

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Royal Bank of Canada were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with the *Bank Act* (Canada) and International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial information appearing throughout our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Our internal controls are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of our operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of independent directors. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues. Our Chief Compliance Officer and Chief Internal Auditor have full and unrestricted access to the Audit Committee.

The Office of the Superintendent of Financial Institutions Canada (OSFI) examines and inquires into our business and affairs as deemed necessary to determine whether the provisions of the *Bank Act* are being complied with, and that we are in sound financial condition. In carrying out its mandate, OSFI strives to protect the rights and interests of our depositors and creditors.

PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm appointed by our shareholders upon the recommendation of the Audit Committee and Board, has performed an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) as stated in their Independent Auditor's Report and Report of Independent Registered Public Accounting Firm, respectively. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

David I. McKay
President and Chief Executive Officer

Katherine Gibson
Chief Financial Officer

Toronto, December 2, 2025

Management's Report on Internal Control over Financial Reporting

Management of Royal Bank of Canada is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer and Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions related to and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and our receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and Chief Financial Officer, the effectiveness of our internal control over financial reporting as of October 31, 2025, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that, as of October 31, 2025, internal control over financial reporting was effective based on the criteria established in the *Internal Control – Integrated Framework (2013)*.

The effectiveness of our internal control over financial reporting as of October 31, 2025, has been audited by PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, as stated in their Report of Independent Registered Public Accounting Firm, which appears herein.

David I. McKay
President and Chief Executive Officer

Katherine Gibson
Chief Financial Officer

Toronto, December 2, 2025

To the Shareholders and Board of Directors of Royal Bank of Canada

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Royal Bank of Canada and its subsidiaries (together, the Bank) as of October 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Bank's consolidated financial statements comprise:

- the consolidated balance sheets as of October 31, 2025 and 2024;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Certain required disclosures have been presented elsewhere in the Management's Discussion and Analysis, rather than in the notes to the consolidated financial statements. These disclosures are cross-referenced from the consolidated financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Allowance for Credit Losses on Loans Categorized as Stage 1 and Stage 2 (Stage 1 and Stage 2 ACL)

Refer to Note 2 – Summary of material accounting policies, estimates and judgments and Note 5 – Loans and allowance for credit losses to the consolidated financial statements.

The Bank's allowance for credit losses on loans was \$7,459 million as of October 31, 2025 and represents management's estimate of expected credit losses on loans as of the balance sheet date, of which a significant portion relates to loans categorized as Stage 1 and Stage 2. Performing loans are categorized as Stage 1 from initial recognition to the date on which the loan has experienced a significant increase in credit risk relative to its initial recognition. Performing loans transfer into Stage 2 following a significant increase in credit risk relative to the initial recognition. Loans are categorized as Stage 3 when considered to be credit-impaired. As disclosed by management, the measurement of expected credit losses on loans is a complex calculation that involves a significant number of interrelated inputs and assumptions such as borrower risk ratings, forward-looking macroeconomic conditions, scenario design and the weight assigned to each scenario. The probability of default, loss given default and exposure at default inputs are modelled based on the macroeconomic variables that are most closely correlated with credit losses.

Management's estimation of expected credit losses on loans categorized as Stage 1 and Stage 2 considers five distinct future

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Testing the effectiveness of controls relating to the estimation of the Stage 1 and Stage 2 ACL, including controls over:
 - The probability of default, loss given default and exposure at default models.
 - The design of future macroeconomic scenarios, the forecasting of certain macroeconomic variables, and the probability-weighting of these scenarios.
 - The assignment of borrower risk ratings.
 - The completeness and accuracy of certain data inputs underlying the Stage 1 and Stage 2 ACL calculation.
- Testing management's process for estimating the Stage 1 and Stage 2 ACL, which consisted of:
 - Testing the completeness and accuracy of certain underlying data used in the estimation of the Stage 1 and Stage 2 ACL.
 - Using professionals with specialized skill and knowledge to assist in evaluating:
 - The appropriateness of the probability of default, loss given default and exposure at default models used in the estimation of the Stage 1 and Stage 2 ACL.

Key audit matter

macroeconomic scenarios, each of which includes a forecast of relevant macroeconomic variables, designed to capture a wide range of possible outcomes and which are probability-weighted according to management's expectation of the relative likelihood of the range of outcomes that each scenario represents at the reporting date. Significant management judgment is required in making assumptions and estimations when calculating the Stage 1 and Stage 2 ACL.

We considered this a key audit matter due to:

- The significant judgment required by management when estimating the Stage 1 and Stage 2 ACL.
- A high degree of auditor judgment and subjectivity in performing procedures related to management's assumptions for:
 - Designing future macroeconomic scenarios.
 - Forecasting certain macroeconomic variables.
 - Probability-weighting scenarios.
 - Assigning borrower risk ratings.
- The significant audit effort necessary to evaluate audit evidence as the estimation of the Stage 1 and Stage 2 ACL is a complex calculation that involves a large volume of data, interrelated inputs and assumptions, some of which are model-based.
- The audit effort involved the use of professionals with specialized skill and knowledge.

How our audit addressed the key audit matter

- The reasonableness of significant inputs and assumptions used in the estimation of the Stage 1 and Stage 2 ACL related to:
 - The design of future macroeconomic scenarios.
 - Certain forecasted macroeconomic variables.
 - The probability-weights assigned to these scenarios.
 - The assignment of borrower risk ratings for samples of loans.

Uncertain Tax Positions

Refer to Note 2 – Summary of material accounting policies, estimates and judgments and Note 21 – Income taxes to the consolidated financial statements.

The Bank is subject to income tax laws in various jurisdictions where it operates and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. As disclosed by management, significant judgment is required in the interpretation of the relevant tax laws, and in assessing the probability of acceptance of the Bank's tax positions to determine tax provisions, which includes management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities. Management performs a review on a quarterly basis to incorporate its assessment based on information available, but additional liability and income tax expense could result based on the acceptance of the Bank's tax positions by the relevant taxation authorities. In some cases, the Bank has received reassessments denying the tax deductibility of dividends from certain transactions including those with Tax Indifferent Investors.

We considered this a key audit matter due to:

- The significant judgment required by management, including a high degree of estimation uncertainty, when:
 - Interpreting the relevant tax laws.
 - Assessing the probability of acceptance of the Bank's tax positions, which includes management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities.
- A high degree of auditor judgment and subjectivity in evaluating the uncertain tax positions.
- The audit effort involved the use of professionals with specialized skill and knowledge.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our approach to addressing the matter included the following procedures, among others:

- Testing the effectiveness of controls relating to the evaluation of uncertain tax positions and the impact on tax provisions.
- Testing management's process for (i) assessing the probability of acceptance of the Bank's tax positions; and (ii) estimating provisions relating to uncertain tax positions, if applicable, which reflects management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities. This consisted of:
 - Reviewing correspondence with relevant taxation authorities.
 - Evaluating the appropriateness of the methods used.
 - Testing the completeness and accuracy of underlying data used in the estimate.
 - Making inquiries of the Bank's internal and external legal counsel.
 - Evaluating, with the assistance of professionals with specialized skill and knowledge:
 - Application of relevant tax laws.
 - The reasonableness of management's assessment of whether it is probable that the relevant taxation authorities will accept the Bank's tax positions.
 - Evidence used by management.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Bank as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lona Mathis.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
December 2, 2025

To the Shareholders and Board of Directors of Royal Bank of Canada

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Royal Bank of Canada and its subsidiaries (together, the Bank) as of October 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Bank's internal control over financial reporting as of October 31, 2025, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of October 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2025, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Bank's consolidated financial statements and on the Bank's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses on Loans Categorized as Stage 1 and Stage 2 (Stage 1 and Stage 2 ACL)

As described in Notes 2 and 5 to the consolidated financial statements, the Bank's allowance for credit losses on loans was \$7,459 million as of October 31, 2025 and represents management's estimate of expected credit losses on loans as of the balance sheet date, of which a significant portion relates to loans categorized as Stage 1 and Stage 2. Performing loans are categorized as Stage 1 from initial recognition to the date on which the loan has experienced a significant increase in credit risk relative to its initial recognition. Performing loans transfer into Stage 2 following a significant increase in credit risk relative to the initial recognition. Loans are categorized as Stage 3 when considered to be credit-impaired. As disclosed by management, the

measurement of expected credit losses on loans is a complex calculation that involves a significant number of interrelated inputs and assumptions such as borrower risk ratings, forward-looking macroeconomic conditions, scenario design and the weight assigned to each scenario. The probability of default, loss given default and exposure at default inputs are modelled based on the macroeconomic variables that are most closely correlated with credit losses. Management's estimation of expected credit losses on loans categorized as Stage 1 and Stage 2 considers five distinct future macroeconomic scenarios, each of which includes a forecast of relevant macroeconomic variables, designed to capture a wide range of possible outcomes and which are probability-weighted according to management's expectation of the relative likelihood of the range of outcomes that each scenario represents at the reporting date. Significant management judgment is required in making assumptions and estimations when calculating the Stage 1 and Stage 2 ACL.

The principal considerations for our determination that performing procedures relating to the Stage 1 and Stage 2 ACL is a critical audit matter are (i) the significant judgment required by management when estimating the Stage 1 and Stage 2 ACL; (ii) a high degree of auditor judgment and subjectivity in performing procedures related to management's assumptions for (a) designing future macroeconomic scenarios, (b) forecasting certain macroeconomic variables, (c) probability-weighting scenarios, and (d) assigning borrower risk ratings; (iii) the significant audit effort necessary to evaluate audit evidence as the estimation of the Stage 1 and Stage 2 ACL is a complex calculation that involves a large volume of data, interrelated inputs and assumptions, some of which are model-based; and (iv) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimation of the Stage 1 and Stage 2 ACL, including controls over (i) the probability of default, loss given default and exposure at default models; (ii) the design of future macroeconomic scenarios, the forecasting of certain macroeconomic variables, and the probability-weighting of these scenarios; (iii) the assignment of borrower risk ratings; and (iv) the completeness and accuracy of certain data inputs underlying the Stage 1 and Stage 2 ACL calculation. These procedures also included, among others, testing management's process for estimating the Stage 1 and Stage 2 ACL. This consisted of (i) testing the completeness and accuracy of certain underlying data used in the estimation of the Stage 1 and Stage 2 ACL; and (ii) with the assistance of professionals with specialized skill and knowledge, evaluating (a) the appropriateness of the probability of default, loss given default and exposure at default models used in the estimation of the Stage 1 and Stage 2 ACL, and (b) the reasonableness of significant inputs and assumptions used in the estimation of the Stage 1 and Stage 2 ACL related to (1) the design of future macroeconomic scenarios, (2) certain forecasted macroeconomic variables, (3) the probability-weights assigned to these scenarios, and (4) the assignment of borrower risk ratings for samples of loans.

Uncertain Tax Positions

As described in Note 2 to the consolidated financial statements, the Bank is subject to income tax laws in various jurisdictions where it operates and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. As disclosed by management, significant judgment is required in the interpretation of the relevant tax laws, and in assessing the probability of acceptance of the Bank's tax positions to determine tax provisions, which includes management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities. Management performs a review on a quarterly basis to incorporate its assessment based on information available, but additional liability and income tax expense could result based on the acceptance of the Bank's tax positions by the relevant taxation authorities. In some cases, as described in Note 21 to the consolidated financial statements, the Bank has received reassessments denying the tax deductibility of dividends from certain transactions including those with Tax Indifferent Investors.

The principal considerations for our determination that performing procedures relating to uncertain tax positions is a critical audit matter are (i) the significant judgment required by management, including a high degree of estimation uncertainty, when (a) interpreting the relevant tax laws, and (b) assessing the probability of acceptance of the Bank's tax positions, which includes management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities; (ii) a high degree of auditor judgment and subjectivity in evaluating the uncertain tax positions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the evaluation of uncertain tax positions and the impact on tax provisions. These procedures also included, among others, testing management's process for (i) assessing the probability of acceptance of the Bank's tax positions; and (ii) estimating provisions relating to uncertain tax positions, if applicable, which reflects management's estimate of uncertain tax positions that are under audit or appeal by the relevant taxation authorities. This consisted of (i) reviewing correspondence with relevant taxation authorities; (ii) evaluating the appropriateness of the methods used; (iii) testing the completeness and accuracy of underlying data used in the estimate; (iv) making inquiries of the Bank's internal and external legal counsel; and (v) evaluating, with the assistance of professionals with specialized skill and knowledge, the application of relevant tax laws, the reasonableness of management's assessment of whether it is probable that the relevant taxation authorities will accept the Bank's tax positions, and evidence used by management.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
December 2, 2025

We have served as the Bank's auditor since 2016.

Consolidated Balance Sheets

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Assets		
Cash and due from banks	\$ 37,024	\$ 56,723
Interest-bearing deposits with banks	50,364	66,020
Securities (Note 4)		
Trading	219,067	183,300
Investment, net of applicable allowance	342,721	256,618
	561,788	439,918
Assets purchased under reverse repurchase agreements and securities borrowed	309,683	350,803
Loans (Note 5)		
Retail	652,344	626,978
Wholesale	397,171	360,439
	1,049,515	987,417
Allowance for loan losses (Note 5)	(7,093)	(6,037)
	1,042,422	981,380
Other		
Derivatives (Note 9)	177,206	150,612
Premises and equipment (Note 10)	6,819	6,852
Goodwill (Note 11)	19,405	19,286
Other intangibles (Note 11)	7,402	7,798
Other assets (Note 13)	112,893	92,190
	323,725	276,738
Total assets	\$ 2,325,006	\$ 2,171,582
Liabilities and equity		
Deposits (Note 14)		
Personal	\$ 529,740	\$ 522,139
Business and government	946,314	839,670
Bank	39,562	47,722
	1,515,616	1,409,531
Other		
Obligations related to securities sold short	49,891	35,286
Obligations related to assets sold under repurchase agreements and securities loaned	289,516	305,321
Derivatives (Note 9)	183,953	163,763
Insurance contract liabilities (Note 15)	24,327	22,231
Other liabilities (Note 17)	108,591	94,712
	656,278	621,313
Subordinated debentures (Note 18)	13,961	13,546
Total liabilities	2,185,855	2,044,390
Equity attributable to shareholders		
Preferred shares and other equity instruments (Note 19)	11,675	9,031
Common shares (Note 19)	20,753	20,952
Retained earnings	96,938	88,608
Other components of equity	9,726	8,498
	139,092	127,089
Non-controlling interests	59	103
Total equity	139,151	127,192
Total liabilities and equity	\$ 2,325,006	\$ 2,171,582

The accompanying notes are an integral part of these Consolidated Financial Statements.

David I. McKay
President and Chief Executive Officer

Cynthia Devine
Director

Consolidated Statements of Income

(Millions of Canadian dollars, except per share amounts)	For the year ended	
	October 31 2025	October 31 2024
Interest and dividend income (Note 3)		
Loans	\$ 56,042	\$ 54,040
Securities	20,055	17,668
Assets purchased under reverse repurchase agreements and securities borrowed	22,367	27,121
Deposits and other	5,361	6,122
	103,825	104,951
Interest expense (Note 3)		
Deposits and other	44,817	47,256
Other liabilities	25,371	28,967
Subordinated debentures	637	775
	70,825	76,998
Net interest income	33,000	27,953
Non-interest income		
Insurance service result (Note 15)	867	777
Insurance investment result (Note 15)	284	294
Trading revenue	3,125	2,327
Investment management and custodial fees	10,647	9,325
Mutual fund revenue	5,084	4,437
Securities brokerage commissions	1,905	1,660
Service charges	2,425	2,294
Underwriting and other advisory fees	2,899	2,672
Foreign exchange revenue, other than trading	1,301	1,142
Card service revenue	1,333	1,273
Credit fees	1,670	1,592
Net gains on investment securities	120	170
Income (loss) from joint ventures and associates (Note 12)	73	(16)
Other	1,872	1,444
	33,605	29,391
Total revenue	66,605	57,344
Provision for credit losses (Notes 4 and 5)	4,362	3,232
Non-interest expense		
Human resources (Notes 16 and 20)	23,122	21,083
Equipment	2,790	2,537
Occupancy	1,679	1,805
Communications	1,497	1,369
Professional fees	2,177	2,525
Amortization of other intangibles (Note 11)	1,759	1,549
Other	3,568	3,382
	36,592	34,250
Income before income taxes	25,651	19,862
Income taxes (Note 21)	5,282	3,622
Net income	\$ 20,369	\$ 16,240
Net income attributable to:		
Shareholders	\$ 20,362	\$ 16,230
Non-controlling interests	7	10
	\$ 20,369	\$ 16,240
Basic earnings per share (in dollars) (Note 22)	\$ 14.10	\$ 11.27
Diluted earnings per share (in dollars) (Note 22)	14.07	11.25
Dividends per common share (in dollars)	6.04	5.60

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Net income	\$ 20,369	\$ 16,240
Other comprehensive income (loss), net of taxes (Note 21)		
Items that will be reclassified subsequently to income:		
Net change in unrealized gains (losses) on debt securities and loans at fair value through other comprehensive income		
Net unrealized gains (losses) on debt securities and loans at fair value through other comprehensive income	758	1,104
Provision for credit losses recognized in income	(5)	(1)
Reclassification of net losses (gains) on debt securities and loans at fair value through other comprehensive income to income	(121)	(140)
	632	963
Foreign currency translation adjustments		
Unrealized foreign currency translation gains (losses)	826	1,029
Net foreign currency translation gains (losses) from hedging activities	(315)	(514)
Reclassification of losses (gains) on foreign currency translation to income	(25)	–
Reclassification of losses (gains) on net investment hedging activities to income	–	1
	486	516
Net change in cash flow hedges		
Net gains (losses) on derivatives designated as cash flow hedges	780	338
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income	(669)	(827)
	111	(489)
Items that will not be reclassified subsequently to income:		
Remeasurement gains (losses) on employee benefit plans (Note 16)	329	531
Net gains (losses) from fair value changes due to credit risk on financial liabilities designated at fair value through profit or loss	(894)	(1,041)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	109	117
	(456)	(393)
Total other comprehensive income (loss), net of taxes	773	597
Total comprehensive income (loss)	\$ 21,142	\$ 16,837
Total comprehensive income attributable to:		
Shareholders	\$ 21,134	\$ 16,827
Non-controlling interests	8	10
	\$ 21,142	\$ 16,837

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	For the year ended October 31, 2025											
	Preferred shares and other equity instruments	Common shares	Treasury – preferred shares and other equity instruments	Treasury – common shares	Retained earnings	FVOCI securities and loans	Foreign currency translation	Cash flow hedges	Total other components of equity	Equity attributable to shareholders	Non-controlling interests	Total equity
(Millions of Canadian dollars)												
Balance at beginning of period	\$ 9,020	\$ 21,013	\$ 11	\$ (61)	\$ 88,608	\$ (897)	\$ 7,128	\$ 2,267	\$ 8,498	\$ 127,089	\$ 103	\$ 127,192
Changes in equity												
Issues of share capital and other equity instruments	4,973	77	-	-	(28)	-	-	-	-	5,022	-	5,022
Common shares purchased for cancellation	-	(227)	-	-	(2,541)	-	-	-	-	(2,768)	-	(2,768)
Redemption of preferred shares and other equity instruments	(2,350)	-	-	-	-	-	-	-	-	(2,350)	-	(2,350)
Sales of treasury shares and other equity instruments	-	-	4,937	5,762	-	-	-	-	-	10,699	-	10,699
Purchases of treasury shares and other equity instruments	-	-	(4,916)	(5,811)	-	-	-	-	-	(10,727)	-	(10,727)
Share-based compensation awards	-	-	-	-	29	-	-	-	-	29	-	29
Dividends on common shares	-	-	-	-	(8,502)	-	-	-	-	(8,502)	-	(8,502)
Dividends on preferred shares and distributions on other equity instruments	-	-	-	-	(494)	-	-	-	-	(494)	(52)	(546)
Other	-	-	-	-	(40)	-	-	-	-	(40)	-	(40)
Net income	-	-	-	-	20,362	-	-	-	-	20,362	7	20,369
Total other comprehensive income (loss), net of taxes	-	-	-	-	(456)	632	485	111	1,228	772	1	773
Balance at end of period	\$ 11,643	\$ 20,863	\$ 32	\$ (110)	\$ 96,938	\$ (265)	\$ 7,613	\$ 2,378	\$ 9,726	\$ 139,092	\$ 59	\$ 139,151

	For the year ended October 31, 2024											
	Preferred shares and other equity instruments	Common shares	Treasury – preferred shares and other equity instruments	Treasury – common shares	Retained earnings	FVOCI securities and loans	Foreign currency translation	Cash flow hedges	Total other components of equity	Equity attributable to shareholders	Non-controlling interests	Total equity
(Millions of Canadian dollars)												
Balance at beginning of period	\$ 7,323	\$ 19,398	\$ (9)	\$ (231)	\$ 81,059	\$ (1,860)	\$ 6,612	\$ 2,756	\$ 7,508	\$ 115,048	\$ 99	\$ 115,147
Changes in equity												
Issues of share capital and other equity instruments	2,720	1,628	-	-	(18)	-	-	-	-	4,330	-	4,330
Common shares purchased for cancellation	-	(13)	-	-	(127)	-	-	-	-	(140)	-	(140)
Redemption of preferred shares and other equity instruments	(1,023)	-	-	-	2	-	-	-	-	(1,021)	-	(1,021)
Sales of treasury shares and other equity instruments	-	-	1,245	5,472	-	-	-	-	-	6,717	-	6,717
Purchases of treasury shares and other equity instruments	-	-	(1,225)	(5,302)	-	-	-	-	-	(6,527)	-	(6,527)
Share-based compensation awards	-	-	-	-	69	-	-	-	-	69	-	69
Dividends on common shares	-	-	-	-	(7,916)	-	-	-	-	(7,916)	-	(7,916)
Dividends on preferred shares and distributions on other equity instruments	-	-	-	-	(322)	-	-	-	-	(322)	(6)	(328)
Other	-	-	-	-	24	-	-	-	-	24	-	24
Net income	-	-	-	-	16,230	-	-	-	-	16,230	10	16,240
Total other comprehensive income (loss), net of taxes	-	-	-	-	(393)	963	516	(489)	990	597	-	597
Balance at end of period	\$ 9,020	\$ 21,013	\$ 11	\$ (61)	\$ 88,608	\$ (897)	\$ 7,128	\$ 2,267	\$ 8,498	\$ 127,089	\$ 103	\$ 127,192

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Cash flows from operating activities		
Net income	\$ 20,369	\$ 16,240
Adjustments for non-cash items and others		
Provision for credit losses	4,362	3,232
Depreciation	1,286	1,364
Deferred income taxes	(216)	(1,529)
Amortization and impairment of other intangibles	1,793	1,617
(Income) loss from joint ventures and associates	(73)	16
Losses (gains) on investment securities	(132)	(170)
Losses (gains) on disposition of business	–	29
Adjustments for net changes in operating assets and liabilities		
Insurance contract liabilities	2,096	3,205
Net change in accrued interest receivable and payable	(1,880)	1,674
Current income taxes	(936)	945
Derivative assets	(26,594)	(4,797)
Derivative liabilities	20,190	17,593
Trading securities	(35,767)	8,886
Loans	(62,098)	(55,007)
Assets purchased under reverse repurchase agreements and securities borrowed	41,120	(10,168)
Obligations related to assets sold under repurchase agreements and securities loaned	(15,805)	(35,581)
Obligations related to securities sold short	14,605	727
Deposits	106,085	91,596
Brokers and dealers receivable and payable	(107)	(304)
Other	(13,078)	(16,429)
Net cash from (used in) operating activities	55,220	23,139
Cash flows from investing activities		
Change in interest-bearing deposits with banks	15,656	5,066
Proceeds from sales and maturities of investment securities	232,439	182,335
Purchases of investment securities	(314,421)	(193,307)
Net acquisitions of premises and equipment and other intangibles	(2,243)	(2,280)
Net proceeds from (cash transferred for) dispositions	–	15
Cash used in acquisitions, net of cash acquired	–	(12,716)
Net cash from (used in) investing activities	(68,569)	(20,887)
Cash flows from financing activities		
Issuance of subordinated debentures	2,991	3,250
Repayment of subordinated debentures	(2,750)	(1,500)
Issue of common shares, net of issuance costs	72	159
Common shares purchased for cancellation	(2,768)	(140)
Issue of preferred shares and other equity instruments, net of issuance costs	4,945	2,702
Redemption of preferred shares and other equity instruments	(2,350)	(1,021)
Sales of treasury shares and other equity instruments	10,699	6,717
Purchases of treasury shares and other equity instruments	(10,727)	(6,527)
Dividends paid on shares and distributions paid on other equity instruments	(8,800)	(6,637)
Dividends/distributions paid to non-controlling interests	(39)	(6)
Change in short-term borrowings of subsidiaries	2,804	(4,507)
Repayment of lease liabilities	(788)	(636)
Net cash from (used in) financing activities	(6,711)	(8,146)
Effect of exchange rate changes on cash and due from banks	361	628
Net change in cash and due from banks	(19,699)	(5,266)
Cash and due from banks at beginning of period (1)	56,723	61,989
Cash and due from banks at end of period (1)	\$ 37,024	\$ 56,723
Cash flows from operating activities include:		
Amount of interest paid	\$ 70,976	\$ 73,639
Amount of interest received	100,508	102,127
Amount of dividends received	3,982	3,502
Amount of income taxes paid	6,087	3,410

(1) We are required to maintain balances due to regulatory requirements or contractual restrictions from central banks, other regulatory authorities, and other counterparties. The total balances were \$3 billion as at October 31, 2025 (October 31, 2024 – \$2 billion; October 31, 2023 – \$3 billion).

The accompanying notes are an integral part of these Consolidated Financial Statements.

Note 1 General information

Royal Bank of Canada and its subsidiaries (the Bank) provide diversified financial services including Personal Banking, Commercial Banking, Wealth Management, Insurance and Capital Markets products and services on a global basis. Refer to Note 26 for further details on our business segments.

The parent bank, Royal Bank of Canada, is a Schedule I Bank under the *Bank Act* (Canada) incorporated and domiciled in Canada. Our corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada and our head office is located at 1 Place Ville-Marie, Montreal, Quebec, Canada. Our common shares are listed on the Toronto Stock Exchange and New York Stock Exchange with the ticker symbol RY.

These Consolidated Financial Statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise stated, monetary amounts are stated in Canadian dollars. Tabular information is stated in millions of dollars, except as noted. These Consolidated Financial Statements also comply with Subsection 308 of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), our Consolidated Financial Statements are to be prepared in accordance with IFRS. The accounting policies outlined in Note 2 have been consistently applied to all periods presented.

On December 2, 2025, the Board of Directors authorized the Consolidated Financial Statements for issue.

Note 2 Summary of material accounting policies, estimates and judgments

The material accounting policies used in the preparation of these Consolidated Financial Statements, including the accounting requirements prescribed by OSFI, are summarized below. These accounting policies conform, in all material respects, to IFRS. The same accounting policies have been applied to all periods presented.

General

Use of estimates and assumptions

In preparing our Consolidated Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, allowance for credit losses, insurance and reinsurance contracts, pensions and other post-employment benefits, income taxes, goodwill and other intangible assets, and provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Consolidated Financial Statements. Refer to the relevant accounting policies in this Note for details on our use of estimates and assumptions.

Significant judgments

In preparation of these Consolidated Financial Statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant judgments have been made in the following areas and discussed as noted in the Consolidated Financial Statements:

Consolidation of structured entities	Note 2 Note 8	Goodwill and other intangibles	Note 2 Note 11
Fair value of financial instruments	Note 2 Note 3	Application of the effective interest method	Note 2
Allowance for credit losses	Note 2 Note 4 Note 5	Derecognition of financial assets	Note 2 Note 7
Insurance and reinsurance contracts	Note 2 Note 15	Income taxes	Note 2 Note 21
Employee benefits	Note 2 Note 16	Provisions	Note 2 Note 23 Note 24

Basis of consolidation

Our Consolidated Financial Statements include the assets and liabilities and results of operations of the parent company, Royal Bank of Canada, and its subsidiaries including certain structured entities, after elimination of intercompany transactions, balances, revenues and expenses.

Consolidation

Subsidiaries are those entities, including structured entities, over which we have control. We control an entity when we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power over the investee. We have power over an entity when we have existing rights that give us the current ability to direct the activities that most significantly affect the entity's returns (relevant activities). Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements.

We are not deemed to control an entity when we exercise power over an entity as the agent of a third-party or parties. In determining whether we are acting as an agent, we consider the overall relationship between us, the investee and other parties to the arrangement with respect to the following factors: (i) the scope of our decision-making power; (ii) the rights held by other parties; (iii) the remuneration to which we are entitled; and (iv) our exposure to variability of returns.

The determination of control is based on the current facts and circumstances and is continuously assessed. In some circumstances, different factors and conditions may indicate that various parties control an entity depending on whether those factors and conditions are assessed in isolation or in totality. Significant judgment is applied in determining whether we control an entity, specifically, assessing whether we have substantive decision-making rights over the relevant activities and whether we are exercising our power as a principal or an agent.

We consolidate all subsidiaries from the date we obtain control and cease consolidation when an entity is no longer controlled by us. Our consolidation conclusions affect the classification and amount of assets, liabilities, revenues and expenses reported in our Consolidated Financial Statements.

Non-controlling interests in subsidiaries that we consolidate are shown on our Consolidated Balance Sheets as a separate component of equity which is distinct from equity attributable to our shareholders. The net income attributable to non-controlling interests is separately disclosed in our Consolidated Statements of Income.

Investments in joint ventures and associates

Our investments in associated corporations and limited partnerships over which we have significant influence are accounted for using the equity method. The equity method is also applied to our interests in joint ventures over which we have joint control. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognize our share of the investee's net profit or loss, including our proportionate share of the investee's Other comprehensive income (OCI), subsequent to the date of acquisition.

Financial Instruments

Classification of financial assets

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

All other debt instruments are measured at FVTPL.

Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and we make an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis.

Business model assessment

We determine our business models at the level that best reflects how we manage portfolios of financial assets to achieve our business objectives. Judgment is used in determining our business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or hedging funding or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks as described in the Risk Management section of the MD&A, and the activities undertaken to manage those risks;
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model; and
- The compensation structures for managers of our businesses, to the extent that these are directly linked to the economic performance of the business model.

Our business models fall into three categories, which are indicative of the key strategies used to generate returns:

- HTC: The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- HTC&S: Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Securities

Trading securities include all securities that are classified as FVTPL by nature and securities designated as FVTPL. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are generally recorded in Non-interest income – Trading revenue or Non-interest income – Other except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result. Dividends and interest income accruing on Trading securities are recorded in Interest and dividend income except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result. Interest and dividends accrued on securities sold short are recorded in Interest expense.

Investment securities include all securities classified as FVOCI and amortized cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification.

Investment securities carried at amortized cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with our policy for Allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortized cost are recorded in Interest and dividend income. Impairment gains or losses recognized on amortized cost securities are recorded in Provision for credit losses (PCL). When a debt instrument measured at amortized cost is sold, the difference between the sale proceeds and the amortized cost of the security at the time of the sale is recorded as Net gains on investment securities in Non-interest income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in Other components of equity. Impairment gains and losses are included in PCL and correspondingly reduce the accumulated changes in fair value included in Other components of equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from Other components of equity to Non-interest income – Net gains on investment securities, or Non-interest income – Insurance investment result if relating to the Insurance segment.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in Other components of equity and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in Interest and dividend income except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result.

We account for all of our securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in Non-interest income.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an accounting mismatch). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as FVTPL are recorded at fair value and any unrealized gain or loss arising due to changes in fair value is included in Non-interest income – Trading revenue or Non-interest income – Other, depending on our business purpose for holding the financial asset.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI will not be reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in Non-interest income – Trading revenue or Non-interest income – Other, depending on our business purpose for holding the financial liability, except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as FVTPL is recognized in net income. To make that determination, we assess whether we expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on our debt instruments designated as FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We determine fair value by incorporating factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

The Board of Directors provides oversight on valuation of financial instruments, primarily through the Audit Committee and Risk Committee. The Audit Committee reviews the presentation and disclosure of financial instruments that are measured at fair value, while the Risk Committee assesses the adequacy of governance structures and control processes for the valuation of these instruments.

We have established policies, procedures and controls for valuation methodologies and techniques to ensure that fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed daily for trading portfolios. All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. We give priority to those third-party pricing services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, other pricing service values and, when available, actual trade data. Quoted prices for identical instruments from pricing services or brokers are generally not adjusted unless there are issues such as stale prices. If multiple quotes for identical instruments are received, fair value is based on an average of the prices received or the quote from the most reliable vendor, after the outlier prices that fall outside of the pricing range are removed. Other valuation techniques are used when a price or quote is not available. Some valuation processes use models to determine fair value. We have a systematic and consistent approach to control the use of models. Valuation models are approved for use within our model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures and approval authorities. Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly by qualified personnel who are independent of the model design and development. Annually, our model risk profile is reported to the Board of Directors.

IFRS 13 *Fair Value Measurement* permits an exception, through an accounting policy choice, to measure the fair value of a portfolio of financial instruments on a net open risk position basis when certain criteria are met. We have elected to use this policy choice to determine the fair value of certain portfolios of financial instruments, primarily derivatives, based on a net exposure to market or credit risk.

We record valuation adjustments to appropriately reflect counterparty credit quality of our derivative portfolio, differences between the actual counterparty collateral discount curve and standard overnight index swap (OIS) discounting for collateralized derivatives, funding valuation adjustments (FVA) for uncollateralized and under-collateralized over-the-counter (OTC) derivatives, unrealized gains or losses at inception of the transaction, bid-offer spreads, unobservable parameters and model limitations. These adjustments may be subjective as they require significant judgment in the input selection, such as implied probability of default (PD) and recovery rate, and are intended to arrive at a fair value that is determined based on assumptions that market participants would use in pricing the financial instrument. The ultimate realized price for a transaction may differ from its fair recorded value previously estimated using management judgment.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of transactions and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default (EAD), PD, recovery rates on a counterparty basis and market and credit factor correlations. EAD is the value of expected derivative assets and liabilities at the time of default, estimated through modelling using underlying risk factors. PD is implied from the market prices for credit protection and the credit ratings of the counterparty. When market data is unavailable, it is estimated by incorporating assumptions and adjustments that market participants would use for determining fair value using these inputs. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data. CVA is calculated daily and changes are recorded in Non-interest income – Trading revenue.

FVA is also calculated to incorporate the cost and benefit of funding in the valuation of uncollateralized and under-collateralized OTC derivatives. Future expected cash flows of these derivatives are discounted to reflect the cost and benefit of funding the derivatives by using a funding curve, implied volatilities and correlations as inputs.

Where required, a valuation adjustment is made to reflect the unrealized gain or loss at inception of a financial instrument contract where the fair value of that financial instrument is not obtained from a quoted market price or cannot be evidenced by other observable market transactions based on a valuation technique incorporating observable market data.

A bid-offer valuation adjustment is required when a financial instrument is valued at the mid-market price, instead of the bid or offer price for asset or liability positions, respectively. The valuation adjustment takes into account the spread from the mid-market price to either the bid or offer price.

Some valuation models require parameter calibration from such factors as market observable option prices. The calibration of parameters may be sensitive to factors such as the choice of instruments or optimization methodology. A valuation adjustment is also estimated to mitigate the uncertainties of parameter calibration and model limitations.

In determining fair value, a hierarchy is used which prioritizes the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs include one or more inputs that are unobservable and significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the fair value hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value.

Where observable prices or inputs are not available, management judgment is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgment is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments. The selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available

from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market risk valuation adjustments for such inputs and other model risk valuation adjustments are assessed in all such instances.

Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the Classification of financial assets policy provided above. The majority of our loans are carried at amortized cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized using the effective interest method and recorded in Interest income except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortized into Non-interest income over the commitment or standby period. Future prepayment fees on mortgage loans are not included as part of the effective interest rate at origination. If prepayment fees are received on a renewal of a mortgage loan before maturity, the fee is included as part of the effective interest rate, and if not renewed, the prepayment fee is recognized in interest income at the prepayment date.

For loans carried at amortized cost or FVOCI, impairment losses are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, debt securities, interest-bearing deposits with banks, accounts and accrued interest receivable, and finance and operating lease receivables. ACL on loans measured at amortized cost is presented in Allowance for loan losses. ACL on debt securities measured at FVOCI is presented in Other components of equity. Other financial assets carried at amortized cost are presented net of ACL on our Consolidated Balance Sheets.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. ACL on off-balance sheet items is separately calculated and included in Other Liabilities – Provisions.

We measure the ACL on each balance sheet date according to a three-stage expected credit loss impairment model:

- Performing financial assets
 - Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.
 - Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.
- Impaired financial assets
 - Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest income is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract. For finance lease receivables, credit loss estimates are based on cash flows consistent with the cash flows used in measuring the lease receivable.

Increases or decreases in the required ACL attributable to model changes and new originations, sales or maturities, and changes in risk, parameters and exposures due to changes in loss expectations or stage transfers are recorded in PCL. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages, the inclusion of forward-looking information and the application of expert credit judgment. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information, including internal and external ratings, historical credit loss experience and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's PD, loss given default (LGD), and EAD discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward-looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment is exercised in determining the final expected credit losses.

For a small percentage of our portfolios which lack detailed historical information and/or loss experience, we apply simplified measurement approaches that may differ from what is described above. These approaches have been designed to maximize the available information that is reliable and supportable for each portfolio and may be collective in nature.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Judgment is required in determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices.

Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses we expect to incur. The assessment is generally performed at the instrument level.

Our assessment of significant increases in credit risk is performed at least quarterly based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- (1) We have established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition. For our wholesale portfolio, a decrease in the borrower's risk rating is also required to determine that credit risk has increased significantly.
- (2) Additional qualitative reviews may be performed, as necessary, to assess the staging results, which may lead to adjustments to better reflect the positions whose credit risk has increased significantly. These reviews are completed at both the individual borrower levels and the portfolio level and may result in an instrument, a portfolio or a portion of a portfolio moving from Stage 1 to Stage 2.
- (3) Instruments which are 30 days past due are generally considered to have experienced a significant increase in credit risk, even if our other metrics do not indicate that a significant increase in credit risk has occurred.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment. Certain interest-bearing deposits with banks, assets purchased under reverse repurchase agreements, insurance policy loans, and liquidity facilities extended to our multi-seller conduits have been identified as having low credit risk.

Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five-year period, subsequently reverting to long-run averages. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rates, gross domestic product growth rates, equity return indices, commodity prices and Canadian housing prices. Depending on their usage in the models, macroeconomic variables may be projected at a country, province/state or more granular level.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by our internal economics group. The published forecasts are developed from models based on historical macroeconomic data, derived from public sources and financial markets. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture a broader range of potential credit losses in certain sectors. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PDs as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers, except as detailed below, default occurs when the borrower is more than 90 days past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. For certain credit card balances, default occurs when payments are 180 days

past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by observable data on write-off and recovery rates experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments, unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the transfer from Stage 3 to Stage 2.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less the related ACL.

ACL for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, we reduce the carrying value of the loans to their estimated realizable value by recording an individually assessed ACL to cover identified credit losses. The individually assessed ACL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, which may include macroeconomic or non-macroeconomic scenarios, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on PCL and may result in a change in the ACL.

Collectively assessed loans (Stage 3)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.

The collectively-assessed ACL reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

The expected principal and interest collection is estimated on a portfolio basis and references historical loss experience of comparable portfolios with similar credit risk characteristics, adjusted for the current environment and expected future conditions. A portfolio specific coverage ratio is applied against the impaired loan balance in determining the collectively-assessed ACL. The time value of money component is calculated by using the discount factors applied to groups of loans sharing common characteristics. The discount factors represent the expected recovery pattern of the comparable group of loans, and reflect the historical experience of these groups adjusted for current and expected future economic conditions and/or industry factors. Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on PCL and may result in a change in the ACL.

Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances and related ACL are generally written off when payment is 180 days past due. Personal loans are generally written off at 150 days past due.

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of the expected changes. In the normal course of business, modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset. Modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognized. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will transfer out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other qualitative considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Derivatives

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. If the host contract is a financial asset within the scope of IFRS 9 *Financial Instruments* (IFRS 9), the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of Note 2. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognized if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to elect the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. Embedded derivatives are presented on a combined basis with the host contracts.

All derivative instruments are recorded on our Consolidated Balance Sheets at fair value, inclusive of valuation adjustments. When derivatives are used in trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Non-interest income – Trading revenue. When derivatives are used to manage our own exposures, we determine for each derivative whether hedge accounting can be applied, as discussed in the Hedge accounting section below. For derivatives used to manage our own exposures where we do not apply hedge accounting, the realized and unrealized gains and losses are primarily recognized in Non-interest income – Other.

Derecognition of financial assets

Financial assets are derecognized from our Consolidated Balance Sheets when our contractual rights to the cash flows from the assets have expired, when we retain the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third-party subject to certain pass-through requirements or when we transfer our contractual rights to receive the cash flows and substantially all of the risks and rewards of the assets have been transferred. When we retain substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized from our Consolidated Balance Sheets and are accounted for as secured financing transactions. When we neither retain nor transfer substantially all risks and rewards of ownership of the assets, we derecognize the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognize the transferred assets to the extent of our continuing involvement.

Management judgment is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether we retain the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. We derecognize transferred financial assets if we transfer substantially all the risks and rewards of the ownership in the assets. When assessing whether we have transferred substantially all of the risk and rewards of the transferred assets, management considers our exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. In transfers in which we retain the servicing rights, management has applied judgment in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair value, a servicing asset is recognized in Other assets in our Consolidated Balance Sheets. When the benefits of servicing are less than fair value, a servicing liability is recognized in Other liabilities in our Consolidated Balance Sheets.

Derecognition of financial liabilities

We derecognize a financial liability from our Consolidated Balance Sheets when our obligation specified in the contract expires, or is discharged or cancelled. We recognize the difference between the carrying amount of a financial liability transferred and the consideration paid in our Consolidated Statements of Income.

Interest

Interest is recognized in Interest income and Interest expense in the Consolidated Statements of Income for all interest-bearing financial instruments except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Significant judgment is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Dividend income

Dividend income is recognized when the right to receive payment is established and is recorded in Interest and dividend income except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as FVTPL. For other financial instruments, transaction costs are capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost and debt financial assets measured at FVOCI, capitalized transaction costs are amortized through net income over the estimated life of the instrument using the effective interest method.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset on the Consolidated Balance Sheets when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Assets purchased under reverse repurchase agreements and sold under repurchase agreements

We purchase securities under agreements to resell (reverse repurchase agreements) and take possession of these securities. We monitor the market value of the securities purchased and additional collateral is obtained when appropriate. We have the right to liquidate the collateral held in the event of counterparty default. Reverse repurchase agreements are treated as collateralized lending transactions. We also sell securities under agreements to repurchase (repurchase agreements), which are treated as collateralized borrowing transactions. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on, or derecognized from, our Consolidated Balance Sheets, respectively, unless the risks and rewards of ownership are obtained or relinquished.

Reverse repurchase agreements and repurchase agreements are carried on our Consolidated Balance Sheets at the amounts at which the securities were initially acquired or sold, except when they are classified or designated as FVTPL and are recorded at fair value. Interest earned on reverse repurchase agreements is included in Interest income, and interest incurred on repurchase agreements is included in Interest expense in our Consolidated Statements of Income while changes in fair value for reverse repurchase agreements and repurchase agreements classified or designated as FVTPL are included in Trading revenue or Other in Non-interest income except for amounts relating to the Insurance segment, which are recorded in Non-interest income – Insurance investment result.

Hedge accounting

We have elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9.

We use derivatives and non-derivatives in our hedging strategies to manage our exposure to interest rate, currency, credit and other market risks. Our hedging strategies include the use of fair value hedges, cash flow hedges and net investment hedges. Derivatives used in hedging relationships are recorded in Other Assets – Derivatives or Other Liabilities – Derivatives on our Consolidated Balance Sheets. Foreign currency-denominated liabilities used in net investment hedging relationships are recorded in Deposits – Business and Government and Subordinated debentures on our Consolidated Balance Sheets. We assess, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments are 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is regarded as highly effective only if the following criteria are met: (i) at inception of the hedge and throughout its life, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and (ii) actual results of the hedge are within a pre-determined range. We perform effectiveness testing to demonstrate that the relationship has been and is expected to be effective over the remaining term of the hedge. In the case of hedging a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that could ultimately affect the reported net profit or loss. Hedge accounting is discontinued when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument or hedged item is terminated or sold, or the forecast transaction is no longer deemed highly probable. Refer to Note 9 for the fair value of derivatives and non-derivative instruments categorized by their hedging relationships, as well as derivatives that are not designated in hedging relationships.

