Theme 4: Growth Initiatives - Digital, Geographic, and Business**

Conversation 1:

**Sohrab Movahedi - BMO Capital Markets:**

Thank you. Dave, can you update us on your U.S. strategy, particularly in *wealth management*? How are you thinking about organic growth versus acquisitions, and what's your target for U.S. contribution to earnings?

**Dave McKay - CEO, Royal Bank of Canada:**

Thanks Sohrab. Our U.S. strategy continues to focus on three pillars: *wealth management*, *capital markets*, and *commercial banking*. In *wealth management*, *City National* continues to perform well with **AUM growth of 12% year-over-year**. We're investing heavily in expanding our advisor force and enhancing our digital capabilities.

On the acquisition front, we're disciplined and opportunistic. We're looking at smaller bolt-on acquisitions that can accelerate our growth in key markets like *California* and *New York*. However, valuations remain elevated, so we're being patient.

Currently, our U.S. operations contribute about **25%** of total earnings. Our target is to grow this to **30-35%** over the next **3-5 years**, primarily through organic growth. **We see significant opportunity to leverage our capital markets capabilities to serve U.S. commercial and wealth clients, creating a powerful flywheel effect.**

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Conversation 2:

**Lemar Persaud - Cormark Securities:**

Thanks. The insurance business had another strong quarter. Can you discuss the sustainability of these results and your strategy for this business going forward?

**Neil McLaughlin - Group Head, Commercial Banking, Royal Bank of Canada:**

Thanks Lemar. Insurance delivered **$280 million** in earnings this quarter, up **15%** year-over-year. The strong performance was driven by favorable claims experience in our life and health business, and improved combined ratios in **P&C**.

The results are sustainable. We've invested heavily in predictive analytics for underwriting and claims management, which is structurally improving our loss ratios. We're also seeing strong premium growth of **8%** as we expand our *creditor insurance* and *travel insurance* products.

Strategically, insurance is a key differentiator for us. It provides stable, capital-efficient earnings and deepens client relationships. We're expanding our digital distribution, with **40%** of policies now sold online. **We're targeting \*\*10%\*\* annual earnings growth from insurance**, with opportunities to expand into *pet insurance* and *embedded insurance products* through partnerships.

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Conversation 3:

**Joo Ho Kim - Credit Suisse:**

Thank you. Can you update us on your ESG initiatives, particularly your net-zero commitments and sustainable finance targets? How are these impacting your business decisions?

**Dave McKay - CEO, Royal Bank of Canada:**

Thanks for the question. We're making significant progress on our ESG commitments. We've mobilized **$350 billion** toward our **$500 billion** sustainable finance target by **2025**, and we're on track to exceed it. This includes *green bonds*, *sustainability-linked loans*, and *renewable energy financing*.

On net-zero, we've set interim **2030** targets for high-emitting sectors like oil & gas and power generation. We're working closely with clients on transition strategies rather than simply divesting. We've committed **$2 billion** to our own net-zero transition, including branch retrofits and renewable energy procurement.

These initiatives are creating business opportunities. Our sustainable finance revenues grew **30%** this year. We're winning mandates because of our ESG expertise. We've also attracted **$50 billion** in ESG-focused AUM in *wealth management*. While there are short-term costs, we see ESG as a long-term value driver and differentiator.