

Amidst historic challenges arise opportunities to reimagine our shared future



2020 was one of the most difficult years that society, global economies and RBC has faced in generations. Tragically, lives were lost and the rapid spread of COVID-19 forced countries to shut down significant parts of their economies to protect their citizens. This led to steep increases in unemployment and the worst economic downturn since the Great Depression.

The pandemic has also exposed growing foundational cracks in society. The economic hit has disproportionately impacted people who can afford it least, underscoring gaps in social infrastructure and education. These factors have contributed to mounting unrest and division and revealed ugly truths about the pervasiveness of systemic racism.

As with any crisis, leadership at all levels was tested and collaboration was critical. I saw business and civic leaders work alongside all levels of government to protect the health and safety of essential workers and citizens; support and advocate for programs and policy to mitigate the impacts of the crisis; and implement relief measures designed to help see us through to recovery.

While each country's response to these challenges differed, governments provided significant short-term support for individuals, and to a varying degree, businesses and communities. Central banks injected significant liquidity into the global economy, drawing upon learnings from the global financial crisis.

Amidst this challenging environment, RBC's strength was never more evident. Guided by our Purpose to help clients thrive and communities prosper, the bank led with a heightened sense of focus on delivering long-term value for our employees, clients, communities, and shareholders.

In what were truly uncharted waters, RBC continued to perform at a remarkably high level, particularly in the context of the early days of the crisis. Within weeks, we moved over 80% of our employees—across 36 countries—to work outside bank premises. To limit the health risks to clients and our employees and support slowing the spread of the virus, we temporarily closed hundreds of branches across our network, and reduced hours of operation. We moved more employees into contact centre roles to handle an increasing volume of urgent client calls. All of this was enabled by the significant investments we had long made in our infrastructure. This included securing broadband capability well before the pandemic started, investing in distributed call centre capability over the past decade, and building out market leading digital capabilities for clients. These investments have proven to be a differentiator.

Like most citizens, our employees were understandably anxious about their future, and it was critical each and every one felt economically secure, so they could focus on the needs of our clients. RBC was the first Canadian bank to assure no job losses due to the pandemic in 2020. Employees unable to work from home received special compensation and additional days of paid leave, and employees working remotely were reimbursed for home offices expenses. A series of employee well-being surveys provided valuable insights and helped us create new programs and resources to support them—including a strong focus on mental health.

Through my frequent client outreach, I heard first-hand how devastating this past year has been for so many families, businesses and young people. The sudden loss of loved ones. The loss of jobs and small businesses. Missing out on the valuable experiences of a normal school year. The dreams, plans and hard work of so many have been undermined by the global pandemic.

Throughout this time, RBC actively supported our clients. We advised millions of personal and commercial clients and made available billions of dollars of financial relief, including deferrals, to protect their livelihoods. We rolled out government relief programs at unprecedented speed. New and additional credit facilities were also made available for corporate and institutional clients to help them manage through the volatility. The pandemic presented other unexpected challenges. Many clients were at risk of being stranded abroad as border closures and travel bans took effect. Our Insurance business helped thousands of clients get their families home safely. I was proud to see our efforts stand out in a year when it counted most. Among the big five Canadian banks, J.D. Power ranked RBC highest in retail customer satisfaction.

In the communities where we live and work, many vulnerable citizens were at risk and we quickly stepped in to help. RBC made significant donations to COVID-19 relief—committing over \$11 million towards food security, mental health programs and pandemic preparedness and response. This was part of \$142 million in donations and investments that RBC directed throughout 2020 to local community organizations and causes, including our key focus areas of youth, the environment, the arts, and diversity and inclusion.

The heart and soul of our communities are the small businesses that keep our main streets vibrant. Most were not prepared for the disruption brought on by the pandemic, particularly the sudden shift to digital and online commerce. We witnessed an economic shift to strong global brands and technology platforms, leaving many small business behind. So RBC stepped up, and partnered with government, chambers of commerce, and other leading brands to create a national movement to support small and local businesses through Canada United™. The program helped generate over \$1 billion in purchases and raised additional funding to help accommodate re-opening guidelines and e-commerce capabilities.

RBC entered the crisis from a position of strength and the size, scale and liquidity of our balance sheet coupled with the earnings power of our diversified business model enabled us to continue supporting our clients, employees and communities, while also delivering for our shareholders. In response to the significant economic shocks and market volatility resulting from the pandemic, we took measures to further strengthen and protect our balance sheet. During 2020, we increased total provisions for potential future credit losses by \$2.5 billion, maintained a strong liquidity coverage ratio—145% at Q4, and increased the capital buffers by nearly \$6 billion to close the year with a robust CET1 ratio of 12.5%.