Fair value hedges

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk and recognized in Non-interest income – Other. Changes in fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which are also recognized in Non-interest income – Other. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged items are amortized to Non-interest income – Other over the expected remaining life of the hedged items.

We predominantly use interest rate swaps to hedge our exposure to changes in a fixed interest rate instrument's fair value caused by changes in interest rates.

Cash flow hedges

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in OCI and reclassified to profit or loss as the associated hedged forecast transaction occurs, while the ineffective portion is recognized in Non-interest income – Other. When hedge accounting is discontinued, the cumulative amounts previously recognized in OCI are reclassified to Net interest income during the periods when the variability in the cash flows of the hedged item affects Net interest income. Unrealized gains and losses on derivatives are reclassified immediately to Non-interest income – Other when the hedged item is sold or terminated early, or when the forecast transaction is no longer expected to occur.

We predominantly use interest rate swaps to hedge the variability in cash flows related to a variable-rate asset or liability.

Net investment hedges

In hedging our foreign currency exposure to a net investment in a foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments, net of applicable taxes, is recognized in OCI and the ineffective portion is recognized in Non-interest income – Other. The amounts, or a portion thereof, previously recognized in Other components of equity are recognized in Net income on the disposal, or partial disposal, of the foreign operation.

We use foreign exchange contracts and foreign currency-denominated liabilities to manage our foreign currency exposures to net investments in foreign operations having a functional currency other than the Canadian dollar.

Guarantees

Financial guarantee contracts are contracts that contingently require us to make specified payments (in cash, other assets, our own shares or provision of services) to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Liabilities are recognized on our Consolidated Balance Sheets at the inception of a guarantee for the fair value of the obligation undertaken in issuing the guarantee. Financial guarantees are subsequently remeasured at the higher of (i) the amount of expected credit losses and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

If the financial guarantee contract meets the definition of a derivative, it is measured at fair value at each balance sheet date and reported under Derivatives on our Consolidated Balance Sheets.

Insurance and reinsurance contracts

Contracts under which we accept significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are insurance contracts, which includes reinsurance contracts issued. Contracts under which we transfer significant insurance risk to a reinsurer that compensates us for claims relating to underlying insurance contracts issued by us are reinsurance contracts held, and are accounted for separately from the underlying insurance contracts to which they relate. Embedded derivatives, investment components and promises to provide non-insurance services are separated from the insurance or reinsurance contract provided specific criteria are met. Insurance and reinsurance contracts are aggregated into portfolios that are subject to similar risks and are managed together, and then divided into groups based on the period of issuance and expected profitability. Groups are separately recognized and measured using one of three measurement models depending on the characteristics of the contracts:

- For insurance contracts with direct participating features (applicable primarily to our segregated fund insurance contracts), the variable fee approach (VFA) is applied.
- For insurance contracts and reinsurance contracts held with a short duration of one year or less (applicable primarily to our creditor reinsurance contracts issued, group life and health insurance contracts and travel insurance contracts), the premium allocation approach (PAA) is applied.
- The general measurement method (GMM) is applied to all remaining contracts.

Under the GMM and VFA, the carrying amount of a group of insurance or reinsurance contracts is measured as the sum of the fulfilment cash flows and the contractual service margin (CSM). The carrying amount is also the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The fulfilment cash flows consist of the present value of future cash flows and a risk adjustment for non-financial risk, discounted using the current rates as at the reporting date determined using the discount rate methodology disclosed in Note 15. The estimates of future cash flows consider probability-weighted scenarios and include all future cash flows that are within the contract boundary. The risk adjustment for non-financial risk represents the compensation that we require for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the insurance contract is fulfilled and is estimated using the margin approach disclosed in Note 15. The measurement of the groups of contracts requires the use of judgment in setting methodologies and assumptions for morbidity, mortality, longevity, policy lapses and other policyholder behaviour, policy dividends and directly attributable expenses, including acquisition costs allocated using a systematic and rational method. Changes to the underlying assumptions and estimates may have a significant effect on Non-interest income – Insurance service result and Insurance investment result. Subsequent changes in fulfilment cash flows related to future services adjust the CSM, unless the group is onerous in which case such changes are recognized in Non-interest income – Insurance service result along with changes related to past or current services.

For insurance contracts, the CSM represents the unearned profit (net inflows) for providing insurance coverage. For reinsurance contracts held, the CSM represents the net cost or net gain of purchasing reinsurance. The CSM for insurance and reinsurance contracts are released into income based on coverage units, which represent the quantity of service (insurance coverage as well as investment-return and investment-related services) provided by a group of contracts and are determined by considering the quantity of benefits provided under each contract and the expected coverage duration. Under the GMM, the CSM is adjusted for interest accretion using the discount rates that were locked-in at initial recognition of the groups or the discount rates that were locked-in at the transition date for groups where the fair value approach was applied. Under the VFA, the CSM is adjusted for changes in the amount of our share of the fair value of the underlying items, while the changes to the fair value of the underlying items, reflecting changes in the obligation to pay the policyholder, are recognized in Non-interest income – Insurance investment result.

Under the PAA, the liability for remaining coverage for each group is measured as the premiums received less insurance revenue recognized for services provided, while the liability for incurred claims is measured as the fulfilment cash flows for incurred claims.

Losses from the recognition of onerous groups of insurance contracts, regardless of the measurement model applied, are recognized in Non-interest income – Insurance service result immediately. Any losses recognized relating to future service can be reversed in subsequent periods if the group of contracts is no longer onerous.

The insurance and reinsurance contract balances are remeasured at the end of each reporting period. We have elected to update the accounting estimates made in the previous interim period when remeasuring the insurance and reinsurance contracts in subsequent interim and annual reporting periods.

An insurance or reinsurance contract is derecognized when it is extinguished or modified such that the modification results in a change in the measurement model, a substantially different contract boundary or a change in the scope of the applicable standard for measuring a component of the contract.

Insurance service result comprises Insurance revenue less Insurance service expense and Net income (expense) from reinsurance contracts held.

- Insurance revenue is recognized as we provide insurance contract services under the groups of insurance contracts. For contracts measured using the PAA, the insurance revenue is generally recognized based on allocating expected premium receipts over the passage of time. For contracts measured using the GMM and VFA, insurance revenue represents the amount of consideration we expect to be entitled to in exchange for services in the period, which includes expected claims and expenses directly attributable to fulfilling insurance contracts (excluding any investment components), release of the risk adjustment for the period, CSM amortization to reflect services provided in the period, an allocation of premiums that relates to recovering insurance acquisition expenses and experience adjustments for premium receipts relating to current or past services.
- Insurance service expense arising from insurance contracts includes incurred claims and other directly attributable expenses in the current period (excluding investment components), amortization and impairment losses relating to insurance acquisition cash flows where applicable, changes relating to past or current services and changes in loss components of onerous groups of contracts.
- Net income (expense) from reinsurance contracts held represents the amounts recovered from the reinsurers less the allocation of premiums paid on reinsurance contracts held.

Insurance investment result comprises Net investment income, Net insurance finance income (expense) and Net reinsurance finance income (expense) from reinsurance contracts held.

- Net investment income primarily comprises interest and dividend income and net gains (losses) on financial instruments, including segregated fund assets, and derivatives relating to the Insurance segment. Financial assets supporting the Insurance segment are primarily measured at FVTPL and FVOCI.
- Insurance and reinsurance finance income (expense) represents the net effect of and changes in the time value of money (including the time value of money relating to risk adjustment on non-financial risks) and financial risks on insurance contracts and reinsurance contracts held, respectively.

Employee benefits – Pensions and other post-employment benefits

Our defined benefit pension expense, which is included in Non-interest expense – Human resources, consists of the cost of employee pension benefits for the current year's service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in OCI in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Amounts recognized in OCI will not be reclassified subsequently to net income. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

For each defined benefit pension plan, we recognize the present value of our defined benefit obligations less the fair value of the plan assets as a defined benefit liability reported in Other liabilities on our Consolidated Balance Sheets. For plans where there is a net defined benefit asset, the amount is reported as an asset in Other assets on our Consolidated Balance sheets.

The calculation of defined benefit expenses and obligations requires significant judgment as the recognition is dependent on discount rates and various actuarial assumptions such as healthcare cost trend rates, projected salary increases, retirement age and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For our pension and other post-employment benefit plans, the discount rate is determined by reference to market yields on high quality corporate bonds. Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. Actuarial assumptions, set in accordance with current practices in the respective countries of our plans, may differ from actual experience as country specific statistics are only estimates of future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations, expenses and remeasurements that we recognize.

Our contributions to defined contribution pension plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution pension expense is included in Non-interest expense – Human resources.

Share-based compensation

We offer share-based compensation plans to certain key employees and to our non-employee directors.

To account for stock options granted to employees, compensation expense is recognized over the applicable vesting period with a corresponding increase in equity. Fair value is determined by using option valuation models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity are credited to common shares. Our other share-based compensation plans include performance deferred share plans and deferred share unit plans for key employees (the Plans). The obligations for the Plans are accrued over their vesting periods. The Plans are generally settled in cash.

For cash-settled awards, our accrued obligations are adjusted to their fair value at each balance sheet date. For share-settled awards, our expected obligations recognized in equity are based on the fair value of our common shares at the date of grant. Changes in our obligations, net of related hedges, are recorded as Non-interest expense – Human resources in our Consolidated Statements of Income with a corresponding increase in Other liabilities for cash-settled awards and in Retained earnings for share-settled awards. Compensation expense is recognized in the year the awards are earned by plan participants based on the vesting schedule of the relevant plans, net of estimated forfeitures.

The compensation cost attributable to options and awards granted to employees who are eligible to retire or will become eligible to retire during the vesting period, is recognized immediately if the employee is eligible to retire on the grant date or over the period between the grant date and the date the employee becomes eligible to retire.

Our contributions to the employee savings and share ownership plans are expensed as incurred.

Income taxes

Income tax comprises current tax and deferred tax and is recognized in our Consolidated Statements of Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax payable on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the balance sheet date. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our subsidiaries, branches, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. Our Consolidated Statements of Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carryforwards are included in Other assets and Other liabilities. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realized; this review involves evaluating both positive and negative evidence.

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by us and the relevant taxation authorities. Significant judgment is required in the interpretation of the relevant tax laws and in assessing the probability of acceptance of our tax positions to determine our tax provision, which includes our best estimate of uncertain tax positions that are under audit or appeal by the relevant tax authorities. We perform a review on a quarterly basis to incorporate our best assessment based on information available, but additional liability and income tax expense could result based on the acceptance of our tax positions by the relevant tax authorities.

The determination of our deferred tax asset or liability also requires significant management judgment as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Consolidated Balance Sheets, and also deferred tax expense on our Consolidated Statements of Income. We have applied the exception in IAS 12 *Income Taxes* from recognizing and disclosing Pillar Two deferred tax assets and liabilities. Refer to Note 21 for disclosure of Pillar Two tax information.

Business combinations, goodwill and other intangibles

All business combinations are accounted for using the acquisition method. Non-controlling interests, if any, are recognized at their proportionate share of the fair value of identifiable assets and liabilities, unless otherwise indicated. Identifiable intangible assets are recognized separately from goodwill and included in Other intangibles. Goodwill represents the excess of the price paid for the business acquired over the fair value of the net identifiable assets acquired on the date of acquisition.

Goodwill

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually as at August 1, or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of a cash-generating unit (CGU) with its carrying amount. The recoverable amount of a CGU is the higher of its value in use (VIU) and its fair value less costs of disposal (FVLCD). The fair value of a CGU is estimated using valuation techniques such as a discounted cash flow method, adjusted to reflect the considerations of a prospective third-party buyer. External evidence such as binding sale agreements or recent transactions for similar businesses within the same industry is considered to the extent that it is available.

Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of our CGUs, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. Discount rates are based on the bank-wide cost of capital, adjusted for CGU-specific risks and currency exposure as reflected by differences in expected inflation. Bank-wide cost of capital is based on the Capital Asset Pricing Model, the Dividend Growth Model and peer analysis. CGU-specific risks include country risk, business/operational risk, geographic risk (including political risk, devaluation risk and government regulation), currency risk and price risk (including product pricing risk and inflation). Terminal growth rates are based on the long-term steady state growth expectations in the countries within which the CGU operates. If the future cash flows and other assumptions in future periods deviate significantly from the current amounts used in our impairment testing, the value of our goodwill could become impaired, with any such impairment loss recognized in Non-interest expense.

The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Upon disposal of a portion of a CGU, the carrying amount of goodwill related to the portion of the CGU sold is included in the determination of gains or losses on disposal. The carrying amount is determined based on the relative fair value of the disposed portion to the total CGU.

Other intangibles

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. In respect of internally generated intangible assets, cost includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Research and development costs that are not eligible for capitalization are expensed. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with a finite-life are amortized on a straight-line basis over their estimated useful lives as follows: computer software – 3 to 10 years; and customer list and relationships – 7 to 20 years. Intangible assets with indefinite useful lives represent mutual fund management contracts.

Intangible assets are assessed for indicators of impairment at each reporting period. If there is an indication that an intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss.

An impairment loss recognized previously is reversed if there is a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognized. If an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is revised to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortization) had there been no prior impairment.

Due to the subjective nature of these estimates, significant judgment is required in determining the useful lives and recoverable amounts of our intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of our intangible assets rely on certain key inputs, including future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs which are estimated based on forecast results and business initiatives. Discount rates are based on the bank-wide cost of capital, adjusted for asset-specific risks. Changes in these assumptions may impact the amount of impairment loss recognized in Non-interest expense.

Other

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in Non-interest income in the Consolidated Statements of Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars at historical rates.

Assets and liabilities of our foreign operations with functional currencies other than Canadian dollars are translated into Canadian dollars at rates prevailing at the balance sheet date, and income and expenses of these foreign operations are translated at average rates of exchange for the reporting period.

Unrealized gains or losses arising as a result of the translation of our foreign operations along with the effective portion of related hedges are reported in Other components of equity. Upon disposal or partial disposal of a foreign operation, an appropriate portion of the accumulated net translation gains or losses is included in Non-interest income.

Premises and equipment

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation, except for land which is not depreciated, and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for buildings, 3 to 10 years for computer equipment, and 5 to 10 years for furniture, fixtures and other equipment. The amortization period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal. Depreciation methods, useful lives, and residual values are reassessed at each reporting period and adjusted as appropriate. Gains and losses on disposal are recorded in Non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount.

After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If an impairment is later reversed, the carrying amount of the asset is revised to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss. The depreciation charge in future periods is adjusted to reflect the revised carrying amount.

Right-of-use assets are also included in premises and equipment.

Leasing

At inception of a contract, we assess whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to obtain substantially all of the economic benefits from, and direct the use of, an identified asset for a period of time in return for consideration.

When we are the lessee in a lease arrangement, we initially record a right-of-use asset and corresponding lease liability, except for short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are unspecialized, common, technologically unsophisticated, widely available and widely used non-infrastructure assets. For short-term leases and leases of low-value assets, we record the lease payments as an operating expense on a straight-line basis over the lease term.

Where we are reasonably certain to exercise extension and termination options, they are included in the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at our incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method, recorded in Interest expense.

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for lease payments made on or before the commencement date, initial direct costs incurred, and an estimate of costs to dismantle, remove, or restore the asset, less any lease incentives received. Costs related to dismantling and removing leasehold improvements are capitalized as part of the leasehold improvement asset (rather than the right-of-use asset of the lease) when the leasehold improvements are separately capitalized.

The right-of-use asset is depreciated to the earlier of the lease term and the useful life, unless ownership will transfer to RBC or we are reasonably certain to exercise a purchase option, in which case the useful life of the right-of-use asset is used. We determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the premises and equipment accounting policies above.

Provisions

Provisions are liabilities of uncertain timing or amount and are recognized when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. We record provisions related to litigation, asset retirement obligations and other items.

We are required to estimate the results of ongoing legal proceedings, and expenses to be incurred to dispose of capital assets. The forward-looking nature of these estimates requires us to use a significant amount of judgment in projecting the timing and amount of future cash flows. We record our provisions on the basis of all available information at the end of the reporting period and make adjustments on a quarterly basis to reflect current expectations. It may not be possible to predict the resolution of these matters or the timing of their ultimate resolution. Should actual results differ from our expectations, we may incur expenses in excess of the provisions recognized. Where appropriate, we apply judgment in limiting the extent of our provisions-related disclosures as not to prejudice our positions in matters of dispute.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

Commissions and fees

Commissions and fees primarily relate to Investment management and custodial fees, Mutual fund revenue, Securities brokerage commissions, Services charges, Underwriting and other advisory fees, Card service revenue and Credit fees, and are recognized based on the applicable service contracts with clients.

Investment management and custodial fees and Mutual fund revenue are generally calculated as a percentage of daily, monthly or period-end net asset values (NAV) based on the terms of the contract with clients and are received monthly, quarterly, semi-annually or annually, depending on the terms of the contract. Investment management and custodial fees are generally derived from assets under management (AUM) when our clients solicit the investment capabilities of an investment manager or from assets under administration (AUA) where the investment strategy is directed by the client or a designated third-party manager. Mutual fund revenue is generally derived from the daily NAV of the mutual funds. Investment management and custodial fees and Mutual fund revenue are recognized over time when the service is provided to the client, provided that it is highly probable that a significant reversal in the amount of revenue recognized will not occur.

Commissions earned on Securities brokerage services and Service charges that are related to the provision of specific transaction-type services are recognized when the service is fulfilled. Where services are provided over time, revenue is recognized as the services are provided.

Underwriting and other advisory fees primarily relate to underwriting of new issuances of debt or equity and various advisory services. Underwriting fees are generally expressed as a percentage of the funds raised through issuance and are recognized when the service has been completed. Advisory fees vary depending on the scope and type of engagement and can be fixed in nature or contingent on a future event. Advisory fees are recognized over the period in which the service is provided and are recognized only to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur.

Card service revenue primarily includes interchange revenue and annual card fees. Interchange revenue is calculated as a fixed percentage of the transaction amount and recognized when the card transaction is settled. Annual card fees are fixed fees and are recognized over a 12-month period.

Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided.

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in either Non-interest expense – Other or Non-interest expense – Human resources based on our assessment of whether we have primary responsibility to fulfill the contract with the client and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

Earnings per share

Earnings per share is computed by dividing Net income available to common shareholders by the weighted average number of common shares outstanding for the period. Net income available to common shareholders is determined after deducting dividend entitlements of preferred shareholders and distributions on other equity instruments, any gains (losses) on redemption of preferred shares and other equity instruments net of related income taxes and the net income attributable to non-controlling interests.

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future, to the extent such entitlement is not subject to unresolved contingencies. For contracts that may be settled in cash or in common shares at our option, diluted earnings per share is calculated based on the assumption that such contracts will be settled in shares. Income and expenses associated with these types of contracts are excluded from the Net income available to common shareholders, and the additional number of shares that would be issued is included in the diluted earnings per share calculation. For stock options whose exercise price is less than the average market price of our common shares, using the treasury stock method, they are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the

period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

Share capital and other equity instruments

We classify a financial instrument that we issue as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Our common shares held by us are classified as treasury shares in equity and accounted for at weighted average cost. Upon the sale of treasury shares, the difference between the sale proceeds and the cost of the shares is recognized in Retained earnings. Financial instruments issued by us are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax. Financial instruments that will be settled by a variable number of our common shares upon their conversion by the holders as well as the related accrued distributions are classified as liabilities on our Consolidated Balance Sheets. Dividends and yield distributions on these instruments are classified as Interest expense in our Consolidated Statements of Income. For compound instruments comprised of both liability and equity components, the liability component is initially measured at fair value with any residual amount assigned to the equity component.

Future changes in accounting policy and disclosure

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (the Amendments). The Amendments clarify the recognition and derecognition of financial instruments and introduce an accounting policy option for financial liabilities settled through electronic payment systems. The Amendments also clarify classification guidance for financial assets with contingent features not directly related to changes in basic lending risks and introduce additional related disclosure requirements for financial instruments with such contingent features. The Amendments will be effective for us on November 1, 2026 and will be applied retrospectively with no restatement of comparative periods required. To manage the implementation of the Amendments, we established a program to assess the impact on systems, processes and financial reporting. We continue to assess the impact of adopting the Amendments on our Consolidated Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard. The standard introduces new defined subtotals to be presented in the Consolidated Statements of Income, disclosure of management-defined performance measures and requirements for aggregation and disaggregation of information. This standard will be effective for us on November 1, 2027 and will be applied retrospectively with restatement of comparative periods. To manage the transition to IFRS 18, we established a program to assess the impact on systems, processes and financial reporting required for adoption. We continue to assess the impact of adopting this standard on our Consolidated Financial Statements.

Note 3 Fair value of financial instruments

Carrying value and fair value of financial instruments

The following tables provide a comparison of the carrying and fair values for each classification of financial instruments. Embedded derivatives are presented on a combined basis with the host contracts in the Consolidated Balance Sheets. For measurement purposes, they are carried at fair value when conditions requiring separation are met.

	As at October 31, 2025							
	Carrying value and fair value				Carrying value		Fair value	
	Financial instruments classified as FVTPL	Financial instruments designated as FVTPL	Financial instruments classified as FVOCI	Financial instruments designated as FVOCI	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost	Total carrying amount	Total fair value
(Millions of Canadian dollars)								
Financial assets								
Interest-bearing deposits with banks	\$ –	\$ 40,455	\$ –	\$ –	\$ 9,909	\$ 9,909	\$ 50,364	\$ 50,364
Securities								
Trading	212,878	6,189	–	–	–	–	219,067	219,067
Investment, net of applicable allowance	–	–	240,299	1,496	100,926	98,728	342,721	340,523
	212,878	6,189	240,299	1,496	100,926	98,728	561,788	559,590
Assets purchased under reverse repurchase agreements and securities borrowed	226,213	–	–	–	83,470	83,470	309,683	309,683
Loans, net of applicable allowance								
Retail	1,128	–	442	–	646,832	648,413	648,402	649,983
Wholesale	9,724	–	690	–	383,606	382,551	394,020	392,965
	10,852	–	1,132	–	1,030,438	1,030,964	1,042,422	1,042,948
Other								
Derivatives	177,206	–	–	–	–	–	177,206	177,206
Other assets (1)	14,382	–	–	–	58,487	58,487	72,869	72,869
Financial liabilities								
Deposits								
Personal	\$ 942	\$ 41,302			\$ 487,496	\$ 488,644	\$ 529,740	\$ 530,888
Business and government (2)	313	168,690			777,311	779,130	946,314	948,133
Bank (3)	–	2,908			36,654	36,657	39,562	39,565
	1,255	212,900			1,301,461	1,304,431	1,515,616	1,518,586
Other								
Obligations related to securities sold short	49,891	–			–	–	49,891	49,891
Obligations related to assets sold under repurchase agreements and securities loaned	–	242,916			46,600	46,600	289,516	289,516
Derivatives	183,953	–			–	–	183,953	183,953
Other liabilities (4)	–	21,688			58,287	58,293	79,975	79,981
Subordinated debentures	–	232			13,729	13,887	13,961	14,119

Note 3 Fair value of financial instruments (continued)

(Millions of Canadian dollars)	As at October 31, 2024							
	Carrying value and fair value				Carrying value	Fair value	Total carrying amount	Total fair value
	Financial instruments classified as FVTPL	Financial instruments designated as FVTPL	Financial instruments classified as FVOCI	Financial instruments designated as FVOCI	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost		
Financial assets								
Interest-bearing deposits with banks	\$ –	\$ 53,996	\$ –	\$ –	\$ 12,024	\$ 12,024	\$ 66,020	\$ 66,020
Securities								
Trading	182,346	954	–	–	–	–	183,300	183,300
Investment, net of applicable allowance	–	–	155,118	1,242	100,258	96,336	256,618	252,696
	182,346	954	155,118	1,242	100,258	96,336	439,918	435,996
Assets purchased under reverse repurchase agreements and securities borrowed	284,311	–	–	–	66,492	66,492	350,803	350,803
Loans, net of applicable allowance								
Retail	915	–	580	–	622,098	619,320	623,593	620,815
Wholesale	6,177	2,030	1,003	–	348,577	345,561	357,787	354,771
	7,092	2,030	1,583	–	970,675	964,881	981,380	975,586
Other								
Derivatives	150,612	–	–	–	–	–	150,612	150,612
Other assets (1)	11,770	–	–	–	50,093	50,093	61,863	61,863
Financial liabilities								
Deposits								
Personal	\$ 508	\$ 33,799			\$ 487,832	\$ 490,170	\$ 522,139	\$ 524,477
Business and government (2)	191	156,238			683,241	684,748	839,670	841,177
Bank (3)	–	10,530			37,192	37,183	47,722	47,713
	699	200,567			1,208,265	1,212,101	1,409,531	1,413,367
Other								
Obligations related to securities sold short	35,286	–			–	–	35,286	35,286
Obligations related to assets sold under repurchase agreements and securities loaned	–	270,663			34,658	34,658	305,321	305,321
Derivatives	163,763	–			–	–	163,763	163,763
Other liabilities (4)	(1,407)	–			69,597	69,850	68,190	68,443
Subordinated debentures	–	–			13,546	13,602	13,546	13,602

(1) Includes financial instruments recognized in Other assets.

(2) Business and government deposits include deposits from regulated deposit-taking institutions other than banks.

(3) Bank deposits refer to deposits from regulated banks and central banks.

(4) Includes financial instruments recognized in Other liabilities.

Financial assets designated as fair value through profit or loss

For our financial assets designated as FVTPL, we measure the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves. For the year ended October 31, 2025, the change in fair value during the period attributable to changes in credit risk for positions still held was a loss of \$1 million and the cumulative change in fair value attributable to changes in credit risk for positions still held was a loss of \$5 million. For the year ended October 31, 2024, the change in fair value during the period attributable to changes in credit risk for positions still held was a gain of \$45 million and the cumulative change in fair value attributable to changes in credit risk for positions still held was a loss of \$9 million. As at October 31, 2025, the extent to which credit derivatives or similar instruments mitigate the maximum exposure to credit risk was \$1,035 million (October 31, 2024 – \$954 million).

Financial liabilities designated as fair value through profit or loss

For our financial liabilities designated as FVTPL, we take into account changes in our own credit spread and the expected duration of the instrument to measure the change in fair value attributable to changes in credit risk.

(Millions of Canadian dollars)	As at or for the year ended October 31, 2025 (1)				
	Contractual maturity amount (2)	Carrying value	Difference between carrying value and contractual maturity amount	Changes in fair value attributable to changes in credit risk included in OCI for positions still held	
				During the period	Cumulative (3)
Term deposits					
Personal	\$ 40,965	\$ 41,302	\$ 337	\$ 72	\$ 229
Business and government (4)	174,268	168,690	(5,578)	744	926
Bank (5)	2,903	2,908	5	–	–
	218,136	212,900	(5,236)	816	1,155
Other					
Obligations related to assets sold under repurchase agreements and securities loaned	242,931	242,916	(15)	–	–
Other liabilities	26,925	21,688	(5,237)	401	401
Subordinated debentures	236	232	(4)	–	–
	\$ 488,228	\$ 477,736	\$ (10,492)	\$ 1,217	\$ 1,556

As at or for the year ended October 31, 2024 (1)

(Millions of Canadian dollars)	Contractual maturity amount (2)	Carrying value	Difference between carrying value and contractual maturity amount	Changes in fair value attributable to changes in credit risk included in OCI for positions still held	
				During the period	Cumulative (3)
Term deposits					
Personal	\$ 33,552	\$ 33,799	\$ 247	\$ 221	\$ 163
Business and government (4)	162,648	156,238	(6,410)	1,204	177
Bank (5)	10,520	10,530	10	–	–
	206,720	200,567	(6,153)	1,425	340
Other					
Obligations related to assets sold under repurchase agreements and securities loaned	270,625	270,663	38	–	–
Other liabilities	–	–	–	–	–
Subordinated debentures	–	–	–	–	–
	\$ 477,345	\$ 471,230	\$ (6,115)	\$ 1,425	\$ 340

- (1) \$5 million in changes in fair value attributable to changes in credit risk were recognized in income for the year ended October 31, 2025, and \$17 million in cumulative changes in credit risk were included in income for positions still held life-to-date (October 31, 2024 – \$1 million and \$9 million, respectively).
- (2) Reflects the contractual undiscounted amounts due at payment dates for these financial instruments. These amounts do not reconcile directly with their associated carrying values as these amounts incorporate only undiscounted amounts due at payment dates and do not recognize premiums, discounts, expectations of early redemptions or mark-to-market adjustments that are recognized in the instruments' carrying values as at the balance sheet date.
- (3) The cumulative change is measured from the initial designation of the liabilities as FVTPL. For the year ended October 31, 2025, \$19 million of fair value gains previously included in OCI relate to financial liabilities derecognized during the year (October 31, 2024 – \$15 million of fair value gains).
- (4) Business and government term deposits include amounts from regulated deposit-taking institutions other than regulated banks.
- (5) Bank term deposits refer to amounts from regulated banks and central banks.

Net gains (losses) from financial instruments classified and designated as fair value through profit or loss

Financial instruments classified as FVTPL, which includes mainly trading securities, derivatives, trading liabilities, and financial assets and liabilities designated as FVTPL are measured at fair value with realized and unrealized gains and losses recognized in Non-interest income.

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Net gains (losses) (1)		
Classified as fair value through profit or loss (2)	\$ 6,689	\$ 8,996
Designated as fair value through profit or loss (3)	(2,547)	(5,847)
	\$ 4,142	\$ 3,149
By product line (1)		
Interest rate and credit (4)	\$ 2,556	\$ 2,580
Equities	764	389
Foreign exchange and commodities	822	180
	\$ 4,142	\$ 3,149

- (1) Excludes net gains from financial instruments classified as FVTPL of \$395 million (October 31, 2024 – net gains of \$2,251 million for financial instruments classified or designated as FVTPL presented in Insurance investment result in the Consolidated Statements of Income).
- (2) Excludes derivatives designated in a hedging relationship. Refer to Note 9 for net gains (losses) on these derivatives.
- (3) For the year ended October 31, 2025, \$2,555 million of net fair value losses on financial liabilities designated as FVTPL, other than those attributable to changes in our own credit risk, were included in Non-interest income (October 31, 2024 – losses of \$5,838 million).
- (4) Includes gains (losses) recognized on cross currency interest rate swaps.

Net interest income from financial instruments

Interest and dividend income arising from financial assets and financial liabilities and the associated costs of funding are reported in Net interest income.

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Interest and dividend income (1), (2)		
Financial instruments measured at fair value through profit or loss	\$ 30,502	\$ 35,550
Financial instruments measured at fair value through other comprehensive income	8,778	7,109
Financial instruments measured at amortized cost	64,545	62,292
	103,825	104,951
Interest expense (1)		
Financial instruments measured at fair value through profit or loss	\$ 30,642	\$ 34,150
Financial instruments measured at amortized cost	40,183	42,848
	70,825	76,998
Net interest income	\$ 33,000	\$ 27,953

- (1) Excludes interest and dividend income for the year end October 31, 2025 of \$1,244 million (October 31, 2024 – \$958 million) and interest expense of \$226 million (October 31, 2024 – \$120 million) presented in Insurance investment result in the Consolidated Statements of Income.
- (2) Includes dividend income for the year ended October 31, 2025 of \$3,803 million (October 31, 2024 – \$3,319 million), which is presented in Interest and dividend income in the Consolidated Statements of Income.

Fee income arising from financial instruments

For the year ended October 31, 2025, we earned \$6,803 million in fees from banking services (October 31, 2024 – \$6,347 million). For the year ended October 31, 2025, we also earned \$19,850 million in fees from investment management, trust, custodial, underwriting, brokerage and other similar fiduciary services to retail and institutional clients (October 31, 2024 – \$17,467 million). These fees are included in Non-interest income.

Fair value of assets and liabilities measured at fair value on a recurring basis and classified using the fair value hierarchy

(Millions of Canadian dollars)	As at									
	October 31, 2025					October 31, 2024				
	Fair value measurements using			Netting adjustments	Fair value	Fair value measurements using			Netting adjustments	Fair value
Level 1	Level 2	Level 3	Level 1			Level 2	Level 3			
Financial assets										
Interest-bearing deposits with banks	\$ –	\$ 40,455	\$ –	\$ –	\$ 40,455	\$ –	\$ 53,996	\$ –	\$ –	\$ 53,996
Securities										
Trading										
Debt issued or guaranteed by:										
Canadian government										
Federal	17,707	2,864	–	–	20,571	11,611	2,173	–	–	13,784
Provincial and municipal	–	16,891	–	–	16,891	–	16,588	–	–	16,588
U.S. federal, state, municipal and agencies (1)	435	40,322	–	–	40,757	1,852	29,136	–	–	30,988
Other OECD government (2)	7,152	7,265	–	–	14,417	2,481	2,153	–	–	4,634
Mortgage-backed securities	–	74	–	–	74	–	3	–	–	3
Asset-backed securities	–	1,295	–	–	1,295	–	1,434	–	–	1,434
Corporate debt and other debt	–	25,957	32	–	25,989	–	26,195	–	–	26,195
Equities	93,397	2,813	2,863	–	99,073	84,814	2,316	2,544	–	89,674
	118,691	97,481	2,895	–	219,067	100,758	79,998	2,544	–	183,300
Investment										
Debt issued or guaranteed by:										
Canadian government										
Federal	30,110	9,756	–	–	39,866	4,623	8,546	–	–	13,169
Provincial and municipal	–	11,318	–	–	11,318	–	7,554	–	–	7,554
U.S. federal, state, municipal and agencies (1)	196	130,495	–	–	130,691	42	80,224	–	–	80,266
Other OECD government (2)	1,600	10,333	–	–	11,933	2,370	7,786	–	–	10,156
Mortgage-backed securities	–	2,645	29	–	2,674	–	2,603	31	–	2,634
Asset-backed securities	–	10,139	–	–	10,139	–	9,357	–	–	9,357
Corporate debt and other debt	–	33,544	134	–	33,678	–	31,839	143	–	31,982
Equities	547	367	582	–	1,496	432	304	506	–	1,242
	32,453	208,597	745	–	241,795	7,467	148,213	680	–	156,360
Assets purchased under reverse repurchase agreements and securities borrowed	–	226,213	–	–	226,213	–	284,311	–	–	284,311
Loans	–	10,710	1,274	–	11,984	–	8,924	1,781	–	10,705
Other										
Derivatives										
Interest rate contracts	–	25,871	293	–	26,164	–	27,719	354	–	28,073
Foreign exchange contracts	–	100,604	102	–	100,706	–	98,480	3	–	98,483
Credit derivatives	–	350	2	–	352	–	273	–	–	273
Other contracts	11,478	41,543	110	–	53,131	2,553	23,830	21	–	26,404
Valuation adjustments	–	(1,035)	(45)	–	(1,080)	–	(1,067)	14	–	(1,053)
Total gross derivatives	11,478	167,333	462	–	179,273	2,553	149,235	392	–	152,180
Netting adjustments	–	–	–	(2,067)	(2,067)	–	–	–	(1,568)	(1,568)
Total derivatives	–	–	–	–	177,206	–	–	–	–	150,612
Other assets	6,108	8,270	4	–	14,382	5,291	6,472	7	–	11,770
	\$ 168,730	\$ 759,059	\$ 5,380	\$ (2,067)	\$ 931,102	\$ 116,069	\$ 731,149	\$ 5,404	\$ (1,568)	\$ 851,054
Financial liabilities										
Deposits										
Personal	\$ –	\$ 41,943	\$ 301	–	\$ 42,244	\$ –	\$ 33,829	\$ 478	–	\$ 34,307
Business and government	–	169,003	–	–	169,003	–	156,429	–	–	156,429
Bank	–	2,908	–	–	2,908	–	10,530	–	–	10,530
Other										
Obligations related to securities sold short	18,678	31,213	–	–	49,891	15,172	20,114	–	–	35,286
Obligations related to assets sold under repurchase agreements and securities loaned	–	242,916	–	–	242,916	–	270,663	–	–	270,663
Derivatives										
Interest rate contracts	–	20,679	901	–	21,580	–	24,852	847	–	25,699
Foreign exchange contracts	–	95,045	46	–	95,091	–	93,164	54	–	93,218
Credit derivatives	–	262	–	–	262	–	218	–	–	218
Other contracts	12,657	56,287	366	–	69,310	3,212	42,961	324	–	46,497
Valuation adjustments	–	(257)	34	–	(223)	–	(297)	(4)	–	(301)
Total gross derivatives	12,657	172,016	1,347	–	186,020	3,212	160,898	1,221	–	165,331
Netting adjustments	–	–	–	(2,067)	(2,067)	–	–	–	(1,568)	(1,568)
Total derivatives	–	–	–	–	183,953	–	–	–	–	163,763
Other liabilities	–	21,688	–	–	21,688	287	(1,694)	–	–	(1,407)
Subordinated debentures	–	232	–	–	232	–	–	–	–	–
	\$ 31,335	\$ 681,919	\$ 1,648	\$ (2,067)	\$ 712,835	\$ 18,671	\$ 650,769	\$ 1,699	\$ (1,568)	\$ 669,571

(1) United States (U.S.).

(2) Organisation for Economic Co-operation and Development (OECD).

Fair values of our significant assets and liabilities measured on a recurring basis are determined and classified in the fair value hierarchy table using the following valuation techniques and inputs.

Interest-bearing deposits with banks

The majority of our Interest-bearing deposits with banks are designated as FVTPL. These FVTPL deposits are composed of short-dated deposits placed with banks, and are included in Interest-bearing deposits with banks in the fair value hierarchy table. The fair values of these instruments are determined using the discounted cash flow method. The inputs to the valuation models include interest rate swap curves and credit spreads, where applicable. They are classified as Level 2 instruments in the hierarchy as the inputs are observable.

Government bonds (Canadian, U.S. and other OECD governments)

Government bonds are included in Canadian government debt, U.S. federal, state, municipal and agencies debt, Other OECD government debt and Obligations related to securities sold short in the fair value hierarchy table. The fair values of government issued or guaranteed debt securities in active markets are determined by reference to recent transaction prices, broker quotes, or third-party vendor prices and are classified as Level 1 in the hierarchy. The fair values of securities that are not traded in active markets are based on either security prices, or valuation techniques using implied yields and risk spreads derived from prices of actively traded and similar government securities. Securities with observable prices or rate inputs as compared to transaction prices, dealer quotes or vendor prices are classified as Level 2 in the hierarchy. Securities where inputs are unobservable are classified as Level 3 in the hierarchy.

Corporate and U.S. municipal bonds

The fair values of corporate and U.S. municipal bonds, which are included in Corporate debt and other debt, U.S. federal, state, municipal and agencies debt and Obligations related to securities sold short in the fair value hierarchy table, are determined using either recently executed transaction prices, broker quotes, pricing services, or in certain instances, the discounted cash flow method using rate inputs such as benchmark yields (Canadian Overnight Repo Rate Average (CORRA), Secured Overnight Financing Rate (SOFR) and other similar reference rates) and risk spreads of comparable securities. Securities with observable prices or rate inputs are classified as Level 2 in the hierarchy. Securities where inputs are unobservable are classified as Level 3 in the hierarchy.

Asset-backed securities (ABS) and Mortgage-backed securities (MBS)

ABS and MBS are included in Asset-backed securities, Mortgage-backed securities, Canadian government debt, U.S. federal, state, municipal and agencies debt, and Obligations related to securities sold short in the fair value hierarchy table. Inputs for valuation of ABS and MBS are, when available, traded prices, dealer or lead manager quotes, broker quotes and vendor prices of the identical securities. When prices of the identical securities are not readily available, we use industry standard models with inputs such as discount margins, yields, default, prepayment and LGD that are implied from transaction prices, dealer quotes or vendor prices of comparable instruments. Where security prices and inputs are observable, ABS and MBS are classified as Level 2 in the hierarchy. Otherwise, they are classified as Level 3 in the hierarchy.

Equities

Equities consist of listed and unlisted common shares, private equities, mutual funds and hedge funds with certain redemption restrictions and are included in equities and obligations for securities sold short. The fair values of common shares are based on quoted prices in active markets, where available, and are classified as Level 1 in the hierarchy. Where quoted prices in active markets are not readily available, fair value is determined based on quoted market prices for similar securities or through valuation techniques, such as multiples of earnings and the discounted cash flow method with forecasted cash flows and discount rate as inputs. Private equities are classified as Level 3 in the hierarchy as their inputs are not observable. Hedge funds are valued using Net Asset Values (NAV). If we can redeem a hedge fund at NAV prior to the next quarter end, the fund is classified as Level 2 in the hierarchy. Otherwise, it is classified as Level 3 in the hierarchy.

Loans

Loans include base metal loans, corporate loans and asset-backed financing loans. Fair values are determined based on market prices, if available, or discounted cash flow method using the following inputs: market interest rates, base metal commodity prices, market based spreads of assets with similar credit ratings and terms to maturity, LGD, expected default frequency implied from credit derivative prices, if available, and relevant pricing information such as contractual rate, origination and maturity dates, redemption price, coupon payment frequency and day count convention. Loans with market prices or observable inputs are classified as Level 2 in the hierarchy and loans with unobservable inputs that have significant impacts on the fair values are classified as Level 3 in the hierarchy.

Derivatives

The fair values of exchange-traded derivatives, such as interest rate and equity options and futures, are based on quoted market prices and are typically classified as Level 1 in the hierarchy. OTC derivatives primarily consist of interest rate contracts, foreign exchange contracts, commodity derivatives, equity derivatives and credit derivatives. The exchange-traded or OTC interest rate, foreign exchange and commodity and equity derivatives are included in Interest rate contracts, Foreign exchange contracts and Other contracts, respectively, in the fair value hierarchy table. The fair values of OTC derivatives are determined using valuation models when quoted market prices or third-party consensus pricing information are not available. The valuation models, such as discounted cash flow method or Black-Scholes option model, incorporate observable or unobservable inputs for interest and foreign exchange rates, equity and commodity prices (including indices), credit spreads, corresponding market volatility levels, and other market-based pricing factors. Other adjustments to fair value include bid-offer, CVA, FVA, OIS, parameter and model uncertainties, and unrealized gain or loss at inception of a transaction. A derivative instrument is classified as Level 2 in the hierarchy if observable market inputs are available or the unobservable inputs are not significant to the fair value. Otherwise, it is classified as Level 3 in the hierarchy.

Securities borrowed or purchased under resale agreements and securities loaned or sold under repurchase agreements

In the fair value hierarchy table, these instruments are included in Assets purchased under reverse repurchase agreements and securities borrowed, and Obligations related to assets sold under repurchase agreements and securities loaned. The fair values of these contracts are determined using valuation techniques such as the discounted cash flow method using interest rate curves as inputs. They are classified as Level 2 instruments in the hierarchy as the inputs are observable.

Deposits

A majority of our deposits are measured at amortized cost but certain deposits are designated as FVTPL. These FVTPL deposits include deposits taken from clients, issuances of certificates of deposits and promissory notes, and interest rate and equity linked notes. The fair values of these instruments are determined using the discounted cash flow method and derivative option valuation models. The inputs to the valuation models include benchmark yield curves, credit spreads, interest rates, equity and interest rate volatility, dividends and correlation, where applicable. They are classified as Level 2 or 3 instruments in the hierarchy, depending on the significance of the unobservable credit spreads, volatility, dividend and correlation rates.

Other liabilities

Other liabilities primarily consist of financial liabilities related to commodities such as gas and precious metals, which are designated as FVTPL. The fair values of these liabilities are calculated by the discounted cash flow method using applicable inputs such as market interest rates, our funding spreads, commodity forward prices and spot prices. These commodity-related financial liabilities are classified as Level 2 instruments in the hierarchy as the inputs are observable.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3 Instruments)

The following table presents fair values of our significant Level 3 financial instruments, valuation techniques used to determine their fair values, ranges and weighted averages of unobservable inputs.

As at October 31, 2025 (Millions of Canadian dollars, except for prices, percentages and ratios)

Products	Reporting line in the fair value hierarchy table	Fair value		Valuation techniques	Significant unobservable inputs (3)	Range of input values (1), (2)		
		Assets	Liabilities			Low	High	Weighted average / Inputs distribution
Corporate debt and related derivatives	Corporate debt and other debt	\$ –		Price-based Discounted cash flows	Prices	\$ 61.56	\$ 225.00	\$ 88.89
	Loans	1,274			Credit spread	1.27%	11.23%	6.25%
	Derivative liabilities		\$ –		Credit enhancement	11.36%	15.15%	12.63%
Government debt and municipal bonds	Corporate debt and other debt	166		Discounted cash flows	Yields	3.93%	9.00%	6.44%
Private equities, hedge fund investments and related equity derivatives	Equities Derivative liabilities	3,445	–	Market comparable Discounted cash flows Price-based	EV/EBITDA multiples	4.39X	16.40X	7.14X
					EV/Rev multiples	0.91X	6.36X	2.45X
					P/E multiples	6.27X	25.20X	10.34X
					Liquidity discounts (4)	10.00%	40.00%	10.29%
					Discount rate	8.50%	8.50%	8.50%
NAV / prices (5)	n.a.	n.a.	n.a.					
Interest rate derivatives and interest-rate-linked structured notes (6), (7)	Derivative assets Derivative liabilities	293	901	Discounted cash flows Option pricing model	Interest rates	2.60%	4.63%	Even
					CPI swap rates	1.98%	2.08%	Even
					IR-IR correlations	46.50%	94.30%	Even
					FX-IR correlations	(48.50)%	81.90%	Even
					FX-FX correlations	(80.10)%	77.70%	Even
Equity derivatives and equity-linked structured notes (6), (7)	Derivative assets Deposits Derivative liabilities	110	301 324	Discounted cash flows Option pricing model	Dividend yields	0.00%	8.55%	Lower
					EQ correlations	6.30%	95.85%	Middle
					EQ-FX correlations	(77.11)%	50.38%	Middle
					EQ volatilities	6.00%	146.87%	Lower
Other (8)	Derivative assets Other assets Mortgage-backed securities Derivative liabilities	59 4 29						
								122
Total		\$ 5,380	\$ 1,648					

As at October 31, 2024 (Millions of Canadian dollars, except for prices, percentages and ratios)

Products	Reporting line in the fair value hierarchy table	Fair value		Valuation techniques	Significant unobservable inputs (3)	Range of input values (1), (2)		Weighted average / Inputs distribution
		Assets	Liabilities			Low	High	
Corporate debt and related derivatives	Corporate debt and other debt	\$ –		Price-based Discounted cash flows	Prices	\$ 64.67	\$ 116.25	\$ 92.07
	Loans	1,781			Credit spread	1.45%	10.90%	6.17%
	Derivative liabilities		\$ 2		Credit enhancement	11.70%	15.60%	13.00%
Government debt and municipal bonds	Corporate debt and other debt	143		Discounted cash flows	Yields	6.54%	9.55%	7.54%
Private equities, hedge fund investments and related equity derivatives	Equities	3,050		Market comparable	EV/EBITDA multiples	3.20X	17.20X	7.94X
	Derivative liabilities		–	Discounted cash flows	EV/Rev multiples	0.70X	5.72X	2.59X
				Price-based	P/E multiples	7.30X	22.60X	11.27X
					Liquidity discounts (4)	10.00%	40.00%	10.40%
					Discount rate	8.50%	8.50%	8.50%
Interest rate derivatives and interest-rate-linked structured notes (6), (7)	Derivative assets	355		Discounted cash flows	NAV / prices (5)	n.a.	n.a.	n.a.
	Derivative liabilities		900	Option pricing model	Interest rates	1.89%	4.59%	Even
					CPI swap rates	1.84%	1.96%	Even
					IR-IR correlations	48.00%	86.00%	Even
					FX-IR correlations	(76.00)%	66.00%	Even
Equity derivatives and equity-linked structured notes (6), (7)	Derivative assets	21		Discounted cash flows	FX-FX correlations	(74.00)%	61.00%	Even
	Deposits		478	Option pricing model	Dividend yields	0.00%	10.60%	Lower
	Derivative liabilities		283		EQ correlations	6.30%	95.85%	Middle
Other (8)	Derivative assets	16			EQ-FX correlations	(77.11)%	50.38%	Middle
	Other assets	7			EQ volatilities	6.00%	146.87%	Lower
	Mortgage-backed securities	31						
	Derivative liabilities		36					
Total		\$ 5,404	\$ 1,699					

- (1) The low and high input values represent the actual highest and lowest level inputs used to value a group of financial instruments in a particular product category. These input ranges do not reflect the level of input uncertainty, but are affected by the different underlying instruments within the product category. The input ranges will therefore vary from period to period based on the characteristics of the underlying instruments held at each balance sheet date. Where provided, the weighted average of the input values is calculated based on the relative fair values of the instruments within the product category. The weighted averages for derivatives are not presented in the table as they would not provide a comparable metric; instead, distribution of significant unobservable inputs within the range for each product category is indicated in the table.
 - (2) Price-based inputs are significant for certain debt securities and are based on external benchmarks, comparable proxy instruments or pre-quarter-end trade data. For these instruments, the price input is expressed in dollars for each \$100 par value. For example, with an input price of \$105, an instrument is valued at a premium over its par value.
 - (3) Enterprise Value (EV); Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA); Price / Earnings (P/E); Revenue (Rev); Consumer Price Index (CPI); Interest Rate (IR); Foreign Exchange (FX); Equity (EQ)
 - (4) Fair value of securities with liquidity discount inputs totalled \$624 million (October 31, 2024 – \$541 million).
 - (5) NAV of a hedge fund is total fair value of assets less liabilities divided by the number of fund units. Private equities are valued based on NAV or valuation techniques. The range for NAV per unit or price per share has not been disclosed for the hedge funds or private equities due to the dispersion of prices given the diverse nature of the investments.
 - (6) The level of aggregation and diversity within each derivative instrument category may result in certain ranges of inputs being wide and inputs being unevenly distributed across the range. In the table, we indicated whether the majority of the inputs are concentrated toward the upper, middle, or lower end of the range, or evenly distributed throughout the range.
 - (7) The structured notes contain embedded equity or interest rate derivatives with unobservable inputs that are similar to those of the equity or interest rate derivatives.
 - (8) Other primarily includes certain insignificant instruments such as auction rate securities, commodity derivatives, foreign exchange derivatives, contingent considerations, bank-owned life insurance and retractable shares.
- n.a. not applicable

Sensitivity to unobservable inputs and interrelationships between unobservable inputs Yield, credit spreads/discount margins

A financial instrument's yield is the interest rate used to discount future cash flows in a valuation model. An increase in the yield, in isolation, would result in a decrease in a fair value measurement and vice versa. A credit spread/discount margin is the difference between a debt instrument's yield and a benchmark instrument's yield. Benchmark instruments have high credit quality ratings, similar maturities and are often government bonds. The credit spread/discount margin therefore represents the discount rate used to determine the present value of future cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. The credit spread/discount margin for an instrument forms part of the yield used in a discounted cash flow method.

Funding spread

Funding spreads are credit spreads specific to funding or deposit rates. A decrease in funding spreads, on its own, will increase the fair value of our liabilities, and vice versa.

Default rates

A default rate is the rate at which borrowers fail to make scheduled loan payments. A decrease in the default rate will typically increase the fair value of the loan, and vice versa. This effect will be significantly more pronounced for a non-government guaranteed loan than a government guaranteed loan.

Prepayment rates

A prepayment rate is the rate at which a loan will be repaid in advance of its expected amortization schedule. Prepayments change the future cash flows of a loan. An increase in the prepayment rate in isolation will result in an increase in fair value when the loan interest rate is lower than the current reinvestment rate, and a decrease in the prepayment rate in isolation will result in a decrease in fair value when the loan interest rate is lower than the current reinvestment rate. Prepayment rates are generally negatively correlated with interest rates.

Recovery and LGD

A recovery rate is an estimation of the amount that can be collected in a loan default scenario. The recovery rate is the recovered amount divided by the loan balance due, expressed as a percentage. The inverse concept of recovery is LGD. LGD is an estimation of the loan amount not collected when a loan defaults. The LGD is the loss amount divided by the loan balance due, expressed as a percentage. Generally, an increase in the recovery rate or a decrease in the LGD will increase the loan fair value, and vice versa.

Volatility rates

Volatility measures the potential variability of future prices and is often measured as the standard deviation of price movements. Volatility is an input to option pricing models used to value derivatives and issued structured notes. Volatility is used in valuing equity, interest rate, commodity and foreign exchange options. A higher volatility rate means that the underlying price or rate movements are more likely to occur. Higher volatility rates may increase or decrease an option's fair value depending on the option's terms. The determination of volatility rates is dependent on various factors, including but not limited to, the underlying's market price, the strike price and maturity.

Dividend yields

A dividend yield is the underlying equity's expected dividends expressed as an annual percentage of its price. Dividend yield is used as an input for forward equity price and option models. Higher dividend yields will decrease the forward price, and vice versa. A higher dividend yield will increase or decrease an option's value, depending on the option's terms.

Correlation rates

Correlation is the linear relationship between the movements in two different variables. Correlation is an input to the valuation of derivative contracts and issued structured notes when an instrument's payout is determined by correlated variables. When variables are positively correlated, an increase in one variable will result in an increase in the other variable. When variables are negatively correlated, an increase in one variable will result in a decrease in the other variable. The referenced variables can be within a single asset class or market (equity, interest rate, commodities, credit and foreign exchange) or between variables in different asset classes (equity to foreign exchange, or interest rate to foreign exchange). Changes in correlation will either increase or decrease a financial instrument's fair value depending on the terms of the instrument.

Interest rates

An interest rate is the percentage amount charged on a principal or notional amount. Increasing interest rates will decrease the discounted cash flow value of a financial instrument, and vice versa.

Consumer Price Index swap rates

A CPI swap rate is expressed as a percentage of an increase in the average price of a basket of consumer goods and services, such as transportation, food and medical care. An increase in the CPI swap rate will cause inflation swap payments to be larger, and vice versa.

EV/EBITDA multiples, P/E multiples, EV/Rev multiples, and liquidity discounts

Private equity valuation inputs include EV/EBITDA multiples, P/E multiples and EV/Rev multiples. These are used to calculate either enterprise value or share value of a company based on a multiple of earnings or revenue estimates. Higher multiples equate to higher fair values for all multiple types, and vice versa. A liquidity discount may be applied when few or no transactions exist to support the valuations.

Credit Enhancement

Credit enhancement is an input to the valuation of securitized transactions and is the amount of loan loss protection for a senior tranche. Credit enhancement is expressed as a percentage of the transaction sizes. An increase in credit enhancement will cause the credit spread to decrease and the tranche fair value to increase, and vice versa.

Interrelationships between unobservable inputs

Unobservable inputs, including the above discount margin, default rate, prepayment rate, and recovery and LGD, may not be independent of each other. For example, the discount margin can be affected by a change in default rate, prepayment rate, or recovery and LGD. Discount margins will generally decrease when default rates decline or when recovery rates increase.

Changes in fair value measurement for instruments measured on a recurring basis and categorized in Level 3

(Millions of Canadian dollars)	For the year ended October 31, 2025								
	Fair value at beginning of period	Gains (losses) included in earnings	Gains (losses) included in OCI (1)	Purchases (issuances)	Settlement (sales) and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value at end of period	Gains (losses) included in earnings for positions still held
Assets									
Securities									
Trading									
Debt issued or guaranteed by:									
Corporate debt and other debt	\$ –	\$ –	\$ –	\$ 3	\$ (3)	\$ 83	\$ (51)	\$ 32	\$ –
Equities	2,544	(188)	9	732	(233)	7	(8)	2,863	(87)
	2,544	(188)	9	735	(236)	90	(59)	2,895	(87)
Investment									
Mortgage-backed securities	31	2	(2)	–	(2)	–	–	29	2
Corporate debt and other debt	143	6	9	–	(24)	–	–	134	6
Equities	506	21	48	32	(25)	–	–	582	21
	680	29	55	32	(51)	–	–	745	29
Loans	1,781	66	–	248	(817)	10	(14)	1,274	(3)
Other									
Net derivative balances (3)									
Interest rate contracts	(493)	(103)	3	24	(29)	(11)	1	(608)	(116)
Foreign exchange contracts	(51)	(4)	2	4	(1)	100	6	56	3
Credit derivatives	–	–	–	2	–	–	–	2	–
Other contracts	(303)	5	(1)	(127)	19	(360)	511	(256)	(35)
Valuation adjustments	18	–	–	(33)	(64)	–	–	(79)	–
Other assets	7	–	–	–	(3)	–	–	4	–
	\$ 4,183	\$ (195)	\$ 68	\$ 885	\$ (1,182)	\$ (171)	\$ 445	\$ 4,033	\$ (209)
Liabilities									
Deposits	\$ (478)	\$ (79)	\$ (2)	\$ (674)	\$ 156	\$ (274)	\$ 1,050	\$ (301)	\$ 16
	\$ (478)	\$ (79)	\$ (2)	\$ (674)	\$ 156	\$ (274)	\$ 1,050	\$ (301)	\$ 16

(Millions of Canadian dollars)	For the year ended October 31, 2024								
	Fair value at beginning of period	Gains (losses) included in earnings	Gains (losses) included in OCI (1)	Purchases (issuances)	Settlement (sales) and other (2)	Transfers into Level 3	Transfers out of Level 3	Fair value at end of period	Gains (losses) included in earnings for positions still held
Assets									
Securities									
Trading									
Corporate debt and other debt	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Equities	2,266	(195)	5	577	(88)	1	(22)	2,544	(128)
	2,266	(195)	5	577	(88)	1	(22)	2,544	(128)
Investment									
Mortgage-backed securities	29	–	2	–	–	–	–	31	n.s.
Corporate debt and other debt	149	–	11	–	(17)	–	–	143	n.s.
Equities	466	–	35	6	(3)	2	–	506	n.s.
	644	–	48	6	(20)	2	–	680	n.s.
Loans	1,859	(25)	37	513	(445)	70	(228)	1,781	63
Other									
Net derivative balances (3)									
Interest rate contracts	(662)	46	1	(47)	145	30	(6)	(493)	51
Foreign exchange contracts	(49)	(15)	7	14	3	3	(14)	(51)	(9)
Credit derivatives	–	–	–	–	–	–	–	–	–
Other contracts	(438)	(139)	2	(106)	8	(330)	700	(303)	31
Valuation adjustments	3	–	–	(4)	19	–	–	18	–
Other assets	11	–	–	–	(4)	–	–	7	–
	\$ 3,634	\$ (328)	\$ 100	\$ 953	\$ (382)	\$ (224)	\$ 430	\$ 4,183	\$ 8
Liabilities									
Deposits	\$ (383)	\$ (119)	\$ –	\$ (583)	\$ 165	\$ (120)	\$ 562	\$ (478)	\$ (40)
	\$ (383)	\$ (119)	\$ –	\$ (583)	\$ 165	\$ (120)	\$ 562	\$ (478)	\$ (40)

(1) These amounts include the foreign currency translation gains or losses arising on consolidation of foreign subsidiaries relating to the Level 3 instruments, where applicable. The unrealized gains on Investment securities recognized in OCI were \$35 million for the year ended October 31, 2025 (October 31, 2024 – gains of \$38 million) excluding the translation gains or losses arising on consolidation.

(2) Other includes amortization of premiums or discounts recognized in net income.

(3) Net derivatives as at October 31, 2025 included derivative assets of \$462 million (October 31, 2024 – \$392 million) and derivative liabilities of \$1,347 million (October 31, 2024 – \$1,221 million).

n.s. not significant

Transfers between fair value hierarchy levels for instruments carried at fair value on a recurring basis

Transfers between Level 1 and Level 2, and transfers into and out of Level 3 are assumed to occur at the end of the period. For an asset or a liability that transfers into Level 3 during the period, the entire change in fair value for the period is excluded from the Gains (losses) included in earnings for positions still held column of the above reconciliation, whereas for transfers out of Level 3 during the period, the entire change in fair value for the period is included in the same column of the above reconciliation.

Transfers between Level 1 and 2 are dependent on whether fair value is obtained on the basis of quoted market prices in active markets (Level 1).

During the year ended October 31, 2025, transfers out of Level 1 to Level 2 included Trading U.S. federal, state, municipal and agencies debt of \$1,309 million. During the year ended October 31, 2024, transfers out of Level 1 to Level 2 included Investment U.S. federal, state, municipal and agencies debt of \$1,038 million and Trading U.S. federal, state, municipal and agencies debt of \$822 million.

During the years ended October 31, 2025 and October 31, 2024, there were no significant transfers out of Level 2 to Level 1.

Transfers between Level 2 and Level 3 are primarily due to either a change in the market observability for an input, or a change in an unobservable input's significance to a financial instrument's fair value.

During the year ended October 31, 2025, transfers out of Level 2 to Level 3 included Other contracts and Deposits due to changes in the significance of unobservable inputs and changes in the market observability of inputs. During the year ended October 31, 2024, transfers out of Level 2 to Level 3 included Other contracts and Deposits due to changes in the significance of unobservable inputs and changes in the market observability of inputs.

During the year ended October 31, 2025, transfers out of Level 3 to Level 2 included Deposits and Other contracts due to changes in the significance of unobservable inputs and changes in the market observability of inputs. During the year ended October 31, 2024, transfers out of Level 3 to Level 2 included Other contracts, Deposits and Loans due to changes in the significance of unobservable inputs and changes in the market observability of inputs.

Positive and negative fair value movements of Level 3 financial instruments from using reasonably possible alternative assumptions

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of its fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgment. Due to the unobservable nature of the prices or rates, there may be uncertainty about the valuation of these Level 3 financial instruments.

The following table summarizes the impacts to fair values of Level 3 financial instruments using reasonably possible alternative assumptions. This sensitivity disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of Level 3 financial instruments. In reporting the sensitivities below, we offset balances in instances where: (i) the move in valuation factors cause an offsetting positive and negative fair value movement, (ii) both offsetting instruments are in Level 3, and (iii) exposures are managed and reported on a net basis. With respect to overall sensitivity, it is unlikely in practice that all reasonably possible alternative assumptions would simultaneously be realized.

(Millions of Canadian dollars)	As at					
	October 31, 2025			October 31, 2024		
	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
Securities						
Trading						
Corporate debt and other debt	\$ 32	\$ 4	\$ (4)	\$ –	\$ –	\$ –
Equities	2,863	24	(23)	2,544	50	(46)
Investment						
Mortgage-backed securities	29	4	(4)	31	4	(4)
Corporate debt and other debt	134	8	(7)	143	9	(8)
Equities	582	53	(52)	506	45	(44)
Loans	1,274	13	(13)	1,781	19	(20)
Derivatives	462	11	(10)	392	5	(4)
Other assets	4	–	–	7	–	–
	\$ 5,380	\$ 117	\$ (113)	\$ 5,404	\$ 132	\$ (126)
Deposits	\$ (301)	\$ 3	\$ (3)	\$ (478)	\$ 15	\$ (15)
Derivatives	(1,347)	55	(68)	(1,221)	54	(57)
	\$ (1,648)	\$ 58	\$ (71)	\$ (1,699)	\$ 69	\$ (72)

Sensitivity results

As at October 31, 2025, the effects of applying other reasonably possible alternative assumptions to the Level 3 asset positions would be an increase of \$117 million and a reduction of \$113 million in fair value, of which \$65 million and \$63 million would be recorded in Other components of equity, respectively. The effects of applying these assumptions to the Level 3 liability positions would result in a decrease of \$58 million and an increase of \$71 million in fair value.

Level 3 valuation inputs and approaches to developing reasonably possible alternative assumptions

The following is a summary of the unobservable inputs used in the valuation of the Level 3 instruments and our approaches to developing reasonably possible alternative assumptions used to determine sensitivity.

Financial assets or liabilities	Sensitivity methodology
Asset-backed securities, corporate debt, government debt, municipal bonds and loans	Sensitivities are determined based on adjusting, plus or minus one standard deviation, the bid-offer spreads or input prices if a sufficient number of prices are received, adjusting input parameters such as credit spreads or using high and low vendor prices as reasonably possible alternative assumptions.
Private equities, hedge fund investments and related equity derivatives	Sensitivity of direct private equity investments is determined by (i) adjusting the discount rate by 2% when the discounted cash flow method is used to determine fair value, (ii) adjusting the price multiples based on the range of multiples of comparable companies when price-multiples-based models are used, or (iii) using an alternative valuation approach. The private equity fund, hedge fund and related equity derivative NAVs are provided by the fund managers, and as a result, there are no other reasonably possible alternative assumptions for these investments.
Interest rate derivatives	Sensitivities of interest rate and cross currency swaps are derived using plus or minus one standard deviation of the inputs, and an amount representing model and parameter uncertainty, where applicable.
Equity derivatives	Sensitivity of the Level 3 position is determined by shifting the unobservable model inputs by plus or minus one standard deviation of the pricing service market data including volatility, dividends or correlations, as applicable.
Bank funding and deposits	Sensitivities of deposits are calculated by shifting the funding curve by plus or minus certain basis points.
Structured notes	Sensitivities for interest-rate-linked and equity-linked structured notes are derived by adjusting inputs by plus or minus one standard deviation, and for other deposits, by estimating a reasonable move in the funding curve by plus or minus certain basis points.

Fair value for financial instruments that are carried at amortized cost and classified using the fair value hierarchy

(Millions of Canadian dollars)	As at October 31, 2025					
	Fair value approximates carrying value (1)	Fair value may not approximate carrying value				Total fair value
		Fair value measurements using			Total	
		Level 1	Level 2	Level 3		
Interest-bearing deposits with banks	\$ 9,909	\$ –	\$ –	\$ –	\$ –	\$ 9,909
Amortized cost securities (2)	–	115	98,613	–	98,728	98,728
Assets purchased under reverse repurchase agreements and securities borrowed	72,713	–	10,757	–	10,757	83,470
Loans						
Retail	83,459	–	558,699	6,255	564,954	648,413
Wholesale	8,135	–	365,890	8,526	374,416	382,551
	91,594	–	924,589	14,781	939,370	1,030,964
Other assets	57,685	–	552	250	802	58,487
	231,901	115	1,034,511	15,031	1,049,657	1,281,558
Deposits						
Personal	289,651	–	198,695	298	198,993	488,644
Business and government	504,918	–	273,643	569	274,212	779,130
Bank	23,643	–	13,000	14	13,014	36,657
	818,212	–	485,338	881	486,219	1,304,431
Obligations related to assets sold under repurchase agreements and securities loaned	46,109	–	491	–	491	46,600
Other liabilities	53,331	–	4,714	248	4,962	58,293
Subordinated debentures	–	–	13,887	–	13,887	13,887
	\$ 917,652	\$ –	\$ 504,430	\$ 1,129	\$ 505,559	\$ 1,423,211

(Millions of Canadian dollars)	As at October 31, 2024					
	Fair value approximates carrying value (1)	Fair value may not approximate carrying value				Total fair value
		Fair value measurements using			Total	
		Level 1	Level 2	Level 3		
Interest-bearing deposits with banks	\$ 12,024	\$ –	\$ –	\$ –	\$ –	\$ 12,024
Amortized cost securities (2)	–	68	96,268	–	96,336	96,336
Assets purchased under reverse repurchase agreements and securities borrowed	54,331	–	12,161	–	12,161	66,492
Loans						
Retail	79,960	–	533,708	5,652	539,360	619,320
Wholesale	16,022	–	321,684	7,855	329,539	345,561
	95,982	–	855,392	13,507	868,899	964,881
Other assets	49,414	–	412	267	679	50,093
	211,751	68	964,233	13,774	978,075	1,189,826
Deposits						
Personal	273,228	–	216,675	267	216,942	490,170
Business and government	443,077	–	241,204	467	241,671	684,748
Bank	23,942	–	13,241	–	13,241	37,183
	740,247	–	471,120	734	471,854	1,212,101
Obligations related to assets sold under repurchase agreements and securities loaned	34,658	–	–	–	–	34,658
Other liabilities	51,561	–	1,983	16,306	18,289	69,850
Subordinated debentures	–	–	13,602	–	13,602	13,602
	\$ 826,466	\$ –	\$ 486,705	\$ 17,040	\$ 503,745	\$ 1,330,211

(1) Certain financial instruments have not been assigned to a level as the carrying amount approximates their fair values.

(2) Included in Securities – Investment, net of applicable allowance on the Consolidated Balance Sheets.

Fair values of financial assets and liabilities carried at amortized cost and disclosed in the table above are determined using the following valuation techniques and inputs.

Amortized cost securities

Fair values of government bonds, corporate bonds, and ABS are based on quoted prices if available for identical securities. When prices of the identical securities are not readily available, we use industry standard models with inputs such as discount margins, yields, default, prepayment and LGD that are implied from transaction prices, dealer quotes or vendor prices of comparable instruments.

Assets purchased under reverse repurchase agreements and securities borrowed, and Obligations related to assets sold under repurchase agreements and securities loaned

Valuation methods used for the long-term instruments are described in the Fair value of assets and liabilities measured on a recurring basis and classified using the fair value hierarchy section of this note. The carrying values of short-term instruments generally approximate their fair values.

Loans – Retail

Retail loans include residential mortgages, personal and small business loans and credit cards. For residential mortgages, and personal and small business loans, we segregate the portfolio based on certain attributes such as product type, contractual interest rate, term to maturity and credit scores, if applicable. Fair values of these loans are determined by the discounted cash flow method using applicable inputs such as prevailing interest rates, contractual and posted client rates, client discounts, credit spreads, default rates, prepayment rates, LGD and loan-to-value (LTV) ratios. Fair values of credit card receivables are also calculated based on a discounted cash flow method with portfolio yields, write-offs and monthly payment rates as inputs. The carrying values of short-term and variable rate loans generally approximate their fair values.

Loans – Wholesale

Where market prices are available, wholesale loans are valued based on market prices. Otherwise, fair value is determined by the discounted cash flow method using the following inputs: market interest rates and market based spreads of assets with similar credit ratings and terms to maturity, LGD, expected default frequency implied from credit default swap prices, if available, and relevant pricing information such as contractual rate, origination and maturity dates, redemption price, coupon payment frequency and date convention.

Deposits

Deposits are comprised of demand, notice, and term deposits which include senior deposit notes we have issued to provide us with long-term funding. Fair values of term deposits are determined by one of several valuation techniques: (i) for term deposits and similar instruments, we segregate the portfolio based on term to maturity. Fair values of these instruments are determined by the discounted cash flow method using inputs such as client rates for new sales of the corresponding terms; and (ii) for senior deposit notes, we use actual traded prices, vendor prices or the discounted cash flow method using a market interest rate curve and our funding spreads as inputs. The carrying values of demand, notice, and short-term term deposits generally approximate their fair values.

Other assets and Other liabilities

Other assets and Other liabilities include financial instruments relating to certain commodities. Fair values of these instruments are calculated by the discounted cash flow method using applicable inputs such as market interest rates, counterparties' credit spreads, our funding spreads, commodity forward prices and spot prices.

Subordinated debentures

Fair values of Subordinated debentures are based on market prices, dealer quotes or vendor prices when available. Where prices cannot be observed, fair value is determined using the discounted cash flow method, with applicable inputs such as market interest rates and credit spreads.

Carrying value of securities

	As at October 31, 2025						
	Term to maturity (1)					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
(Millions of Canadian dollars)							
Trading (2)							
Debt issued or guaranteed by:							
Canadian government	\$ 5,832	\$ 7,418	\$ 7,068	\$ 5,529	\$ 11,615	\$ –	\$ 37,462
U.S. federal, state, municipal and agencies	2,883	1,906	20,494	4,981	10,493	–	40,757
Other OECD government	3,976	4,445	3,064	1,207	1,725	–	14,417
Mortgage-backed securities	–	–	–	1	73	–	74
Asset-backed securities	138	118	348	415	276	–	1,295
Corporate debt and other debt (3)	1,909	3,606	6,736	4,906	8,832	–	25,989
Equities						99,073	99,073
	14,738	17,493	37,710	17,039	33,014	99,073	219,067
Fair value through other comprehensive income (2)							
Debt issued or guaranteed by:							
Canadian government							
Federal							
Amortized cost	368	15,974	23,215	270	–	–	39,827
Fair value	368	15,978	23,250	270	–	–	39,866
Yield (4)	2.1%	3.4%	2.9%	2.5%	–	–	3.1%
Provincial and municipal							
Amortized cost	–	1,892	8,225	666	585	–	11,368
Fair value	–	1,893	8,222	670	533	–	11,318
Yield (4)	–	3.4%	3.3%	3.1%	4.6%	–	3.4%
U.S. federal, state, municipal and agencies							
Amortized cost	1,723	7,455	56,949	51,353	13,905	–	131,385
Fair value	1,695	7,455	57,164	51,532	12,845	–	130,691
Yield (4)	4.5%	3.0%	3.9%	3.7%	3.6%	–	3.8%
Other OECD government							
Amortized cost	358	2,847	8,722	48	–	–	11,975
Fair value	357	2,835	8,693	48	–	–	11,933
Yield (4)	2.5%	2.5%	3.7%	3.7%	–	–	3.4%
Mortgage-backed securities							
Amortized cost	–	–	70	87	2,517	–	2,674
Fair value	–	–	70	85	2,519	–	2,674
Yield (4)	–	–	5.4%	5.6%	5.6%	–	5.6%
Asset-backed securities							
Amortized cost	–	–	5	3,356	6,765	–	10,126
Fair value	–	–	5	3,357	6,777	–	10,139
Yield (4)	–	–	5.3%	5.3%	5.5%	–	5.4%
Corporate debt and other debt							
Amortized cost	5,337	8,239	18,761	985	280	–	33,602
Fair value	5,338	8,245	18,827	1,000	268	–	33,678
Yield (4)	2.2%	2.4%	3.7%	4.4%	5.3%	–	3.2%
Equities						832	832
Cost						832	832
Fair value (5)						1,496	1,496
Cost/Amortized cost	7,786	36,407	115,947	56,765	24,052	832	241,789
Fair value	7,758	36,406	116,231	56,962	22,942	1,496	241,795
Amortized cost (2)							
Debt issued or guaranteed by:							
Canadian government	1,302	3,188	19,544	5,355	36	–	29,425
Yield (4)	1.4%	1.9%	3.1%	2.6%	3.8%	–	2.8%
U.S. federal, state, municipal and agencies	2,095	4,607	18,716	4,778	19,366	–	49,562
Yield (4)	3.1%	3.9%	3.0%	3.4%	2.9%	–	3.1%
Other OECD government	795	2,096	4,367	137	–	–	7,395
Yield (4)	2.6%	2.7%	3.8%	4.1%	–	–	3.4%
Asset-backed securities	–	–	21	–	126	–	147
Yield (4)	–	–	4.7%	–	5.4%	–	5.3%
Corporate debt and other debt	1,019	4,099	9,102	162	15	–	14,397
Yield (4)	3.2%	3.1%	3.6%	3.7%	4.8%	–	3.4%
Amortized cost, net of allowance	5,211	13,990	51,750	10,432	19,543	–	100,926
Fair value	5,210	14,011	52,093	10,051	17,363	–	98,728
Total carrying value of securities	\$ 27,707	\$ 67,889	\$ 205,691	\$ 84,433	\$ 75,499	\$ 100,569	\$ 561,788

(Millions of Canadian dollars)	Term to maturity (1)					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
Trading (2)							
Debt issued or guaranteed by:							
Canadian government	\$ 2,026	\$ 8,712	\$ 6,054	\$ 3,509	\$ 10,071	\$ –	\$ 30,372
U.S. federal, state, municipal and agencies	2,599	1,423	13,648	4,336	8,982	–	30,988
Other OECD government	710	246	1,578	972	1,128	–	4,634
Mortgage-backed securities	–	–	–	–	3	–	3
Asset-backed securities	289	213	387	406	139	–	1,434
Corporate debt and other debt (3)	2,030	3,178	8,170	4,200	8,617	–	26,195
Equities						89,674	89,674
	7,654	13,772	29,837	13,423	28,940	89,674	183,300
Fair value through other comprehensive income (2)							
Debt issued or guaranteed by:							
Canadian government							
Federal							
Amortized cost	2,068	2,810	7,893	394	–	–	13,165
Fair value	2,068	2,803	7,904	394	–	–	13,169
Yield (4)	3.2%	2.4%	2.9%	2.9%	–	–	2.9%
Provincial and municipal							
Amortized cost	154	2,768	3,827	334	480	–	7,563
Fair value	154	2,767	3,833	333	467	–	7,554
Yield (4)	3.6%	2.2%	3.3%	2.7%	4.3%	–	3.0%
U.S. federal, state, municipal and agencies							
Amortized cost	1,154	1,198	30,773	33,906	14,601	–	81,632
Fair value	1,182	1,196	30,797	33,831	13,260	–	80,266
Yield (4)	5.6%	2.1%	3.1%	3.9%	3.3%	–	3.5%
Other OECD government							
Amortized cost	300	1,510	8,389	–	–	–	10,199
Fair value	300	1,511	8,345	–	–	–	10,156
Yield (4)	1.2%	3.6%	3.5%	–	–	–	3.4%
Mortgage-backed securities							
Amortized cost	–	–	–	58	2,588	–	2,646
Fair value	–	–	–	56	2,578	–	2,634
Yield (4)	–	–	–	6.1%	5.9%	–	5.9%
Asset-backed securities							
Amortized cost	–	–	–	4,258	5,085	–	9,343
Fair value	–	–	–	4,263	5,094	–	9,357
Yield (4)	–	–	–	6.2%	6.4%	–	6.3%
Corporate debt and other debt							
Amortized cost	7,028	2,703	20,830	991	380	–	31,932
Fair value	7,027	2,707	20,858	1,010	380	–	31,982
Yield (4)	3.2%	3.8%	4.0%	5.0%	5.3%	–	3.9%
Equities							
Cost						728	728
Fair value (5)						1,242	1,242
Cost/Amortized cost	10,704	10,989	71,712	39,941	23,134	728	157,208
Fair value	10,731	10,984	71,737	39,887	21,779	1,242	156,360
Amortized cost (2)							
Debt issued or guaranteed by:							
Canadian government	216	7,516	17,571	6,160	–	–	31,463
Yield (4)	2.4%	1.7%	3.0%	2.0%	–	–	2.4%
U.S. federal, state, municipal and agencies	2,029	5,659	13,197	4,882	20,221	–	45,988
Yield (4)	2.5%	3.6%	3.4%	3.2%	2.6%	–	3.0%
Other OECD government	61	1,133	5,169	202	–	–	6,565
Yield (4)	0.9%	2.3%	3.2%	3.3%	–	–	3.0%
Asset-backed securities	–	–	2	32	–	–	34
Yield (4)	–	–	0.3%	5.6%	–	–	5.2%
Corporate debt and other debt	526	3,677	11,724	259	22	–	16,208
Yield (4)	2.9%	3.1%	3.6%	3.5%	5.3%	–	3.5%
Amortized cost, net of allowance	2,832	17,985	47,663	11,535	20,243	–	100,258
Fair value	2,826	17,855	47,481	10,701	17,473	–	96,336
Total carrying value of securities	\$ 21,217	\$ 42,741	\$ 149,237	\$ 64,845	\$ 70,962	\$ 90,916	\$ 439,918

- (1) Actual maturities may differ from contractual maturities shown above as borrowers may have the right to extend or prepay obligations with or without penalties.
- (2) Trading securities and FVOCI securities are recorded at fair value. Amortized cost securities, included in Investment securities, are recorded at amortized cost and presented net of allowance for credit losses.
- (3) Primarily composed of corporate debt, supra-national debt and commercial paper.
- (4) The weighted average yield is derived using the contractual interest rate and the carrying value at the end of the year for the respective securities.
- (5) Certain equity securities that are not held-for-trading purposes are designated as FVOCI.

Unrealized gains and losses on securities at FVOCI ^{(1), (2)}

(Millions of Canadian dollars)	As at								
	October 31, 2025				October 31, 2024				
	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
Debt issued or guaranteed by:									
Canadian government									
Federal	\$ 39,827	\$ 46	\$ (7)	\$ 39,866	\$ 13,165	\$ 31	\$ (27)	\$ 13,169	
Provincial and municipal	11,368	39	(89)	11,318	7,563	27	(36)	7,554	
U.S. federal, state, municipal and agencies	131,385	622	(1,316)	130,691	81,632	333	(1,699)	80,266	
Other OECD government	11,975	14	(56)	11,933	10,199	6	(49)	10,156	
Mortgage-backed securities	2,674	7	(7)	2,674	2,646	3	(15)	2,634	
Asset-backed securities	10,126	15	(2)	10,139	9,343	17	(3)	9,357	
Corporate debt and other debt	33,602	122	(46)	33,678	31,932	101	(51)	31,982	
Equities	832	669	(5)	1,496	728	519	(5)	1,242	
	\$ 241,789	\$ 1,534	\$ (1,528)	\$ 241,795	\$ 157,208	\$ 1,037	\$ (1,885)	\$ 156,360	

- (1) Excludes \$100,926 million of held-to-collect securities as at October 31, 2025 that are carried at amortized cost, net of allowance for credit losses (October 31, 2024 – \$100,258 million).
- (2) Gross unrealized gains and losses includes \$(40) million of allowance for credit losses on debt securities at FVOCI as at October 31, 2025 (October 31, 2024 – \$(35) million) recognized in income and Other components of equity.

Allowance for credit losses on investment securities

The following tables reconcile the opening and closing allowance for debt securities at FVOCI and amortized cost by stage.

Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases, which reflect the allowance related to assets newly recognized during the period, including those assets that were derecognized following a modification of terms.
- Sales and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Changes in risk, parameters and exposures, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.

Allowance for credit losses – securities at FVOCI ⁽¹⁾

(Millions of Canadian dollars)	For the year ended							
	October 31, 2025				October 31, 2024			
	Performing		Impaired		Performing		Impaired	
Stage 1	Stage 2	Stage 3 (2)	Total	Stage 1	Stage 2	Stage 3 (2)	Total	
Balance at beginning of period	\$ 6	\$ –	\$ (41)	\$ (35)	\$ 4	\$ –	\$ (37)	\$ (33)
Provision for credit losses								
Transfers to stage 1	–	–	–	–	–	–	–	–
Transfers to stage 2	–	–	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–
Purchases	7	–	–	7	10	–	–	10
Sales and maturities	(4)	–	–	(4)	(4)	–	–	(4)
Changes in risk, parameters and exposures	(4)	–	(10)	(14)	(4)	–	(8)	(12)
Exchange rate and other	–	–	6	6	–	–	4	4
Balance at end of period	\$ 5	\$ –	\$ (45)	\$ (40)	\$ 6	\$ –	\$ (41)	\$ (35)

- (1) Expected credit losses on debt securities at FVOCI are not separately recognized on the Consolidated Balance Sheets as the related securities are recorded at fair value. The cumulative amount of credit losses recognized in income is presented in Other components of equity.
- (2) Reflects changes in the allowance for purchased credit-impaired securities.

Allowance for credit losses – securities at amortized cost

(Millions of Canadian dollars)	For the year ended							
	October 31, 2025				October 31, 2024			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 6	\$ 8	\$ –	\$ 14	\$ 8	\$ 15	\$ –	\$ 23
Provision for credit losses								
Transfers to stage 1	–	–	–	–	–	–	–	–
Transfers to stage 2	–	–	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–
Purchases	7	–	–	7	7	–	–	7
Sales and maturities	–	–	–	–	(2)	–	–	(2)
Changes in risk, parameters and exposures	(6)	(2)	–	(8)	(8)	(6)	–	(14)
Exchange rate and other	1	–	–	1	1	(1)	–	–
Balance at end of period	\$ 8	\$ 6	\$ –	\$ 14	\$ 6	\$ 8	\$ –	\$ 14

Credit risk exposure by internal risk rating

The following table presents the fair value of debt securities at FVOCI and gross carrying amount of securities at amortized cost. Risk ratings are based on internal ratings used in the measurement of expected credit losses, as at the reporting date, as outlined in the internal ratings maps in the Credit risk section of Management's Discussion and Analysis.

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3 (1)	Total	Stage 1	Stage 2	Stage 3 (1)	Total
Investment securities								
Securities at FVOCI								
Investment grade	\$ 239,375	\$ –	\$ –	\$ 239,375	\$ 154,100	\$ –	\$ –	\$ 154,100
Non-investment grade	786	4	–	790	875	–	–	875
Impaired	–	–	134	134	–	–	143	143
	240,161	4	134	240,299	154,975	–	143	155,118
Items not subject to impairment (2)				1,496				1,242
				\$ 241,795				\$ 156,360
Securities at amortized cost								
Investment grade	\$ 99,673	\$ –	\$ –	\$ 99,673	\$ 99,224	\$ –	\$ –	\$ 99,224
Non-investment grade	1,098	169	–	1,267	856	192	–	1,048
	100,771	169	–	100,940	100,080	192	–	100,272
Allowance for credit losses	8	6	–	14	6	8	–	14
	\$ 100,763	\$ 163	\$ –	\$ 100,926	\$ 100,074	\$ 184	\$ –	\$ 100,258

(1) Reflects \$134 million of purchased credit-impaired securities (October 31, 2024 – \$143 million).

(2) Investment securities at FVOCI not subject to impairment represent equity securities designated as FVOCI.

Note 5 Loans and allowance for credit losses

Loans by geography and portfolio net of allowance

(Millions of Canadian dollars)	As at October 31, 2025					
	Canada	United States	Other International	Total	Allowance for loan losses (1)	Total net of allowance
Retail (2)						
Residential mortgages	\$ 454,346	\$ 35,673	\$ 3,394	\$ 493,413	\$ (794)	\$ 492,619
Personal	90,842	20,984	3,519	115,345	(1,541)	113,804
Credit cards (3)	25,836	652	301	26,789	(1,273)	25,516
Small business (4)	16,797	–	–	16,797	(334)	16,463
Wholesale (2), (5)	194,487	143,439	59,245	397,171	(3,151)	394,020
Total loans	\$ 782,308	\$ 200,748	\$ 66,459	\$ 1,049,515	\$ (7,093)	\$ 1,042,422
Undrawn loan commitments – Retail	311,332	9,434	4,913	325,679	(197)	
Undrawn loan commitments – Wholesale	183,589	309,469	101,511	594,569	(168)	

(Millions of Canadian dollars)	As at October 31, 2024					
	Canada	United States	Other International	Total	Allowance for loan losses (1)	Total net of allowance
Retail (2)						
Residential mortgages	\$ 441,191	\$ 33,092	\$ 3,261	\$ 477,544	\$ (572)	\$ 476,972
Personal	86,977	18,148	3,213	108,338	(1,389)	106,949
Credit cards (3)	24,619	653	293	25,565	(1,164)	24,401
Small business (4)	15,531	–	–	15,531	(258)	15,273
Wholesale (2), (5)	189,378	119,231	51,830	360,439	(2,654)	357,785
Total loans	\$ 757,696	\$ 171,124	\$ 58,597	\$ 987,417	\$ (6,037)	\$ 981,380
Undrawn loan commitments – Retail	300,071	5,099	4,100	309,270	(172)	
Undrawn loan commitments – Wholesale	180,687	264,309	88,787	533,783	(139)	

- (1) Excludes allowance for loans measured at FVOCI of \$1 million (October 31, 2024 – \$4 million).
(2) Geographic information is based on residence of the borrower.
(3) The credit cards business is managed as a single portfolio and includes both consumer and business cards.
(4) Includes small business exposure managed on a pooled basis.
(5) Includes small business exposure managed on an individual client basis.

Loans maturity and rate sensitivity

(Millions of Canadian dollars)	As at October 31, 2025							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 395,387	\$ 215,783	\$ 41,174	\$ 652,344	\$ 253,592	\$ 389,868	\$ 8,884	\$ 652,344
Wholesale	338,854	43,992	14,325	397,171	84,295	309,440	3,436	397,171
Total loans	\$ 734,241	\$ 259,775	\$ 55,499	\$ 1,049,515	\$ 337,887	\$ 699,308	\$ 12,320	\$ 1,049,515
Allowance for loan losses				(7,093)				(7,093)
Total loans net of allowance for loan losses	\$ 734,241	\$ 259,775	\$ 48,406	\$ 1,042,422	\$ 337,887	\$ 699,308	\$ 5,227	\$ 1,042,422

(Millions of Canadian dollars)	As at October 31, 2024							
	Maturity term (1)				Rate sensitivity			
	Under 1 year (2)	1 to 5 years	Over 5 years	Total	Floating	Fixed Rate	Non-rate-sensitive	Total
Retail	\$ 342,552	\$ 240,995	\$ 43,431	\$ 626,978	\$ 211,027	\$ 407,455	\$ 8,496	\$ 626,978
Wholesale	302,024	44,977	13,438	360,439	80,385	277,599	2,455	360,439
Total loans	\$ 644,576	\$ 285,972	\$ 56,869	\$ 987,417	\$ 291,412	\$ 685,054	\$ 10,951	\$ 987,417
Allowance for loan losses				(6,037)				(6,037)
Total loans net of allowance for loan losses	\$ 644,576	\$ 285,972	\$ 50,832	\$ 981,380	\$ 291,412	\$ 685,054	\$ 4,914	\$ 981,380

- (1) Generally, based on the earlier of contractual repricing or maturity date.
(2) Includes variable rate loans that can be repriced at the clients' discretion without penalty.