The sudden decline in interest rates had a material negative impact on our net interest income. Some of this impact was offset by very strong growth in client volumes across most of our businesses and careful management of expenses.

Notwithstanding the increase in reserves and revenue pressure, RBC generated earnings of \$11.4 billion and an ROE of 14.2%. We delivered \$6 billion in dividends to our common shareholders and outperformed our global peer group in terms of Total Shareholder Return over three- and five-year periods.

Looking ahead, we expect pandemic-related stresses and a low interest rate environment will continue to present headwinds and shape the banking landscape and outlook.

The path ahead—continuously transforming to create more value

The uncertainty of the scale and duration of the pandemic is one of the most difficult challenges ahead, straining individual, business and government financial resources. So too are the mental health challenges of isolation, prolonged remote work, school closures and the pressure on working parents.

But what I know for certain is that RBC has the strength and resilience to manage a range of near-term scenarios as well as fulfill our longer-term vision to transform our bank for the future. In many ways, the pandemic has accelerated us toward a future we have long anticipated and prepared for, as our clients seek out new ways to bank and be served.

As we move forward, we will continue to leverage the size and strength of our balance sheet to support our clients. Our 'bionic' blend of great people and technology will remain a key success factor, creating differentiated offerings and solutions that attract new clients and deepen existing relationships. We will continue to prioritize a disciplined focus on expense management to remain financially and strategically flexible. And we will always align our actions with our Purpose to create meaningful value for clients in the following four ways:

- **Advice and Insights**—RBC will provide insights, solutions and services that help our clients understand the world around them and feel confident about the choices they make. A great example is MyAdvisor® — our online financial planning platform that enables our clients to receive insights and counsel in real time. Since launch, more than two million plans have been developed using this innovation.
- **Convenience and Time**—Our clients will be empowered to shape their own banking experiences. We will continue to simplify and digitize their interactions with us—saving time, and adding convenience and meaningful value for them. Artificial Intelligence (AI)-based solutions like NOMI® deliver personalized services tailored to individual banking needs. NOMI Find & Save®, for instance, has helped clients save an average of more than \$300 per month. In our growing U.S. franchises, we have seen positive uptake in our digital offerings. This includes a 38% increase of mobile users at City National Bank, and a growth of over 160,000 mobile visits in U.S. Wealth Management, compared to last year.
- **Giving our Clients More**—For the past 20 years, we have invested in making RBC Rewards® the largest proprietary rewards program in Canada, delivering nearly \$1 billion in value to our members in the last year. This broad-based loyalty program includes points, cash-back, discounts, special access, member experience through over 400 partners and brands. We will also continue to offer clients more value through new 'beyond banking' services, as well as rewarding them for their relationship with us. Consider the biggest investment most people make: buying a home. RBC Ventures offers solutions at every stage of their home journey—from exploring real estate listings to moving into and maintaining their home.
- **New Services**—Leveraging data and our trusted brand, we will use data analytics and digital platforms to understand and meet clients' needs, and deliver new and differentiated solutions. Our Capital Markets AI-based electronic trading platform, Aiden™, executes trades based on live market data, and dynamically adjusts to new information and learnings from each of its previous actions.

Reimagining our shared future

Helping to reimagine our collective future is critical for clients and communities to thrive and prosper. Even as the pandemic continues to challenge society, it has also presented us with opportunities to accelerate the pace of progress or, in some cases, adjust the course we are on. Taking these bold steps now will help advance our journey toward a more inclusive, digital and sustainable age.

In doing so, businesses, non-profits and all levels of governments will need to come together with renewed focus to not only lead us out of the recession, but create conditions to help people thrive and communities prosper in a very different world.

For RBC, and in my role as CEO, we are leading from the front in four key areas:

Building a 'digital first' economy: The pandemic has accelerated digital adoption, changing consumer behaviours and how organizations create value. And it has become clear that helping small businesses make the short- and long-term transition to more digitally scaled operations is more important than ever before—keeping this vital sector of our economy viable and vibrant.

Advancing a 'digital first' economy will require a concerted effort by public and private sectors to invest in our tech sector, networks and talent. In Canada, for instance, we need to encourage more investment capital from abroad, supported by incentive-based tax policies that take advantage of the new supply chains and services that we'll need in a more digital world.