Allowance for credit losses

(Millions of Canadian dollars)	For the year ended									
	October 31, 2025					October 31, 2024				
	Balance at beginning of period	Provision for credit losses	Net write-offs (1)	Exchange rate and other	Balance at end of period	Balance at beginning of period	Provision for credit losses	Net write-offs (1)	Exchange rate and other	Balance at end of period
Retail										
Residential mortgages	\$ 572	\$ 280	\$ (9)	\$ (49)	\$ 794	\$ 481	\$ 114	\$ (10)	\$ (13)	\$ 572
Personal	1,482	956	(779)	(20)	1,639	1,228	877	(616)	(7)	1,482
Credit cards	1,233	952	(829)	–	1,356	1,069	831	(669)	2	1,233
Small business	272	209	(104)	(26)	351	194	178	(84)	(16)	272
Wholesale	2,793	1,959	(1,163)	(270)	3,319	2,326	1,297	(700)	(130)	2,793
Customers' liability under acceptances	–	–	–	–	–	50	(50)	–	–	–
	\$ 6,352	\$ 4,356	\$ (2,884)	\$ (365)	\$ 7,459	\$ 5,348	\$ 3,247	\$ (2,079)	\$ (164)	\$ 6,352
Presented as:										
Allowance for loan losses	\$ 6,037				\$ 7,093	\$ 5,004				\$ 6,037
Other liabilities – Provisions	311				365	288				311
Other assets – Other	–				–	50				–
Other components of equity	4				1	6				4

(1) Loans written-off are generally subject to continued collection efforts for a period of time following write-off. The contractual amount outstanding on loans written-off during the year ended October 31, 2025 that are no longer subject to enforcement activity was \$285 million (October 31, 2024 – \$359 million).

The following table reconciles the opening and closing allowance for each major product of loans and commitments as determined by our modelled, scenario-weighted allowance and the application of expert credit judgment as applicable. Reconciling items include the following:

- Model changes, as applicable, which generally comprise the impact of significant changes to the quantitative models used to estimate expected credit losses and any staging impacts that may arise.
- Transfers between stages, which are presumed to occur before any corresponding remeasurements of the allowance.
- Originations, which reflect the allowance related to assets newly recognized during the period, including those assets that were derecognized following a modification of terms.
- Maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Changes in risk, parameters and exposures, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time in Stage 1 and Stage 2.

Allowance for credit losses – Retail and wholesale loans

(Millions of Canadian dollars)	For the year ended							
	October 31, 2025				October 31, 2024			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Balance at beginning of period	\$ 215	\$ 126	\$ 231	\$ 572	\$ 223	\$ 90	\$ 168	\$ 481
Provision for credit losses								
Transfers to stage 1	157	(153)	(4)	–	99	(97)	(2)	–
Transfers to stage 2	(41)	49	(8)	–	(23)	36	(13)	–
Transfers to stage 3	(7)	(45)	52	–	(5)	(42)	47	–
Originations	100	–	–	100	94	–	–	94
Maturities	(25)	(29)	–	(54)	(19)	(17)	–	(36)
Changes in risk, parameters and exposures	(123)	256	101	234	(155)	157	54	56
Write-offs	–	–	(20)	(20)	–	–	(23)	(23)
Recoveries	–	–	11	11	–	–	13	13
Exchange rate and other	–	–	(49)	(49)	1	(1)	(13)	(13)
Balance at end of period	\$ 276	\$ 204	\$ 314	\$ 794	\$ 215	\$ 126	\$ 231	\$ 572
Personal								
Balance at beginning of period	\$ 305	\$ 966	\$ 211	\$ 1,482	\$ 280	\$ 793	\$ 155	\$ 1,228
Provision for credit losses								
Transfers to stage 1	594	(593)	(1)	–	537	(537)	–	–
Transfers to stage 2	(96)	100	(4)	–	(75)	78	(3)	–
Transfers to stage 3	(4)	(163)	167	–	(3)	(130)	133	–
Originations	105	–	–	105	116	–	–	116
Maturities	(53)	(233)	(1)	(287)	(51)	(186)	–	(237)
Changes in risk, parameters and exposures	(562)	1,040	660	1,138	(499)	947	550	998
Write-offs	–	–	(935)	(935)	–	–	(745)	(745)
Recoveries	–	–	156	156	–	–	129	129
Exchange rate and other	2	(2)	(20)	(20)	–	1	(8)	(7)
Balance at end of period	\$ 291	\$ 1,115	\$ 233	\$ 1,639	\$ 305	\$ 966	\$ 211	\$ 1,482
Credit cards								
Balance at beginning of period	\$ 207	\$ 1,026	\$ –	\$ 1,233	\$ 203	\$ 866	\$ –	\$ 1,069
Provision for credit losses								
Transfers to stage 1	662	(662)	–	–	559	(559)	–	–
Transfers to stage 2	(112)	112	–	–	(111)	111	–	–
Transfers to stage 3	(2)	(595)	597	–	(2)	(483)	485	–
Originations	14	–	–	14	25	–	–	25
Maturities	(4)	(56)	–	(60)	(5)	(48)	–	(53)
Changes in risk, parameters and exposures	(546)	1,313	231	998	(465)	1,139	185	859
Write-offs	–	–	(1,010)	(1,010)	–	–	(892)	(892)
Recoveries	–	–	181	181	–	–	223	223
Exchange rate and other	(2)	1	1	–	3	–	(1)	2
Balance at end of period	\$ 217	\$ 1,139	\$ –	\$ 1,356	\$ 207	\$ 1,026	\$ –	\$ 1,233
Small business								
Balance at beginning of period	\$ 80	\$ 86	\$ 106	\$ 272	\$ 70	\$ 66	\$ 58	\$ 194
Provision for credit losses								
Transfers to stage 1	54	(54)	–	–	35	(35)	–	–
Transfers to stage 2	(23)	23	–	–	(20)	20	–	–
Transfers to stage 3	(1)	(14)	15	–	(1)	(10)	11	–
Originations	39	–	–	39	43	–	–	43
Maturities	(19)	(24)	–	(43)	(17)	(21)	–	(38)
Changes in risk, parameters and exposures	(41)	98	156	213	(31)	65	139	173
Write-offs	–	–	(124)	(124)	–	–	(98)	(98)
Recoveries	–	–	20	20	–	–	14	14
Exchange rate and other	6	2	(34)	(26)	1	1	(18)	(16)
Balance at end of period	\$ 95	\$ 117	\$ 139	\$ 351	\$ 80	\$ 86	\$ 106	\$ 272
Wholesale								
Balance at beginning of period	\$ 787	\$ 1,038	\$ 968	\$ 2,793	\$ 774	\$ 785	\$ 767	\$ 2,326
Provision for credit losses								
Transfers to stage 1	277	(275)	(2)	–	284	(282)	(2)	–
Transfers to stage 2	(124)	133	(9)	–	(152)	159	(7)	–
Transfers to stage 3	(15)	(273)	288	–	(9)	(77)	86	–
Originations	755	–	–	755	737	–	–	737
Maturities	(543)	(418)	–	(961)	(438)	(379)	–	(817)
Changes in risk, parameters and exposures	(243)	912	1,496	2,165	(407)	827	957	1,377
Write-offs	–	–	(1,237)	(1,237)	–	–	(763)	(763)
Recoveries	–	–	74	74	–	–	63	63
Exchange rate and other	2	6	(278)	(270)	(2)	5	(133)	(130)
Balance at end of period	\$ 896	\$ 1,123	\$ 1,300	\$ 3,319	\$ 787	\$ 1,038	\$ 968	\$ 2,793

Key inputs and assumptions

The measurement of expected credit losses is a complex calculation that involves a significant number of interrelated inputs and assumptions and the allowance is not sensitive to any one single factor. The key drivers of changes in expected credit losses include the following:

- Changes in the credit quality of the borrower or instrument, primarily reflected in changes in internal risk ratings;
- Changes in forward-looking macroeconomic conditions, specifically the macroeconomic variables to which our models are calibrated, which are those most closely correlated with credit losses in the relevant portfolio;
- Changes in scenario design and the weight assigned to each scenario; and
- Transfers between stages, which can be triggered by changes to any of the above inputs.

To reflect relevant risk factors not captured in our modelled results, we applied expert credit judgment in determining the measurement of our weighted allowance for credit losses. The measurement of expected credit losses, including scenario design and weightings, determining significant increases in credit risk since origination and application of expert credit judgment, is overseen by a senior management committee that includes representation from Finance, Group Risk Management and Economics.

Internal risk ratings

Internal risk ratings are assigned according to the risk management framework outlined under the headings Wholesale credit risk and Retail credit risk of the Credit risk section of Management's Discussion and Analysis. Changes in internal risk ratings are primarily reflected in the PD parameters, which are estimated based on our historical loss experience at the relevant risk segment or risk rating level, adjusted for forward-looking information.

Scenario design and weightings

Our estimation of expected credit losses in Stage 1 and Stage 2 considers five distinct future macroeconomic scenarios. Scenarios are designed to capture a wide range of possible outcomes and are weighted according to our expectation of the relative likelihood of the range of outcomes that each scenario represents at the reporting date. We weight each scenario to take into account historical frequency, current trends, and forward-looking conditions which will change over time. Scenario weightings take into consideration the extent to which the base case scenario includes both favourable and unfavourable economic expectations, and upside and downside risks to the base scenario materializing in the future. The base case scenario is based on forecasts of the expected rate, value, or yield for each relevant macroeconomic variable. The upside and downside scenarios are set by adjusting our base projections to construct reasonably possible scenarios and weightings that are more optimistic and pessimistic, respectively, than the base case. Two additional downside scenarios capture the non-linear nature of potential credit losses across our portfolios. When the economy is at or near equilibrium, the severity of the downside scenario generally reflects an adverse event typical for a business cycle and both the non-linear downside scenarios reflect an outcome that is materially more adverse than the downside scenario.

The impact of each of our five scenarios varies across our portfolios given the portfolios have different sensitivities to movements in each macroeconomic variable.

The impact of weighting these multiple scenarios increased our ACL on performing loans, relative to our base scenario, by \$1,268 million as at October 31, 2025 (October 31, 2024 – \$945 million).

Forward looking macroeconomic variables

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five-year horizon, reverting to long-run averages generally within the 2 to 5 year period. Depending on their usage in the models, macroeconomic variables are projected at a country, province/state or more granular level. These include one or more of the variables described below, which differ by portfolio and region.

Our allowance for credit losses reflects our economic outlook as at October 31, 2025. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Our base scenario reflects the Canadian unemployment rate peaking in calendar Q4 2025, followed by gradual declines beginning in early calendar 2026 and for the U.S. unemployment rate to rise, peaking in calendar Q1 2026, followed by a return to equilibrium by calendar Q4 2026. The central bank policy rate in Canada is expected to remain unchanged until the end of calendar 2026 and cuts are expected in the U.S. until the middle of calendar 2026.

Our downside scenarios include two additional and more severe downside scenarios designed for trade disruptions and the real estate sector. During Q2 2025, in response to U.S. international trade policy, we designed a trade disruption scenario to replace our energy sector scenario. Our downside scenarios reflect the possibility of moderate and escalating macroeconomic shocks beginning in calendar Q1 2026 relative to our base scenario. In these scenarios, conditions are expected to deteriorate from calendar Q4 2025 levels for up to 18 months, followed by a recovery for the remainder of the period. These scenarios assume monetary policy responses that return the economy to a long-run, sustainable growth rate within the forecast period.

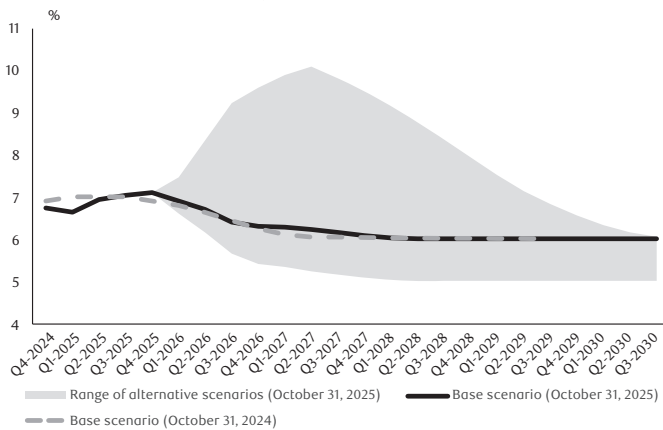
Our upside scenario reflects slightly stronger economic growth than the base scenario, without prompting a further offsetting monetary policy response as compared to our base scenario, followed by a return to a long-run sustainable growth rate within the forecast period.

We increased weight to our downside scenarios relative to October 31, 2024 to reflect the heightened economic uncertainty related to U.S. international trade policy as compared to our base scenario.

The following provides additional detail about our calendar quarter forecasts for certain key macroeconomic variables used in the models to estimate ACL:

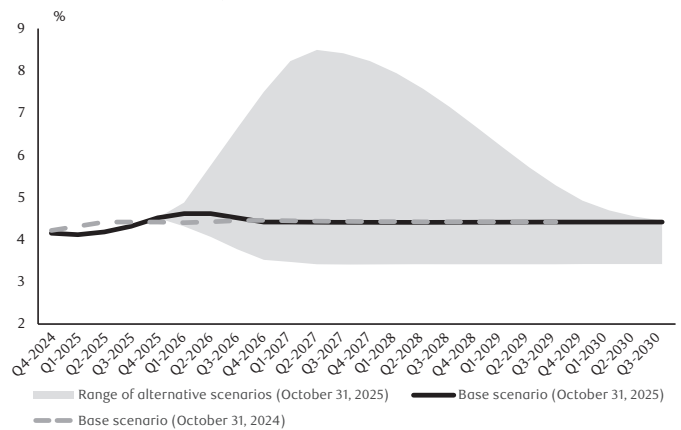
- Unemployment rates** – In our base forecast, we expect the Canadian unemployment rate to peak at 7.1% in calendar Q4 2025, then returning to its long run equilibrium by calendar Q1 2028. The U.S. unemployment rate is expected to rise to 4.5% in calendar Q4 2025, peaking at 4.6% in calendar Q1 2026, then returning to its long run equilibrium level by calendar Q4 2026.

Canada Unemployment Rate (1)



(1) Represents the average quarterly unemployment level over the calendar quarters presented.

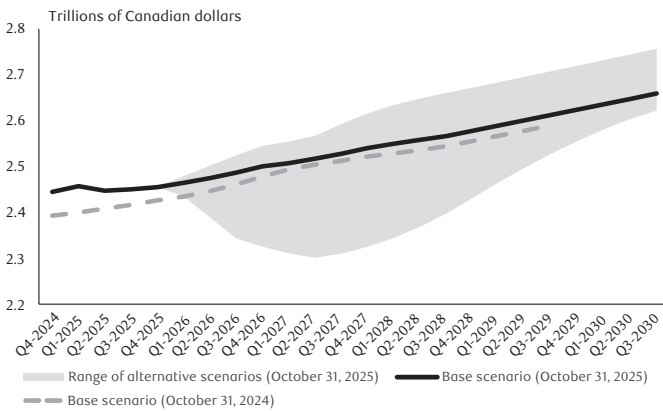
U.S. Unemployment Rate (1)



(1) Represents the average quarterly unemployment level over the calendar quarters presented.

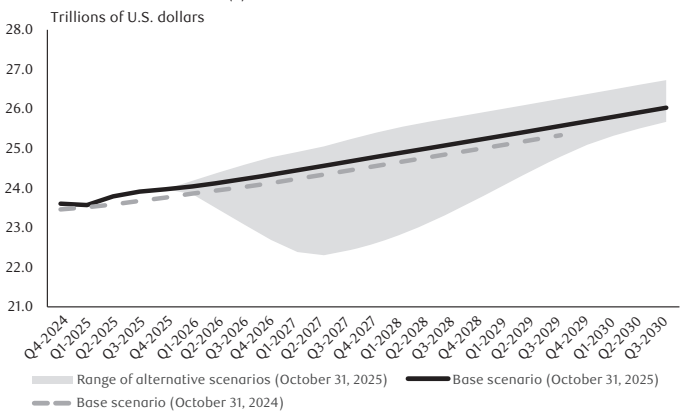
- Gross Domestic Product (GDP)** – In our base forecast, we expect both Canadian and U.S. GDP to continuously grow in calendar Q4 2025 and thereafter. GDP in calendar Q4 2026 is expected to be 1.8% above Q4 2025 levels in Canada, and 1.5% above Q4 2025 levels in the U.S.

Canada Real GDP (1)



(1) Represents the seasonally adjusted annual rate indexed to 2017 Canadian dollars over the calendar quarters presented.

U.S. Real GDP (1)



(1) Represents the seasonally adjusted annual rate indexed to 2017 U.S. dollars over the calendar quarters presented.

- Canadian housing price index** – In our base forecast, we expect housing prices to increase by 0.3% over the next 12 months from calendar Q4 2025, with a compound annual growth rate of 3.4% for the following 2 to 5 years. The range of annual housing price growth (contraction) in our alternative real estate downside and upside scenarios is (29.2)% to 10.9% over the next 12 months and 4.2% to 9.6% for the following 2 to 5 years. As at October 31, 2024, our base forecast included housing price growth of 0.7% from calendar Q4 2024 for the next 12 months and housing price growth of 3.0% for the following 2 to 5 years.

The primary variables driving credit losses in our retail portfolios are Canadian unemployment rates, the Canadian housing price index and Canadian GDP. The Canadian overnight interest rate also impacts our retail portfolios. Our wholesale portfolios are affected by all of the variables discussed above; however, the specific variables differ by sector. Other variables also impact our wholesale portfolios including, but not limited to, Canadian and U.S. 10 year BBB corporate bond credit spreads, Canadian and U.S. 10 year government bond yields, U.S. 10 year BBB corporate bond yield, Canadian consumer confidence index, Canadian and U.S. commercial real estate price indices, U.S. housing price index, and natural gas prices (Henry Hub).

Increases in the following macroeconomic variables will generally correlate with higher expected credit losses: Canadian and U.S. unemployment rates, Canadian overnight interest rates, Canadian and U.S. 10 year BBB corporate bond credit spreads, Canadian and U.S. 10 year government bond yields, and U.S. 10 year BBB corporate bond yield.

Increases in the following macroeconomic variables will generally correlate with lower expected credit losses: Canadian and U.S. housing price indices, Canadian and U.S. GDP, Canadian consumer confidence index, Canadian and U.S. commercial real estate price indices and natural gas prices.

Transfers between stages

Transfers between Stage 1 and Stage 2 are based on the assessment of significant increases in credit risk relative to initial recognition, as described in Note 2. The impact of moving from 12 months expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses.

The following table illustrates the impact of staging on our ACL by comparing our allowance if all performing loans were in Stage 1 to the actual ACL recorded on these assets.

(Millions of Canadian dollars)	As at					
	October 31, 2025			October 31, 2024		
	ACL – All performing loans in Stage 1	Impact of staging	Stage 1 and 2 ACL	ACL – All performing loans in Stage 1	Impact of staging	Stage 1 and 2 ACL
Performing loans (1)	\$ 3,775	\$ 1,698	\$ 5,473	\$ 3,313	\$ 1,523	\$ 4,836

(1) Represents loans and commitments in Stage 1 and Stage 2.

Credit risk exposure by internal risk rating

The following table presents the gross carrying amount of loans measured at amortized cost, and the full contractual amount of undrawn loan commitments subject to the impairment requirements of IFRS 9. Risk ratings are based on internal ratings used in the measurement of expected credit losses as at the reporting date, as outlined in the internal ratings maps for Wholesale and Retail facilities in the Credit risk section of Management's Discussion and Analysis.

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Stage 1	Stage 2	Stage 3 (1), (2)	Total	Stage 1	Stage 2	Stage 3 (1), (2)	Total
Retail								
Loans outstanding – Residential mortgages								
Low risk	\$ 386,060	\$ 16,495	\$ –	\$ 402,555	\$ 388,742	\$ 1,354	\$ –	\$ 390,096
Medium risk	20,622	2,571	–	23,193	18,419	4,479	–	22,898
High risk	2,131	6,532	–	8,663	1,761	6,593	–	8,354
Not rated (3)	54,253	1,940	–	56,193	52,569	1,479	–	54,048
Impaired	–	–	1,681	1,681	–	–	1,233	1,233
	463,066	27,538	1,681	492,285	461,491	13,905	1,233	476,629
Items not subject to impairment (4)				1,128				915
Total				\$ 493,413				\$ 477,544
Loans outstanding – Personal								
Low risk	\$ 87,536	\$ 2,712	\$ –	\$ 90,248	\$ 82,904	\$ 1,680	\$ –	\$ 84,584
Medium risk	4,035	3,768	–	7,803	5,525	3,063	–	8,588
High risk	601	2,583	–	3,184	592	2,365	–	2,957
Not rated (3)	12,493	1,180	–	13,673	11,303	498	–	11,801
Impaired	–	–	437	437	–	–	408	408
Total	\$ 104,665	\$ 10,243	\$ 437	\$ 115,345	\$ 100,324	\$ 7,606	\$ 408	\$ 108,338
Loans outstanding – Credit cards								
Low risk	\$ 18,279	\$ 161	\$ –	\$ 18,440	\$ 17,363	\$ 177	\$ –	\$ 17,540
Medium risk	2,123	2,291	–	4,414	1,999	2,436	–	4,435
High risk	70	2,423	–	2,493	75	2,289	–	2,364
Not rated (3)	1,133	309	–	1,442	1,173	53	–	1,226
Total	\$ 21,605	\$ 5,184	\$ –	\$ 26,789	\$ 20,610	\$ 4,955	\$ –	\$ 25,565
Loans outstanding – Small business								
Low risk	\$ 10,628	\$ 595	\$ –	\$ 11,223	\$ 9,428	\$ 773	\$ –	\$ 10,201
Medium risk	2,550	924	–	3,474	2,740	962	–	3,702
High risk	259	1,422	–	1,681	214	1,086	–	1,300
Not rated (3)	8	–	–	8	7	–	–	7
Impaired	–	–	411	411	–	–	321	321
Total	\$ 13,445	\$ 2,941	\$ 411	\$ 16,797	\$ 12,389	\$ 2,821	\$ 321	\$ 15,531
Undrawn loan commitments – Retail								
Low risk	\$ 293,300	\$ 3,700	\$ –	\$ 297,000	\$ 284,036	\$ 592	\$ –	\$ 284,628
Medium risk	12,451	427	–	12,878	12,110	381	–	12,491
High risk	805	758	–	1,563	746	602	–	1,348
Not rated (3)	13,964	274	–	14,238	10,715	88	–	10,803
Total	\$ 320,520	\$ 5,159	\$ –	\$ 325,679	\$ 307,607	\$ 1,663	\$ –	\$ 309,270
Wholesale – Loans outstanding								
Investment grade	\$ 130,322	\$ 2,117	\$ –	\$ 132,439	\$ 116,549	\$ 1,471	\$ –	\$ 118,020
Non-investment grade	207,239	26,399	–	233,638	189,889	26,826	–	216,715
Not rated (3)	14,714	503	–	15,217	12,871	721	–	13,592
Impaired	–	–	6,153	6,153	–	–	3,905	3,905
	352,275	29,019	6,153	387,447	319,309	29,018	3,905	352,232
Items not subject to impairment (4)				9,724				8,207
Total				\$ 397,171				\$ 360,439
Undrawn loan commitments – Wholesale								
Investment grade	\$ 393,167	\$ 1,593	\$ –	\$ 394,760	\$ 345,236	\$ 516	\$ –	\$ 345,752
Non-investment grade	182,223	16,158	–	198,381	170,212	14,512	–	184,724
Not rated (3)	1,407	21	–	1,428	3,290	17	–	3,307
Total	\$ 576,797	\$ 17,772	\$ –	\$ 594,569	\$ 518,738	\$ 15,045	\$ –	\$ 533,783

(1) As at October 31, 2025, 91% of credit-impaired loans were either fully or partially collateralized (October 31, 2024 – 88%). For details on the types of collateral held against credit-impaired assets and our policies on collateral, refer to the Credit risk mitigation section of Management's Discussion and Analysis.

(2) Includes \$195 million of purchased or originated credit-impaired loans (October 31, 2024 – \$109 million).

(3) In certain cases where an internal risk rating is not assigned, we use other approved credit risk assessments or rating methodologies, policies and tools to manage our credit risk.

(4) Items not subject to impairment are loans held at FVTPL.

Loans past due but not impaired (1), (2)

(Millions of Canadian dollars)	As at					
	October 31, 2025			October 31, 2024		
	30 to 89 days	90 days and greater	Total	30 to 89 days	90 days and greater	Total
Retail	\$ 2,634	\$ 323	\$ 2,957	\$ 2,542	\$ 263	\$ 2,805
Wholesale	1,143	7	1,150	1,454	4	1,458
	\$ 3,777	\$ 330	\$ 4,107	\$ 3,996	\$ 267	\$ 4,263

- (1) Excludes loans less than 30 days past due as they are not generally representative of the borrowers' ability to meet their payment obligations.
(2) Amounts presented may include loans past due as a result of administrative processes, such as mortgage loans on which payments are restrained pending payout due to sale or refinancing. Past due loans arising from administrative processes are not representative of the borrowers' ability to meet their payment obligations.

Note 6 Significant acquisition

HSBC Bank Canada

On March 28, 2024, we completed the acquisition of HSBC Bank Canada (HSBC Canada). The acquisition of HSBC Canada (the HSBC Canada transaction) gave us the opportunity to enhance our existing businesses in line with our strategic goals and to better position us to be the bank of choice for commercial clients with international needs, newcomers to Canada and globally connected clients. HSBC Canada results have been consolidated from the closing date and included in our Personal Banking, Commercial Banking, Wealth Management and Capital Markets segments.

Total consideration of \$15.5 billion in cash included \$13.5 billion for 100% of the common shares of HSBC Canada, \$2.1 billion for the preferred shares and subordinated debt held directly or indirectly by HSBC Holdings plc, \$(0.5) billion for the settlement of pre-existing relationships with HSBC Canada and \$0.4 billion for an additional amount that accrued from August 30, 2023 to the closing date. This additional amount was calculated based on the \$13.5 billion all-cash purchase price for the common shares of HSBC Canada and the Canadian Overnight Repo Rate Average. Relatedly, under a locked box mechanism, HSBC Canada's earnings from June 30, 2022 to the closing date accrued to RBC and were reflected in the acquired net assets on closing.

Our purchase price allocation assigned \$108.1 billion to assets and \$99.1 billion to liabilities on the acquisition date. Goodwill of \$6.5 billion reflected the expected expense synergies from our Personal Banking, Commercial Banking, Wealth Management and Capital Markets operations, expected growth of the platforms, and the ability to cross-sell products between segments. Goodwill is not deductible for tax purposes.

The following table presents the estimated fair value of the assets acquired and liabilities assumed as at the acquisition date.

(Millions of Canadian dollars, except percentage amounts)

Percentage of shares acquired	100%
Purchase consideration	\$ 15,488
Fair value of identifiable assets acquired	
Cash and due from banks	\$ 2,772
Securities	
Trading	1,110
Investment	21,305
Loans (1)	
Retail (2)	35,351
Wholesale	39,282
Derivatives	3,365
Intangible assets (3)	2,342
Other (4)	2,570
Total fair value of identifiable assets acquired	\$ 108,097
Fair value of identifiable liabilities assumed	
Deposits	
Personal	\$ 42,037
Business and government (2)	44,211
Obligations related to assets sold under repurchase agreements and securities loaned	5,664
Derivatives	3,541
Other (5)	3,692
Total fair value of identifiable liabilities assumed	\$ 99,145
Fair value of identifiable net assets acquired	\$ 8,952
Goodwill	6,536
Total purchase consideration	\$ 15,488

- (1) The fair value of loans reflects estimates of incurred and expected future credit losses as at the acquisition date and interest rate premiums or discounts relative to prevailing market rates. As at March 28, 2024, the gross contractual value of the loans was \$75,752 million. The estimate of contractual cash flows not expected to be collected was \$575 million, of which \$135 million related to purchased credit-impaired loans.
(2) Loans – Retail includes \$1.7 billion of Canadian residential mortgages sold with recourse to a mutual fund that do not qualify for derecognition, and Deposits – Business and government includes \$1.7 billion of the related secured borrowing liability.
(3) Intangible assets include \$1,972 million of core deposit intangibles and \$111 million of customer relationships, which are amortized on a straight-line basis over estimated useful lives of 7 years, and \$259 million of mutual fund management contracts with indefinite useful lives.
(4) Includes Assets purchased under reverse repurchase agreements and securities borrowed and Other assets.
(5) Includes Obligations related to securities sold short and Other liabilities.

Note 6 Significant acquisition (continued)

For the period from March 28, 2024 to October 31, 2024, the HSBC Canada transaction contributed revenue of \$1,716 million and net income of \$453 million to RBC's consolidated results. The net income of \$453 million included initial PCL on purchased performing financial assets of \$200 million (\$145 million after-tax).

Assuming we acquired HSBC Canada on November 1, 2023, using the same fair value estimates and not reflecting any potential synergies, we estimated that RBC's consolidated revenue and net income for the year ended October 31, 2024 would have been \$58.6 billion and \$16.6 billion, respectively.

RBC's consolidated results included transaction and integration costs of \$960 million for the year ended October 31, 2024, recognized in Non-interest expense.

Note 7 Derecognition of financial assets

We enter into transactions in which we transfer financial assets such as loans or securities to structured entities or other third parties. The majority of assets transferred under repurchase agreements, securities lending agreements, and in our Canadian residential mortgage securitization transactions do not qualify for derecognition as we continue to be exposed to substantially all of the risks and rewards of the transferred assets, such as prepayment, credit, price, interest rate and foreign exchange risks.

Transferred financial assets not derecognized

Securitization of Canadian residential mortgage loans

We periodically securitize insured single and multi-family Canadian residential mortgage loans through the creation of MBS pools under the National Housing Act MBS (NHA MBS) program. All loans securitized under the NHA MBS program are required to be insured by the Canadian Mortgage and Housing Corporation (CMHC) or a third-party insurer. We require the borrower to pay for mortgage insurance when the loan amount is greater than 80% of the original appraised value of the property (LTV ratio). For residential mortgage loans securitized under this program with LTV ratios less than 80%, we are required to insure the mortgages at our own expense. Under the NHA MBS program, we are responsible for making all payments due on our issued MBS, regardless of whether we collect the necessary funds from the mortgagor or the insurer. When a borrower defaults on a mortgage, we submit a claim to the insurer if the amount recovered from the collection or foreclosure process is lower than the sum of the principal balance, accrued interest and collection costs on the outstanding loan. The insurance claim process is managed by the insurance provider in accordance with the insurer's policies and covers the entire unpaid loan balance plus generally up to 12 months of interest, selling costs and other eligible expenses.

We sell the NHA MBS pools primarily to Canada Housing Trust (CHT), a government-sponsored structured entity under the Canada Mortgage Bond (CMB) program. The entity periodically issues CMBs, which are guaranteed by the government, and sells them to third-party investors. Proceeds of the CMB issuances are used by the entity to purchase the NHA MBS pools from eligible NHA MBS issuers who participate in the issuance of a particular CMB series. Our continuing involvement includes servicing the underlying residential mortgage loans we have securitized, either ourselves or through a third-party servicer. We also act as counterparty in interest rate swap agreements where we pay the entity the interest due to CMB investors and receive the interest on the underlying MBS and reinvested assets. As part of the swaps, we are also required to maintain a principal reinvestment account for principal payments received on the underlying mortgage loans to meet the repayment obligation upon maturity of the CMB. We reinvest the collected principal payments in permitted investments as outlined in the swap agreements.

We have determined that certain of the NHA MBS program loans transferred to CHT do not qualify for derecognition as we have not transferred substantially all of the risks and rewards of ownership. As a result, these transferred MBS continue to be classified as residential mortgage loans and recognized on our Consolidated Balance Sheets. The cash received for these transferred MBS is treated as a secured borrowing and a corresponding liability is recorded in Deposits – Business and government on our Consolidated Balance Sheets.

We have determined that certain of the NHA MBS program loan transfers qualify for derecognition as we have transferred substantially all of the risks and rewards of ownership. During the year ended October 31, 2025, we transferred \$1,332 million (October 31, 2024 – \$122 million) of NHA MBS program loans that qualified for derecognition.

Canadian residential mortgages sold with recourse

The RBC Indigo Mortgage Fund was closed effective April 17, 2025. Prior to its closure, we periodically transferred conventional uninsured mortgages into this fund in accordance with its investment parameters. We have determined that these mortgages, which were sold with recourse, did not qualify for derecognition. As a result, these transferred mortgages were classified as residential mortgage loans and recognized on our Consolidated Balance Sheets. The cash received for these transferred mortgages was treated as a secured borrowing and a corresponding liability was recorded in Deposits – Business and government on our Consolidated Balance Sheets. We also provided a liquidity arrangement whereby we would either repurchase or facilitate the sale of mortgages to third parties if deemed necessary to satisfy liquidity requirements of the fund.

Securities sold under repurchase agreements and securities loaned

We also enter into transactions such as repurchase agreements and securities lending agreements where we transfer assets under agreements to repurchase them at a future date and retain substantially all of the risks and rewards associated with the assets. These transferred assets remain on our Consolidated Balance Sheets and are accounted for as collateralized borrowing transactions.

The following table provides information on the carrying amount and fair value of the transferred assets that did not qualify for derecognition, and their associated liabilities.

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Canadian residential mortgage loans (1), (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total	Canadian residential mortgage loans (1), (2)	Securities sold under repurchase agreements (3)	Securities loaned (3)	Total
Carrying amount of transferred assets that do not qualify for derecognition	\$ 28,604	\$ 276,163	\$ 13,353	\$ 318,120	\$ 33,101	\$ 291,543	\$ 13,778	\$ 338,422
Carrying amount of associated liabilities	27,900	276,163	13,353	317,416	31,522	291,543	13,778	336,843
Fair value of transferred assets	\$ 28,137	\$ 276,163	\$ 13,353	\$ 317,653	\$ 31,760	\$ 291,543	\$ 13,778	\$ 337,081
Fair value of associated liabilities	28,275	276,163	13,353	317,791	31,445	291,543	13,778	336,766
Fair value of net position	\$ (138)	\$ -	\$ -	\$ (138)	\$ 315	\$ -	\$ -	\$ 315

- (1) Includes Canadian residential mortgage loans transferred primarily to Canada Housing Trust at the initial securitization and other permitted investments used for funding requirements after the initial securitization, as well as Canadian residential mortgages transferred into the RBC Indigo Mortgage Fund.
(2) CMB investors have legal recourse only to the transferred assets, and do not have recourse to our general assets.
(3) Does not include over-collateralization of assets pledged.

Note 8 Structured entities

In the normal course of business, we engage in a variety of financial transactions with structured entities to support our financing and investing needs as well as those of our clients. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. We consolidate a structured entity when we control the entity in accordance with our accounting policy as described in Note 2. In other cases, we may sponsor or have an interest in such an entity but may not consolidate it.

Consolidated structured entities

We consolidate the following structured entities, whose assets and liabilities are recorded on our Consolidated Balance Sheets. Third-party investors in these structured entities generally have recourse only to the assets of the related entity and do not have recourse to our general assets unless we breach our contractual obligations to those entities. In the ordinary course of business, the assets of each consolidated structured entity can generally only be used to settle the obligations of that entity.

Multi-seller conduits

We generally do not maintain ownership in the multi-seller conduits that we administer and generally do not have rights to, or control of, their assets. However, we issue asset-backed commercial paper (ABCP) through a multi-seller conduit that does not have an expected loss investor with substantive power to direct the significant operating activities of the conduit. This conduit is consolidated because we have exposure to variability of returns from performance in the multi-seller arrangements through providing transaction-specific and program-wide liquidity, credit and loan facilities to the conduit and have decision-making power over the relevant activities. As of October 31, 2025, \$2,340 million of financial assets held by the conduit were included in Loans (October 31, 2024 – \$1,718 million) and \$ 1,613 million of ABCP issued by the conduit was included in Deposits (October 31, 2024 – \$1,600 million) on our Consolidated Balance Sheets.

Credit card securitization vehicle

We securitize a portion of our credit card receivables through a structured entity on a revolving basis. The entity purchases co-ownership interests in a pool of credit card receivables and issues senior and subordinated term notes collateralized by that co-ownership interest in the underlying pool of credit card receivables. Investors who purchase the term notes have recourse only to that co-ownership interest in the underlying pool of credit card receivables.

We continue to service the credit card receivables and perform an administrative role for the entity. We also retain risk in the underlying pool of credit card receivables through our retained interest in the transferred assets, the cash reserve balance we fund from time to time, and also through certain senior or subordinated notes which we may retain. Additionally, we may own some senior or subordinated notes as investments or for market-making activities and we act as counterparty to interest rate and cross currency swap agreements which hedge the entity's interest rate and currency risk exposures.

We consolidate the structured entity because we have decision-making power over the timing and size of future issuances and other relevant activities which were predetermined by us at inception. We also obtain significant funding benefits and are exposed to variability from the performance of the underlying credit card receivables through our retained interest. As at October 31, 2025, \$5 billion of notes issued by our credit card securitization vehicle were included in Deposits on our Consolidated Balance Sheets (October 31, 2024 – \$6 billion).

Collateralized commercial paper vehicle

We established a funding vehicle that provides loans to us and finances those loans by issuing commercial paper to third-party investors. The structured entity's commercial paper carries an equivalent credit rating to RBC because we are obligated to advance funds to the entity in the event there are insufficient funds from other sources to settle maturing commercial paper. We pledge collateral to secure the loans and are exposed to the market and credit risks of the pledged securities.

We consolidate the structured entity because we have decision-making power over the relevant activities, are the sole borrower from the structure, and are exposed to a majority of the residual ownership risks through the credit support provided. As at October 31, 2025, \$20 billion of commercial paper issued by the vehicle was included in Deposits on our Consolidated Balance Sheets (October 31, 2024 – \$18 billion).

Covered bonds

We periodically transfer mortgages to RBC Covered Bond Guarantor Limited Partnership (the Guarantor LP) to support funding activities and asset coverage requirements under our covered bonds program. The Guarantor LP was created to guarantee interest and principal payments under the covered bond program. The covered bonds guaranteed by the Guarantor LP are direct, unsecured and unconditional obligations of RBC; therefore, investors have a claim against the Bank which will continue if the covered bonds are not paid by the Bank and the mortgage assets in the Guarantor LP are insufficient to satisfy the obligations owing on the covered bonds. We act as general partner, limited partner, swap counterparty, lender and liquidity provider to the Guarantor LP, servicer for the underlying mortgages as well as the registered issuer of the covered bonds.

We consolidate the Guarantor LP as we have the decision-making power over the relevant activities through our role as general partner and are exposed to variability from the performance of the underlying mortgages. As at October 31, 2025, the total amount of mortgages transferred and outstanding was \$86 billion (October 31, 2024 – \$107 billion) and \$53 billion of covered bonds were recorded as Deposits on our Consolidated Balance Sheets (October 31, 2024 – \$58 billion).

Structured finance

We sell taxable and tax-exempt municipal bonds into Tender Option Bond (TOB) trusts, which consist of a bond that is credit enhanced by us and purchased by a TOB trust. The TOB trust finances the purchase from us by issuing interest-bearing certificates to short-term investors and a residual certificate that is purchased by us. We are the remarketing agent for the interest-bearing certificates and provide a liquidity facility to the short-term investors which requires us to purchase any certificates tendered but not successfully remarketed. We credit enhance the bond purchased by the TOB trust with a letter of credit under which we are required to extend funding if there are any losses on the underlying bonds. We earn interest on the residual certificate and receive market-based fees for acting as remarketing agent and providing the liquidity facility and letter of credit.

We consolidate the TOB trust when we are the holder of the residual certificate as we have decision-making power over the relevant activities, including the selection of the underlying municipal bonds and the ability to terminate the trust, and are exposed to variability from the performance of the underlying municipal bonds. As at October 31, 2025, \$5 billion of municipal bonds were included in Securities related to consolidated TOB trusts (October 31, 2024 – \$5 billion) and a corresponding \$5 billion of interest-bearing certificates were included in Deposits on our Consolidated Balance Sheets (October 31, 2024 – \$5 billion).

We establish structured entities to acquire loans for the purposes of issuing term collateralized loan obligation (CLO) transactions and act as collateral manager. During the warehouse phase, we provide subordinated financing and, for certain term CLO transactions, act as the arranger and placement agent, and may provide senior warehouse financing. Proceeds from the sale of the term CLO are used to repay our warehouse financing. During the term CLO phase, we continue to provide subordinated financing, which serves as the first loss tranche that absorbs losses prior to the senior tranches, and may also directly invest in the other tranches.

We consolidate these CLO structures as we have decision-making power over the relevant activities of the entity, which include the initial selection and subsequent management of the underlying debt portfolio, and when our interests, including direct investment plus collateral management fees, indicate that we are acting as a principal. As at October 31, 2025, \$317 million of Cash and due from banks and \$1,770 million of Loans related to consolidated CLO structures (October 31, 2024 – \$194 million and \$2,030 million, respectively) and \$1,900 million of Deposits representing the subordinated and senior tranches held by third parties (October 31, 2024 – \$1,143 million) were recorded on our Consolidated Balance Sheets.

RBC managed investment funds

We are sponsors and investment managers of mutual and pooled funds, which give us the ability to direct the investment decisions of the funds. We consolidate those mutual and pooled funds in which our interests, which include direct investment in seed capital plus management or performance fees, indicate that we are acting as a principal. As at October 31, 2025, \$1,004 million of assets in the consolidated funds, primarily relating to Trading securities (October 31, 2024 – \$799 million) and \$362 million of Other liabilities representing the fund units held by third parties (October 31, 2024 – \$377 million) were recorded on our Consolidated Balance Sheets.

Unconsolidated structured entities

We have interests in certain structured entities that we do not consolidate but have recorded assets and liabilities on our Consolidated Balance Sheets related to our transactions and involvement with these entities.

The following table presents the assets and liabilities recorded on our Consolidated Balance Sheets and our maximum exposure to loss related to our interests in unconsolidated structured entities. It also presents the size of each category of unconsolidated structured entity, as measured by the total assets of the entities in which we have an interest. The total assets as presented for each category do not necessarily represent the assets we have either rights or recourse to.

(Millions of Canadian dollars)	As at October 31, 2025					
	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	Third-party securitization vehicles	Other	Total
On-balance sheet assets						
Securities	\$ 3	\$ –	\$ 2,753	\$ –	\$ 1,187	\$ 3,943
Loans	209	12,386	–	16,673	2,161	31,429
Derivatives	23	–	–	–	217	240
Other assets	–	–	–	–	747	747
	\$ 235	\$ 12,386	\$ 2,753	\$ 16,673	\$ 4,312	\$ 36,359
On-balance sheet liabilities						
Deposits	\$ –	\$ –	\$ –	\$ –	\$ 5	\$ 5
Derivatives	281	–	3	–	22	306
Other liabilities	–	–	–	–	–	–
	\$ 281	\$ –	\$ 3	\$ –	\$ 27	\$ 311
Maximum exposure to loss (2)	\$ 64,591	\$ 19,672	\$ 3,710	\$ 26,094	\$ 7,796	\$ 121,863
Total assets of unconsolidated structured entities	\$ 63,306	\$ 54,840	\$ 515,340	\$ 161,430	\$ 961,750	\$ 1,756,666

(Millions of Canadian dollars)	As at October 31, 2024					
	Multi-seller conduits (1)	Structured finance	Non-RBC managed investment funds	Third-party securitization vehicles	Other	Total
On-balance sheet assets						
Securities	\$ 1	\$ –	\$ 2,541	\$ –	\$ 1,384	\$ 3,926
Loans	236	6,688	–	12,788	1,805	21,517
Derivatives	32	–	–	–	98	130
Other assets	–	–	–	–	455	455
	\$ 269	\$ 6,688	\$ 2,541	\$ 12,788	\$ 3,742	\$ 26,028
On-balance sheet liabilities						
Deposits	\$ –	\$ –	\$ –	\$ –	\$ 167	\$ 167
Derivatives	115	–	3	–	4	122
Other liabilities	–	–	–	–	7	7
	\$ 115	\$ –	\$ 3	\$ –	\$ 178	\$ 296
Maximum exposure to loss (2)	\$ 56,779	\$ 12,963	\$ 3,487	\$ 21,195	\$ 6,248	\$ 100,672
Total assets of unconsolidated structured entities	\$ 55,639	\$ 45,315	\$ 459,976	\$ 119,766	\$ 798,228	\$ 1,478,924

- (1) Total assets of unconsolidated structured entities represent the maximum assets that may have to be purchased by the conduits under purchase commitments outstanding. Of the purchase commitments outstanding, the conduits have purchased financial assets totalling \$43 billion as at October 31, 2025 (October 31, 2024 – \$37 billion).
- (2) The maximum exposure to loss resulting from our interests in these entities consists mostly of investments, loans, fair value of derivatives, liquidity and credit enhancement facilities. The maximum exposure to loss of the multi-seller conduits is higher than the on-balance sheet assets primarily because of the notional amounts of the backstop liquidity and credit enhancement facilities. Refer to Note 23 for further details.

Below is a description of our involvement with each significant category of unconsolidated structured entity.

Multi-seller conduits

We administer multi-seller ABCP conduit programs. Multi-seller conduits primarily purchase financial assets from clients and finance those purchases by issuing ABCP.

In certain multi-seller conduit arrangements, we do not maintain any ownership of the multi-seller conduits that we administer and have no rights to, or control of, its assets. As the administrative agent, we earn a residual fee for providing services such as coordinating funding activities, transaction structuring, documentation, execution and monitoring. The ABCP issued by each multi-seller conduit is in the conduit's own name with recourse to the financial assets owned by the multi-seller conduit, and is non-recourse to us except through our participation in liquidity and/or credit enhancement facilities.

We provide transaction-specific and program-wide liquidity facilities to the multi-seller conduits. In addition, we provide program-wide credit enhancement to the multi-seller conduits which obligate us to purchase assets or advance funds in the event the multi-seller conduit does not otherwise have funds from other sources, such as from the liquidity facilities, to settle maturing ABCP. In some cases, we or another third-party may provide transaction-specific credit enhancement which can take various forms. We receive market-based fees for providing these liquidity and credit facilities.

For certain transactions, we act as counterparty to various hedging contracts to facilitate our clients' securitization of fixed rate and/or foreign currency denominated assets through the conduits. These may take the form of forward contracts, interest rate swaps or cross currency swaps. These derivatives expose us to foreign exchange and interest rate risks that are centrally managed by our foreign exchange trading and swap desks, respectively, and credit risk on the underlying assets that is mitigated by the credit enhancement described below.

Each transaction is structured with transaction-specific first loss protection provided by the third-party seller. This enhancement can take various forms, including but not limited to overcollateralization, excess spread, subordinated classes of financial assets, guarantees or letters of credit. The amount of this enhancement varies but is generally designed to cover a multiple of historical losses.

An unrelated third-party (expected loss investor) absorbs losses, up to a maximum contractual amount, that may occur in the future on the assets in the multi-seller conduits before the multi-seller conduits' debt holders and us. In return for assuming this multi-seller conduit first-loss position, each multi-seller conduit pays the expected loss investor a return commensurate with its risk position. The expected loss investor has substantive power to direct the majority of the activities which significantly impact the conduit's economic performance, including initial selection and approval of the asset purchase commitments and liquidity facilities, approval of renewal and amendment of these transactions and facilities, sale or transfer of assets, ongoing monitoring of asset performance, mitigation of losses, and management of the ABCP liabilities.

We do not consolidate these multi-seller conduits as we do not control the conduits as noted above.

Structured finance

We participate in certain municipal bond TOB structures that we do not consolidate. These structures are similar to those consolidated municipal bond TOB structures described above; however, the residual certificates are held by third parties. We provide liquidity facilities for the benefit of floating-rate certificate holders which may be drawn if certificates are tendered but not able to be remarketed. For a portion of these trusts, we also provide a letter of credit for the underlying bonds held in the trust. We do not have decision-making power over the relevant activities of the structures; therefore, we do not consolidate these structures.

We provide senior warehouse financing to unaffiliated structured entities that are established by third parties to acquire loans for the purposes of issuing a term CLO transaction. Subordinated financing is provided during the warehouse phase by either the collateral manager or third-party investors. Subordinated financing serves as the first loss tranche which absorbs losses prior to ourselves as the senior lender. We act as the arranger and placement agent for the term CLO transaction. Proceeds from the sale of the term CLO are used to repay our senior warehouse financing, at which point we have no further involvement with the transaction. We do not consolidate these CLO structures as we do not have decision-making power over the relevant activities of the entity, which include the initial selection and subsequent management of the underlying debt portfolio.

We provide senior financing to unaffiliated structured entities that are established by third parties to acquire loans. Subordinated financing is provided by either the collateral manager or third-party investors. Subordinated financing serves as the first loss tranche which absorbs losses prior to ourselves as the senior lender. These facilities tend to be longer in term than the CLO warehouse facilities and benefit from credit enhancement generally designed to cover a multiple of historical losses. We may also invest in the senior-most tranches issued by third-party structured entities. We do not consolidate these structures as we do not have decision-making power over the relevant activities of the entity, which include the initial selection and subsequent management of the underlying debt portfolio.

Non-RBC managed investment funds

We enter into fee-based equity derivative transactions with third parties including mutual funds, unit investment trusts and other investment funds. These transactions provide their investors with the desired exposure to reference funds, and we economically hedge our exposure to these derivatives by investing in those reference funds. We also act as custodian for several funds. We do not consolidate those reference funds that are managed by third parties as we do not have power to direct their investing activities.

We provide liquidity facilities to certain third-party investment funds. The funds issue unsecured variable-rate preferred shares and invest in portfolios of tax-exempt municipal bonds. Undrawn liquidity commitments expose us to the liquidity risk of the preferred shares and drawn commitments expose us to the credit risk of the underlying municipal bonds. We do not consolidate these third-party managed funds as we do not have power to direct their investing activities.

Third-party securitization vehicles

We hold interests in securitization vehicles that provide funding to certain third parties on whose behalf the entities were created. The activities of these entities are limited to the purchase and sale of specified financial assets from the sponsor. We, as well as other financial institutions, are obligated to provide funding up to our maximum commitment level and are exposed to credit losses on the underlying assets after various credit enhancements. Enhancements can take various forms, including but not limited to overcollateralization, excess spread, subordinated classes of financial assets, guarantees or letters of credit. The amount of this enhancement varies but is generally designed to cover a multiple of historical losses. We do not consolidate these entities as we do not have decision-making power over the relevant activities, including the entities' investing and financing activities.

Other

Other unconsolidated structured entities include managed investment funds, alternative asset entities, arrangements to pass credit risk to third parties, credit investment products and tax credit funds.

We are sponsors and investment managers of mutual funds, pooled funds and alternative asset entities, which gives us the ability to direct the investment decisions of these entities. We do not consolidate these entities if we only exercise our decision-making power as an agent on behalf of other unit holders.

We use structured entities to generally transform credit derivatives into cash instruments, to distribute credit risk and to create customized credit products to meet investors' specific requirements. We enter into derivative contracts, including credit derivatives, to purchase protection from these entities (credit protection) and convert various risk factors such as yield, currency or credit risk of underlying assets to meet the needs of the investors. We act as sole arranger and swap provider for certain entities and, in some cases, fulfill other administrative functions for the entities. We do not consolidate these credit investment product entities as we do not have decision-making power over the relevant activities, which include selection of the collateral and reference portfolio, and are not exposed to a majority of the benefits or risks of the entities.

We created certain funds to pass through tax credits received from underlying low-income housing, historic rehabilitation real estate projects to third parties, new market tax credits or renewable energy tax credits to third parties (tax credit funds). We are sponsors of the tax credit funds as a result of our responsibility to manage the funds, arrange the financing, and perform the administrative duties of these tax credit funds. We do not consolidate the tax credit funds as the third-party investors in these funds have the decision-making power to select the underlying investments and are exposed to the majority of the residual ownership and tax risks of the funds.

We also purchase passive interests in renewable energy tax credit entities created and controlled by third parties. We do not consolidate these third-party funds as we do not have decision-making power over the relevant activities and our investments are managed as part of larger portfolios which are held for trading purposes.

Other interests in unconsolidated structured entities

In the normal course of business, we buy and sell passive interests in certain third-party structured entities, including mutual funds, exchange traded funds, and government-sponsored ABS vehicles. Our investments in these entities are managed as part of larger portfolios which are held for trading, liquidity or hedging purposes. We did not create or sponsor these entities and do not have any decision-making power over their ongoing activities. Our maximum exposure to loss is limited to our on-balance sheet investments in these entities, which are not included in the table above. As at October 31, 2025 and 2024, our investments in these entities were included in Trading and Investment securities on our Consolidated Balance Sheets. Refer to Note 3 and Note 4 for further details on our Trading and Investment securities.

Sponsored entities

We are a sponsor of certain structured entities in which we have interests but do not consolidate. In determining whether we are a sponsor of a structured entity, we consider both qualitative and quantitative factors, including the purpose and nature of the entity, our initial and continuing involvement and whether we hold subordinated interests in the entity. We are considered to be the sponsor of certain credit investment products, tax credit entities, RBC managed mutual funds and a commercial mortgage securitization vehicle. During the year ended October 31, 2025, we transferred commercial mortgages with a carrying amount of \$685 million (October 31, 2024 – \$nil) to a sponsored securitization vehicle in which we did not have any interests as at the end of the reporting period.

Note 9 Derivative financial instruments and hedging activities

Derivative instruments are categorized as either financial or non-financial derivatives. Financial derivatives are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, credit risk, and equity or equity index. Non-financial derivatives are contracts whose value is derived from a precious metal, commodity instrument or index. The notional amount of derivatives represents the contract amount used as a reference point to calculate payments.

Financial derivatives

Forwards and futures

Forward contracts are non-standardized agreements that are transacted between counterparties in the OTC market, whereas futures are standardized contracts with respect to amounts and settlement dates, and are traded on regular futures exchanges. Examples of forwards and futures are described below.

Interest rate forwards (forward rate agreements) and futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Foreign exchange forwards and futures are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date.

Equity forwards and futures are contractual obligations to buy or sell at a fixed value (the specified price) of an equity index, a basket of stocks or a single stock at a predetermined future date.

Swaps

Swaps are OTC contracts in which two counterparties exchange a series of cash flows based on agreed upon rates applied to a notional amount. Examples of swap agreements are described below.

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Certain interest rate swaps are transacted and settled through clearing houses which act as central counterparties. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Equity swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of an equity index, a basket of stocks or a single stock.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) a security, exchange rate, interest rate, or other financial instrument or commodity at a specified price, at or by a predetermined future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The various option agreements that we enter into include but are not limited to interest rate options, foreign currency options, equity options and index options.

Credit derivatives

Credit derivatives are OTC contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Certain credit default swaps are transacted and settled through clearing houses which act as central counterparties. Credit derivatives include credit default swaps, credit default baskets and total return swaps with debt securities as the underlying asset(s).

Credit default swaps provide protection against the decline in the value of the referenced asset as a result of specified credit events such as default or bankruptcy. They are similar in structure to an option, whereby the purchaser pays a premium to the seller of the credit default swap in return for payment contingent on a credit event affecting the referenced asset.

Credit default baskets are similar to credit default swaps except that the underlying referenced financial instrument is a group of assets instead of a single asset.

Total return swaps are contracts where one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a referenced asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

Other derivative products

Other derivative products include stable value derivatives.

Non-financial derivatives

Other contracts also include non-financial derivative products such as precious metal and commodity derivative contracts in both the OTC and exchange markets.

Derivatives issued for trading purposes

Most of our derivative transactions relate to client-driven sales and trading activities, and associated market risk hedging. Sales activities include the structuring and marketing of derivative products to clients, enabling them to modify or reduce risks.

Trading involves market-making, positioning and arbitrage activities. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenue based on spread and volume. Positioning involves the active management of derivative transactions with the expectation of profiting from favourable movements in prices, rates, or indices. Arbitrage activities involve identifying and profiting from price differentials between markets and product types.

Derivatives issued for other-than-trading purposes

We also use derivatives for purposes other than trading, primarily for hedging, in conjunction with the management of interest rate, credit, equity and foreign exchange risk related to our funding, lending, investment activities and asset/liability management.

Interest rate swaps are used to manage our exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or forecasted assets and liabilities, including funding and investment activities. Purchased options are used to hedge redeemable deposits and other options embedded in consumer products. We manage our exposure to foreign currency risk with cross currency swaps and foreign exchange forward contracts. We predominantly use credit derivatives to manage our credit exposures. We mitigate industry sector concentrations and single-name exposures related to our credit portfolio by purchasing credit derivatives to transfer credit risk to third parties.

Certain derivatives and cash instruments are specifically designated and qualify for hedge accounting. We also enter into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement.

Notional amount of derivatives by term to maturity (absolute amounts) (1)

(Millions of Canadian dollars)	As at October 31, 2025					
	Term to maturity				Trading	Other than Trading
	Within 1 year	1 through 5 years	Over 5 years	Total		
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 1,920,284	\$ 1,292,557	\$ 11,515	\$ 3,224,356	\$ 3,224,356	\$ –
Swaps	7,198,664	9,391,086	6,401,414	22,991,164	21,509,530	1,481,634
Options purchased	553,914	431,667	189,250	1,174,831	1,174,715	116
Options written	493,070	445,756	207,892	1,146,718	1,146,491	227
Foreign exchange contracts						
Forward contracts	3,184,117	151,308	9,319	3,344,744	3,192,939	151,805
Cross currency swaps	22,869	121,493	101,765	246,127	238,380	7,747
Cross currency interest rate swaps	1,575,261	2,557,260	1,395,392	5,527,913	5,452,212	75,701
Options purchased	656,329	118,521	1,734	776,584	776,175	409
Options written	667,756	107,799	1,163	776,718	776,716	2
Credit derivatives (2)	11,069	267,007	145,178	423,254	422,213	1,041
Other contracts (3)	572,876	213,935	26,947	813,758	796,157	17,601
Exchange-traded contracts						
Interest rate contracts						
Futures – long positions	263,750	155,590	2,614	421,954	421,954	–
Futures – short positions	660,032	159,865	2,739	822,636	822,333	303
Options purchased	47,629	5,684	–	53,313	53,313	–
Options written	65,477	10,429	–	75,906	75,906	–
Foreign exchange contracts						
Futures – long positions	15	–	–	15	15	–
Other contracts	714,199	190,536	28,799	933,534	933,534	–
	\$ 18,607,311	\$ 15,620,493	\$ 8,525,721	\$ 42,753,525	\$ 41,016,939	\$ 1,736,586

(Millions of Canadian dollars)	As at October 31, 2024					
	Term to maturity				Trading	Other than Trading
	Within 1 year	1 through 5 years	Over 5 years	Total		
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 1,097,367	\$ 672,436	\$ 7,017	\$ 1,776,820	\$ 1,776,820	\$ –
Swaps	6,181,369	8,714,891	5,597,447	20,493,707	19,291,405	1,202,302
Options purchased	206,649	407,730	155,843	770,222	770,181	41
Options written	217,379	384,448	179,408	781,235	781,113	122
Foreign exchange contracts						
Forward contracts	2,939,019	136,442	7,465	3,082,926	2,966,914	116,012
Cross currency swaps	23,204	108,912	75,843	207,959	199,481	8,478
Cross currency interest rate swaps	1,298,173	2,544,878	1,380,858	5,223,909	5,168,677	55,232
Options purchased	475,980	75,804	2,015	553,799	553,799	–
Options written	488,878	66,828	983	556,689	556,689	–
Credit derivatives (2)	4,055	135,505	118,732	258,292	257,333	959
Other contracts (3)	389,424	149,475	10,122	549,021	538,604	10,417
Exchange-traded contracts						
Interest rate contracts						
Futures – long positions	93,985	45,015	56	139,056	139,056	–
Futures – short positions	114,425	64,759	301	179,485	179,244	241
Options purchased	7,075	991	–	8,066	8,066	–
Options written	2,262	14	–	2,276	2,276	–
Foreign exchange contracts						
Futures – long positions	1	–	–	1	1	–
Other contracts	367,023	68,132	2,574	437,729	437,729	–
	\$ 13,906,268	\$ 13,576,260	\$ 7,538,664	\$ 35,021,192	\$ 33,627,388	\$ 1,393,804

- (1) The derivative notional amounts are determined using the standardized approach for measuring counterparty credit risk (SA-CCR) in accordance with the Capital Adequacy Requirements (CAR).
- (2) Credit derivatives with a notional value of \$1 billion (October 31, 2024 – \$1 billion) are economic hedges. Trading credit derivatives comprise protection purchased of \$218 billion (October 31, 2024 – \$135 billion) and protection sold of \$204 billion (October 31, 2024 – \$122 billion).
- (3) Other contracts exclude loan underwriting commitments of \$8 billion (October 31, 2024 – \$3 billion), which are not classified as derivatives under CAR guidelines.

Fair value of derivative instruments (1)

(Millions of Canadian dollars)	As at			
	October 31, 2025		October 31, 2024	
	Positive	Negative	Positive	Negative
Held or issued for trading purposes				
Interest rate contracts				
Forward rate agreements	\$ 112	\$ 153	\$ 147	\$ 68
Swaps	20,887	15,644	21,155	16,482
Options purchased	4,872	–	5,556	–
Options written	–	5,330	–	6,049
	25,871	21,127	26,858	22,599
Foreign exchange contracts				
Forward contracts	27,599	22,562	26,339	23,758
Cross currency swaps	9,202	5,545	7,316	4,912
Cross currency interest rate swaps	55,475	61,017	60,105	59,733
Options purchased	3,382	–	2,407	–
Options written	–	2,577	–	1,800
	95,658	91,701	96,167	90,203
Credit derivatives	349	258	270	216
Other contracts	52,988	69,249	26,325	46,420
	174,866	182,335	149,620	159,438
Held or issued for other-than-trading purposes				
Interest rate contracts				
Swaps	293	453	1,215	3,100
	293	453	1,215	3,100
Foreign exchange contracts				
Forward contracts	2,311	1,929	1,235	682
Cross currency swaps	482	73	207	46
Cross currency interest rate swaps	2,255	1,388	874	2,287
	5,048	3,390	2,316	3,015
Credit derivatives	3	4	3	2
Other contracts	143	61	79	77
	5,487	3,908	3,613	6,194
Total gross fair values before:	180,353	186,243	153,233	165,632
Valuation adjustments determined on a pooled basis	(1,080)	(223)	(1,053)	(301)
Impact of netting agreements that qualify for balance sheet offset	(2,067)	(2,067)	(1,568)	(1,568)
	\$ 177,206	\$ 183,953	\$ 150,612	\$ 163,763

(1) The fair value reflects the impact of characterizing the daily variation margin as settlement of the related derivative fair values as permitted by certain central counterparties.

Fair value of derivative instruments by term to maturity (1)

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Less than 1 year	1 through 5 years	Over 5 years	Total	Less than 1 year	1 through 5 years	Over 5 years	Total
Derivative assets	\$ 73,626	56,086	47,494	\$ 177,206	\$ 54,660	48,765	47,187	\$ 150,612
Derivative liabilities	79,691	57,630	46,632	183,953	67,886	51,170	44,707	163,763

(1) The fair value reflects the impact of characterizing the daily variation margin as settlement of the related derivative fair values as permitted by certain central counterparties.

Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to us. Therefore, derivative-related credit risk is represented by the positive fair value of the financial instrument and is normally a small fraction of the contract's notional amount.

We subject our derivative transactions to the same credit approval, limit and monitoring standards that we use for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process. We use a single internal rating system for all credit risk exposure, as outlined in the internal ratings maps in the Credit risk section of Management's Discussion and Analysis.

Offsetting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master netting agreements and achieved when specific criteria are met in accordance with our accounting policy in Note 2. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default. However, credit risk is reduced only to the extent that our financial obligations to the same counterparty can be set off against obligations of the counterparty to us. We maximize the use of master netting agreements to reduce derivative-related credit exposure. Our overall exposure to credit risk that is reduced through master netting agreements may change substantially following the reporting date as the exposure is affected by each transaction subject to the agreement as well as by changes in underlying market factors. Measurement of our credit exposure arising out of derivative transactions is reduced to reflect the effects of netting in cases where the enforceability of that netting is supported by appropriate legal analysis as documented in our trading credit risk policies.

The use of collateral is another significant credit mitigation technique for managing derivative-related counterparty credit risk. Mark-to-market provisions in our agreements with some counterparties, typically in the form of a Credit Support Annex, provide us with the right to request that the counterparty collateralize the current market value of its derivatives positions when the value exceeds a specified threshold amount.

Replacement cost and credit equivalent amounts are determined using SA-CCR in accordance with the OSFI CAR guidelines. The replacement cost represents the total fair value of all outstanding contracts in a gain position after factoring in the master netting agreements and applicable margins. The credit equivalent amount is defined as the replacement cost plus an additional amount for potential future credit exposure, scaled by a regulatory factor. The risk-weighted equivalent is determined by applying appropriate risk weights to the credit equivalent amount, including those risk weights reflective of model approval under the internal ratings-based approach.

Derivative-related credit risk ⁽¹⁾

(Millions of Canadian dollars)	As at					
	October 31, 2025			October 31, 2024		
	Replacement cost	Credit equivalent amount	Risk-weighted equivalent ⁽²⁾	Replacement cost	Credit equivalent amount	Risk-weighted equivalent ⁽²⁾
Over-the-counter contracts						
Interest rate contracts						
Forward rate agreements	\$ 43	\$ 700	\$ 136	\$ 8	\$ 231	\$ 43
Swaps	7,674	20,723	3,045	6,926	17,760	2,747
Options purchased	90	752	147	317	859	135
Options written	62	474	137	49	398	104
Foreign exchange contracts						
Forward contracts	7,412	35,560	6,425	8,077	33,908	6,693
Swaps	3,432	21,172	2,730	3,915	21,709	2,703
Options purchased	871	2,614	665	877	2,315	587
Options written	136	611	128	117	476	98
Credit derivatives	838	2,614	132	608	2,336	191
Other contracts	1,446	24,385	4,915	1,773	20,981	4,756
Exchange-traded contracts	12,034	24,367	508	10,084	19,023	380
	\$ 34,038	\$ 133,972	\$ 18,968	\$ 32,751	\$ 119,996	\$ 18,437

(1) The amounts presented are net of master netting agreements in accordance with CAR guidelines.

(2) The risk-weighted balances are calculated in accordance with CAR guidelines and exclude CVA of \$20 billion (October 31, 2024 – \$18 billion).

Replacement cost of derivative instruments by risk rating and by counterparty type

(Millions of Canadian dollars)	As at October 31, 2025								
	Risk rating ⁽¹⁾					Counterparty type ⁽²⁾			
	AAA, AA	A	BBB	BB or lower	Total	Banks	OECD governments	Other	Total
Gross positive fair values	\$ 28,649	\$ 85,952	\$ 28,251	\$ 37,501	\$ 180,353	\$ 75,797	\$ 44,072	\$ 60,484	\$ 180,353
Impact of master netting agreements and applicable margins	15,681	76,267	21,738	32,629	146,315	74,434	43,386	28,495	146,315
Replacement cost (after netting agreements)	\$ 12,968	\$ 9,685	\$ 6,513	\$ 4,872	\$ 34,038	\$ 1,363	\$ 686	\$ 31,989	\$ 34,038

(Millions of Canadian dollars)	As at October 31, 2024								
	Risk rating ⁽¹⁾					Counterparty type ⁽²⁾			
	AAA, AA	A	BBB	BB or lower	Total	Banks	OECD governments	Other	Total
Gross positive fair values	\$ 31,561	\$ 77,933	\$ 25,206	\$ 18,533	\$ 153,233	\$ 75,119	\$ 24,655	\$ 53,459	\$ 153,233
Impact of master netting agreements and applicable margins	18,644	67,995	19,046	14,797	120,482	73,763	24,289	22,430	120,482
Replacement cost (after netting agreements)	\$ 12,917	\$ 9,938	\$ 6,160	\$ 3,736	\$ 32,751	\$ 1,356	\$ 366	\$ 31,029	\$ 32,751

(1) Our internal risk ratings of AAA, AA, A and BBB represent investment grade ratings and ratings of BB or lower represent non-investment grade ratings, as outlined in the internal ratings maps in the Credit risk section of Management's Discussion and Analysis.

(2) Counterparty type is defined in accordance with CAR guidelines.

Derivatives in hedging relationships

We apply hedge accounting to minimize volatility in earnings and capital caused by changes in interest rates or foreign exchange rates. Interest rate and currency fluctuations will either cause assets and liabilities to appreciate or depreciate in market value or cause variability in forecasted cash flows. When a hedging relationship is effective, gains, losses, revenue and expenses of the hedging instrument will offset the gains, losses, revenue and expenses of the hedged item. Refer to Note 2 for our policies on hedge accounting including presentation of hedge effectiveness and ineffectiveness amounts.

We assess and measure the effectiveness of a hedging relationship based on the change in the fair value or cash flows of the derivative hedging instrument relative to the change in the fair value or cash flows of the hedged item attributable to the hedged risk. When cash instruments are designated as hedges of foreign exchange risks, only changes in their value due to foreign exchange risk are included in the assessment and measurement of hedge effectiveness. Potential sources of ineffectiveness can be attributed to differences between hedging instruments and hedged items:

- Mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset and frequency of payment.
- Difference in the discounting factors between the hedged item and the hedging instrument, taking into consideration the different reset frequency of the hedged item and hedging instrument.
- Hedging derivatives with a non-zero fair value at inception date of the hedging relationship, resulting in mismatch in terms with the hedged item.

Below is a description of our risk management strategy for each risk exposure that we decide to hedge:

Interest rate risk

We use interest rate contracts to manage our exposure to interest rate risk by modifying the repricing characteristics of existing and/or forecasted assets and liabilities, including funding and investment activities. The swaps are designated in either a fair value hedge or a cash flow hedge.

For fair value hedges, we use interest rate contracts to manage the fair value movements of our fixed rate instruments due to changes in benchmark interest. The interest rate swaps are entered into on a one-to-one basis to manage the benchmark interest rate risk, and its terms are critically matched to the specified fixed rate instruments.

We also use interest rate swaps in fair value hedges to manage interest rate risk from residential mortgage assets and funding liabilities. Our exposure from this portfolio changes with the origination of new loans, repayments of existing loans and sale of securitized mortgages. Accordingly, we have adopted dynamic hedging for that portfolio, in which the hedge relationship is rebalanced on a more frequent basis, such as on a bi-weekly or on a monthly basis.

For cash flow hedges, we use interest rate contracts to manage the exposure to cash flow variability of our variable rate instruments as a result of changes in benchmark interest rates. Whilst some of the interest rate swaps are entered into on a one-to-one basis to manage a specific exposure, other interest rate swaps may be entered into for managing interest rate risks of a portfolio of assets and liabilities.

Foreign exchange risk

We manage our exposure to foreign currency risk with cross currency swaps in a cash flow hedge, and foreign exchange forward contracts in a net investment hedge. Certain cash instruments may also be designated in a net investment hedge, where applicable.

For cash flow hedges, we use cross currency swaps and forward contracts to manage the cash flow variability arising from fluctuations in foreign exchange rates on our issued foreign denominated fixed rate liabilities and highly probable forecasted transactions. The maturity profile and repayment terms of these swaps are matched to those of our foreign denominated exposures to limit our cash flow volatility from changes in foreign exchange rates.

For net investment hedges, we use a combination of foreign exchange forwards and cash instruments, such as foreign denominated deposit liabilities, to manage our foreign exchange risk arising from our investments in foreign operations. Our most significant exposures include USD, GBP and Euro. When hedging net investments in foreign operations using foreign exchange forwards, only the undiscounted spot element of the foreign exchange forward is designated as the hedging instrument. Accordingly, changes in the fair value of the hedging instrument as a result of changes in forward rates and the effects of discounting are not included in the hedging effectiveness assessment. Foreign operations are only hedged to the extent of the principal of the foreign denominated deposit liabilities or notional amount of the derivative; we generally do not expect to incur significant ineffectiveness on hedges of net investments in foreign operations.

Equity price risk

We use total return swaps in cash flow hedges to mitigate the cash flow variability of the expected payment associated with our cash settled share-based compensation plan for certain key employees by exchanging interest payments for indexed RBC share price change and dividend returns.

Credit risk

We predominantly use credit derivatives to economically hedge our credit exposures. We mitigate industry sector concentrations and single-name exposures related to our credit portfolio by purchasing credit derivatives to transfer credit risk to third parties.

Derivative instruments designated in hedging relationships (1)

The following table presents the fair values of the derivative instruments and the principal amounts of the non-derivative liabilities, categorized by their hedging relationships, as well as derivatives that are not designated in hedging relationships.

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Designated as hedging instruments in hedging relationships			Not designated in a hedging relationship	Designated as hedging instruments in hedging relationships			Not designated in a hedging relationship
Fair value	Cash flow	Net investment	Fair value		Cash flow	Net investment		
Assets								
Derivative instruments	\$ 22	\$ 538	\$ 21	\$ 176,625	\$ 18	\$ 298	\$ 4	\$ 150,292
Liabilities								
Derivative instruments	5	73	120	183,755	59	27	433	163,244
Non-derivative instruments	–	–	45,106	n.a.	–	–	37,833	n.a.

(1) The fair value reflects the impact of characterizing the daily variation margin as settlement of the related derivative fair values as permitted by certain central counterparties.

n.a. not applicable

The following tables provide the remaining term to maturity analysis of the notional amounts and the weighted average rates of the hedging instruments and their carrying amounts by types of hedging relationships:

Fair value hedges

(Millions of Canadian dollars, except average rates)	As at October 31, 2025						
	Notional amounts				Carrying amount (1)		
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities	
Interest rate risk							
Interest rate contracts							
Hedge of fixed rate assets	\$ 30,131	\$ 112,640	\$ 52,846	\$ 195,617	\$ 17	\$ 5	
Hedge of fixed rate liabilities	31,934	67,365	13,277	112,576	5	–	
Weighted average fixed interest rate							
Hedge of fixed rate assets	2.9%	3.4%	3.6%	3.4%			
Hedge of fixed rate liabilities	2.3%	3.3%	2.9%	3.0%			

(Millions of Canadian dollars, except average rates)	As at October 31, 2024						
	Notional amounts				Carrying amount (1)		
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities	
Interest rate risk							
Interest rate contracts							
Hedge of fixed rate assets	\$ 11,396	\$ 68,563	\$ 38,343	\$ 118,302	\$ 10	\$ 55	
Hedge of fixed rate liabilities	32,496	71,668	17,267	121,431	8	4	
Weighted average fixed interest rate							
Hedge of fixed rate assets	3.8%	3.8%	3.5%	3.7%			
Hedge of fixed rate liabilities	2.9%	2.8%	3.1%	2.8%			

(1) The carrying amount reflects the impact of characterizing the daily variation margin as settlement of the related derivative fair values as permitted by certain central counterparties.

Cash flow hedges

	As at October 31, 2025					
	Notional amounts				Carrying amount (1)	
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities
(Millions of Canadian dollars, except average rates)						
Interest rate risk						
Interest rate contracts						
Hedge of variable rate assets	\$ 95,516	\$ 136,952	\$ 9,274	\$ 241,742	\$ –	\$ –
Hedge of variable rate liabilities	47,782	73,620	31,296	152,698	–	–
Weighted average fixed interest rate						
Hedge of variable rate assets	3.1%	3.2%	3.4%	3.2%		
Hedge of variable rate liabilities	4.0%	3.1%	2.9%	3.3%		
Foreign exchange risk						
Cross currency swaps						
Hedge of fixed rate assets	\$ 183	\$ 1,000	\$ –	\$ 1,183	\$ –	\$ 73
Hedge of fixed rate liabilities	1,212	3,233	–	4,445	482	–
Weighted average CAD-EUR exchange rate	1.49	1.41	n.a.	1.43		
Weighted average CAD-USD exchange rate	1.34	1.34	n.a.	1.34		

	As at October 31, 2024					
	Notional amounts				Carrying amount (1)	
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities
(Millions of Canadian dollars, except average rates)						
Interest rate risk						
Interest rate contracts						
Hedge of variable rate assets	\$ 91,698	\$ 133,684	\$ 6,831	\$ 232,213	\$ –	\$ –
Hedge of variable rate liabilities	46,390	101,339	33,845	181,574	–	–
Weighted average fixed interest rate						
Hedge of variable rate assets	4.1%	3.5%	3.5%	3.7%		
Hedge of variable rate liabilities	4.1%	3.6%	2.9%	3.6%		
Foreign exchange risk						
Cross currency swaps						
Hedge of fixed rate assets	\$ –	\$ 936	\$ –	\$ 936	\$ 9	\$ 21
Hedge of fixed rate liabilities	–	4,163	–	4,163	198	6
Weighted average CAD-EUR exchange rate	n.a.	1.43	n.a.	1.43		
Weighted average CAD-USD exchange rate	n.a.	1.34	n.a.	1.34		

(1) The carrying amount reflects the impact of characterizing the daily variation margin as settlement of the related derivative fair values as permitted by certain central counterparties.

n.a. not applicable

Net investment hedges

	As at October 31, 2025					
	Notional/Principal				Carrying amount	
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities
(Millions of Canadian dollars, except average rates)						
Foreign exchange risk						
Foreign currency liabilities	\$ 12,069	\$ 29,973	\$ 3,290	\$ 45,332	n.a.	\$ 45,106
Weighted average CAD-USD exchange rate	1.31	1.38	1.34	1.36		
Weighted average CAD-EUR exchange rate	n.a.	n.a.	n.a.	n.a.		
Weighted average CAD-GBP exchange rate	n.a.	1.78	n.a.	1.78		
Forward contracts	\$ 11,388	\$ –	\$ –	\$ 11,388	\$ 21	\$ 120
Weighted average CAD-USD exchange rate	1.39	n.a.	n.a.	1.39		
Weighted average CAD-EUR exchange rate	1.62	n.a.	n.a.	1.62		
Weighted average CAD-GBP exchange rate	1.86	n.a.	n.a.	1.86		

	As at October 31, 2024					
	Notional/Principal				Carrying amount	
	Within 1 year	1 through 5 years	Over 5 years	Total	Assets	Liabilities
(Millions of Canadian dollars, except average rates)						
Foreign exchange risk						
Foreign currency liabilities	\$ 4,540	\$ 27,649	\$ 6,505	\$ 38,694	n.a.	\$ 37,833
Weighted average CAD-USD exchange rate	1.33	1.34	1.34	1.34		
Weighted average CAD-EUR exchange rate	n.a.	n.a.	n.a.	n.a.		
Weighted average CAD-GBP exchange rate	1.71	1.76	n.a.	1.73		
Forward contracts	\$ 19,926	\$ –	\$ –	\$ 19,926	\$ 4	\$ 433
Weighted average CAD-USD exchange rate	1.36	n.a.	n.a.	1.36		
Weighted average CAD-EUR exchange rate	1.50	n.a.	n.a.	1.50		
Weighted average CAD-GBP exchange rate	1.79	n.a.	n.a.	1.79		

n.a. not applicable

The following tables present the details of the hedged items categorized by their hedging relationships:

Fair value hedges – Assets and liabilities designated as hedged items

As at and for the year ended October 31, 2025						
(Millions of Canadian dollars)	Carrying amount		Accumulated amount of fair value adjustments on the hedged item included in the carrying amount		Consolidated Balance Sheet items:	Changes in fair values used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed rate assets (1)					Securities – Investment, net of applicable allowance; Loans – Retail; Loans – Wholesale	
Fixed rate liabilities (1)	\$ 192,744	\$ –	\$ 1,027	\$ –	Deposits – Personal; Deposits – Business and government; Subordinated debentures; Deposits – Bank	\$ 1,698
	–	109,255	–	(499)		(1,812)

As at and for the year ended October 31, 2024						
(Millions of Canadian dollars)	Carrying amount		Accumulated amount of fair value adjustments on the hedged item included in the carrying amount		Consolidated Balance Sheet items:	Changes in fair values used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed rate assets (1)					Securities – Investment, net of applicable allowance; Loans – Retail; Loans – Wholesale	
Fixed rate liabilities (1)	\$ 114,354	\$ –	\$ (666)	\$ –	Deposits – Personal; Deposits – Business and government; Subordinated debentures; Deposits – Bank	\$ 2,702
	–	118,116	–	(2,312)		(3,963)

(1) As at October 31, 2025, the accumulated amount of fair value hedge adjustments remaining on our Consolidated Balance Sheets for hedged items that have ceased to be adjusted for hedging gains and losses is a loss of \$78 million for fixed rate assets and a gain of \$9 million for fixed rate liabilities (October 31, 2024 – loss of \$238 million and gain of \$118 million, respectively).

Cash flow and net investment hedges – Assets and liabilities designated as hedged items

		As at and for the year ended October 31, 2025			
		Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge/foreign currency translation reserve		
(Millions of Canadian dollars)	Consolidated Balance Sheet items:		Continuing hedges	Discontinued hedges	
Cash flow hedges					
Interest rate risk					
Variable rate assets	Securities – Investment, net of applicable allowance; Loans – Retail; Loans – Wholesale; Interest bearing deposits with banks; Assets purchased under reverse repurchase agreements and securities borrowed	\$ (1,561)	\$ 2,934	\$ (481)	
Variable rate liabilities	Deposits – Business and government; Deposits – Personal; Obligations related to assets sold under repurchase agreements and securities loaned	976	(1,643)	2,520	
Foreign exchange risk					
Fixed rate assets	Securities – Investment, net of applicable allowance	56	13	–	
Fixed rate liabilities	Deposits – Business and government	(305)	(51)	–	
Net investment hedges					
Foreign exchange risk					
Foreign subsidiaries	n.a.	433	(8,514)	(306)	

		As at and for the year ended October 31, 2024			
		Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge/foreign currency translation reserve		
(Millions of Canadian dollars)	Consolidated Balance Sheet items:		Continuing hedges	Discontinued hedges	
Cash flow hedges					
Interest rate risk					
Variable rate assets	Securities – Investment, net of applicable allowance; Loans – Retail; Loans – Wholesale; Interest bearing deposits with banks; Assets purchased under reverse repurchase agreements and securities borrowed	\$ (4,415)	\$ 2,645	\$ (2,216)	
Variable rate liabilities	Deposits – Business and government; Deposits – Personal; Obligations related to assets sold under repurchase agreements and securities loaned	4,437	(1,801)	4,557	
Foreign exchange risk					
Fixed rate assets	Securities – Investment, net of applicable allowance	7	13	–	
Fixed rate liabilities	Deposits – Business and government	(106)	(52)	–	
Net investment hedges					
Foreign exchange risk					
Foreign subsidiaries	n.a.	710	(8,005)	(382)	

n.a. not applicable

Effectiveness of designated hedging relationships

	For the year ended October 31, 2025			
	Change in fair value of hedging instrument	Hedge ineffectiveness recognized in income (1)	Changes in the value of the hedging instrument recognized in OCI	Amount reclassified from hedge reserves to income
(Millions of Canadian dollars)				
Fair value hedges				
Interest rate risk				
Interest rate contracts – fixed rate assets	\$ (1,773)	\$ (75)	n.a.	n.a.
Interest rate contracts – fixed rate liabilities	1,808	(4)	n.a.	n.a.
Cash flow hedges				
Interest rate risk				
Interest rate contracts – variable rate assets	1,543	(13)	\$ 1,604	\$ (344)
Interest rate contracts – variable rate liabilities	(941)	17	(974)	828
Foreign exchange risk				
Cross currency swap – fixed rate assets	(56)	–	(50)	(50)
Cross currency swap – fixed rate liabilities	305	–	246	246
Net investment hedges				
Foreign exchange risk				
Foreign currency liabilities	(92)	–	(92)	–
Forward contracts	(341)	–	(341)	–

	For the year ended October 31, 2024			
	Change in fair value of hedging instrument	Hedge ineffectiveness recognized in income (1)	Changes in the value of the hedging instrument recognized in OCI	Amount reclassified from hedge reserves to income
(Millions of Canadian dollars)				
Fair value hedges				
Interest rate risk				
Interest rate contracts – fixed rate assets	\$ (2,761)	\$ (59)	n.a.	n.a.
Interest rate contracts – fixed rate liabilities	3,961	(2)	n.a.	n.a.
Cash flow hedges				
Interest rate risk				
Interest rate contracts – variable rate assets	4,416	15	\$ 2,559	\$ (3,195)
Interest rate contracts – variable rate liabilities	(4,325)	(19)	(2,600)	3,872
Foreign exchange risk				
Cross currency swap – fixed rate assets	(6)	–	1	(12)
Cross currency swap – fixed rate liabilities	107	2	70	122
Net investment hedges				
Foreign exchange risk				
Foreign currency liabilities	(455)	–	(455)	–
Forward contracts	(255)	–	(254)	(1)

(1) Hedge ineffectiveness recognized in income included losses of \$105 million that are excluded from the assessment of hedge effectiveness and are offset by economic hedges (October 31, 2024 – losses of \$50 million).

n.a. not applicable

Reconciliation of components of equity

The following table provides a reconciliation by risk category of each component of equity and an analysis of other comprehensive income relating to hedge accounting:

(Millions of Canadian dollars)	For the year ended October 31, 2025		For the year ended October 31, 2024	
	Cash flow hedge reserve	Foreign currency translation reserve	Cash flow hedge reserve	Foreign currency translation reserve
Balance at the beginning of the year	\$ 2,267	\$ 7,128	\$ 2,756	\$ 6,612
Cash flow hedges				
Effective portion of changes in fair value:				
Interest rate risk	630		(40)	
Foreign exchange risk	196		71	
Equity price risk	243		413	
Net amount reclassified to profit or loss:				
Ongoing hedges:				
Interest rate risk	(81)		134	
Foreign exchange risk	(196)		(110)	
Equity price risk	(245)		(350)	
De-designated hedges:				
Interest rate risk	(403)		(811)	
Hedges of net investment in foreign operations				
Foreign exchange denominated debt		(92)		(455)
Forward foreign exchange contracts		(341)		(254)
Foreign currency translation differences for foreign operations		826		1,018
Reclassification of losses (gains) on foreign currency translation to income		(25)		–
Reclassification of losses (gains) on net investment hedging activities to income		–		1
Tax on movements on reserves during the period	(33)	117	204	206
Balance at the end of the year	\$ 2,378	\$ 7,613	\$ 2,267	\$ 7,128

Note 10 Premises and equipment

(Millions of Canadian dollars)	For the year ended October 31, 2025								
	Owned by the Bank (1)					Right-of-use lease assets			
	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Buildings	Equipment	Total (2)
Cost									
Balance at beginning of period	\$ 244	\$ 1,325	\$ 1,411	\$ 900	\$ 3,169	\$ 129	\$ 6,432	\$ 319	\$ 13,929
Additions	–	11	45	11	48	641	518	159	1,433
Acquisition through business combination	–	–	–	–	–	–	–	–	–
Transfers from work in process	–	26	317	61	166	(570)	–	–	–
Disposals	–	(16)	(290)	(74)	(288)	–	(61)	(36)	(765)
Foreign exchange translation	–	5	7	3	15	1	42	–	73
Other	(90)	(56)	2	(38)	(37)	–	52	–	(167)
Balance at end of period	\$ 154	\$ 1,295	\$ 1,492	\$ 863	\$ 3,073	\$ 201	\$ 6,983	\$ 442	\$ 14,503
Accumulated depreciation									
Balance at beginning of period	\$ –	\$ 694	\$ 834	\$ 554	\$ 2,072	\$ –	\$ 2,685	\$ 238	\$ 7,077
Depreciation	–	53	260	81	231	–	581	80	1,286
Disposals	–	(19)	(289)	(68)	(287)	–	(19)	(32)	(714)
Foreign exchange translation	–	2	5	2	7	–	14	–	30
Other	–	9	12	(31)	15	–	–	–	5
Balance at end of period	\$ –	\$ 739	\$ 822	\$ 538	\$ 2,038	\$ –	\$ 3,261	\$ 286	\$ 7,684
Net carrying amount at end of period	\$ 154	\$ 556	\$ 670	\$ 325	\$ 1,035	\$ 201	\$ 3,722	\$ 156	\$ 6,819

(Millions of Canadian dollars)	For the year ended October 31, 2024								
	Owned by the Bank (1)					Right-of-use lease assets			
	Land	Buildings	Computer equipment	Furniture, fixtures and other equipment	Leasehold improvements	Work in process	Buildings	Equipment	Total (2)
Cost									
Balance at beginning of period	\$ 140	\$ 1,251	\$ 1,283	\$ 835	\$ 3,007	\$ 108	\$ 5,893	\$ 317	\$ 12,834
Additions	103	77	21	11	50	522	526	2	1,312
Acquisition through business combination	–	–	–	13	59	–	226	–	298
Transfers from work in process	–	5	240	132	102	(479)	–	–	–
Disposals	–	(6)	(140)	(82)	(29)	–	(165)	–	(422)
Foreign exchange translation	1	2	10	3	19	–	61	–	96
Other	–	(4)	(3)	(12)	(39)	(22)	(109)	–	(189)
Balance at end of period	\$ 244	\$ 1,325	\$ 1,411	\$ 900	\$ 3,169	\$ 129	\$ 6,432	\$ 319	\$ 13,929
Accumulated depreciation									
Balance at beginning of period	\$ –	\$ 646	\$ 723	\$ 550	\$ 1,863	\$ –	\$ 2,149	\$ 154	\$ 6,085
Depreciation	–	59	249	73	279	–	620	84	1,364
Disposals	–	(6)	(140)	(82)	(25)	–	(54)	–	(307)
Foreign exchange translation	–	1	8	2	7	–	21	–	39
Other	–	(6)	(6)	11	(52)	–	(51)	–	(104)
Balance at end of period	\$ –	\$ 694	\$ 834	\$ 554	\$ 2,072	\$ –	\$ 2,685	\$ 238	\$ 7,077
Net carrying amount at end of period	\$ 244	\$ 631	\$ 577	\$ 346	\$ 1,097	\$ 129	\$ 3,747	\$ 81	\$ 6,852

(1) As at October 31, 2025, we had total contractual commitments of \$160 million to purchase premises and equipment (October 31, 2024 – \$137 million).