RBC plays many roles in helping build a 'digital first' economy. From teaching seniors to bank online and offering solutions that enable businesses to harness smart technology, to advocating and leading the way on the responsible and ethical use of AI. For instance, RBC's Institute for Research—Borealis AI™—found a majority of businesses surveyed want to exploit powerful AI solutions, but do not have the resources or expertise to do so in a responsible way. That's why Borealis AI™ introduced a new online hub that brings open source research code, tutorials, academic research and lectures to the AI community, helping to make ethical AI available to all.

Preparing a new generation for a bolder future: The pandemic has also accelerated the move from a credentials-based economy to a skills-based one, critical to addressing current skills shortages and building a more inclusive workforce. The workplace demands new and evolving skill sets. This includes the ability to operate in an increasingly hybrid—virtual/physical—world, building relationships, communicating, solving problems, and developing digital services. For RBC, we know it is vital we continue to help young people prepare for the new world of work, and that's why in 2017 we committed \$500 million over 10 years through RBC Future Launch®.

But this past year, the crisis required us to move with even greater urgency and pivot our support for youth at a time when they needed it most. Participation in networking events and skills development programs continued through newly created virtual programs, and in some cases, reached even wider audiences living in rural and remote areas, as well as on reserves. We also hosted our first national virtual gathering of industry experts, young professionals and top athletes to share their advice with Canadian youth. And finally, notwithstanding the challenges of the pandemic, it was important to keep our promise of meaningful, paid work experiences to more than 1,400 summer students, despite the challenges of working in a virtual environment.

Building a more inclusive and prosperous society: The pandemic cast even greater light on the inequities and systemic racism that hold so many people back from living a life that others take for granted. We cannot create a truly prosperous future without the full participation of all citizens. That means replacing obstacles with opportunities, encouraging engagement, speaking up, and creating room for people to realize their full potential.

Diversity and inclusion has been a cornerstone of RBC's values for many years. In 2020, for the second consecutive year, RBC ranked in the top 10 globally on Refinitiv's Top 100 Company Diversity & Inclusion. And while we have made progress against some of our goals, there is more to be done to accelerate change. This year, I

spent even more time listening to people inside and outside the bank, including conversations with BIPOC leaders at RBC and a virtual roundtable of Indigenous leaders that focused on setting up future generations for success. In these and other discussions, hard questions were asked about racism that we, as a society, could not see, or worse, chose not to see for far too long.

Today, I feel an even greater sense of urgency—and responsibility—to harness RBC's values and convictions to drive change within the bank and in society more broadly. That means building on existing commitments to foster social and economic mobility, such as our long-standing efforts to support Indigenous economies, peoples and communities. RBC took another important step forward with the introduction of \$100 million in small business loans over five years to Black entrepreneurs and a target to accelerate the growth of our BIPOC executive representation.

Building a more sustainable world: Many people worry the pandemic may shift priorities away from tackling one of the most pressing issues of our age—climate change. I believe the financial system needs to be leading efforts to support clean economic growth and the transition to a low-carbon economy. That includes an aspiration to help the world meet its energy needs and move to increasingly cleaner fuel sources. RBC's climate strategy is focused on working with our clients and communities, using our capital as a force for positive change. Our \$100 billion sustainable finance commitment by 2025 is balanced with investments we are making in our energy and natural resource clients. This enables them to continue investing in innovation to reduce emissions and remain leaders on the global stage.

In 2020, RBC was the first Canadian bank to sign a long-term renewable energy power purchase agreement. The agreement will support the construction of two solar farms in Alberta, which are anticipated to create 300 new jobs and inject \$70 million into the provincial economy. We also made the decision not to provide direct funding for any project or transaction that involves exploration or development in the Arctic National Wildlife Refuge, the largest national wildlife refuge in the United States. RBC was the first Canadian bank to make this commitment.

In moments of need come our moments of truth

This year will be remembered through history as one filled with unimaginable obstacles. It can also be remembered for what we did with these challenges—and what we can build in the years ahead.

I am proud of the meaningful difference RBC made for those we serve. As we look forward, we will continue to use the power of our Purpose and strength of our franchise to help create a shared and sustainable future. It's a role we embrace.

Our momentum is driven by the incredible contributions of our employees and invaluable counsel of our Board. I want to express my thanks and gratitude for all they do.



Dave McKay
President and Chief Executive Officer