(2) Includes investment properties with a cost of \$34 million (October 31, 2024 – \$186 million) which are subject to operating leases and carried at cost less accumulated amortization. The fair value, determined by a combination of internal investment professionals and external independent property appraisers with the relevant professional qualifications and experience, is \$34 million (October 31, 2024 – \$188 million).

Lease payments

Total lease payments for the year ended October 31, 2025 were \$1,668 million, of which \$778 million or 47% relates to variable payments and \$890 million or 53% relates to fixed payments. Total lease payments for the year ended October 31, 2024 were \$1,440 million, of which \$708 million or 49% relates to variable payments and \$732 million or 51% relates to fixed payments.

Total variable lease payments not included in the measurement of lease liabilities were \$726 million for the year ended October 31, 2025 (October 31, 2024 – \$697 million).

Note 11 Goodwill and other intangible assets

Goodwill

(Millions of Canadian dollars)	For the year ended October 31, 2025										
	Personal Banking – Canada	Caribbean Banking	Commercial Banking	Canadian Wealth Management	Global Asset Management	U.S. Wealth Management (including City National)	International Wealth Management	Investor Services	Insurance	Capital Markets	Total
Balance at beginning of period	\$ 4,994	\$ 1,798	\$ 3,815	\$ 877	\$ 2,164	\$ 3,091	\$ 1,198	\$ 29	\$ 112	\$ 1,208	\$ 19,286
Acquisitions	–	–	–	–	–	–	–	–	–	–	–
Currency translations and other	(25)	21	(25)	6	79	22	34	–	–	7	119
Balance at end of period	\$ 4,969	\$ 1,819	\$ 3,790	\$ 883	\$ 2,243	\$ 3,113	\$ 1,232	\$ 29	\$ 112	\$ 1,215	\$ 19,405

(Millions of Canadian dollars)	For the year ended October 31, 2024										
	Personal Banking – Canada	Caribbean Banking	Commercial Banking	Canadian Wealth Management	Global Asset Management	U.S. Wealth Management (including City National)	International Wealth Management	Investor Services	Insurance	Capital Markets	Total
Balance at beginning of period	\$ 1,851	\$ 1,791	\$ 793	\$ 593	\$ 2,016	\$ 3,080	\$ 1,124	\$ 29	\$ 112	\$ 1,205	\$ 12,594
Acquisitions	3,159	–	3,022	283	72	–	–	–	–	–	6,536
Currency translations and other	(16)	7	–	1	76	11	74	–	–	3	156
Balance at end of period	\$ 4,994	\$ 1,798	\$ 3,815	\$ 877	\$ 2,164	\$ 3,091	\$ 1,198	\$ 29	\$ 112	\$ 1,208	\$ 19,286

We perform our annual impairment test by comparing the carrying amount of each CGU to its recoverable amount. The recoverable amount of a CGU is represented by its VIU, except in circumstances where the carrying amount of a CGU exceeds its VIU. In such cases, the greater of the CGU's FVLCD and its VIU is the recoverable amount. Our annual impairment test is performed as at August 1.

In our 2025 and 2024 annual impairment tests, the recoverable amount of our Caribbean Banking CGU was based on its FVLCD and the recoverable amounts of all other CGUs tested were based on their VIU.

Value in use

We calculate VIU using a five-year discounted cash flow method, with the exception of our International Wealth Management CGU where cash flow projections covering a seven-year period were used, which more closely aligns with the strategic growth plan resulting from the acquisition of RBC Brewin Dolphin. Future cash flows are based on financial plans agreed by management, estimated based on forecast results, business initiatives, capital required to support future cash flows and returns to shareholders. Key drivers of future cash flows include net interest margins and average interest-earning assets. The values assigned to these drivers over the forecast period are based on past experience, external and internal economic forecasts, and management's expectations of the impact of economic conditions on our financial results. Beyond the initial cash flow projection period, cash flows are assumed to increase at a constant rate using a nominal long-term growth rate (terminal growth rate). Terminal growth rates are based on the long-term steady state growth expectations in the countries within which the CGU operates. The discount rates used to determine the present value of each CGU's projected future cash flows are based on the bank-wide cost of capital, adjusted for the risks to which each CGU is exposed. CGU-specific risks include: country risk, business/operational risk, geographic risk (including political risk, devaluation risk, and government regulation), currency risk, and price risk (including product pricing risk and inflation).

The estimation of VIU involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. The sensitivity of the VIU to key inputs and assumptions used was tested by recalculating the recoverable amount using reasonably possible changes to those parameters. As at August 1, 2025, no reasonably possible change in an individual key input or assumption, as described, would result in a CGU's carrying amount exceeding its recoverable amount based on VIU.

The terminal growth rates and pre-tax discount rates used in our discounted cash flow models are summarized below.

	As at			
	August 1, 2025		August 1, 2024	
	Discount rate (1)	Terminal growth rate	Discount rate (1)	Terminal growth rate
Group of cash generating units				
Personal Banking – Canada	10.8%	3.0%	11.7%	3.0%
Caribbean Banking	12.9	3.5	13.7	3.5
Commercial Banking	11.5	3.0	11.7	3.0
Canadian Wealth Management	11.8	3.0	12.5	3.0
Global Asset Management	11.8	3.0	12.4	3.0
U.S. Wealth Management (including City National)	12.4	3.0	12.6	3.0
International Wealth Management	12.1	3.0	12.3	3.0
Investor Services	11.9	3.0	12.5	3.0
Insurance	11.5	3.0	12.5	3.0
Capital Markets	13.0	3.0	12.7	3.0

(1) Pre-tax discount rates are determined implicitly based on post-tax discount rates.

Fair value less costs of disposal – Caribbean Banking

We calculated FVLCD using a discounted cash flow method that projects future cash flows over a 5-year period. Cash flows are based on management forecasts, adjusted to approximate the considerations of a prospective third-party buyer. Cash flows beyond the initial 5-year period are assumed to increase at a constant rate using a nominal long-term growth rate. Future cash flows, terminal growth rates, and discount rates are based on the same factors noted above. This fair value measurement is categorized as level 3 in the fair value hierarchy as certain significant inputs are not observable.

The estimation of FVLCD involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. The sensitivity of the FVLCD to key inputs and assumptions was tested by recalculating the recoverable amount using reasonably possible changes to those parameters. As at August 1, 2025, no reasonably possible change in an individual key input or assumption, as described, would result in the CGU's carrying amount exceeding its recoverable amount.

Other intangible assets

	For the year ended October 31, 2025					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships (1)	In process software	Total
(Millions of Canadian dollars)						
Gross carrying amount						
Balance at beginning of period	\$ 5,574	\$ 1,074	\$ 3,637	\$ 2,941	\$ 1,357	\$ 14,583
Additions	175	12	–	–	1,165	1,352
Acquisition through business combination	–	–	–	–	–	–
Transfers	844	83	–	–	(927)	–
Dispositions	(585)	(43)	–	–	(2)	(630)
Impairment losses	(37)	(1)	–	–	(10)	(48)
Currency translations	19	11	11	52	8	101
Other changes	111	(42)	–	(13)	(89)	(33)
Balance at end of period	\$ 6,101	\$ 1,094	\$ 3,648	\$ 2,980	\$ 1,502	\$ 15,325
Accumulated amortization						
Balance at beginning of period	\$ (3,387)	\$ (729)	\$ (1,663)	\$ (1,006)	\$ –	\$ (6,785)
Amortization charge for the year	(1,068)	(79)	(448)	(164)	–	(1,759)
Dispositions	591	42	–	–	–	633
Impairment losses	13	1	–	–	–	14
Currency translations	(13)	(8)	(10)	(11)	–	(42)
Other changes	23	(28)	–	21	–	16
Balance at end of period	\$ (3,841)	\$ (801)	\$ (2,121)	\$ (1,160)	\$ –	\$ (7,923)
Net balance at end of period	\$ 2,260	\$ 293	\$ 1,527	\$ 1,820	\$ 1,502	\$ 7,402

	For the year ended October 31, 2024					
	Internally generated software	Other software	Core deposit intangibles	Customer list and relationships (1)	In process software	Total
(Millions of Canadian dollars)						
Gross carrying amount						
Balance at beginning of period	\$ 5,595	\$ 1,097	\$ 1,658	\$ 2,456	\$ 1,527	\$ 12,333
Additions	31	4	–	9	1,090	1,134
Acquisition through business combination	–	–	1,972	370	–	2,342
Transfers	1,204	42	–	–	(1,246)	–
Dispositions	(1,204)	(67)	–	(9)	(1)	(1,281)
Impairment losses	(37)	(18)	–	–	(30)	(85)
Currency translations	32	17	7	115	3	174
Other changes	(47)	(1)	–	–	14	(34)
Balance at end of period	\$ 5,574	\$ 1,074	\$ 3,637	\$ 2,941	\$ 1,357	\$ 14,583
Accumulated amortization						
Balance at beginning of period	\$ (3,596)	\$ (658)	\$ (1,330)	\$ (846)	\$ –	\$ (6,430)
Amortization charge for the year	(986)	(102)	(325)	(136)	–	(1,549)
Dispositions	1,204	66	–	7	–	1,277
Impairment losses	12	5	–	–	–	17
Currency translations	(21)	(7)	(8)	(31)	–	(67)
Other changes	–	(33)	–	–	–	(33)
Balance at end of period	\$ (3,387)	\$ (729)	\$ (1,663)	\$ (1,006)	\$ –	\$ (6,785)
Net balance at end of period	\$ 2,187	\$ 345	\$ 1,974	\$ 1,935	\$ 1,357	\$ 7,798

(1) Includes \$259 million (October 31, 2024 – \$259 million) of mutual fund management contracts with indefinite useful lives in the Global Asset Management CGU acquired in the HSBC Canada transaction.

Note 12 Joint ventures and associated companies

We do not have any joint ventures or associated companies that are individually material to our financial results. The following table summarizes the carrying value of our interests in joint ventures and associated companies accounted for under the equity method as well as our share of the income of those entities.

(Millions of Canadian dollars)	Joint ventures		Associated companies	
	As at and for the year ended			
	October 31 2025	October 31 2024	October 31 2025	October 31 2024
Carrying amount	\$ 572	\$ 542	\$ 257	\$ 293
Share of:				
Net income (1)	\$ 82	\$ 64	\$ 1	\$ (41)

(1) Excludes impairment losses recognized on our interests in joint ventures and associated companies. During the year ended October 31, 2025, we recognized impairment losses of \$10 million in Non-interest income – Income (loss) from joint ventures and associates with respect to our interest in an associated company in our Wealth Management segment (October 31, 2024 – \$38 million).

Note 13 Other assets

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Accounts receivable and prepaids	\$ 5,027	\$ 4,389
Accrued interest receivable	8,342	7,904
Cash collateral	27,418	20,475
Commodity trading assets (1)	14,475	9,834
Deferred income tax asset	4,486	4,328
Employee benefit assets	4,012	3,630
Insurance-related assets		
Insurance contract assets	581	588
Reinsurance contracts held assets	1,774	1,758
Segregated fund net assets	3,810	3,378
Collateral loans and other	554	517
Investments in joint ventures and associates	829	835
Margin deposits	13,556	11,108
Precious metals (1)	9,108	6,018
Receivable from brokers, dealers and clients	4,667	3,343
Taxes receivable	8,696	7,418
Other	5,558	6,667
	\$ 112,893	\$ 92,190

(1) Amounts include financial assets disclosed in Note 3 and non-financial assets. Non-financial assets primarily consist of commodities measured at fair value less cost to sell. The fair values are determined by applying valuation techniques using commodity futures' prices and are classified as Level 2 in our fair value hierarchy as the inputs are observable.

Note 14 Deposits

(Millions of Canadian dollars)	As at							
	October 31, 2025				October 31, 2024			
	Demand (1)	Notice (2)	Term (3)	Total	Demand (1)	Notice (2)	Term (3)	Total
Personal	\$ 228,282	\$ 56,988	\$ 244,470	\$ 529,740	\$ 205,714	\$ 62,845	\$ 253,580	\$ 522,139
Business and government	431,239	20,274	494,801	946,314	369,943	20,157	449,570	839,670
Bank	13,488	–	26,074	39,562	9,675	641	37,406	47,722
	\$ 673,009	\$ 77,262	\$ 765,345	\$ 1,515,616	\$ 585,332	\$ 83,643	\$ 740,556	\$ 1,409,531
Non-interest-bearing (4)								
Canada	\$ 158,771	\$ 9,469	\$ 292	\$ 168,532	\$ 144,712	\$ 7,164	\$ 203	\$ 152,079
United States	38,009	–	–	38,009	38,520	–	–	38,520
Europe (5)	5	–	–	5	11	–	–	11
Other International	8,133	–	–	8,133	7,758	–	–	7,758
Interest-bearing (4)								
Canada	392,120	16,417	591,636	1,000,173	355,221	14,468	594,066	963,755
United States	63,745	50,497	73,147	187,389	28,389	61,087	75,933	165,409
Europe (5)	6,354	742	76,972	84,068	5,013	851	53,295	59,159
Other International	5,872	137	23,298	29,307	5,708	73	17,059	22,840
	\$ 673,009	\$ 77,262	\$ 765,345	\$ 1,515,616	\$ 585,332	\$ 83,643	\$ 740,556	\$ 1,409,531

- (1) Demand deposits are deposits for which we do not have the right to require notice of withdrawal, which include both savings and chequing accounts.
(2) Notice deposits are deposits for which we can legally require notice of withdrawal. These deposits are primarily savings accounts.
(3) Term deposits are deposits payable on a fixed date, and include term deposits, guaranteed investment certificates and similar instruments.
(4) The geographical splits of the deposits are based on the point of origin of the deposits and where the revenue is recognized. As at October 31, 2025, deposits denominated in U.S. dollars, British pounds, Euro and other foreign currencies were \$570 billion, \$42 billion, \$76 billion and \$36 billion, respectively (October 31, 2024 – \$511 billion, \$34 billion, \$53 billion and \$29 billion, respectively).
(5) Europe includes the United Kingdom and the Channel Islands.

Contractual maturities of term deposits (1)

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Within 1 year:		
less than 3 months	\$ 203,075	\$ 207,698
3 to 6 months	118,734	94,585
6 to 12 months	172,583	173,603
1 to 2 years	87,550	79,777
2 to 3 years	58,170	61,175
3 to 4 years	33,158	45,767
4 to 5 years	24,047	20,692
Over 5 years	68,028	57,259
	\$ 765,345	\$ 740,556

- (1) The aggregate amount of term deposits in denominations of one hundred thousand dollars or more is \$704 billion (October 31, 2024 – \$670 billion).

Average deposit balances and average rates of interest

(Millions of Canadian dollars, except for percentage amounts)	For the year ended			
	October 31, 2025		October 31, 2024	
	Average balances	Average rates	Average balances	Average rates
Canada	\$ 1,155,147	2.93%	\$ 1,035,064	3.57%
United States	215,460	2.94	191,257	3.33
Europe	85,570	4.24	58,693	5.26
Other International	39,935	2.45	32,016	2.48
	\$ 1,496,112	3.00%	\$ 1,317,030	3.59%

Our insurance contracts issued include life, health, travel, annuity and segregated fund insurance products provided to individuals and businesses across Canada. Outside Canada, we have reinsurance and retrocession contracts issued with respect to longevity reinsurance, life retrocession and reinsurance for creditor life, disability and critical illness. Reinsurance contracts issued are presented within insurance contract balances on the Consolidated Balance Sheets.

In the normal course of business, we also enter into reinsurance contracts held to reinsure risks to other insurance and reinsurance companies in order to lower our risk profile, limit loss exposure to large risks, and provide additional capacity for future growth. The reinsurance contracts held do not relieve our obligations from the direct insurance contracts issued. We evaluate the financial condition of the reinsurers and monitor our concentrations of credit risks to minimize our exposure to losses from reinsurer insolvency. The carrying amounts of reinsurance contract held assets as disclosed in Note 13 represents our maximum exposure to credit risk at the reporting date.

The insurance and reinsurance contracts are presented on a portfolio basis such that portfolios of contracts that are in an asset position are presented separately from those that are in a liability position.

Insurance service and insurance investment results

The following table provides the composition of Insurance service result and Insurance investment result for insurance contracts issued and reinsurance contracts held.

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Insurance revenue		
Amounts recognized for contracts using the GMM and VFA:		
Relating to changes in liabilities for remaining coverage:		
Expected incurred claims and other insurance services expenses	\$ 3,131	\$ 2,970
Release of risk adjustment for non-financial risk and other	214	191
CSM recognized for services provided	324	255
Recovery of insurance acquisition cash flows	98	81
	3,767	3,497
Amounts recognized for contracts using the PAA	1,615	1,576
	5,382	5,073
Insurance service expense (1)		
Incurred claims and other expenses	(3,978)	(3,901)
Losses on onerous contracts and reversals of such losses (future service)	(313)	(246)
Adjustments to liability for incurred claims (past service)	(64)	(2)
Amortization of insurance acquisition cash flows	(98)	(81)
	(4,453)	(4,230)
Net income (expense) from reinsurance contracts held	(62)	(66)
Insurance service result	\$ 867	\$ 777
Net investment income (2)	\$ 1,453	\$ 3,259
Insurance finance income (expense)		
Interest accreted (3)	(791)	(783)
Effect of changes in discount rates and other financial assumptions (3), (4)	35	(1,509)
Changes in fair value of underlying items for contracts using the VFA	(467)	(746)
Other	3	(93)
	(1,220)	(3,131)
Reinsurance finance income (expense)	51	166
Insurance investment result	\$ 284	\$ 294
Insurance service and insurance investment results	\$ 1,151	\$ 1,071

(1) Includes Insurance service expense of \$977 million (October 31, 2024 – \$948 million) relating to insurance contracts measured using the PAA.

(2) Refer to Note 3 for amounts of interest, dividend and net gains (losses) from FVTPL financial instruments relating to the Insurance segment.

(3) Comparative amounts have been revised from those previously presented.

(4) Includes the effect of changes in fulfillment cash flows at current rates when the corresponding effect through CSM is at locked-in rates.

Insurance contracts by remaining coverage and incurred claims

The following table shows the changes in net liabilities for insurance contracts for remaining coverage and incurred claims for short duration insurance contracts measured using the PAA and long duration insurance contracts measured using the GMM and VFA.

(Millions of Canadian dollars)	As at or for the year ended					
	October 31, 2025			October 31, 2024		
	Liabilities for remaining coverage (1)	Liabilities for incurred claims (2)	Total	Liabilities for remaining coverage (1)	Liabilities for incurred claims (2)	Total
Balance at beginning of period:						
Insurance contract assets	\$ 1,805	\$ (1,217)	\$ 588	\$ 1,531	\$ (850)	\$ 681
Insurance contract liabilities	(20,866)	(1,365)	(22,231)	(17,858)	(1,168)	(19,026)
Net insurance contract liabilities	\$ (19,061)	\$ (2,582)	\$ (21,643)	\$ (16,327)	\$ (2,018)	\$ (18,345)
Insurance revenue	\$ 5,382	\$ –	\$ 5,382	\$ 5,073	\$ –	\$ 5,073
Insurance service expense	(405)	(4,048)	(4,453)	(358)	(3,872)	(4,230)
Insurance finance income (expense)	(1,193)	(27)	(1,220)	(2,974)	(157)	(3,131)
Investment components	708	(708)	–	705	(705)	–
Cash flows:						
Premiums received	(6,911)	–	(6,911)	(5,940)	–	(5,940)
Claims and other insurance service expenses paid	–	4,650	4,650	–	4,388	4,388
Insurance acquisition cash flows and other	498	–	498	417	–	417
Total cash flows	\$ (6,413)	\$ 4,650	\$ (1,763)	\$ (5,523)	\$ 4,388	\$ (1,135)
Other movements	(911)	862	(49)	343	(218)	125
Balance at end of period:						
Insurance contract assets	\$ 1,189	\$ (608)	\$ 581	\$ 1,805	\$ (1,217)	\$ 588
Insurance contract liabilities	(23,082)	(1,245)	(24,327)	(20,866)	(1,365)	(22,231)
Net insurance contract liabilities	\$ (21,893)	\$ (1,853)	\$ (23,746)	\$ (19,061)	\$ (2,582)	\$ (21,643)

(1) The ending liabilities for remaining coverage include loss component amounts of \$702 million (October 31, 2024 – \$366 million).

(2) The ending liabilities for incurred claims includes \$941 million (October 31, 2024 – \$914 million) attributable to insurance contracts measured under the PAA.

Insurance contracts by measurement components using the GMM or VFA

The following table shows the changes in the measurement components of net liabilities for insurance contracts measured using the GMM and VFA by estimates of present value of future cash flows, risk adjustment for non-financial risk and CSM.

(Millions of Canadian dollars)	As at or for the year ended							
	October 31, 2025				October 31, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM (1)	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM (1)	Total
Balance at beginning of period:								
Insurance contract assets	\$ 1,824	\$ (568)	\$ (719)	\$ 537	\$ 1,591	\$ (544)	\$ (565)	\$ 482
Insurance contract liabilities	(17,275)	(1,986)	(2,072)	(21,333)	(14,079)	(1,759)	(2,195)	(18,033)
Net insurance contract liabilities	\$ (15,451)	\$ (2,554)	\$ (2,791)	\$ (20,796)	\$ (12,488)	\$ (2,303)	\$ (2,760)	\$ (17,551)
Insurance service result	\$ (169)	\$ 25	\$ 435	\$ 291	\$ 33	\$ 13	\$ 176	\$ 222
Insurance finance expense (income)	(1,076)	16	(134)	(1,194)	(2,504)	(324)	(128)	(2,956)
Cash flows:								
Premiums received	(5,255)	–	–	(5,255)	(4,443)	–	–	(4,443)
Claims and other insurance service expenses paid	3,633	–	–	3,633	3,487	–	–	3,487
Insurance acquisition cash flows and other	498	–	–	498	373	–	–	373
Total cash flows	\$ (1,124)	\$ –	\$ –	\$ (1,124)	\$ (583)	\$ –	\$ –	\$ (583)
Other movements	(13)	(54)	14	(53)	91	60	(79)	72
Balance at end of period:								
Insurance contract assets	\$ 1,665	\$ (498)	\$ (643)	\$ 524	\$ 1,824	\$ (568)	\$ (719)	\$ 537
Insurance contract liabilities (2)	(19,498)	(2,069)	(1,833)	(23,400)	(17,275)	(1,986)	(2,072)	(21,333)
Net insurance contract liabilities	\$ (17,833)	\$ (2,567)	\$ (2,476)	\$ (22,876)	\$ (15,451)	\$ (2,554)	\$ (2,791)	\$ (20,796)

(1) The ending balance for CSM includes \$2.4 billion (October 31, 2024 – \$2.6 billion) relating to groups of insurance contracts initially recognized at transition date using the fair value approach. For the year ended October 31, 2025, CSM from contracts initially recognized was \$86 million (October 31, 2024 – \$89 million).

(2) Includes segregated fund insurance contract liabilities of \$3,877 million (October 31, 2024 – \$3,375 million) measured using the VFA. The fair value of the underlying items for segregated fund insurance contracts amount to \$3,810 million (October 31, 2024 – \$3,378 million), which are substantially investments in mutual funds.

Expected recognition of contractual service margin

The following table presents the expected timing of CSM amortization into Non-interest income – Insurance service result applicable for insurance contracts issued and reinsurance contracts held measured using the GMM and VFA.

(Millions of Canadian dollars)	As at									
	October 31, 2025					October 31, 2024				
	Within 1 year	1 to 5 year	5 to 10 years	Thereafter	Total	Within 1 year	1 to 5 year	5 to 10 years	Thereafter	Total
Insurance contracts issued	\$ (222)	\$ (814)	\$ (634)	\$ (806)	\$ (2,476)	\$ (243)	\$ (894)	\$ (705)	\$ (949)	\$ (2,791)
Reinsurance contracts held	68	213	167	226	674	66	208	163	217	654
Total	\$ (154)	\$ (601)	\$ (467)	\$ (580)	\$ (1,802)	\$ (177)	\$ (686)	\$ (542)	\$ (732)	\$ (2,137)

Insurance risk

Insurance risk is the risk of loss due to actual experience emerging differently than that we assumed at the time of underwriting. Our main insurance risks include morbidity, mortality, longevity, policyholder behaviour (lapse) and travel risk. We developed an insurance risk management framework that is designed to identify, assess, manage, mitigate and report the insurance risks associated with our insurance businesses. In addition, we are subject to expense risk, which is the exposure to the variability in future expenses that are expected to be incurred in servicing insurance contracts. Our insurance risks are managed through the implementation of robust policies and controls over product design, pricing, underwriting and claim adjudication as well as reinsurance arrangements. Regular reviews are conducted on valuation models, experience studies for key actuarial assumptions, exposure concentration, retention limits, and expense budgets.

Market risk

We are exposed to market risk, which is the risk that the carrying value or future cash flows of insurance and reinsurance contract balances or financial assets fluctuate because of changes or volatility in market prices. Market risk includes equity, interest rate and spread, foreign currency and inflation risks. Our exposure to market risk is managed through our asset/liability management activities, developed to ensure our risk profile remains within the Bank's risk appetite.

Methods and assumptions

The measurement of insurance and reinsurance contract balances requires various estimates and assumptions. The following summarizes the significant estimates and assumptions used which should be read in conjunction with the accounting policies for insurance and reinsurance contracts disclosed in Note 2.

Estimates of future cash flows

The significant non-financial assumptions used to determine the estimates of future cash flows for insurance and reinsurance contract balances are as follows:

- *Mortality, longevity and morbidity* – Mortality estimates for life insurance contracts are based on standard industry insured mortality tables, adjusted where appropriate to reflect our own experience. Longevity estimates for annuity insurance contracts are developed based on industry longevity experience for pensioners, adjusted where appropriate to reflect our own experience. Morbidity assumptions are made with respect to the rates of claim incidence and claim termination for health insurance contracts and are based on a combination of industry and our own experience.
- *Policyholder behaviour* – Under certain policies, the policyholder has a contractual right to change benefits and premiums, as well as convert policies to permanent forms of insurance. All policyholders have the right to terminate their policies through lapse. Lapses represent the termination of policies due to non-payment of premiums. Lapse assumptions are primarily based on our recent experience adjusted for emerging industry experience where applicable.
- *Expense* – Directly attributable future expense and directly attributable acquisition expense assumptions are derived from internal cost studies and established allocation methodologies, with inflation as a financial assumption reflected in the estimate of future expenses.

Discount rates

Discount rates used to present value future cash flows reflect the time value of money, currency of the cash flows, and the characteristics of the insurance and reinsurance contracts. Cash flows that vary based on the returns on underlying items are discounted at rates reflecting that variability. For cash flows that do not vary based on the returns on underlying items, we predominantly apply the top-down approach in determining the discount rates. Under this approach, the discount rates for the observable periods are determined using yield curves implied from a reference portfolio of assets adjusted to eliminate factors (credit and market risk of the financial assets) that are not relevant to the insurance contracts. For unobservable periods, the discount rates are interpolated using the last observable point and the ultimate discount rate, composed of a risk-free rate and illiquidity premium. For a selected portfolio, the bottom-up approach is applied in determining the discount rate, which uses a risk-free rate plus an illiquidity premium to reflect the characteristics of the contracts. Management judgment is required in estimating the market and credit risk factors and illiquidity premiums in determining the discount rates.

The following table provides the current discount yields relating to the Canadian dollar that are primarily used to present value cash flows that do not vary based on returns on underlying items for insurance and reinsurance contracts.

	5 year	10 year	20 year	30 year	Ultimate
October 31, 2025	4.3%	6.0%	7.3%	5.1%	4.1%
October 31, 2024	4.2%	5.6%	6.0%	4.2%	4.1%

Risk adjustment

The risk adjustment for non-financial risk represents the compensation that we require for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risks as we fulfil the insurance contracts. Non-financial risks are insurance risks such as mortality, morbidity, and other risks such as lapse and expense. We used a margin approach to set the risk adjustment by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates used to present value future cash flows. The risk adjustment for insurance and reinsurance contracts corresponds to a confidence level of approximately 85% overall as at October 31, 2025 (October 31, 2024 – 85%). The confidence level represents the probability that the variability in the actual cash flows will be lower than our risk adjustment for non-financial risk.

Sensitivity analysis

The following table demonstrates the effects on net income, total equity and balance sheet CSM of reasonably possible changes in key market and non-financial assumptions in the measurement of our insurance contracts on a net of reinsurance contracts held basis, which do not differ materially from the sensitivities on a gross basis. The impact of changing non-financial assumptions is primarily absorbed in the CSM recorded on the Consolidated Balance Sheets, unless contracts are onerous in which case the effects are reflected in net income. The effects on net income reflect the impact of changes to market assumptions and the impact of changes to the CSM that is released to income for the year. The percentage change in each variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net income and total equity, as well as CSM recorded on the Consolidated Balance Sheets. The analyses are performed where a single assumption is changed while holding other assumptions constant, which is unlikely to occur in practice. Combining the effects presented in the table may not reflect the total actual effects of changing multiple assumptions at the same time. Actual results can differ materially from these estimates.

(Millions of Canadian dollars)	As at and for the year ended			
	October 31, 2025		October 31, 2024	
	Increase (decrease) to net income and total equity	Increase (decrease) to CSM	Increase (decrease) to net income and total equity	Increase (decrease) to CSM
Market variables:				
1% increase in market interest rates (1)	\$ (10)	\$ –	\$ 3	\$ –
1% decrease in market interest rates (1)	5	–	(2)	–
10% increase in equity market values (2)	2	14	–	16
10% decrease in equity market values (2)	(2)	(16)	–	(18)
Non-financial variables:				
2% adverse change in life mortality rates	(32)	(17)	(45)	(17)
2% adverse change in annuitant mortality rates	(12)	(147)	(1)	(151)
5% adverse change in morbidity rates	(61)	(187)	(57)	(179)
10% adverse change in lapse rates	(21)	(360)	(16)	(334)
5% increase in expenses	(6)	(53)	(5)	(52)

(1) Interest rate sensitivities assume a parallel shift of 100 basis points across the entire yield curves as at the reporting date with no change to the ultimate risk-free rate. The impacts are net of the changes in fair value of financial assets held in respect of insurance activities.

(2) Equity market value sensitivities assume a 10% change across all equity markets as at the reporting date reflecting the changes in fair value of the underlying financial assets on the insurance contracts measured using the VFA.

Plan characteristics

We sponsor a number of programs that provide pension and post-employment benefits to eligible employees. The majority of beneficiaries of the pension plans are located in Canada and other beneficiaries of the pension plans are primarily located in the U.S., the U.K. and the Caribbean. The pension arrangements including investment, plan benefits and funding decisions are governed by local pension committees or trustees, who are legally segregated from the Bank, or management. Significant plan changes require the approval of the Board of Directors.

Our defined benefit pension plans provide pension benefits based on years of service, contributions and average earnings at retirement. Our primary defined benefit pension plans are closed to new members. New employees are generally eligible to join defined contribution pension plans. The specific features of these plans vary by location. We also provide supplemental non-registered (non-qualified) pension plans for certain executives and senior management that are typically unfunded or partially funded.

Our defined contribution pension plans provide pension benefits based on accumulated employee and Bank contributions. The Bank contributions are based on a percentage of an employee's annual earnings and a portion of the Bank contribution may be dependent on the amount being contributed by the employee and their years of service.

Our primary other post-employment benefit plans provide health, dental, disability and life insurance coverage and cover a number of current and retired employees who are mainly located in Canada. These plans are unfunded unless required by legislation.

We measure our benefit obligations and pension assets as at October 31 each year. All plans are valued using the projected unit-credit method. We fund our registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations. For our principal pension plan, the most recent funding actuarial valuation was completed on January 1, 2025, and the next valuation is required no later than January 1, 2028.

For the year ended October 31, 2025, total contributions to our pension plans (defined benefit and defined contribution plans) and other post-employment benefit plans were \$593 million and \$95 million (October 31, 2024 – \$455 million and \$91 million), respectively. For 2026, total contributions to our pension plans and other post-employment benefit plans are expected to be \$651 million and \$98 million, respectively.

Risks

By their design, the defined benefit pension and other post-employment benefit plans expose the Bank to various risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. These risks will reduce over time due to the membership closure of our primary defined benefit pension plans and migration to defined contribution pension plans.

The following table presents the financial position related to all of our material pension and other post-employment benefit plans worldwide, including executive retirement arrangements.

	As at			
	October 31, 2025		October 31, 2024	
(Millions of Canadian dollars)	Defined benefit pension plans	Other post-employment benefit plans	Defined benefit pension plans	Other post-employment benefit plans
Canada				
Fair value of plan assets	\$ 17,212	\$ –	\$ 16,421	\$ –
Present value of defined benefit obligation	13,558	1,610	13,142	1,563
Net surplus (deficit)	\$ 3,654	\$ (1,610)	\$ 3,279	\$ (1,563)
International				
Fair value of plan assets	\$ 745	\$ –	\$ 741	\$ –
Present value of defined benefit obligation	650	73	638	76
Net surplus (deficit)	\$ 95	\$ (73)	\$ 103	\$ (76)
Total				
Fair value of plan assets	\$ 17,957	\$ –	\$ 17,162	\$ –
Present value of defined benefit obligation	14,208	1,683	13,780	1,639
Total net surplus (deficit)	\$ 3,749	\$ (1,683)	\$ 3,382	\$ (1,639)
Effect of asset ceiling	(20)	–	(37)	–
Total net surplus (deficit), net of effect of asset ceiling	\$ 3,729	\$ (1,683)	\$ 3,345	\$ (1,639)
Amounts recognized in our Consolidated Balance Sheets				
Employee benefit assets	\$ 4,012	\$ –	\$ 3,630	\$ –
Employee benefit liabilities	(283)	(1,683)	(285)	(1,639)
Total net surplus (deficit), net of effect of asset ceiling	\$ 3,729	\$ (1,683)	\$ 3,345	\$ (1,639)

The following table presents an analysis of the movement in the financial position related to all of our material pension and other post-employment benefit plans worldwide, including executive retirement arrangements.

	As at or for the year ended			
	October 31, 2025		October 31, 2024	
	Defined benefit pension plans (1)	Other post-employment benefit plans	Defined benefit pension plans (1)	Other post-employment benefit plans
(Millions of Canadian dollars)				
Fair value of plan assets at beginning of period	\$ 17,162	\$ –	\$ 14,368	\$ –
Interest income	812	–	818	–
Remeasurements				
Return on plan assets (excluding interest income)	631	–	1,991	–
Change in foreign currency exchange rate	18	–	46	–
Contributions – Employer	31	95	29	91
Contributions – Plan participant	41	27	42	24
Payments	(716)	(122)	(675)	(115)
Business combinations/Disposals	–	–	561	–
Other	(22)	–	(18)	–
Fair value of plan assets at end of period	\$ 17,957	\$ –	\$ 17,162	\$ –
Benefit obligation at beginning of period	\$ 13,780	\$ 1,639	\$ 11,727	\$ 1,417
Current service costs	210	34	188	34
Past service costs	49	–	–	(6)
Interest expense	648	76	668	81
Remeasurements				
Actuarial losses (gains) from demographic assumptions	7	15	(167)	(60)
Actuarial losses (gains) from financial assumptions	142	8	1,337	132
Actuarial losses (gains) from experience adjustments	28	5	2	8
Change in foreign currency exchange rate	19	1	37	3
Contributions – Plan participant	41	27	42	24
Payments	(716)	(122)	(675)	(115)
Business combinations/Disposals	–	–	621	121
Benefit obligation at end of period	\$ 14,208	\$ 1,683	\$ 13,780	\$ 1,639
Unfunded obligation	\$ 84	\$ 1,683	\$ 83	\$ 1,639
Wholly or partly funded obligation	14,124	–	13,697	–
Total benefit obligation	\$ 14,208	\$ 1,683	\$ 13,780	\$ 1,639

(1) For pension plans with funding deficits, the benefit obligations and fair value of plan assets as at October 31, 2025 were \$890 million and \$607 million, respectively (October 31, 2024 – \$929 million and \$665 million, respectively).

Pension and other post-employment benefit expense

The following table presents the composition of our pension and other post-employment benefit expense related to our material pension and other post-employment benefit plans worldwide.

	For the year ended			
	Pension plans		Other post-employment benefit plans	
	October 31 2025	October 31 2024	October 31 2025	October 31 2024
(Millions of Canadian dollars)				
Current service costs	\$ 210	\$ 188	\$ 34	\$ 34
Past service costs	49	–	–	(6)
Net interest expense (income)	(164)	(150)	76	81
Remeasurements of other long-term benefits	–	–	10	3
Administrative expense	22	18	–	–
Defined benefit pension expense	\$ 117	\$ 56	\$ 120	\$ 112
Defined contribution pension expense	562	426	–	–
	\$ 679	\$ 482	\$ 120	\$ 112

Service costs for the year ended October 31, 2025 totalled \$257 million (October 31, 2024 – \$186 million) for pension plans in Canada and \$2 million (October 31, 2024 – \$2 million) for International plans. Net interest expense (income) for the year ended October 31, 2025 totalled \$(158) million (October 31, 2024 – \$(145) million) for pension plans in Canada and \$(6) million (October 31, 2024 – \$(5) million) for International plans.

Pension and other post-employment benefit remeasurements

The following table presents the composition of our remeasurements recorded in OCI related to our material pension and other post-employment benefit plans worldwide.

	For the year ended			
	Defined benefit pension plans		Other post-employment benefit plans	
	October 31 2025	October 31 2024	October 31 2025	October 31 2024
(Millions of Canadian dollars)				
Actuarial (gains) losses:				
Changes in demographic assumptions	\$ 7	\$ (167)	\$ 14	\$ (50)
Changes in financial assumptions	142	1,337	6	122
Experience adjustments	28	2	(2)	5
Return on plan assets (excluding interest based on discount rate)	(631)	(1,991)	–	–
Change in asset ceiling (excluding interest income)	(17)	(4)	–	–
	\$ (471)	\$ (823)	\$ 18	\$ 77

Remeasurements recorded in OCI for the year ended October 31, 2025 were gains of \$491 million (October 31, 2024 – gains of \$818 million) for pension plans in Canada and losses of \$20 million (October 31, 2024 – gains of \$5 million) for International plans.

Investment policy and strategies

Defined benefit pension plan assets are invested prudently in order to meet our longer-term pension obligations. The pension plan's investment strategy is to hold a diversified mix of investments by asset class and geographic location in order to reduce investment-specific risk to the funded status while maximizing the expected returns to meet pension obligations. Investment of the plan's assets follows an asset/liability framework as investment is conducted with careful consideration of the pension obligation's sensitivity to interest rates and credit spreads which are key risk factors impacting the obligation's value. Factors taken into consideration in developing our asset mix include but are not limited to the following:

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including expectations for normal retirements, terminations, and deaths;
- the financial position of the pension plans;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- expected asset returns, including asset and liability correlations, along with liquidity requirements of the plan.

To implement our asset mix policy, we may invest in debt securities, equity securities and alternative investments. Our holdings in certain investments, including common shares, debt securities rated lower than BBB and residential and commercial mortgages, cannot exceed a defined percentage of the market value of our defined benefit pension plan assets. We may use derivative instruments as either a synthetic investment to more efficiently replicate the performance of an underlying security, or as a hedge against financial risks within the plan. To manage our credit risk exposure, where derivative instruments are not centrally cleared, counterparties are required to meet minimum credit ratings and enter into collateral agreements.

Our defined benefit pension plan assets are primarily comprised of debt and equity securities and alternative investments. Our equity securities generally have unadjusted quoted market prices in an active market (Level 1) and our debt securities generally have quoted market prices for similar assets in an active market (Level 2). Alternative investments and other includes cash, hedge funds, and private fund investments including infrastructure equity, real estate, private debt and private equity. In the case of private fund investments, no quoted market prices are usually available (Level 2 or Level 3). These fund assets are either valued by an independent valuator or priced using observable market inputs.

During the year ended October 31, 2025, the management of defined benefit pension investments focused on increased allocation to risk reducing investments and strategies, while improving diversification and striving to maintain expected investment return. An allocation to debt securities is being used to reduce asset/liability duration mismatch and hence variability of the plan's funded status due to interest rate movement. Longer maturity debt securities, given their price sensitivity to movements in interest rates, are considered to be a good economic hedge to risk associated with the plan's liabilities, which are discounted using predominantly long maturity bond interest rates as inputs.

Asset allocation of defined benefit pension plans (1), (2)

(Millions of Canadian dollars, except percentages)	As at					
	October 31, 2025			October 31, 2024		
	Fair value	Percentage of total plan assets	Quoted in active market (3)	Fair value	Percentage of total plan assets	Quoted in active market (3)
Equity securities						
Domestic	\$ 1,198	7%	100%	\$ 926	5%	100%
Foreign	3,227	18	100	2,306	13	100
Debt securities						
Domestic government bonds (4)	5,312	30	–	5,608	33	–
Foreign government bonds	84	–	–	145	1	–
Corporate and other bonds	3,489	19	–	3,788	22	–
Alternative investments and other	4,647	26	7	4,389	26	8
	\$ 17,957	100%	26%	\$ 17,162	100%	21%

- (1) The asset allocation is based on the underlying investments held directly and indirectly through the funds as this is how we manage our investment policy and strategies.
(2) Represents the total plan assets held in our Canadian and International pension plans.
(3) If our assessment of whether or not an asset was quoted in an active market was based on direct investments, 30% of our total plan assets would be classified as quoted in an active market (October 31, 2024 – 25%).
(4) Amounts are net of securities sold under repurchase agreements.

As at October 31, 2025, the plan assets include 0.4 million (October 31, 2024 – 0.4 million) of our common shares with a fair value of \$83 million (October 31, 2024 – \$66 million) and \$60 million (October 31, 2024 – \$74 million) of our debt securities. For the year ended October 31, 2025, dividends received on our common shares held in the plan assets were \$2 million (October 31, 2024 – \$2 million).

Maturity profile

The following table presents the maturity profile of our defined benefit pension plan obligation.

(Millions of Canadian dollars, except participants and years)	As at October 31, 2025		
	Canada	International	Total
Number of plan participants	68,421	5,851	74,272
Actual benefit payments 2025	\$ 680	\$ 36	\$ 716
Benefits expected to be paid 2026	740	37	777
Benefits expected to be paid 2027	767	36	803
Benefits expected to be paid 2028	789	35	824
Benefits expected to be paid 2029	807	37	844
Benefits expected to be paid 2030	827	39	866
Benefits expected to be paid 2031-2035	4,348	200	4,548
Weighted average duration of defined benefit payments	13.0 years	13.2 years	13.0 years

Significant assumptions

Our methodologies to determine significant assumptions used in calculating the defined benefit pension and other post-employment benefit expense are as follows:

Discount rate

For the Canadian pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from a derived Canadian AA corporate bond yield curve. The derived curve is based on actual short and mid-maturity corporate AA rates and extrapolated longer term rates. The extrapolated corporate AA rates are derived from observed corporate A, corporate AA and provincial AA yields. For the International pension and other post-employment benefit plans, all future expected benefit payments at each measurement date are discounted at spot rates from a local AA corporate bond yield curve. Spot rates beyond 30 years are set to equal the 30-year spot rate. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This valuation methodology does not rely on assumptions regarding reinvestment returns.

Rate of increase in future compensation

The assumptions for increases in future compensation are developed separately for each plan, where relevant. Each assumption is set based on the price inflation assumption and compensation policies in each market, as well as relevant local statutory and plan-specific requirements.

Healthcare cost trend rates

Healthcare cost calculations are based on both short and long-term trend assumptions established using the plan's recent experience as well as market expectations.

Weighted average assumptions to determine benefit obligation

	As at			
	Defined benefit pension plans		Other post-employment benefit plans	
	October 31 2025	October 31 2024	October 31 2025	October 31 2024
Discount rate	4.7%	4.8%	4.9%	4.9%
Rate of increase in future compensation	3.0%	3.0%	n.a.	n.a.
Healthcare cost trend rates (1)				
– Medical	n.a.	n.a.	3.5%	3.5%
– Dental	n.a.	n.a.	3.5%	3.5%

(1) For our other post-employment benefit plans, the assumed trend rates used to measure the expected benefit costs of the defined benefit obligations are also the ultimate trend rates.
n.a. not applicable

Mortality assumptions

Mortality assumptions are significant in measuring our obligations under the defined benefit pension plans. These assumptions have been set based on country specific statistics. Future longevity improvements have been considered and included where appropriate. The following table summarizes the mortality assumptions used for material plans.

	As at							
	October 31, 2025				October 31, 2024			
	Life expectancy at 65 for a member currently at							
	Age 65		Age 45		Age 65		Age 45	
(In years)	Male	Female	Male	Female	Male	Female	Male	Female
Country								
Canada	23.3	24.4	24.3	25.4	23.2	24.4	24.2	25.3
United Kingdom	22.3	24.5	23.6	25.8	22.1	24.4	23.4	25.7

Sensitivity analysis

Assumptions adopted can have a significant effect on the value of the obligations for defined benefit pension and other post-employment benefit plans and are based on historical experience and market inputs. The increase (decrease) in obligation in the following table has been determined for key assumptions assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated. The following table presents the sensitivity analysis of key assumptions for 2025.

	Increase (decrease) in obligation	
	Defined benefit pension plans	Other post-employment benefit plans
(Millions of Canadian dollars)		
Discount rate		
Impact of 100 bps increase in discount rate	\$ (1,597)	\$ (182)
Impact of 100 bps decrease in discount rate	1,967	224
Rate of increase in future compensation		
Impact of 50 bps increase in rate of increase in future compensation	24	–
Impact of 50 bps decrease in rate of increase in future compensation	(25)	–
Mortality rate		
Impact of an increase in longevity by one additional year	380	23
Healthcare cost trend rate		
Impact of 100 bps increase in healthcare cost trend rate	n.a.	51
Impact of 100 bps decrease in healthcare cost trend rate	n.a.	(43)

n.a. not applicable

Note 17 Other liabilities

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Accounts payable and accrued expenses	\$ 1,663	\$ 1,475
Accrued interest payable	11,784	13,226
Cash collateral	22,133	19,582
Commodity liabilities	17,692	13,996
Deferred income	4,277	4,149
Deferred income taxes	484	542
Dividends payable	2,306	2,123
Employee benefit liabilities	1,966	1,924
Lease liabilities	4,586	4,673
Negotiable instruments	1,609	1,702
Payable to brokers, dealers and clients	9,487	8,270
Payroll and related compensation	13,574	11,781
Precious metals liabilities	3,196	743
Provisions	782	793
Short-term borrowings of subsidiaries	2,804	–
Taxes payable	2,852	2,398
Other	7,396	7,335
	\$ 108,591	\$ 94,712

Note 18 Subordinated debentures

The debentures are unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors. The amounts presented below are net of our own holdings in these debentures, and include the impact of fair value hedges used for managing interest rate risk.

(Millions of Canadian dollars, except percentage and foreign currency)				As at	
Maturity	Earliest par value redemption date	Interest rate	Denominated in foreign currency (millions)	October 31 2025	October 31 2024
January 27, 2026 (1)		4.65%	US\$ 1,500	\$ 2,091	\$ 2,026
December 23, 2029 (1), (2)	December 23, 2024	2.88%		–	1,495
June 30, 2030 (1), (3)	June 30, 2025	2.088%		–	1,219
November 3, 2031 (1)	November 3, 2026	2.14% (4)		1,628	1,708
May 3, 2032 (1)	May 3, 2027	2.94% (5)		984	955
January 28, 2033 (1)	January 28, 2028	1.67% (6)		967	935
February 1, 2033 (1)	February 1, 2028	5.01% (7)		1,520	1,461
April 3, 2034 (1)	April 3, 2029	5.096% (8)		2,038	2,020
August 8, 2034 (1)	August 8, 2029	4.829% (9)		1,273	1,263
February 4, 2035 (1)	February 4, 2030	4.279% (10)		1,512	–
July 3, 2035 (1)	July 3, 2030	4.214% (11)		1,250	–
July 17, 2035 (1)	July 17, 2030	1.963% (12)	¥ 26,000	232	–
October 1, 2083	Any interest payment date	(13)		224	224
November 1, 2083	Any interest payment date	(14)		9	9
June 29, 2085	Any interest payment date	(15)	US\$ 174	243	241
				\$ 13,971	\$ 13,556
Deferred financing costs				(10)	(10)
				\$ 13,961	\$ 13,546

- (1) The notes include non-viability contingent capital (NVCC) provisions, necessary for the notes to qualify as Tier 2 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each note is convertible into common shares pursuant to an automatic conversion formula with a multiplier of 1.5 and a conversion price based on the greater of: (i) a floor price of \$5.00 (subject to adjustment in certain circumstances), and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by multiplying the par value of the note (including accrued and unpaid interest on such note) by the multiplier and then dividing the total by the conversion price.
- (2) On December 23, 2024, we redeemed all \$1,500 million of our outstanding 2.88% subordinated debentures due December 23, 2029 for 100% of their principal amount plus interest accrued to, but excluding, the redemption date.
- (3) On June 30, 2025, we redeemed all \$1,250 million of our outstanding 2.088% subordinated debentures due June 30, 2030 for 100% of their principal amount plus interest accrued to, but excluding, the redemption date.
- (4) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 0.93% above the Daily Compounded CORRA.
- (5) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.08% above the Daily Compounded CORRA.
- (6) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 0.87% above the Daily Compounded CORRA.
- (7) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 2.12% above the Daily Compounded CORRA.
- (8) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.56% above the Daily Compounded CORRA.
- (9) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.55% above the Daily Compounded CORRA.
- (10) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.45% above the Daily Compounded CORRA.
- (11) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.51% above the Daily Compounded CORRA.
- (12) Interest at stated interest rate until earliest par value redemption date, and thereafter at a rate of 1.02% above the 5-Year Tokyo Overnight Average Rate mid-swap rate.
- (13) Interest at a rate of 0.50% plus the average of mid-market quotations for Government of Canada Treasury Bills maturing in or about 30 days from the date of quotation.
- (14) Interest at a rate of 0.75% plus the average of mid-market quotations for Government of Canada Treasury Bills maturing in or about 30 days from the date of quotation.
- (15) Interest at a rate of 0.44911% plus compounded SOFR. In the event of a reduction of the annual dividend we declare on our common shares, the interest payable on the debentures is reduced pro rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of newly issued common shares.

Note 18 Subordinated debentures (continued)

All redemptions, cancellations and exchanges of subordinated debentures are subject to the consent and approval of OSFI.

Maturity schedule

The aggregate maturities of subordinated debentures, based on the maturity dates under the terms of issue, are as follows:

	As at	
(Millions of Canadian dollars)		October 31 2025
Within 1 year	\$	2,091
1 to 5 years		–
5 to 10 years		11,404
Thereafter		476
	\$	13,971

Note 19 Equity**Share capital****Authorized share capital**

Preferred – An unlimited number of First Preferred Shares and Second Preferred Shares without nominal or par value, issuable in series; provided that the maximum aggregate consideration for all First Preferred Shares outstanding at any time may not exceed \$30 billion, and for all Second Preferred Shares that may be issued may not exceed \$5 billion.

Common – An unlimited number of shares without nominal or par value may be issued.

Outstanding share capital

The following table details our common and preferred shares and other equity instruments outstanding.

	As at and for the year ended					
	October 31, 2025			October 31, 2024		
	Number of shares (thousands)	Amount	Dividends declared per share	Number of shares (thousands)	Amount	Dividends declared per share
(Millions of Canadian dollars, except the number of shares and as otherwise noted)						
Common shares issued						
Balance at beginning of period	1,415,080	\$ 21,013		1,402,373	\$ 19,398	
Issued in connection with share-based compensation plans (1)	796	77		1,746	168	
Issued in connection with dividend reinvestment plan	–	–		11,850	1,460	
Purchased for cancellation (2)	(15,241)	(227)		(889)	(13)	
Balance at end of period	1,400,635	\$ 20,863	\$ 6.04	1,415,080	\$ 21,013	\$ 5.60
Treasury – common shares						
Balance at beginning of period (3)	(576)	\$ (61)		(1,862)	\$ (231)	
Purchases	(41,204)	(5,811)		(43,995)	(5,302)	
Sales	41,259	5,762		45,281	5,472	
Balance at end of period (3)	(521)	\$ (110)		(576)	\$ (61)	
Common shares outstanding	1,400,114	\$ 20,753		1,414,504	\$ 20,952	
Preferred shares and other equity instruments issued						
First preferred (4)						
Non-cumulative, fixed rate						
Series BH	6,000	\$ 150	\$ 1.23	6,000	\$ 150	\$ 1.23
Series BI	6,000	150	1.23	6,000	150	1.23
Non-cumulative, 5-Year Rate Reset						
Series BD (5)	–	–	0.80	24,000	600	0.80
Series BF (6)	12,000	300	0.75	12,000	300	0.75
Series BO	14,000	350	1.47	14,000	350	1.40
Series BT (7)	750	750	4.20%	750	750	4.20%
Series BU (7)	750	750	7.408%	750	750	7.408%
Series BW (7)	600	600	6.698%	600	600	6.698%
Other equity instruments						
Limited recourse capital notes (LRCNs)						
Series 1 (8)	–	–	4.50%	1,750	1,750	4.50%
Series 2 (9), (10)	1,250	1,250	4.00%	1,250	1,250	4.00%
Series 3 (9), (10)	1,000	1,000	3.65%	1,000	1,000	3.65%
Series 4 (9), (10)	1,000	1,370	7.50%	1,000	1,370	7.50%
Series 5 (9), (10)	1,000	1,396	6.35%	–	–	–
Series 6 (9), (10)	1,250	1,708	6.75%	–	–	–
Series 7 (9), (10)	1,350	1,869	6.50%	–	–	–
	46,950	\$ 11,643		69,100	\$ 9,020	
Treasury – preferred shares and other equity instruments						
Balance at beginning of period (3)	13	\$ 11		(9)	\$ (9)	
Purchases	(4,431)	(4,916)		(1,921)	(1,225)	
Sales	4,453	4,937		1,943	1,245	
Balance at end of period (3)	35	\$ 32		13	\$ 11	
Preferred shares and other equity instruments outstanding	46,985	\$ 11,675		69,113	\$ 9,031	

(1) Includes fair value adjustments to stock options of \$5 million (October 31, 2024 – \$10 million).

(2) Our previous NCIB to purchase up to 30 million of our common shares ended June 11, 2025. On June 10, 2025, we announced a new NCIB to purchase up to 35 million of our common shares, commencing on June 12, 2025, and continuing until June 11, 2026, or such earlier date as we complete the repurchase of all shares permitted under the bid. During the year ended October 31, 2025, under the NCIB programs we purchased for cancellation common shares at a total fair value of \$2,768 million (average cost of \$181.59 per share), with a book value of \$227 million (book value of \$14.88 per share). During the year ended October 31, 2024, under the previous NCIB we purchased for cancellation common shares at a total fair value of \$140 million (average cost of \$157.74 per share), with a book value of \$13 million (book value of \$14.83 per share).

(3) Positive amounts represent a short position and negative amounts represent a long position.

(4) First Preferred Shares were issued at \$25 per share with the exception of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BT (Series BT), Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BU (Series BU) and Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BW (Series BW) which were issued at \$1,000 per share.

(5) On May 24, 2025, we redeemed all 24 million of our issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares Series BD at a redemption price of \$25.00 per share.

(6) On November 24, 2025, we redeemed all 12 million of our issued and outstanding Non-Cumulative 5-Year Rate Reset First Preferred Shares Series BF at a redemption price of \$25.00 per share.

(7) The dividends declared per share represent the per annum dividend rate applicable to the shares issued as at the reporting date.

(8) On October 24, 2025, we redeemed all 1.75 million of our issued and outstanding Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BQ at a redemption price of \$1,000 per share. As a result of the redemption of the Series BQ Shares, we automatically redeemed all \$1.75 billion outstanding Series 1 LRCN on the same date for 100% of their principal amount plus accrued interest to, but excluding, the redemption date.

(9) LRCN Series 2 and 3 were issued at a \$1,000 per note. LRCN Series 4, 5, 6 and 7 were issued at US\$1,000 per note. The number of shares represent the number of notes issued and the dividends declared per share represent the annual interest rate percentage applicable to the notes issued as at the reporting date.

(10) In connection with the issuance of LRCN Series 2, we issued \$1,250 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BR (Series BR); in connection with the issuance of LRCN Series 3, we issued \$1,000 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BS (Series BS); in connection with the issuance of LRCN Series 4, we issued US\$1,000 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BV (Series BV); in connection with the issuance of LRCN Series 5, we issued US\$1,000 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BX (Series BX); in connection with the issuance of LRCN Series 6, we issued US\$1,250 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BY (Series BY); in connection with the issuance of LRCN Series 7, we issued US\$1,350 million of Non-Cumulative 5-Year Fixed Rate Reset First Preferred Shares Series BZ (Series BZ). The Series BR and BS preferred shares were issued at a price of \$1,000 per share and the Series BV, BX, BY and BZ preferred shares were issued at a price of US\$1,000 per share. These preferred shares were issued to a consolidated trust to be held as trust assets in connection with each respective LRCN Series.

Significant terms and conditions of preferred shares and other equity instruments

As at October 31, 2025	Current annual yield	Premium	Current dividend per share (1)	Earliest redemption date (2)	Issue date	Redemption price (2), (3)
Preferred shares						
First preferred						
Non-cumulative, fixed rate						
Series BH (4)	4.90%		\$ 0.30625	November 24, 2020	June 5, 2015	\$ 25.00
Series BI (4)	4.90%		0.30625	November 24, 2020	July 22, 2015	25.00
Non-cumulative, 5-Year Rate Reset (5)						
Series BF (4)	3.00%	2.62%	0.1875	November 24, 2020	March 13, 2015	25.00
Series BO (4)	5.885%	2.38%	0.3678125	February 24, 2024	November 2, 2018	25.00
Series BT (4)	4.20%	2.71%	21.00	January 24, 2027	November 5, 2021	1,000.00
Series BU (4)	7.408%	3.90%	37.04	January 25, 2029	January 25, 2024	1,000.00
Series BW (4)	6.698%	3.40%	33.49	October 24, 2029	July 24, 2024	1,000.00
Other equity instruments						
Limited recourse capital notes (6)						
Series 2 (7)	4.00%	3.617%	n.a.	January 24, 2026	November 2, 2020	1,000.00
Series 3 (8)	3.65%	2.665%	n.a.	October 24, 2026	June 8, 2021	1,000.00
Series 4 (9)	7.50%	2.887%	n.a.	May 2, 2029	April 24, 2024	US\$1,000.00
Series 5 (10)	6.35%	2.257%	n.a.	November 24, 2034	November 1, 2024	US\$1,000.00
Series 6 (11)	6.75%	2.815%	n.a.	August 24, 2030	June 11, 2025	US\$1,000.00
Series 7 (12)	6.50%	2.462%	n.a.	November 24, 2035	September 23, 2025	US\$1,000.00

- (1) With the exception of Series BT, BU and BW, non-cumulative preferential dividends of each Series are payable quarterly, as and when declared by the Board of Directors, on or about the 24th day of February, May, August and November. In the case of Series BT, BU and BW, non-cumulative preferential dividends are payable semi-annually, as and when declared by the Board of Directors.
- (2) Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may, on or after the dates specified above, redeem First Preferred Shares. In the case of Series BF and BO, these may be redeemed for cash at a price per share of \$25 if redeemed on the earliest redemption date and on the same date every fifth year thereafter. In the case of Series BH and BI, these may be redeemed for cash at a price per share of \$26 if redeemed during the 12 months commencing on the earliest redemption date and decreasing by \$0.25 each 12-month period thereafter to a price per share of \$25 if redeemed four years from the earliest redemption date or thereafter. In the case of Series BT and BW, these may be redeemed for cash at a price of \$1,000 if redeemed during the earliest redemption period of January 24, 2027 to February 24, 2027 and October 24, 2029 to November 24, 2029, respectively, and during the same redemption period every fifth year thereafter. In the case of Series BU, these may be redeemed for cash at a price of \$1,000 if redeemed during the earliest redemption period from January 25, 2029 to February 24, 2029 and during the period from January 24 to and including February 24 every fifth year thereafter.
- (3) Subject to the consent of OSFI and the requirements of the *Bank Act* (Canada), we may purchase the First Preferred Shares of each Series for cancellation at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.
- (4) The preferred shares include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each preferred share is convertible into common shares pursuant to an automatic conversion formula with a multiplier of 1 and with a conversion price based on the greater of: (i) a floor price of \$5 (subject to adjustment in certain circumstances), and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of shares issued is determined by dividing the preferred share value by the conversion price.
- (5) The dividend rate will reset on the earliest redemption date or on the last day of the redemption period, as applicable, and every fifth year thereafter at a rate equal to the 5-Year Government of Canada bond yield plus the premium indicated. The holders of Series BF and BO shares have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the three-month Government of Canada Treasury Bill rate plus the premium indicated.
- (6) The current annual yield on each LRCN Series represents the annual interest rate applicable to the notes issued as at the reporting date. The payments of interest and principal in cash on the LRCN Series are made at our discretion, and non-payment of interest and principal in cash does not constitute an event of default. In the event of (i) non-payment of interest on any interest payment date, (ii) non-payment of the redemption price in case of a redemption of a LRCN Series, (iii) non-payment of principal at the maturity of a LRCN Series, or (iv) an event of default on a LRCN Series, holders of such LRCN Series will have recourse only to the assets (Trust Assets) held by a third-party trustee in a consolidated trust in respect of such LRCN Series and each such noteholder will be entitled to receive its pro rata share of the Trust Assets. In such an event, the delivery of the Trust Assets for each LRCN Series will represent the full and complete extinguishment of our obligations under the related LRCN Series. The LRCNs include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares in the event that OSFI deems the Bank non-viable or a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection. In such an event, each note is automatically redeemed and the redemption price will be satisfied by the delivery of Trust Assets, which will consist of common shares pursuant to an automatic conversion of the series of preferred shares that were issued concurrently with the related LRCN Series. Each series of preferred shares include an automatic conversion formula with a conversion price based on the greater of: (i) a floor price of \$5 (subject to adjustment in certain circumstances), and (ii) the current market price of our common shares based on the volume weighted average trading price of our common shares on the Toronto Stock Exchange. The number of common shares issued in respect of each series of preferred shares will be determined by dividing the preferred share value (\$1,000 plus declared and unpaid dividends) by the conversion price. The number of common shares delivered to each noteholder will be based on such noteholder's pro rata interest in the Trust Assets. Subject to the consent of OSFI, we may purchase LRCNs for cancellation at such price or prices and upon such terms and conditions as we in our absolute discretion may determine, subject to any applicable law restricting the purchase of notes.
- (7) LRCN Series 2 bear interest at a fixed rate of 4.0% per annum until February 24, 2026, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year Government of Canada Yield plus 3.617% until maturity on February 24, 2081. The interest is paid semi-annually on or about the 24th day of February and August. LRCN Series 2 is redeemable during the period from January 24 to and including February 24, commencing in 2026 and every fifth year thereafter to the extent we redeem Series BR pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- (8) LRCN Series 3 bear interest at a fixed rate of 3.65% per annum until November 24, 2026, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year Government of Canada Yield plus 2.665% until maturity on November 24, 2081. The interest is paid semi-annually on or about the 24th day of May and November. LRCN Series 3 is redeemable during the period from October 24 to and including November 24, commencing in 2026 and every fifth year thereafter to the extent we redeem Series BS pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- (9) LRCN Series 4 bear interest at a fixed rate of 7.5% per annum until May 2, 2029, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year U.S. Treasury Rate plus 2.887% until maturity on May 2, 2084. The interest is paid quarterly on or about the 2nd day of February, May, August and November. LRCN Series 4 is redeemable on May 2, 2029 and on each 2nd day of February, May, August and November thereafter to the extent we redeem Series BV pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- (10) LRCN Series 5 bear interest at a fixed rate of 6.35% per annum until November 24, 2034, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year U.S. Treasury Rate plus 2.257% until maturity on November 24, 2084. The interest is paid quarterly on or about the 24th day of February, May, August and November. LRCN Series 5 is redeemable on November 24, 2034 and on each 24th day of February, May, August and November thereafter to the extent we redeem Series BX pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- (11) LRCN Series 6 bear interest at a fixed rate of 6.75% per annum until August 24, 2030, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year U.S. Treasury Rate plus 2.815% until maturity on August 24, 2085. The interest is paid quarterly on or about the 24th day of February, May, August and November. LRCN Series 6 is redeemable on August 24, 2030 and on each 24th day of February, May, August and November thereafter to the extent we redeem Series BY pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- (12) LRCN Series 7 bear interest at a fixed rate of 6.50% per annum until November 24, 2035, and thereafter at a rate per annum, reset every fifth year, equal to the 5-Year U.S. Treasury Rate plus 2.462% until maturity on November 24, 2085. The interest is paid quarterly on or about the 24th day of February, May, August and November. LRCN Series 7 is redeemable on November 24, 2035 and on each 24th day of February, May, August and November thereafter to the extent we redeem Series BZ pursuant to their terms and subject to the consent of OSFI and requirements of the *Bank Act* (Canada).
- n.a. not applicable

Restrictions on the payment of dividends

We are prohibited by the *Bank Act* (Canada) from declaring any dividends on our preferred or common shares when we are, or would be placed as a result of the declaration, in contravention of the capital adequacy and liquidity regulations or any regulatory directives issued under the Act. We may not pay dividends on our common shares at any time unless all dividends to which preferred shareholders are then entitled have been declared and paid or set apart for payment. Currently, these limitations do not restrict the payment of dividends on our preferred or common shares.

Dividend reinvestment plan

Our dividend reinvestment plan (DRIP) provides common and preferred shareholders with a means to receive additional common shares rather than cash dividends. The plan is only open to shareholders residing in Canada or the U.S. The requirements of our DRIP are satisfied through either open market share purchases or shares issued from treasury. During the year ended October 31, 2025 and the third and fourth quarters of the year ended October 31, 2024, the requirements of our DRIP were satisfied through open market share purchases. During the first and second quarters of the year ended October 31, 2024, the requirements of our DRIP were satisfied through shares issued from treasury at a discount.

Shares available for future issuances

As at October 31, 2025, 14.8 million common shares are available for future issue relating to our DRIP and potential exercise of stock options and awards outstanding. In addition, we may issue up to 38.9 million common shares from treasury under the RBC Umbrella Savings and Securities Purchase Plan that was approved by shareholders on February 26, 2009.

Note 20 Share-based compensation

Stock option plans

We have stock option plans for certain key employees. Under the plans, options are periodically granted to purchase common shares. The exercise price for the majority of the grants is determined as the higher of the volume-weighted average of the trading prices per board lot (100 shares) of our common shares on the Toronto Stock Exchange (i) on the day preceding the day of grant; and (ii) the five consecutive trading days immediately preceding the day of grant. The exercise price for the remaining grants is the closing market share price of our common shares on the New York Stock Exchange on the date of grant. All options vest over a four-year period, and are exercisable for a period not exceeding 10 years from the grant date.

The compensation expense recorded for the year ended October 31, 2025, in respect of the stock option plans was \$18 million (October 31, 2024 – \$16 million). The compensation expense related to non-vested options was \$9 million at October 31, 2025 (October 31, 2024 – \$9 million), to be recognized over the weighted average period of 2.0 years (October 31, 2024 – 2.0 years).

Analysis of the movement in the number and weighted average exercise price of options is set out below.

A summary of our stock option activity and related information

	For the year ended			
	October 31, 2025		October 31, 2024	
	Number of options (thousands)	Weighted average exercise price (1)	Number of options (thousands)	Weighted average exercise price (1)
(Canadian dollars per share except option amounts)				
Outstanding at beginning of period	7,375	\$ 113.00	7,767	\$ 106.01
Granted	916	177.97	1,666	125.37
Exercised (2), (3)	(796)	90.31	(1,720)	91.03
Forfeited	(5)	114.04	(338)	124.64
Outstanding at end of period	7,490	\$ 123.37	7,375	\$ 113.00
Exercisable at end of period	3,522	\$ 105.02	3,212	\$ 97.02

- (1) The weighted average exercise prices reflect the conversion of foreign currency-denominated options at the exchange rates as of October 31, 2025 and October 31, 2024. For foreign currency-denominated options exercised during the year, the weighted average exercise prices are translated using exchange rates as at the settlement date.
- (2) Cash received for options exercised during the year was \$72 million (October 31, 2024 – \$157 million) and the weighted average share price at the date of exercise was \$179.45 (October 31, 2024 – \$144.69).
- (3) New shares were issued for all stock options exercised in 2025 and 2024.

Options outstanding as at October 31, 2025 by range of exercise price

	Options outstanding			Options exercisable	
	Number outstanding (thousands)	Weighted average exercise price (1)	Weighted average remaining contractual life (years)	Number exercisable (thousands)	Weighted average exercise price (1)
(Canadian dollars per share except option amounts and years)					
\$74.39 – \$96.55	1,031	\$ 93.27	2.04	1,031	\$ 93.27
\$102.33 – \$104.70	1,067	103.95	3.46	1,067	103.95
\$106.00 – \$106.00	930	106.00	5.12	930	106.00
\$125.37 – \$129.99	2,579	127.21	7.32	494	129.99
\$131.64 – \$177.97	1,883	154.17	8.10	–	–
	7,490	\$ 123.37	5.97	3,522	\$ 105.02

- (1) The weighted average exercise prices reflect the conversion of foreign currency-denominated options at the exchange rate as of October 31, 2025.

The weighted average fair value of options granted during the year ended October 31, 2025 was estimated at \$20.45 (October 31, 2024 – \$13.60). This was determined by applying the Black-Scholes model on the date of grant, taking into account the specific terms and conditions under which the options are granted, such as the vesting period and expected share price volatility estimated by considering the historic average share price volatility over a historical period corresponding to the expected option life. The following table summarizes the assumptions used to determine the fair value of options granted.

Weighted average assumptions

(Canadian dollars per share except percentages and years)	For the year ended	
	October 31 2025	October 31 2024
Share price at grant date	\$ 177.97	\$ 128.62
Risk-free interest rate	3.00%	3.29%
Expected dividend yield	3.85%	4.20%
Expected share price volatility	17%	16%
Expected life of option	6 Years	6 Years

Employee savings and share ownership plans

We offer many employees an opportunity to own our common shares through savings and share ownership plans. Under these plans, the employees can generally contribute between 1% and 10% of their annual salary or benefit base for commission-based employees. For each contribution between 1% and 6%, we will generally match 50% of the employee contributions in our common shares. For the RBC Dominion Securities Savings® Plan, our maximum annual contribution is \$4,500 per employee. For the RBC U.K. Share Incentive Plan, our maximum annual contribution is £1,500 per employee. For the year ended October 31, 2025, we contributed \$164 million (October 31, 2024 – \$154 million) under the terms of these plans towards the purchase of our common shares. As at October 31, 2025 an aggregate of 34 million common shares were held under these plans (October 31, 2024 – 35 million common shares).

Deferred share and other plans

We offer deferred share unit plans to executives, certain key employees and non-employee directors of the Bank. Under these plans, participants may choose to receive all or a percentage of their annual variable short-term incentive bonus, commission, or directors' fee in the form of deferred share units (DSUs). The participants must elect to participate in the plan prior to the beginning of the year. DSUs earn dividend equivalents in the form of additional DSUs at the same rate as dividends on common shares. The participant is not allowed to convert the DSUs until retirement or termination of employment/directorship. The cash value of the DSUs is equivalent to the market value of common shares when conversion takes place.

We offer unit awards for certain key employees within Capital Markets. The bonus is invested as RBC share units and a specified percentage vests on a specified number of anniversary dates each year. Each vested amount is paid in cash and is based on the original number of share units granted plus accumulated dividends, valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date.

We offer performance deferred share award plans to certain key employees, all of which vest at the end of three years. Upon vesting, the award is generally paid in cash and is based on the original number of RBC share units granted plus accumulated dividends, valued using the average closing price of RBC common shares during the five trading days immediately preceding the vesting date. A portion of the award under certain plans may be increased or decreased up to 25%, depending on our total shareholder return compared to a defined peer group of global financial institutions.

We maintain non-qualified deferred compensation plans for certain key employees in the U.S. These plans allow eligible employees to defer a portion of their annual income and a variety of productivity and recruitment bonuses and allocate the deferrals among specified fund choices, including a RBC Share Account fund that tracks the value of our common shares.

The following table presents the units granted under the deferred share and other plans for the year.

Units granted under deferred share and other plans

(Units and per unit amounts)	For the year ended			
	October 31, 2025		October 31, 2024	
	Units granted (thousands)	Weighted average fair value per unit	Units granted (thousands)	Weighted average fair value per unit
Deferred share unit plans	438	\$ 176.00	550	\$ 134.64
Capital Markets compensation plan unit awards	3,147	203.17	3,053	167.79
Performance deferred share award plans	2,202	178.57	2,848	123.83
Deferred compensation plans	85	172.35	86	132.99
Other share-based plans	886	177.42	1,108	129.38
	6,758	\$ 189.63	7,645	\$ 143.07

Our liabilities for the awards granted under the deferred share and other plans are measured at fair value, determined based on the quoted market price of our common shares and specified fund choices as applicable. Annually, our obligation is increased by additional units earned by plan participants, and is reduced by forfeitures, cancellations, and the settlement of vested units. In addition, our obligation is impacted by fluctuations in the market price of our common shares and specified fund units. For performance deferred share award plans, the estimated outcome of meeting the performance conditions also impacts our obligation.

The following tables present the units that have been earned by the participants, our obligations for these earned units under the deferred share and other plans, and the related compensation expenses (recoveries) recognized for the year.

Obligations under deferred share and other plans

	As at			
	October 31, 2025		October 31, 2024	
	Units (thousands)	Carrying amount	Units (thousands)	Carrying amount
(Millions of Canadian dollars except units)				
Deferred share unit plans	6,324	\$ 1,299	6,243	\$ 1,051
Capital Markets compensation plan unit awards	8,762	1,788	9,593	1,603
Performance deferred share award plans	6,170	1,267	6,068	1,022
Deferred compensation plans (1)	1,972	405	2,109	355
Other share-based plans	2,258	434	2,394	363
	25,486	\$ 5,193	26,407	\$ 4,394

(1) Excludes obligations not determined based on the quoted market price of our common shares.

Compensation expenses recognized under deferred share and other plans

	For the year ended	
	October 31 2025	October 31 2024
(Millions of Canadian dollars)		
Deferred share unit plans	\$ 292	\$ 395
Capital Markets compensation plan unit awards	519	643
Performance deferred share award plans	645	685
Deferred compensation plans	645	797
Other share-based plans	237	276
	\$ 2,338	\$ 2,796

Note 21 Income taxes

Components of tax expense

	For the year ended	
	October 31 2025	October 31 2024
(Millions of Canadian dollars)		
Income taxes (recoveries) in Consolidated Statements of Income		
Current tax		
Tax expense for current year	\$ 5,534	\$ 4,829
Adjustments for prior years	106	298
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period	(4)	(4)
	5,636	5,123
Deferred tax		
Origination and reversal of temporary difference	(118)	(1,118)
Adjustments for prior years	(235)	(383)
Recoveries arising from previously unrecognized tax loss, tax credit or temporary difference of a prior period, net	(1)	-
	(354)	(1,501)
	5,282	3,622
Income taxes (recoveries) in Consolidated Statements of Comprehensive Income and Changes in Equity		
Other comprehensive income		
Net unrealized gains (losses) on debt securities and loans at fair value through other comprehensive income	219	302
Provision for credit losses recognized in income	(1)	(3)
Reclassification of net losses (gains) on debt securities and loans at fair value through other comprehensive income to income	(39)	(39)
Unrealized foreign currency translation gains (losses)	1	(11)
Net foreign currency translation gains (losses) from hedging activities	(118)	(195)
Reclassification of losses (gains) on net investment hedging activities to income	-	-
Net gains (losses) on derivatives designated as cash flow hedges	287	105
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income	(255)	(309)
Remeasurement gains (losses) on employee benefit plans	124	202
Net gains (losses) from fair value change due to credit risk on financial liabilities designated at fair value through profit or loss	(342)	(399)
Net gains (losses) on equity securities designated at fair value through other comprehensive income	39	43
Share-based compensation awards	(36)	(12)
Distributions on other equity instruments and issuance costs	(134)	(69)
	(255)	(385)
Total income taxes	\$ 5,027	\$ 3,237

The following is an analysis of the differences between the income tax expense reflected in the Consolidated Statements of Income and the amounts calculated at the Canadian statutory tax rate.

Reconciliation to statutory tax rate

(Millions of Canadian dollars, except for percentage amounts)	For the year ended			
	October 31, 2025		October 31, 2024	
Income taxes at Canadian statutory tax rate	\$ 7,105	27.7%	\$ 5,502	27.7%
Increase (decrease) in income taxes resulting from:				
Lower average tax rate applicable to subsidiaries (1)	(1,810)	(7.1)	(1,971)	(9.9)
Tax-exempt income from securities	(34)	(0.1)	(52)	(0.3)
Other	21	0.1	143	0.7
Income taxes in Consolidated Statements of Income / effective tax rate	\$ 5,282	20.6%	\$ 3,622	18.2%

(1) Includes Pillar Two current tax expense. The Organisation for Economic Co-operation and Development's two-pillar plan to combat tax base erosion and profit sharing includes a 15% global minimum corporate tax on certain multinational enterprises (Pillar Two). Pillar Two legislation in certain countries in which RBC operates became effective for us beginning November 1, 2024, including under the Global Minimum Tax Act in Canada. Pillar Two current tax expense includes both domestic top up taxes payable in foreign jurisdictions and income taxes payable in Canada under the Income Inclusion Rule. Pillar Two current tax expense increased RBC's effective tax rate by approximately 1.4% for the year ended October 31, 2025 (October 31, 2024 – not applicable).

The effective income tax rate of 20.6% increased 240 bps, primarily due to higher income in higher tax rate jurisdictions and the impact of Pillar Two legislation.

Deferred tax assets and liabilities result from tax loss and tax credit carryforwards and temporary differences between the tax basis of assets and liabilities and their carrying amounts on our Consolidated Balance Sheets.

Significant components of deferred tax assets and liabilities

(Millions of Canadian dollars)	As at and for the year ended October 31, 2025					
	Net asset beginning of period	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/disposals	Net asset end of period
Net deferred tax asset/(liability)						
Allowance for credit losses	\$ 1,394	\$ –	\$ 150	\$ 2	\$ –	\$ 1,546
Deferred compensation	2,167	36	243	34	–	2,480
Business realignment charges	43	–	22	1	–	66
Tax loss and tax credit carryforwards	331	–	20	2	–	353
Deferred (income) expense	1,318	8	(433)	7	–	900
Financial instruments measured at fair value through other comprehensive income	(158)	(93)	9	15	–	(227)
Premises and equipment and intangibles	(1,476)	–	182	(26)	–	(1,320)
Pension and post-employment related	(463)	(127)	33	(1)	–	(558)
Other	630	2	128	2	–	762
	\$ 3,786	\$ (174)	\$ 354	\$ 36	\$ –	\$ 4,002
Comprising						
Deferred tax assets	\$ 4,328					\$ 4,486
Deferred tax liabilities	(542)					(484)
	\$ 3,786					\$ 4,002

(Millions of Canadian dollars)	As at and for the year ended October 31, 2024					
	Net asset beginning of period	Change through equity	Change through profit or loss	Exchange rate differences	Acquisitions/disposals	Net asset end of period
Net deferred tax asset/(liability)						
Allowance for credit losses	\$ 1,174	\$ 4	\$ 217	\$ (1)	\$ –	\$ 1,394
Deferred compensation	1,522	12	614	19	–	2,167
Business realignment charges	23	–	16	–	4	43
Tax loss and tax credit carryforwards	261	–	71	(1)	–	331
Deferred (income) expense	651	4	641	2	20	1,318
Financial instruments measured at fair value through other comprehensive income	(321)	164	(1)	–	–	(158)
Premises and equipment and intangibles	(967)	–	136	(22)	(623)	(1,476)
Pension and post-employment related	(333)	(206)	20	(1)	57	(463)
Other	680	–	(213)	–	163	630
	\$ 2,690	\$ (22)	\$ 1,501	\$ (4)	\$ (379)	\$ 3,786
Comprising						
Deferred tax assets	\$ 3,116					\$ 4,328
Deferred tax liabilities	(426)					(542)
	\$ 2,690					\$ 3,786

The tax loss and tax credit carryforwards amount of deferred tax assets primarily relates to losses and tax credits in our Canadian, U.S., and Caribbean operations. Deferred tax assets of \$353 million were recognized at October 31, 2025 (October 31, 2024 – \$331 million) in respect of tax losses and tax credits incurred in current or preceding years for which recognition is dependent on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilize the deferred tax assets. The forecasts rely on continued liquidity and capital support to our business operations, including tax planning strategies implemented in relation to such support.

As at October 31, 2025, unused tax losses and tax credits of \$408 million and \$18 million (October 31, 2024 – \$412 million and \$18 million) available to be offset against potential tax adjustments or future taxable income were not recognized as deferred tax assets. There are no unused tax losses that will expire within one year (October 31, 2024 – \$nil), or in two to four years (October 31, 2024 – \$nil) and there are \$408 million of unused tax losses that will expire after four years (October 31, 2024 – \$412 million). There are no tax credits that will expire in one year (October 31, 2024 – \$nil), or in two to four years (October 31, 2024 – \$nil) and there are \$18 million that will expire after four years (October 31, 2024 – \$18 million).

The amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognized in the parent bank is \$37 billion as at October 31, 2025 (October 31, 2024 – \$30 billion).

Tax examinations and assessments

During the year, we received a reassessment from the Canada Revenue Agency (CRA) in respect of the 2020 taxation year, which suggested that Royal Bank of Canada owes additional taxes of approximately \$411 million as the CRA denied the deductibility of certain dividends. The reassessment received is consistent with the reassessments received for taxation years 2012 to 2019 of approximately \$2,133 million of additional income taxes and the reassessments received for taxation years 2009 to 2011 of approximately \$434 million of additional income taxes and interest in respect of the same matter. These amounts represent the maximum additional taxes owing for those years.

Legislative amendments introduced in the 2015 Canadian Federal Budget resulted in disallowed deduction of dividends from transactions with Taxable Canadian Corporations including those hedged with Tax Indifferent Investors, namely pension funds and non-resident entities with prospective application effective May 1, 2017. The dividends to which the reassessments relate include both dividends in transactions similar to those which are the target of the 2015 legislative amendments and dividends which are unrelated to the legislative amendments.

It is possible that the CRA will reassess us for significant additional income tax for subsequent years on the same basis. In all cases, we are confident that our tax filing position was appropriate and intend to defend ourselves vigorously.

Note 22 Earnings per share

	For the year ended	
	October 31 2025	October 31 2024
<i>(Millions of Canadian dollars, except share and per share amounts)</i>		
Basic earnings per share		
Net income	\$ 20,369	\$ 16,240
Dividends on preferred shares and distributions on other equity instruments	(494)	(322)
Net income attributable to non-controlling interests	(7)	(10)
Net income available to common shareholders	\$ 19,868	\$ 15,908
Weighted average number of common shares (in thousands)	1,409,072	1,411,903
Basic earnings per share (in dollars)	\$ 14.10	\$ 11.27
Diluted earnings per share		
Net income available to common shareholders	\$ 19,868	\$ 15,908
Weighted average number of common shares (in thousands)	1,409,072	1,411,903
Stock options ⁽¹⁾	2,517	1,833
Issuable under other share-based compensation plans	–	19
Average number of diluted common shares (in thousands)	1,411,589	1,413,755
Diluted earnings per share (in dollars)	\$ 14.07	\$ 11.25

(1) The dilutive effect of stock options was calculated using the treasury stock method. When the exercise price of options outstanding is greater than the average market price of our common shares, the options are excluded from the calculation of diluted earnings per share. For the years ended October 31, 2025 and October 31, 2024, no outstanding options were excluded from the calculation of diluted earnings per share.

Guarantees and commitments

We use guarantees and other off-balance sheet credit instruments to meet the financing needs of our clients.

The table below summarizes our maximum exposure to credit losses related to our guarantees and commitments provided to third parties. The maximum exposure to credit risk relating to a guarantee is the maximum risk of loss if there was a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions, insurance policies or from collateral held or pledged. The maximum exposure to credit risk relating to a commitment to extend credit is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognized as a liability in our Consolidated Balance Sheets.

	Maximum exposure to credit losses	
	As at	
	October 31 2025	October 31 2024
(Millions of Canadian dollars)		
Financial guarantees		
Financial standby letters of credit	\$ 28,928	\$ 27,222
Commitments to extend credit		
Backstop liquidity facilities	60,520	53,090
Credit enhancements	3,895	3,482
Documentary and commercial letters of credit	295	559
Other commitments to extend credit	355,213	321,836
Other credit-related commitments		
Securities lending indemnifications	86,782	81,347
Performance guarantees	12,691	12,283
Sponsored member guarantees	81,681	50,241
Other	116	446

Our credit review process, our policy for requiring collateral security, and the types of collateral security held are generally the same for guarantees and commitments as for loans. Our clients generally have the right to request settlement of, or draw on, our guarantees and commitments within one year. However, certain guarantees can only be drawn if specified conditions are met. These conditions, along with collateral requirements, are described below. We believe that it is highly unlikely that all or substantially all of the guarantees and commitments will be drawn or settled within one year, and contracts may expire without being drawn or settled.

Financial guarantees
Financial standby letters of credit

Financial standby letters of credit represent irrevocable assurances that we will make payments in the event that a client cannot meet its payment obligations to the third-party. For certain guarantees, the guaranteed party can request payment from us even though the client has not defaulted on its obligations. These guarantees generally have a term of five to seven years.

Our policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans. When collateral security is taken, it is determined on an account-by-account basis according to the risk of the borrower and the specifics of the transaction. Collateral security may include cash, securities and other assets pledged.

Commitments to extend credit
Backstop liquidity facilities

Backstop liquidity facilities are provided to ABCP conduit programs administered by us and third parties as an alternative source of financing in the event that such programs are unable to access commercial paper markets, or in limited circumstances, when predetermined performance measures of the financial assets acquired or financed by these programs are not met. The average remaining term of these liquidity facilities is approximately four years. We also provide backstop liquidity facilities to certain third-party and RBC-sponsored commercial mortgage securitization vehicles. The average remaining term of these liquidity facilities is approximately five years.

The terms of the backstop liquidity facilities do not require us to advance money to these programs in the event of bankruptcy or insolvency and generally do not require us to purchase non-performing or defaulted assets.

Credit enhancements

We provide partial credit enhancement to multi-seller ABCP programs administered by us to protect commercial paper investors in the event that the collections on the underlying assets together with the transaction-specific credit enhancements or the liquidity facilities prove to be insufficient to pay for maturing commercial paper. Each of the asset pools is structured to achieve a high investment grade credit profile through credit enhancements required to be provided by the third-party sellers related to each transaction. The average remaining term of the credit facilities provided by RBC is approximately three years.

Documentary and commercial letters of credit

Documentary and commercial letters of credit, which are written undertakings by us on behalf of a client authorizing a third-party to draw drafts on us up to a stipulated amount under specific terms and conditions, where some are collateralized based on the underlying agreement with the client and others are collateralized by cash deposits or other assets of the client.

Other commitments to extend credit

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, reverse repurchase agreements or letters of credit where we do not have the ability to unilaterally withdraw the credit extended to the borrower.

Other credit-related commitments

Securities lending indemnifications

In securities lending transactions, we act as an agent for the owner of a security, who agrees to lend the security to a borrower for a fee, under the terms of a pre-arranged contract. The borrower must fully collateralize the security loaned at all times. As part of this custodial business, an indemnification may be provided to securities lending customers to ensure that the fair value of securities loaned will be returned in the event that the borrower fails to return the borrowed securities and the collateral held is insufficient to cover the fair value of those securities. These indemnifications normally terminate without being drawn upon. The term of these indemnifications varies, as the securities loaned are callable on demand. Collateral held for our securities lending transactions typically includes cash, securities that are issued or guaranteed by the Canadian government, U.S. government or other OECD countries or high quality debt or equity instruments.

Performance guarantees

Performance guarantees represent irrevocable assurances that we will make payments to third-party beneficiaries in the event that a client fails to perform under a specified non-financial contractual obligation. Such obligations typically include works and service contracts, performance bonds, and warranties related to international trade. The term of these guarantees can range up to three to seven years.

Our policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans. When collateral security is taken, it is determined on an account-by-account basis according to the risk of the borrower and the specifics of the transaction. Collateral security may include cash, securities and other assets pledged.

Sponsored member guarantees

For certain overnight repurchase and reverse repurchase transactions, we act as a sponsoring member to eligible clients to clear transactions through the Fixed Income Clearing Corporation (FICC). We also provide a guarantee to FICC for the prompt and full payment and performance of our sponsored member clients' respective obligations under the FICC rules. The guarantees are fully collateralized by cash and securities issued or guaranteed by the U.S. government.

Indemnifications

In the normal course of our operations, we provide indemnifications which are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, fiduciary, agency, licensing, custodial and service agreements, clearing system arrangements, participation as a member of exchanges, director/officer contracts and leasing transactions. These indemnification agreements may require us to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements vary based on the contract. The nature of the indemnification agreements prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay to counterparties. Historically, we have not made any significant payments under such indemnifications.

Uncommitted amounts

Uncommitted amounts represent undrawn credit facilities for which we have the ability to unilaterally withdraw the credit extended to the borrower at any time. These include both retail and commercial commitments. As at October 31, 2025, the total balance of uncommitted amounts was \$496 billion (October 31, 2024 – \$470 billion).

Other commitments

We invest in private companies, directly or through third-party investment funds, including venture capital funds, private equity funds, Small Business Investment Companies, real estate funds and Low Income Housing Tax Credit funds. These funds are generally structured as closed-end limited partnerships wherein we hold a limited partner interest. For the year ended October 31, 2025, we have unfunded commitments of \$1,664 million (October 31, 2024 – \$1,922 million) representing the aggregate amount of cash we are obligated to contribute as capital to these partnerships under the terms of the relevant contracts.

Pledged assets and collateral

In the ordinary course of business, we pledge assets and enter into collateral agreements with terms and conditions that are customary to our regular lending, borrowing and trading activities that require us to pledge assets or provide collateral. The following are examples of our general terms and conditions on pledged assets and collateral:

- The risks and rewards of the pledged assets reside with the pledgor.
- The pledged asset is returned to the pledgor when the necessary conditions have been satisfied.
- The right of the pledgee to sell or re-pledge the asset is dependent on the specific agreement under which the collateral is pledged.
- If there is no default, the pledgee must return the comparable asset to the pledgor upon satisfaction of the obligation.

Note 23 Guarantees, commitments, pledged assets and contingencies (continued)

The following table summarizes our pledged assets and collateral, and the activities to which they relate:

Assets pledged against liabilities and collateral assets held or re-pledged

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Sources of pledged assets and collateral		
Bank assets		
Loans	\$ 96,886	\$ 105,577
Securities	139,671	105,061
Other assets	40,974	31,583
	277,531	242,221
Client assets ⁽¹⁾		
Collateral received and available for sale or re-pledging	539,344	539,630
Less: not sold or re-pledged	(8,611)	(30,767)
	530,733	508,863
	\$ 808,264	\$ 751,084
Uses of pledged assets and collateral		
Securities borrowing and lending	\$ 238,301	\$ 198,887
Obligations related to securities sold short	56,382	46,088
Obligations related to securities loaned or sold under repurchase agreements	292,335	305,788
Securitization	36,797	39,769
Covered bonds	64,926	71,307
Derivative transactions	73,686	50,100
Foreign governments and central banks	11,510	8,469
Clearing systems, payment systems and depositories	12,194	11,261
Other	22,133	19,415
	\$ 808,264	\$ 751,084

(1) Primarily relates to Obligations related to securities loaned or sold under repurchase agreements, Securities loaned and Derivative transactions.

Note 24 Legal and regulatory matters

We are a large global institution that is subject to many different complex legal and regulatory requirements that continue to evolve. We are and have been subject to a variety of legal proceedings, including civil claims and lawsuits, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions. Some of these matters may involve novel legal theories and interpretations and may be advanced under criminal as well as civil statutes, and some proceedings could result in the imposition of civil, regulatory enforcement or criminal penalties. We review the status of all proceedings on an ongoing basis and will exercise judgment in resolving them in such manner as we believe to be in our best interest. In many proceedings, it is inherently difficult to determine whether any loss is probable or to reliably estimate the amount of any loss. This is an area of significant judgment and uncertainty and the extent of our financial and other exposure to these proceedings after taking into account current provisions could be material to our results of operations in any particular period though we do not believe that the ultimate resolution of any such matter will have a material effect on our consolidated financial condition. The following is a description of our significant legal proceedings. Based on the facts currently known, except as may otherwise be noted, it is not possible at this time for us to predict the ultimate outcome of these proceedings or the timing of their resolution.

Royal Bank of Canada Trust Company (Bahamas) Limited proceedings

On April 13, 2015, a French investigating judge notified Royal Bank of Canada Trust Company (Bahamas) Limited (RBC Bahamas) of the issuance of an *ordonnance de renvoi* referring RBC Bahamas and other unrelated persons to the French *tribunal correctionnel* to face the charge of complicity in estate tax fraud relating to actions taken relating to a trust for which RBC Bahamas serves as trustee. RBC Bahamas contested the charge in the French court. On January 12, 2017, the French court acquitted all parties including RBC Bahamas and on June 29, 2018, the French appellate court affirmed the acquittals. The acquittals were appealed and on January 6, 2021, the French Supreme Court issued a judgment reversing the decision of the French Court of Appeal and sent the case back to the French Court of Appeal for rehearing. The retrial before the Court of Appeal commenced on September 18, 2023 and on March 5, 2024, the Court of Appeal rendered a judgment of conviction (the Conviction) against RBC Bahamas and the other parties. RBC Bahamas was ordered by the Court of Appeal to pay a fine of €5,000 in connection with the Conviction. In addition, the Court of Appeal ordered that certain of those convicted of complicity in the matter, including RBC Bahamas, are jointly liable for the allegedly unpaid inheritance taxes owing, plus penalties and interest (such aggregate amount will be determined in separate proceedings before the tax courts, to which RBC Bahamas is not a party). RBC Bahamas believes that its actions did not violate French law and has appealed the Conviction to the French Supreme Court. Under French law, upon the filing of an appeal by RBC Bahamas, the Conviction, as well as its effects (fine and joint liability) were stayed pending the outcome of the appeal. The French Supreme Court has scheduled the hearing for the appeal for December 10, 2025.

On October 28, 2016, Royal Bank of Canada was granted an exemption by the U.S. Department of Labor (DOL) that allows Royal Bank of Canada and its current and future affiliates to continue to qualify for the Qualified Professional Asset Manager (QPAM) exemption under the Employee Retirement Income Security Act despite any potential conviction of RBC Bahamas in the French proceeding for a temporary one-year period from the date of conviction. On December 11, 2023, the DOL published a technical correction to the prior one-year exemption reflecting the fact that the pending French Court of Appeal's decision would be rendered by an appellate court, and not the district court. As a result of the Conviction, the temporary one-year period commenced on March 5, 2024.

On January 17, 2025, the DOL proposed exemptive relief to allow Royal Bank of Canada to continue to qualify for the QPAM exemption under the Employee Retirement Income Security Act from March 5, 2025 through March 4, 2030. On March 5, 2025, the DOL granted an extension of the original relief granted to Royal Bank of Canada in 2016 until the earlier of September 4, 2025 or the effective date of a final agency action in connection with the proposed exemption published on January 17, 2025. The DOL granted the exemptive relief it proposed on January 17, 2025, with immaterial amendments, with effect from August 12, 2025 through March 4, 2030. Royal Bank of Canada anticipates seeking further exemptive relief from the DOL prior to the expiration of the existing relief in the future to the extent deemed necessary or advisable. No assurances can be provided that such relief, if requested, would be forthcoming.

RBC Bahamas continues to review the trustee's and the trust's legal obligations, including liabilities and potential liabilities under applicable tax and other laws.

U.K. Competition and Markets Authority investigation

In November 2018, the U.K. Competition and Markets Authority (CMA) started an investigation of Royal Bank of Canada and RBC Europe Limited relating to alleged anti-competitive conduct between 2009 and 2013, involving U.K. government bonds and related derivatives. In May 2023, the CMA issued a statement of objections to Royal Bank of Canada and RBC Europe Limited, and certain other financial institutions. Royal Bank of Canada and RBC Europe Limited contested the CMA's case. In February 2025, Royal Bank of Canada and RBC Europe Limited entered into a settlement with the CMA and agreed to make payment of £34.2 million in full and final resolution of the matter.

In June 2023, RBC Europe Limited and RBC Capital Markets, LLC, among other financial institutions, were named as defendants in a putative class action filed in the U.S. by plaintiffs alleging anti-competitive conduct in the U.K. government bonds market. In September 2023, the defendants filed a motion to dismiss the complaint which motion was granted, without prejudice, in September 2024. Subsequently, on October 31, 2024, RBC Europe Limited, RBC Capital Markets, LLC and certain of the other defendants executed an agreement to dismiss the action, with prejudice, against those defendants. In March 2025, the court preliminarily approved the settlement agreement. The settlement agreement, which entails dismissal of the case as to the settling defendants for an immaterial amount, remains subject to final court approval.

Vacation pay class action

On December 29, 2022, the Ontario Superior Court of Justice certified a class in an action against RBC Dominion Securities Limited and RBC Dominion Securities Inc. (together, RBC DS). The action commenced in July 2020, asserting claims relating to statutory vacation pay and public holiday pay for investment advisors, associates and assistants in our Canadian Wealth Management business, with the exception of those employed in Alberta and British Columbia.

Other matters

We are a defendant in a number of other actions alleging that certain of our practices and actions were improper. The lawsuits involve a variety of complex issues and the timing of their resolution is varied and uncertain. Management believes that we will ultimately be successful in resolving these lawsuits, to the extent that we are able to assess them, without material financial impact to the Bank. This is, however, an area of significant judgment and the potential liability resulting from these lawsuits could be material to our results of operations in any particular period.

Various other legal proceedings are pending that challenge certain of our other practices or actions. While this is an area of significant judgment and some matters are currently inestimable, we consider that the aggregate liability, to the extent that we are able to assess it, resulting from these other proceedings will not be material to our consolidated financial position or results of operations.

Note 25 Related party transactions

Related parties

Related parties include associated companies over which we have direct or indirect control or have significant influence and post-employment benefit plans for the benefit of our employees. Related parties also include key management personnel (KMP), the Board of Directors (Directors), close family members of KMP and Directors, and entities which are, directly or indirectly, controlled by or jointly controlled by KMP, Directors or their close family members.

Key management personnel and Directors

KMP are defined as those persons having authority and responsibility for planning, directing and controlling our activities, directly or indirectly. They include the senior members of our organization called the Group Executive (GE). The GE is comprised of the President and Chief Executive Officer (CEO), and the Chief Officers and Group Heads, who report directly to the CEO. The Directors do not plan, direct or control the activities of the entity; they oversee the management of the business and provide stewardship.

Compensation of Key management personnel and Directors

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Salaries and other short-term employee benefits (1)	\$ 35	\$ 31
Post-employment benefits (2)	4	3
Share-based payments (3)	70	67
	\$ 109	\$ 101

- (1) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of DSUs. Refer to Note 20 for further details. Directors receive retainers but do not receive salaries and other short-term employee benefits.
- (2) Directors do not receive post-employment benefits.
- (3) The Bank offers share-based compensation plans to KMP and Directors. Refer to Note 20 for further details.

Transactions, arrangements and agreements involving Key management personnel, Directors and their close family members

In the normal course of business, we provide certain banking services to KMP, Directors and their close family members. These transactions were made on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing and did not involve more than the normal risk of repayment or present other unfavourable features.

As at October 31, 2025, total loans to KMP, Directors and their close family members were \$16 million (October 31, 2024 – \$16 million). We have no Stage 3 allowance or provision for credit losses relating to these loans as at and for the years ended October 31, 2025 and October 31, 2024. No guarantees, pledges or commitments have been given to KMP, Directors or their close family members.

Joint ventures and associates

In the normal course of business, we provide certain banking and financial services to our joint ventures and associates, including loans, interest and non-interest bearing deposits. These transactions meet the definition of related party transactions and were made on substantially the same terms as for comparable transactions with third parties.

As at October 31, 2025, loans to joint ventures and associates were \$174 million (October 31, 2024 – \$184 million) and deposits from joint ventures and associates were \$100 million (October 31, 2024 – \$58 million). We have no Stage 3 allowance or provision for credit losses relating to loans to joint ventures and associates as at and for the years ended October 31, 2025 and October 31, 2024. \$1 million of guarantees have been given to joint ventures and associates for the year ended October 31, 2025 (October 31, 2024 – \$1 million).

Other transactions, arrangements or agreements involving joint ventures and associates

(Millions of Canadian dollars)	As at or for the year ended	
	October 31 2025	October 31 2024
Commitments and other contingencies	\$ 1,207	\$ 1,226
Other fees received for services rendered	105	73
Other fees paid for services received	121	119

Note 26 Results by business segment
Composition of business segments

For management purposes, based on the products and services offered, we are organized into five business segments: Personal Banking, Commercial Banking, Wealth Management, Insurance and Capital Markets.

Personal Banking provides a broad suite of financial products and services to retail clients for their day-to-day banking, investing and financing needs through three geographies: Canada, the Caribbean and the U.S. In Canada, we provide a broad suite of financial products and services through our large branch network, ATMs, and mobile sales network. In the Caribbean and the U.S., we offer a broad range of financial products and services in targeted markets. Non-interest income in Personal Banking mainly comprises Mutual fund revenue, Service charges and Card service revenue.

Commercial Banking offers a wide range of lending, deposit and transaction banking products and services to Canadian companies and foreign businesses in Canada at every stage of their business lifecycle through digital solutions, customized banking advice and services by experienced advisors, relationship managers and our broad team of specialists. Non-interest income in Commercial Banking mainly comprises Service charges, Foreign exchange revenue, other than trading and Credit fees.

Wealth Management primarily serves high-net-worth and ultra-high-net-worth individual and institutional clients with a comprehensive suite of advice-based solutions and investment strategies, as well as personalized banking relationships and self-directed investment service through our lines of businesses in Canada, the U.S., the U.K., Europe and Asia, including Canadian Wealth Management, U.S. Wealth Management (including City National), Global Asset Management, International Wealth Management, and Investor Services. Non-interest income in Wealth Management mainly comprises Investment management and custodial fees, Mutual fund revenue and Securities brokerage commissions.

Insurance has operations in Canada and globally providing a wide range of advice and solutions for individual and business clients including life, health, wealth, property & casualty, travel, group benefits, annuities, and reinsurance. We offer our products and services through a wide variety of channels, comprised of mobile advisors, advice centres, RBC Insurance® stores and digital platforms, as well as through independent brokers and partners. We also operate in reinsurance and retrocession markets globally offering life, critical illness, disability and longevity reinsurance products. Non-interest income in Insurance primarily comprises Insurance service result and Insurance investment result.

Capital Markets provides expertise in advisory & origination, sales & trading, lending & financing and transaction banking to corporate, institutional, sponsor and government clients globally in our two main business lines: Corporate & Investment Banking and Global Markets. In North America, we offer a full suite of products and services which include equity and debt origination and distribution, advisory services and sales & trading. Outside North America, we have a targeted strategic presence in the U.K. & Europe, Australia, Asia and other markets aligned to our global expertise. In the U.K. & Europe, we offer a diversified set of capabilities in key industry sectors of focus. In Australia and Asia, we compete with global and regional investment banks in targeted areas aligned to our global expertise, including fixed income distribution and currencies trading, secured financing, as well as corporate and investment banking. Non-interest income in Capital Markets mainly includes Trading revenue, Underwriting and other advisory fees and Credit fees.

All other enterprise level activities that are not allocated to these five business segments, such as certain liquidity and cash management activities, including amounts associated with unattributed capital, and consolidation adjustments, including the elimination of the taxable equivalent basis (teb) gross-up amounts, are included in Corporate Support. Teb adjustments gross up income from certain tax-advantaged sources (U.S. tax credit business and Canadian taxable corporate dividends received on or before December 31, 2023) that are recorded in Capital Markets to their effective tax equivalent value with the corresponding offset recorded in income taxes. Management believes that these teb adjustments are necessary for Capital Markets to reflect how it is managed and enhances the comparability of revenue across our taxable and tax-advantaged sources. Our use of teb adjustments may not be comparable to similarly adjusted amounts at other financial institutions. The teb adjustment for the year ended October 31, 2025 was \$151 million (October 31, 2024 – \$294 million). Gains (losses) on economic hedges of our U.S. Wealth Management (including City National) share-based compensation plans, which are reflected in revenue, and related variability in share-based compensation expense driven by changes in the fair value of liabilities relating to these plans are also included in Corporate Support as this presentation more closely aligns with how we view business performance and manage the underlying risks.

Management reporting framework

Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way that the business segment is managed. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results. We regularly monitor these segment results for the purpose of making decisions about resource allocation and performance assessment.

The expenses in each business segment may include costs or services directly incurred or provided on their behalf at the enterprise level. For other costs not directly attributable to one of our business segments, we use a management reporting framework that uses assumptions and methodologies for allocating overhead costs and indirect expenses to our business segments and that assists in the attribution of capital and the transfer pricing of funds to our business segments in a manner that consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Activities and business conducted between our business segments are generally at market rates. All other enterprise level activities that are not allocated to our five business segments are reported under Corporate Support.

Our assumptions and methodologies used in our management reporting framework are periodically reviewed by us to ensure that they remain valid. The capital attribution methodologies involve a number of assumptions that are revised periodically.

(Millions of Canadian dollars)	As at or for the year ended October 31, 2025							Total
	Personal Banking (1)	Commercial Banking (1)	Wealth Management (1)	Insurance	Capital Markets (1), (2)	Corporate Support (2)		
Net interest income (3)	\$ 14,496	\$ 7,268	\$ 5,459	\$ –	\$ 4,789	\$ 988	\$ 33,000	
Non-interest income	5,358	1,294	16,919	1,321	9,637	(924)	33,605	
Total revenue	19,854	8,562	22,378	1,321	14,426	64	66,605	
Provision for credit losses	2,105	1,550	120	–	587	–	4,362	
Non-interest expense	8,001	2,833	16,769	315	7,966	708	36,592	
Net income (loss) before income taxes	9,748	4,179	5,489	1,006	5,873	(644)	25,651	
Income taxes (recoveries)	2,643	1,159	1,200	178	480	(378)	5,282	
Net income	\$ 7,105	\$ 3,020	\$ 4,289	\$ 828	\$ 5,393	\$ (266)	\$ 20,369	
Non-interest expense includes:								
Depreciation and amortization	\$ 1,085	\$ 105	\$ 1,237	\$ 46	\$ 570	\$ 2	\$ 3,045	
Impairment of other intangibles	9	–	22	1	2	–	34	
Total assets	\$574,456	\$196,254	\$ 196,129	\$32,405	\$ 1,223,853	\$101,909	\$2,325,006	
Total assets include:								
Additions to premises and equipment and intangibles	\$ 476	\$ 50	\$ 912	\$ 8	\$ 365	\$ 974	\$ 2,785	
Total liabilities	\$574,462	\$196,252	\$ 194,689	\$32,234	\$ 1,223,212	\$ (34,994)	\$2,185,855	

Note 26 Results by business segment (continued)

(Millions of Canadian dollars)	As at or for the year ended October 31, 2024							Total
	Personal Banking (1)	Commercial Banking (1)	Wealth Management (1)	Insurance	Capital Markets (1), (2)	Corporate Support (2)		
Net interest income (3)	\$ 12,438	\$ 6,061	\$ 4,979	\$ –	\$ 3,183	\$ 1,292	\$ 27,953	
Non-interest income	4,904	1,321	14,647	1,224	8,829	(1,534)	29,391	
Total revenue	17,342	7,382	19,626	1,224	12,012	(242)	57,344	
Provision for credit losses	1,802	975	29	2	424	–	3,232	
Non-interest expense	7,485	2,512	15,312	285	7,016	1,640	34,250	
Net income (loss) before income taxes	8,055	3,895	4,285	937	4,572	(1,882)	19,862	
Income taxes (recoveries)	2,134	1,077	863	208	(1)	(659)	3,622	
Net income	\$ 5,921	\$ 2,818	\$ 3,422	\$ 729	\$ 4,573	\$ (1,223)	\$ 16,240	
Non-interest expense includes:								
Depreciation and amortization	\$ 1,105	\$ 62	\$ 1,223	\$ 6	\$ 528	\$ (11)	\$ 2,913	
Impairment of other intangibles	21	–	23	2	22	–	68	
Total assets	\$ 555,029	\$ 187,142	\$ 184,503	\$ 29,288	\$ 1,127,661	\$ 87,959	\$ 2,171,582	
Total assets include:								
Additions to premises and equipment and intangibles	\$ 2,274	\$ 740	\$ 887	\$ 11	\$ 494	\$ 680	\$ 5,086	
Total liabilities	\$ 554,970	\$ 187,135	\$ 183,055	\$ 29,158	\$ 1,127,564	\$ (37,492)	\$ 2,044,390	

- (1) On March 28, 2024, we completed the HSBC Canada transaction. HSBC Canada results have been consolidated from the closing date, and are included in our Personal Banking, Commercial Banking, Wealth Management and Capital Markets segments. For further details, refer to Note 6.
- (2) Taxable equivalent basis.
- (3) Interest revenue is reported net of interest expense as we rely primarily on net interest income as a performance measure.

Geographic segments

For geographic reporting, our segments are grouped into Canada, the U.S. and Other International. Transactions are primarily recorded in the location that best reflects the risk due to negative changes in economic conditions and prospects for growth due to positive economic changes. This location frequently corresponds with the location of the legal entity through which the business is conducted and the location of our clients. Transactions are recorded in the local currency and are subject to foreign exchange rate fluctuations with respect to the movement in the Canadian dollar.

(Millions of Canadian dollars)	As at or for the year ended							
	October 31, 2025				October 31, 2024			
	Canada	United States	Other International	Total	Canada	United States	Other International	Total
Total revenue	\$ 41,861	\$ 17,200	\$ 7,544	\$ 66,605	\$ 35,847	\$ 15,034	\$ 6,463	\$ 57,344
Net income	14,537	3,804	2,028	20,369	11,266	2,880	2,094	16,240
Total assets	1,278,626	681,125	365,255	2,325,006	1,205,561	615,747	350,274	2,171,582

Note 27 Nature and extent of risks arising from financial instruments

We are exposed to credit, market and liquidity and funding risks as a result of holding financial instruments. Our risk measurement and objectives, policies and methodologies for managing these risks are disclosed in the shaded text along with those tables specifically marked with an asterisk (*) in the Credit risk, Market risk and Liquidity and funding risk sections of Management's Discussion and Analysis. These shaded text and tables are an integral part of these Consolidated Financial Statements.

Concentrations of credit risk exist if a number of our counterparties are engaged in similar activities, are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of our performance to developments affecting a particular industry or geographic location. The amounts of credit exposure associated with certain of our on- and off-balance sheet financial instruments are summarized in the following tables.

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2025								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 895,328	66%	\$ 315,466	23%	\$ 92,304	7%	\$ 56,119	4%	\$ 1,359,217
Derivatives before master netting agreements (2), (3)	20,508	11%	70,345	39%	74,177	42%	15,323	8%	180,353
	\$ 915,836	59%	\$ 385,811	25%	\$ 166,481	11%	\$ 71,442	5%	\$ 1,539,570
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 506,219	55%	\$ 318,215	35%	\$ 60,389	7%	\$ 30,923	3%	\$ 915,746
Other	86,735	41%	100,512	48%	18,665	9%	4,286	2%	210,198
	\$ 592,954	53%	\$ 418,727	37%	\$ 79,054	7%	\$ 35,209	3%	\$ 1,125,944

(Millions of Canadian dollars, except percentage amounts)	As at October 31, 2024								
	Canada	%	United States	%	Europe	%	Other International	%	Total
On-balance sheet assets other than derivatives (1)	\$ 897,614	67%	\$ 297,335	22%	\$ 88,394	7%	\$ 54,912	4%	\$ 1,338,255
Derivatives before master netting agreements (2), (3)	21,555	14%	47,204	31%	71,198	46%	13,276	9%	153,233
	\$ 919,169	61%	\$ 344,539	23%	\$ 159,592	11%	\$ 68,188	5%	\$ 1,491,488
Off-balance sheet credit instruments (4)									
Committed and uncommitted (5)	\$ 487,142	57%	\$ 282,907	34%	\$ 51,516	6%	\$ 27,615	3%	\$ 849,180
Other	82,910	48%	67,322	39%	18,162	11%	3,145	2%	171,539
	\$ 570,052	56%	\$ 350,229	34%	\$ 69,678	7%	\$ 30,760	3%	\$ 1,020,719

- (1) Includes Assets purchased under reverse repurchase agreements and securities borrowed and Loans. The largest concentrations in Canada are Ontario at 54% (October 31, 2024 – 57%), Alberta, Saskatchewan and Manitoba at 15% (October 31, 2024 – 13%), British Columbia and the territories at 17% (October 31, 2024 – 16%) and Quebec at 10% (October 31, 2024 – 10%). No industry accounts for more than 20% (October 31, 2024 – 20%) of total on-balance sheet credit instruments, with the exception of Banking, which accounted for 22% (October 31, 2024 – 24%), and Government, which accounted for 31% (October 31, 2024 – 28%). The classification of our sectors aligns with our view of credit risk by industry.
- (2) A further breakdown of our derivative exposures by risk rating and counterparty type is provided in Note 9.
- (3) Excludes valuation adjustments determined on a pooled basis.
- (4) Balances presented are contractual amounts representing our maximum exposure to credit risk.
- (5) Represents our maximum exposure to credit risk. Retail and wholesale commitments respectively comprise 43% and 57% of our total commitments (October 31, 2024 – 40% and 60%). The largest concentrations in the wholesale portfolio relate to Financial services at 17% (October 31, 2024 – 14%), Real estate and related at 12% (October 31, 2024 – 12%), Investments at 10% (October 31, 2024 – 10%), Utilities at 8% (October 31, 2024 – 10%), and Other services at 9% (October 31, 2024 – 7%). The classification of our sectors aligns with our view of credit risk by industry.

Regulatory capital and capital ratios

OSFI formally establishes risk-based capital and leverage minimums and Total Loss Absorbing Capacity (TLAC) ratios for deposit-taking institutions in Canada. We are required to calculate our capital ratios using the Basel III framework. Under Basel III, regulatory capital includes Common Equity Tier 1 (CET1), Tier 1 and Tier 2 capital. CET1 capital mainly consists of common shares, retained earnings and other components of equity. Regulatory adjustments under Basel III include deductions of goodwill and other intangibles, certain deferred tax assets, defined benefit pension fund assets, investments in banking, financial and insurance entities, the shortfall of provisions to expected losses, prudential valuation adjustments, prepaid portfolio insurance assets, non-payment and non-delivery of trades and equity investment in funds subject to the fall-back approach. Tier 1 capital comprises predominantly CET1 and Additional Tier 1 items including non-cumulative preferred shares and LRCNs that meet certain criteria. Tier 2 capital includes subordinated debentures that meet certain criteria, certain loan loss allowances and non-controlling interests in subsidiaries' Tier 2 instruments. Total capital is the sum of Tier 1 and Tier 2 capital. TLAC available is defined as the sum of Total capital and external TLAC instruments. External TLAC instruments comprise predominantly senior bail-in debt, which includes eligible senior unsecured debt with an original term to maturity of greater than 400 days and remaining term to maturity of greater than 365 days.

Regulatory capital ratios are calculated by dividing CET1, Tier 1, Total capital and TLAC available by risk-weighted assets. The leverage ratio is calculated by dividing Tier 1 capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 capital) and certain off-balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks. The TLAC leverage ratio is calculated by dividing TLAC available by the leverage ratio exposure.

During 2025 and 2024, we complied with all applicable capital, leverage and TLAC requirements, including the domestic stability buffer, imposed by OSFI.

	As at	
	October 31 2025	October 31 2024
(Millions of Canadian dollars, except percentage amounts)		
Capital ⁽¹⁾		
CET1 capital	\$ 98,748	\$ 88,936
Tier 1 capital	110,393	97,952
Total capital	122,399	110,487
Risk-weighted assets (RWA) used in calculation of capital ratios ⁽¹⁾		
Credit risk	\$ 590,306	\$ 548,809
Market risk	41,506	33,930
Operational risk	98,413	89,543
Total RWA	\$ 730,225	\$ 672,282
Capital ratios and Leverage ratio ⁽¹⁾		
CET1 ratio	13.5%	13.2%
Tier 1 capital ratio	15.1%	14.6%
Total capital ratio	16.8%	16.4%
Leverage ratio	4.4%	4.2%
Leverage ratio exposure	\$ 2,491,090	\$ 2,344,228
TLAC available and ratios ⁽²⁾		
TLAC available	\$ 230,385	\$ 196,659
TLAC ratio	31.5%	29.3%
TLAC leverage ratio	9.2%	8.4%

- (1) Capital, RWA and capital ratios are calculated using OSFI's Capital Adequacy Requirements (CAR) guideline and the Leverage ratio is calculated using OSFI's Leverage Requirements (LR) guideline. Both the CAR guideline and LR guideline are based on the Basel III framework.
- (2) TLAC available and TLAC ratios are calculated using OSFI's TLAC guideline. The TLAC standard is applied at the resolution entity level which for us is deemed to be Royal Bank of Canada and its subsidiaries. A resolution entity and its subsidiaries are collectively called a resolution group. The TLAC ratio and TLAC leverage ratio are calculated using TLAC available as a percentage of total RWA and leverage exposure, respectively.

Note 29 Offsetting financial assets and financial liabilities

Offsetting within our Consolidated Balance Sheets may be achieved where financial assets and liabilities are subject to master netting arrangements that provide the currently enforceable right of offset and where there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. For derivative contracts and repurchase and reverse repurchase arrangements, this is generally achieved when there is a market mechanism for settlement (e.g., central counterparty exchange or clearing house) which provides daily net settlement of cash flows arising from these contracts. Margin receivables and margin payables are generally offset as they settle simultaneously through a market settlement mechanism.

Amounts that do not qualify for offsetting include master netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such master netting arrangements include the International Swaps and Derivatives Association Master Agreement or certain derivative exchange or clearing counterparty agreements for derivative contracts, global master repurchase agreements and global master securities lending agreements for repurchase, reverse repurchase and other similar secured lending and borrowing arrangements.

The amount of financial collateral received or pledged subject to master netting arrangements or similar agreements that do not qualify for offsetting refers to the collateral received or pledged to cover the net exposure between counterparties by enabling the collateral to be realized in an event of default or the occurrence of other predetermined events. Certain amounts of collateral are restricted from being sold or re-pledged unless there is an event of default or the occurrence of other predetermined events.

The following tables provide the financial instrument amounts that have been offset on the Consolidated Balance Sheets and the amounts that do not qualify for offsetting but are subject to enforceable master netting arrangements or similar agreements. The amounts presented are not intended to represent our actual exposure to credit risk.

Financial instruments subject to enforceable master netting arrangements or similar agreements

	As at October 31, 2025								
	Amounts subject to enforceable netting arrangements							Amounts not subject to enforceable netting arrangements	Net amounts presented on the Consolidated Balance Sheets
	Gross amounts of recognized financial instruments	Gross amounts offset on the Consolidated Balance Sheets	Net amounts presented in the Consolidated Balance Sheets	Related amounts not offset on the Consolidated Balance Sheets (1)			Net amounts		
Impact of master netting agreements				Financial collateral (2)					
(Millions of Canadian dollars)									
Financial assets									
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 467,653	\$ 157,970	\$ 309,683	\$ 101	\$ 308,751	\$ 831	\$ –	\$ 309,683	
Derivative assets	173,512	2,067	171,445	127,728	19,425	24,292	5,761	177,206	
Other financial assets	2,364	540	1,824	30	382	1,412	–	1,824	
	\$ 643,529	\$ 160,577	\$ 482,952	\$ 127,859	\$ 328,558	\$ 26,535	\$ 5,761	\$ 488,713	
Financial liabilities									
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 447,486	\$ 157,970	\$ 289,516	\$ 101	\$ 287,612	\$ 1,803	\$ –	\$ 289,516	
Derivative liabilities	172,461	2,067	170,394	127,728	23,520	19,146	13,559	183,953	
Other financial liabilities	1,457	540	917	30	–	887	–	917	
	\$ 621,404	\$ 160,577	\$ 460,827	\$ 127,859	\$ 311,132	\$ 21,836	\$ 13,559	\$ 474,386	

	As at October 31, 2024								
	Amounts subject to enforceable netting arrangements							Amounts not subject to enforceable netting arrangements	Net amounts presented on the Consolidated Balance Sheets
	Gross amounts of recognized financial instruments	Gross amounts offset on the Consolidated Balance Sheets	Net amounts presented in the Consolidated Balance Sheets	Related amounts not offset on the Consolidated Balance Sheets (1)			Net amounts		
Impact of master netting agreements				Financial collateral (2)					
(Millions of Canadian dollars)									
Financial assets									
Assets purchased under reverse repurchase agreements and securities borrowed	\$ 495,881	\$ 145,078	\$ 350,803	\$ 112	\$ 349,044	\$ 1,647	\$ –	\$ 350,803	
Derivative assets	145,420	1,568	143,852	105,433	16,806	21,613	6,760	150,612	
Other financial assets	2,940	527	2,413	58	288	2,067	–	2,413	
	\$ 644,241	\$ 147,173	\$ 497,068	\$ 105,603	\$ 366,138	\$ 25,327	\$ 6,760	\$ 503,828	
Financial liabilities									
Obligations related to assets sold under repurchase agreements and securities loaned	\$ 450,399	\$ 145,078	\$ 305,321	\$ 112	\$ 302,779	\$ 2,430	\$ –	\$ 305,321	
Derivative liabilities	151,564	1,568	149,996	105,433	17,727	26,836	13,767	163,763	
Other financial liabilities	1,941	527	1,414	58	–	1,356	–	1,414	
	\$ 603,904	\$ 147,173	\$ 456,731	\$ 105,603	\$ 320,506	\$ 30,622	\$ 13,767	\$ 470,498	

- Financial collateral is reflected at fair value. The financial instrument amounts and financial collateral disclosed are limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.
- Includes cash collateral of \$16 billion (October 31, 2024 – \$14 billion) and non-cash collateral of \$312 billion (October 31, 2024 – \$352 billion) received for financial assets and cash collateral of \$19 billion (October 31, 2024 – \$14 billion) and non-cash collateral of \$292 billion (October 31, 2024 – \$307 billion) pledged for financial liabilities.

Note 30 Recovery and settlement of on-balance sheet assets and liabilities

The table below presents an analysis of assets and liabilities recorded on our Consolidated Balance Sheets by amounts to be recovered or settled within one year and after one year, as at the balance sheet date, based on contractual maturities and certain other assumptions outlined in the footnotes below. As warranted, we manage the liquidity risk of various products based on historical behavioural patterns that are often not aligned with contractual maturities. Amounts to be recovered or settled within one year, as presented below, may not be reflective of our long-term view of the liquidity profile of certain balance sheet categories.

(Millions of Canadian dollars)	As at					
	October 31, 2025			October 31, 2024		
	Within one year	After one year	Total	Within one year	After one year	Total
Assets						
Cash and due from banks (1)	\$ 35,136	\$ 1,888	\$ 37,024	\$ 55,003	\$ 1,720	\$ 56,723
Interest-bearing deposits with banks	50,364	–	50,364	66,020	–	66,020
Securities						
Trading (2)	204,063	15,004	219,067	170,460	12,840	183,300
Investment, net of applicable allowance	70,438	272,283	342,721	45,418	211,200	256,618
Assets purchased under reverse repurchase and securities borrowed	309,632	51	309,683	350,622	181	350,803
Loans						
Retail	200,928	451,416	652,344	174,761	452,217	626,978
Wholesale	98,494	298,677	397,171	89,492	270,947	360,439
Allowance for loan losses			(7,093)			(6,037)
Other						
Derivatives (2)	174,943	2,263	177,206	148,605	2,007	150,612
Premises and equipment	109	6,710	6,819	156	6,696	6,852
Goodwill	–	19,405	19,405	–	19,286	19,286
Other intangibles	–	7,402	7,402	–	7,798	7,798
Other assets	90,520	22,373	112,893	69,287	22,903	92,190
	\$ 1,234,627	\$ 1,097,472	\$ 2,325,006	\$ 1,169,824	\$ 1,007,795	\$ 2,171,582
Liabilities						
Deposits (3)	\$ 1,244,662	\$ 270,954	\$ 1,515,616	\$ 1,144,860	\$ 264,671	\$ 1,409,531
Other						
Obligations related to securities sold short	49,241	650	49,891	32,824	2,462	35,286
Obligations related to assets sold under repurchase agreements and securities loaned	287,844	1,672	289,516	304,855	466	305,321
Derivatives (2)	182,415	1,538	183,953	158,622	5,141	163,763
Insurance contract liabilities (4)	382	23,945	24,327	459	21,772	22,231
Other liabilities	73,000	35,591	108,591	70,499	24,213	94,712
Subordinated debentures	2,091	11,870	13,961	–	13,546	13,546
	\$ 1,839,635	\$ 346,220	\$ 2,185,855	\$ 1,712,119	\$ 332,271	\$ 2,044,390

- (1) Cash and due from banks are assumed to be recovered within one year, except for cash balances not available for use by the Bank beyond one year.
- (2) Trading securities classified as FVTPL and trading derivatives are presented as within one year as this best represents in most instances the short-term nature of our trading activities, except for debt securities relating to the Insurance segment which are presented based on contractual maturity. Trading securities designated as FVTPL are generally presented based on contractual maturity. Non-trading derivatives are presented according to the recovery or settlement of the hedging transaction.
- (3) Demand deposits of \$673 billion (October 31, 2024 – \$585 billion) are presented as within one year due to their being repayable on demand or at short notice on a contractual basis. In practice, these deposits relate to a broad range of individuals and customer-types which form a stable base for our operations and liquidity needs.
- (4) Insurance contract liabilities reflect the estimated timing of when settlement of those amounts are expected to occur. The amounts payable on demand relating to policyholders' cash and/or account values for insurance contract liabilities, including segregated fund insurance contract liabilities, is \$8 billion (October 31, 2024 – \$8 billion).

Note 31 Parent company information

The following table presents information regarding the legal entity of Royal Bank of Canada with its subsidiaries presented on an equity accounted basis.

Condensed Balance Sheets

(Millions of Canadian dollars)	As at	
	October 31 2025	October 31 2024
Assets		
Cash and due from banks	\$ 24,132	\$ 40,944
Interest-bearing deposits with banks	40,455	54,009
Securities	311,972	233,376
Investments in bank subsidiaries and associated companies (1)	67,055	57,926
Investments in other subsidiaries and associated companies	122,842	117,362
Assets purchased under reverse repurchase agreements and securities borrowed	155,843	174,131
Loans, net of allowance for loan losses	887,465	839,424
Net balances due from bank subsidiaries (1)	–	97
Other assets	259,121	216,003
	\$ 1,868,885	\$ 1,733,272
Liabilities and shareholders' equity		
Deposits	\$ 1,261,032	\$ 1,168,765
Net balances due to bank subsidiaries (1)	16,320	–
Net balances due to other subsidiaries	15,050	17,840
Other liabilities	423,430	406,032
	1,715,832	1,592,637
Subordinated debentures	13,961	13,546
Shareholders' equity	139,092	127,089
	\$ 1,868,885	\$ 1,733,272

(1) Bank refers primarily to regulated deposit-taking institutions and securities firms.

Condensed Statements of Income and Comprehensive Income

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Interest and dividend income (1)	\$ 70,321	\$ 70,603
Interest expense	53,966	57,094
Net interest income	16,355	13,509
Non-interest income (2)	8,916	5,080
Total revenue	25,271	18,589
Provision for credit losses	4,039	2,964
Non-interest expense	14,234	13,543
Income before income taxes	6,998	2,082
Income taxes	2,526	1,031
Net income before equity in undistributed income of subsidiaries	4,472	1,051
Equity in undistributed income of subsidiaries	15,890	15,179
Net income	\$ 20,362	\$ 16,230
Other comprehensive income (loss), net of taxes	772	597
Total comprehensive income	\$ 21,134	\$ 16,827

(1) Includes dividend income from investments in subsidiaries and associated companies of \$1 million (October 31, 2024 – \$9 million).

(2) Includes a nominal share of income (loss) from associated companies (October 31, 2024 – nominal).

Condensed Statements of Cash Flows

(Millions of Canadian dollars)	For the year ended	
	October 31 2025	October 31 2024
Cash flows from operating activities		
Net income	\$ 20,362	\$ 16,230
Adjustments to determine net cash from operating activities:		
Change in undistributed earnings of subsidiaries	(15,890)	(15,179)
Change in deposits	92,267	77,327
Change in loans	(49,013)	(56,572)
Change in trading securities	(26,471)	3,162
Change in obligations related to assets sold under repurchase agreements and securities loaned	(26,361)	(2,860)
Change in assets purchased under reverse repurchase agreements and securities borrowed	18,288	(24,203)
Change in obligations related to securities sold short	14,955	(1,721)
Other operating activities, net	(9,112)	(2,565)
Net cash from (used in) operating activities	19,025	(6,381)
Cash flows from investing activities		
Change in interest-bearing deposits with banks	13,554	7,247
Proceeds from sales and maturities of investment securities	150,541	167,772
Purchases of investment securities	(202,133)	(152,935)
Net acquisitions of premises and equipment and other intangibles	(1,842)	(1,277)
Cash used in an acquisition, net of cash acquired	–	(12,872)
Change in cash invested in subsidiaries	(643)	1,252
Change in net funding provided to subsidiaries	13,627	(166)
Net cash from (used in) investing activities	(26,896)	9,021
Cash flows from financing activities		
Issuance of subordinated debentures	2,991	3,239
Repayment of subordinated debentures	(2,750)	(1,500)
Issue of common shares, net of issuance costs	72	159
Common shares purchased for cancellation	(2,768)	(140)
Issue of preferred shares and other equity instruments, net of issuance costs	4,945	2,702
Redemption of preferred shares and other equity instruments	(2,350)	(1,021)
Dividends paid on shares and distributions paid on other equity instruments	(8,800)	(6,637)
Repayment of lease liabilities	(281)	(268)
Net cash from (used in) financing activities	(8,941)	(3,466)
Net change in cash and due from banks	(16,812)	(826)
Cash and due from banks at beginning of year	40,944	41,770
Cash and due from banks at end of year	\$ 24,132	\$ 40,944
Supplemental disclosure of cash flow information		
Amount of interest paid	\$ 53,560	\$ 55,119
Amount of interest received	65,880	67,857
Amount of dividends received	3,388	2,869
Amount of income taxes paid	2,599	504

Note 32 Principal subsidiaries

(Millions of Canadian dollars)

		As at October 31, 2025
		Carrying value of voting shares owned by the Bank ⁽³⁾
Principal subsidiaries ⁽¹⁾	Principal office address ⁽²⁾	
Royal Bank Holding Inc.	Toronto, Ontario, Canada	\$ 103,027
RBC Direct Investing Inc.	Toronto, Ontario, Canada	
RBC Insurance Holdings Inc.	Mississauga, Ontario, Canada	
RBC Life Insurance Company	Mississauga, Ontario, Canada	
Investment Holdings (Cayman) Limited	George Town, Grand Cayman, Cayman Islands	
RBC (Cayman) Funding Ltd.	George Town, Grand Cayman, Cayman Islands	
Capital Funding Alberta Limited	Calgary, Alberta, Canada	
RBC Global Asset Management Inc.	Toronto, Ontario, Canada	
RBC Investor Services Trust	Toronto, Ontario, Canada	
RBC (Barbados) Trading Bank Corporation	St. James, Barbados	
RBC US Group Holdings LLC ⁽²⁾	Toronto, Ontario, Canada	38,425
RBC USA Holdco Corporation	New York, New York, U.S.	
RBC Capital Markets, LLC	New York, New York, U.S.	
City National Bank	Los Angeles, California, U.S.	
RBC Dominion Securities Limited	Toronto, Ontario, Canada	19,306
RBC Dominion Securities Inc.	Toronto, Ontario, Canada	
Royal Bank Mortgage Corporation	Toronto, Ontario, Canada	7,420
RBC Europe Limited	London, England	5,822
The Royal Trust Company	Montreal, Quebec, Canada	1,782
Royal Trust Corporation of Canada	Toronto, Ontario, Canada	785

(1) The Bank directly or indirectly controls each subsidiary.

(2) Each subsidiary is incorporated or organized under the laws of the state, province or country in which the principal office is situated, except for RBC US Group Holdings LLC and RBC USA Holdco Corporation, which are incorporated under the laws of the State of Delaware, U.S.; RBC Capital Markets, LLC, which is organized under the laws of the State of Minnesota, U.S.; and City National Bank, which is a national bank, chartered under the laws of the United States of America.

(3) The carrying value of voting shares is stated as the Bank's equity in such investments.

Certain of our subsidiaries, joint ventures and associates are subject to regulatory requirements of the jurisdictions in which they operate. When these subsidiaries, joint ventures and associates are subject to such requirements, they may be restricted from transferring to us our share of their assets in the form of cash dividends, loans or advances. As at October 31, 2025, restricted net assets of these subsidiaries, joint ventures and associates were \$61 billion (October 31, 2024 – \$56 billion).